Consolidated interim report of the Grupa Azoty Group for Q1 2020

Contents

Interim condensed consolidated financial statements of the Grupa Azoty Group for the three months ended March 31st 2020

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed consolidated statement of profit or loss and other comprehensive income

	for the period Jan 1 – Mar 31 2020 *unaudited*	for the period Jan 1– Mar 31 2019 *unaudited*
Profit/loss		
Revenue	3,103,720	3,364,884
Cost of sales	(2,373,278)	(2,516,577)
Gross profit	**730,442**	**848,307**
Selling and distribution expenses	(254,930)	(235,755)
Administrative expenses	(198,670)	(202,814)
Other income	20,308	28,216
Other expenses	(11,069)	(29,867)
Operating profit	**286,081**	**408,087**
Finance income	17,227	5,848
Finance costs	(51,009)	(17,774)
Net finance income/(costs)	**(33,782)**	**(11,926)**
Share of profit of equity-accounted investees	3,467	2,894
Profit before tax	**255,766**	**399,055**
Income tax	(59,934)	(76,183)
Net profit	**195,832**	**322,872**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Actuarial gains from defined benefit plans	5	-
Tax on items that will not be reclassified to profit or loss	(1)	-
	4	-
Items that are or may be reclassified to profit or loss		
Cash flow hedges – effective portion of fair-value change	(58,728)	(219)
Exchange differences on translating foreign operations	54,806	836
Income tax relating to items that are or will be reclassified to profit or loss	11,159	42
	7,237	**659**
Total other comprehensive income	**7,241**	**659**
Comprehensive income for the year	**203,073**	**323,531**

The supplementary information is an integral part of these interim condensed consolidated financial statements.

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed consolidated statement of profit or loss and other comprehensive income (continued)

	for the period Jan 1 – Mar 31 2020 *unaudited*	for the period Jan 1– Mar 31 2019 *unaudited*
Net profit attributable to:		
Owners of the parent	180,650	294,776
Non-controlling interests	15,182	28,096
Comprehensive income for the year attributable to:		
Owners of the parent	187,918	295,433
Non-controlling interests	15,155	28,098
Earnings per share:		
Basic (PLN)	1.82	2.97
Diluted (PLN)	1.82	2.97

The supplementary information is an integral part of these interim condensed consolidated financial statements.

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed consolidated statement of financial position

	as at Mar 21 2020 *unaudited*	as at Dec 31 2019 *audited*
Assets		
Non-current assets		
Property, plant and equipment	8,230,186	8,142,751
Right-of-use assets	842,292	852,075
Investment property	61,161	62,014
Intangible assets	1,022,541	985,071
Goodwill	327,630	308,589
Shares	9,198	9,198
Equity-accounted investees	92,574	88,909
Other financial assets	3,514	2,406
Other receivables	535,430	156,867
Deferred tax assets	102,147	97,074
Other non-current assets	483	483
Total non-current assets	**11,227,156**	**10,705,437**
Current assets		
Inventories	1,435,962	1,669,809
Property rights	1,005,541	474,133
Derivative financial instruments	56,157	5,918
Other financial assets	80,383	174,724
Current tax assets	19,387	26,973
Trade and other receivables	1,866,173	1,615,486
Cash and cash equivalents	935,768	770,087
Other non-current assets	14,546	15,456
Assets held for sale	20,567	20,668
Total current assets	**5,434,484**	**4,773,254**
Total assets	**16,661,640**	**15,478,691**

The supplementary information is an integral part of these interim condensed consolidated financial statements.

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed consolidated statement of financial position (continued)

	as at Mar 21 2020 *unaudited*	as at Dec 31 2019 *audited*
Equity and liabilities		
Equity		
Share capital	495,977	495,977
Share premium	2,418,270	2,418,270
Hedging reserve	(41,697)	5,872
Translation reserve	46,581	(8,252)
Retained earnings, including:	4,300,368	4,124,507
Net profit for the year	*180,650*	*372,856*
Equity attributable to owners of the parent	**7,219,499**	**7,036,374**
Non-controlling interests	**887,856**	**657,573**
Total equity	**8,107,355**	**7,693,947**
Liabilities		
Borrowings	3,107,675	2,546,003
Lease liabilities	359,686	367,482
Other financial liabilities	15,043	18,357
Employee benefit obligations	471,137	469,351
Trade and other payables	26,208	27,252
Provisions	208,322	204,850
Government grants received	192,605	193,963
Deferred tax liabilities	492,327	461,124
Total non-current liabilities	**4,873,003**	**4,288,382**
Borrowings	516,781	205,908
Lease liabilities	60,108	59,530
Derivative financial instruments	15,697	15
Other financial liabilities	166,196	554,305
Employee benefit obligations	48,033	53,270
Current tax liabilities	61,926	44,672
Trade and other payables	2,461,990	2,516,567
Provisions	32,021	37,113
Government grants received	307,889	13,480
Liabilities directly associated with assets available for sale	10,641	11,502
Total current liabilities	**3,681,282**	**3,496,362**
Total liabilities	**8,554,285**	**7,784,744**
Total equity and liabilities	**16,661,640**	**15,478,691**

The supplementary information is an integral part of these interim condensed consolidated financial statements.

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed consolidated statement of changes in equity

For the period ended March 31st 2020 (*unaudited*)

	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as at Jan 1 2020	**495,977**	**2,418,270**	**5,872**	**(8,252)**	**4,124,507**	**7,036,374**	**657,573**	**7,693,947**
Profit or loss and other comprehensive income								
Net profit	-	-	-	-	180,650	180,650	15,182	195,832
Other comprehensive income	-	-	(47,569)	54,833	4	7,268	(27)	7,241
Comprehensive income for the year	**-**	**-**	**(47,569)**	**54,833**	**180,654**	**187,918**	**15,155**	**203,073**
Transactions with owners, recognised directly in equity								
Issue of ordinary shares	-	-	-	-	-	-	210,368	210,368
Changes in ownership interests in subsidiaries								
Changes in the Group	-	-	-	-	(3,774)	(3,774)	3,741	(33)
Total transactions with owners	**-**	**-**	**-**	**-**	**(3,774)**	**(3,774)**	**214,109**	**210,335**
Other Activities	-	-	-	-	(1,019)	(1,019)	1,019	-
Balance as at March 31st 2020 (unaudited)	**495,977**	**2,418,270**	**(41,697)**	**46,581**	**4,300,368**	**7,219,499**	**887,856**	**8,107,355**

The supplementary information is an integral part of these interim condensed consolidated financial statements.

(all amounts in PLN '000 unless indicated otherwise)

For the period ended March 31st 2019, restated* (*unaudited*)

	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as at Jan 1 2019	**495,977**	**2,418,270**	**1,861**	**2,789**	**3,783,874**	**6,702,771**	**625,188**	**7,327,959**
Profit or loss and other comprehensive income								
Net profit	-	-	-	-	294,776	294,776	28,096	322,872
Other comprehensive income	-	-	(177)	834	-	657	2	659
Comprehensive income for the year	**-**	**-**	**(177)**	**834**	**294,776**	**295,433**	**28,098**	**323,531**
Changes in ownership interests in subsidiaries								
Changes in the Group	-	-	-	-	(7,320)	(7,320)	7,547	227
Total transactions with owners	**-**	**-**	**-**		**(7,320)**	**(7,320)**	**7,547**	**227**
Other	-	-	-	-	491	491	(1,545)	(1,054)
Balance as at March 31st 2019 (unaudited)	**495,977**	**2,418,270**	**1,684**	**3,623**	**4,071,821**	**6,991,375**	**659,288**	**7,650,663**

* In line with the information presented in Section 2.1.b of the consolidated financial statements of the Grupa Azoty Group for the 12 months ended December 31st 2019;

The supplementary information is an integral part of these interim condensed consolidated financial statements.

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed consolidated statement of cash flows

	for the period Jan 1 – Mar 31 2020 *unaudited*	for the period Jan 1– Mar 31 2019 *unaudited*
Cash flows from operating activities		
Profit/(loss) before tax	**255,766**	**399,055**
Adjustments for:	*253,050*	*212,785*
Depreciation and amortisation	189,603	200,307
(Reversal)/Recognition of impairment losses on assets	(3,080)	392
Loss/(gain) from investing activities	1,539	(211)
Gain on disposal of financial assets	-	(478)
Share of profit of equity-accounted investees	(3,467)	(2,894)
Interest, foreign exchange gains or losses	79,524	16,774
Fair value gain on financial assets at fair value	(11,069)	(1,105)
	508,816	***611,840***
Increase in trade and other receivables	(221,073)	(322,401)
Increase in inventories	(280,778)	(378,835)
Increase/(Decrease) in trade and other payables	149,481	(39,493)
Increase in provisions, accruals and government grants	368,203	366,782
Other adjustments	(3,335)	(13,936)
Cash generated from operating activities	***521,314***	***223,957***
Income tax paid	(15,172)	(42,910)
Net cash from operating activities	**506,142**	**181,047**

The supplementary information is an integral part of these interim condensed consolidated financial statements.

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed consolidated statement of cash flows (continued)

	for the period Jan 1 – Mar 31 2020 *unaudited*	for the period Jan 1– Mar 31 2019 *unaudited*
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	648	4,042
Purchase of property, plant and equipment, intangible assets and investment property	(620,364)	(245,189)
Purchase of other financial assets	(80,000)	(59,000)
Proceeds from sale of other financial assets	173,000	3,000
Interest received	9,754	5,318
Government grants received	-	40
Repayments of loans	27	27
Other investing cash proceeds	449	-
Payments related to acquisition of derivatives	(22,128)	-
Other disbursements	(1,346)	(414)
Net cash from investing activities	**(539,960)**	**(292,176)**
Cash flows from financing activities		
Net proceeds from non-controlling interests on account of issue of shares in a subsidiary	205,172	-
Proceeds from borrowings	647,012	258,987
Repayment of borrowings	(10,512)	(226,782)
Interest paid	(36,587)	(21,309)
Payment of finance lease liabilities	(16,945)	(11,429)
Other cash provided by financing activities	11,945	2,210
Repayment of reverse factoring	(612,932)	(132,735)
Other cash used in financing activities	(669)	(1,043)
Net cash from financing activities	**186,484**	**(132,101)**
Total net cash flows	**152,666**	**(243,230)**
Cash and cash equivalents at beginning of period	**770,087**	**846,532**
Effect of exchange rate fluctuations on cash held	13,015	1,432
Cash and cash equivalents at end of period	**935,768**	**604,734**

The supplementary information is an integral part of these interim condensed consolidated financial statements.

Supplementary information to the interim condensed consolidated financial statements

1. Description of the Group

1.1. The Group's organisational structure

As at March 31st 2020, the Grupa Azoty Group (the "Group") comprised: Grupa Azoty S.A. (the "Parent"), direct subsidiaries:

- COMPO EXPERT Holding GmbH ("COMPO EXPERT", formerly Goat TopCo GmbH) – wholly-owned,
- Grupa Azoty ATT Polymers GmbH – wholly-owned,
- Grupa Azoty Compounding Sp. z o.o. – wholly-owned,
- Grupa Azoty Folie Sp. z o.o. w likwidacji (in liquidation) – wholly-owned,
- Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. (Grupa Azoty SIARKOPOL) – a 99.73% interest,
- Grupa Azoty Zakłady Azotowe Puławy S.A. (Grupa Azoty PUŁAWY) – a 95.98% interest,
- Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. (Grupa Azoty KĘDZIERZYN) – a 93.48% interest,
- Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. (Grupa Azoty PKCh Sp. z o.o.) – a 63.27% interest, with Grupa Azoty KĘDZIERZYN holding a 36.73% interest,
- Grupa Azoty Zakłady Chemiczne Police S.A. (Grupa Azoty POLICE) – a 62.86% interest,
- Grupa Azoty Koltar Sp. z o.o. (Grupa Azoty KOLTAR) – a 60% interest, with Grupa Azoty PUŁAWY and Grupa Azoty KĘDZIERZYN each holding a 20% interest,

as well as the indirect subsidiaries and associates presented in the charts on the next pages.

The Parent was entered in the Register of Businesses in the National Court Register (entry No. KRS 0000075450) on December 28th 2001, pursuant to a ruling of the District Court for Kraków-Śródmieście in Kraków, 12th Commercial Division of the National Court Register, dated December 28th 2001. The Parent's REGON number for public statistics purposes is 850002268.
Since April 22nd 2013, the Parent has been trading under the name Grupa Azoty Spółka Akcyjna (abbreviated to Grupa Azoty S.A.).

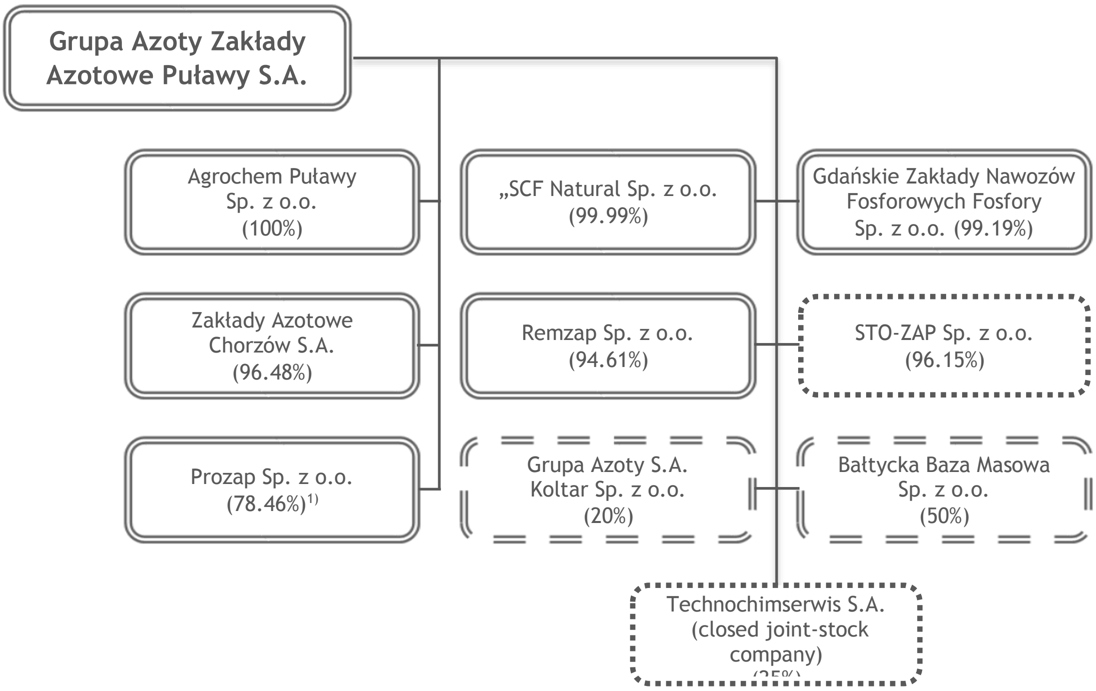
The Group's business includes in particular:

- processing of nitrogen products,
- manufacture and sale of fertilizers,
- manufacture and sale of plastics,
- manufacture and sale of OXO alcohols,
- manufacture and sale of titanium white,
- manufacture and sale of melamine,
- production of sulfur and processing of sulfur-based products.

The Parent and the Group companies were incorporated for unlimited period.

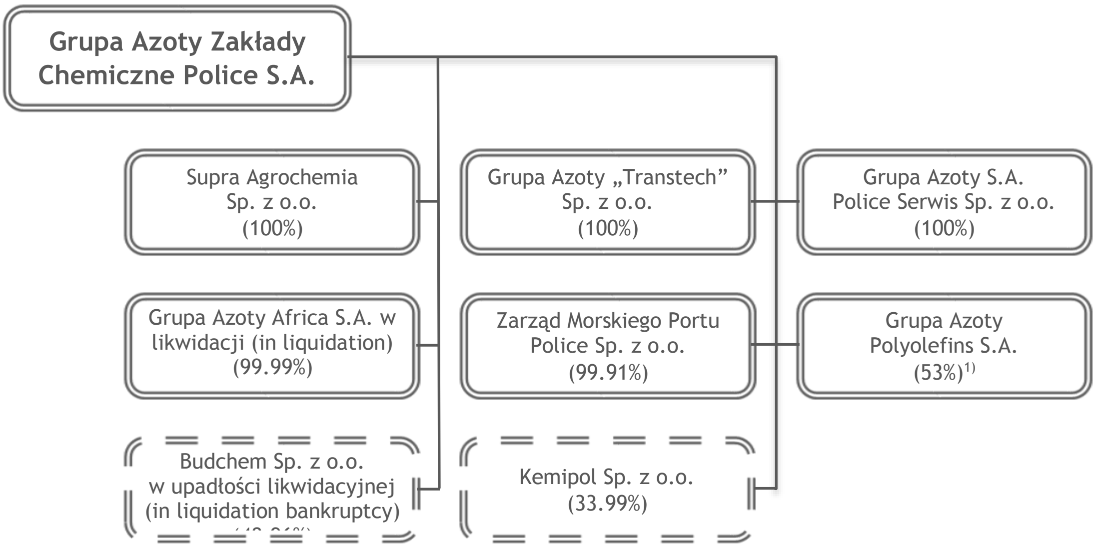
These interim condensed consolidated financial statements were authorised for issue by the Parent's Management Board on May 20th 2020.

Structure of Grupa Azoty PUŁAWY as at March 31st 2020:



1) Grupa Azoty POLICE holds 7.35% of shares.

Structure of Grupa Azoty POLICE as at March 31st 2020



1) The Parent holds 47% of shares in Grupa Azoty Polyolefins S.A.

Legend:

Fully-consolidated entities

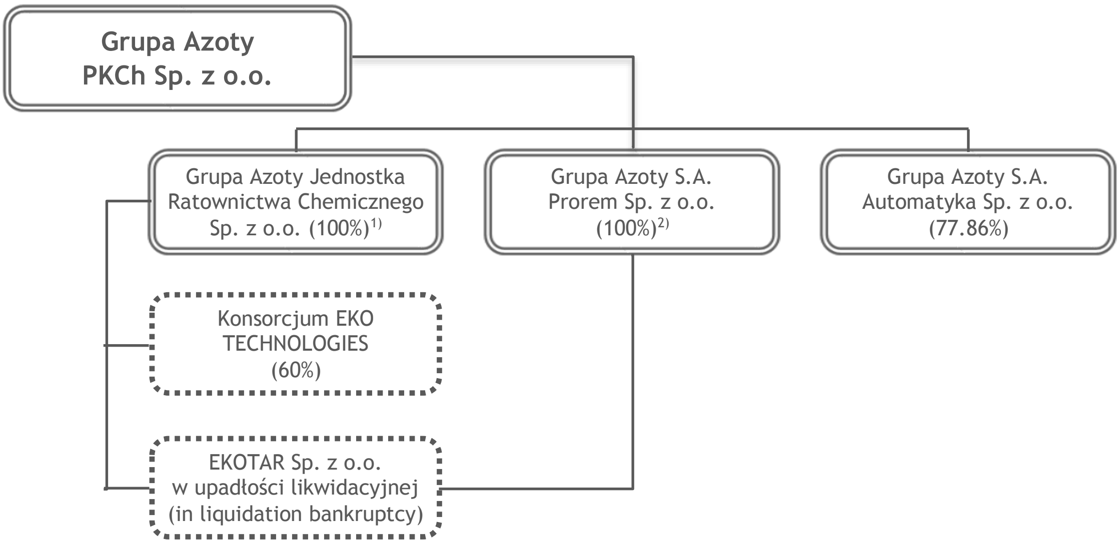
Equity-accounted entities

Non-consolidated entities

Structure of Grupa Azoty KĘDZIERZYN as at March 31st 2020

[1] Grupa Azoty KOLTAR Sp. z o.o holds 0.783% of shares in ZAKSA S.A.

Structure of Grupa Azoty PKCh Sp. z o.o. as at March 31st 2020



[1] Grupa Azoty Jednostka Ratownictwa Chemicznego Sp. z o.o. holds 12% of the shares in EKOTAR Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy).
[2] Grupa Azoty Prorem Sp. z o.o. holds 12% of the shares in EKOTAR Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy).

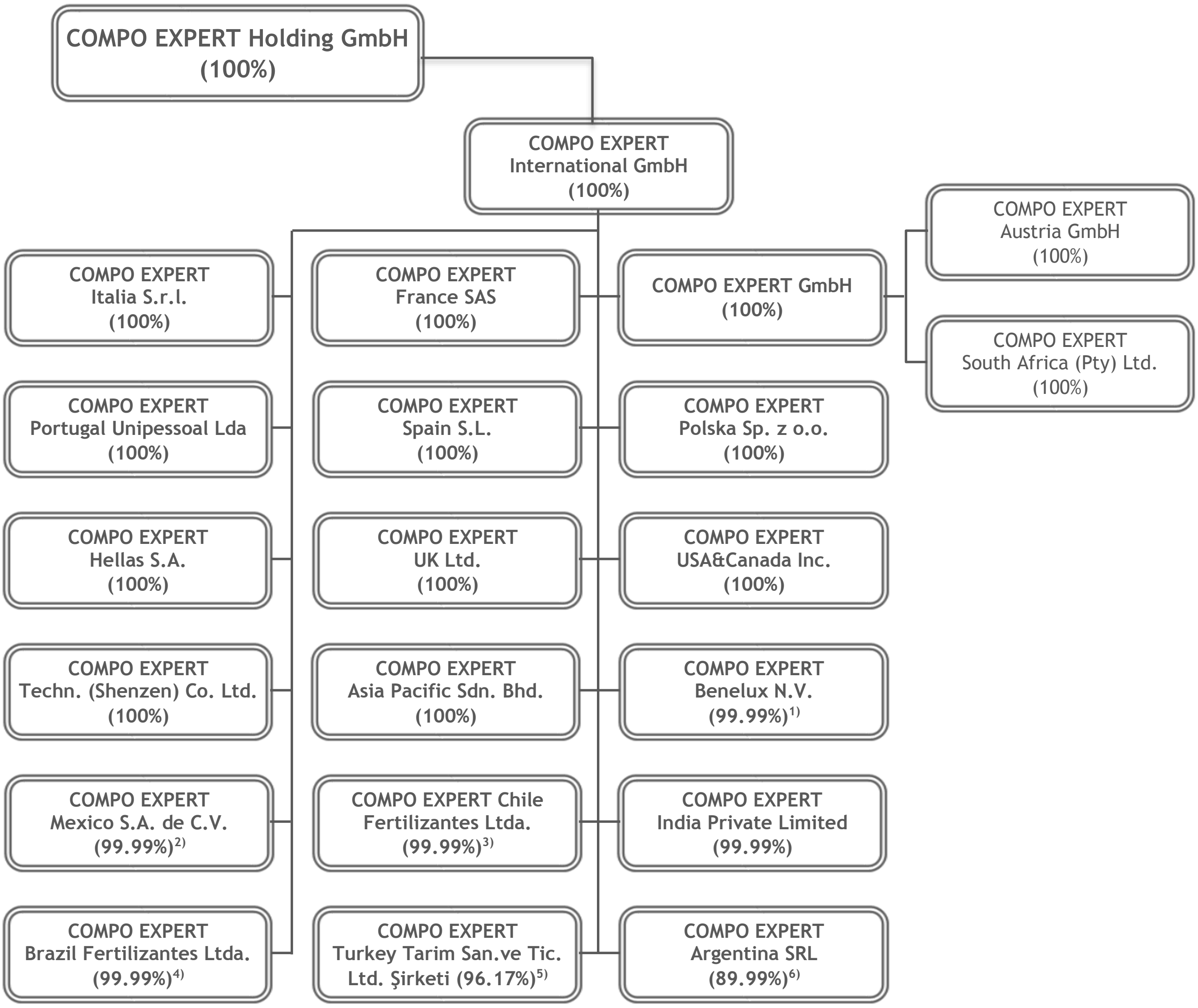
Legend:

Fully-consolidated entities

Equity-accounted entities

Non-consolidated entities

Structure of the COMPO EXPERT Group as at March 31st 2020



1) COMPO EXPERT Benelux N.V. – COMPO EXPERT GmbH holds 0.0103% of the shares.
2) COMPO EXPERT Mexico S.A. de C.V. – COMPO EXPERT GmbH holds 0.000311% of the shares.
3) COMPO EXPERT Chile Fertilizantes Ltda. – COMPO EXPERT GmbH holds 0.01% of the shares.
4) COMPO EXPERT Brazil Fertilizantes Ltda. – COMPO EXPERT GmbH holds 0.000003% of the shares.
5) COMPO EXPERT Turkey Tarim San.ve Tic. Ltd. Şirketi – COMPO EXPERT GmbH holds 3.83% of the shares.
6) COMPO EXPERT Argentina SRL – COMPO EXPERT GmbH holds 10.000024% of the shares.

Legend:

Fully-consolidated entities

Equity-accounted entities

Non-consolidated entities

1.2. Changes in the Group's structure

Changes in the Group's structure in Q1 2020

Deregistration of Infrapark Police S.A. w likwidacji (in liquidation)
On January 9th 2020, the District Court for Szczecin-Centrum in Szczecin, 13th Commercial Division of the National Court Register, deleted Infrapark Police S.A. w likwidacji (in liquidation) from the Business Register of the National Court Register. As the company was not consolidated and the value of its shares was zero, the event had no financial effect on the Group's consolidated financial statements.

Registration of an increase in Grupa Azoty POLICE's share capital
On January 10th 2020, the District Court for Szczecin-Centrum of Szczecin, 13th Commercial Division of the National Court Register, registered an increase in the share capital and amendments to the Articles of Association of Grupa Azoty POLICE. The share capital was increased from PLN 750,000,000 to PLN 1,241,757,680 through an issue of 49,175,768 Series C ordinary bearer shares with a par value of PLN 10.00 per share.
After the registration of the increase, the share capital of Grupa Azoty POLICE amounts to PLN 1,241,757,680 and is divided into 124,175,768 shares with a par value of PLN 10.00 per share, including:

- 60,000,000 Series A shares,
- 15,000,000 Series B shares,
- 49,175,768 Series C shares.

The total number of voting rights attached to all the shares in issue is 124,175,768.
As a result of its participation in the public offering of new shares in Grupa Azoty POLICE, the Parent acquired 28,551,500 shares and now holds in aggregate 78,051,500 shares in Grupa Azoty POLICE, representing 62.86% of its share capital. Prior to the issue, the Parent's holding in Grupa Azoty POLICE represented 66% of its share capital. The reduction had no effect on the Group's net profit/(loss), but resulted in an increase of minority interests by PLN 3,764 thousand.

Increase in Grupa Azoty Polyolefins S.A's share capital
On January 24th 2020, an Extraordinary General Meeting of Grupa Azoty POLICE, and on February 17th 2020 – an Extraordinary General Meeting of the Parent approved the purchase by the companies of shares, for the issue price specified by the General Meeting of Grupa Azoty POLYOLEFINS, by way of a private placement, within the meaning of Art. 431.2.1 of the Commercial Companies Code, in a number ensuring that the companies' current percentage shareholdings in Grupa Azoty POLYOLEFINS are maintained.
On February 18th 2020, an Extraordinary General Meeting of Grupa Azoty POLYOLEFINS passed a resolution to increase the share capital by PLN 131,944,310.00 through the issue of 13,194,431 new Series F registered shares with a par value of PLN 10.00 per share. The issue price of each Series F share is PLN 47.90.
The new shares were to be acquired in a private placement by Grupa Azoty POLICE, which was to acquire 6,993,048 shares for a total issue price of PLN 334,968 thousand, and the Parent, which was to acquire 6,201,383 shares for a total issue price of PLN 297,047 thousand.
On March 18th 2020, the Parent's Management Board passed a resolution to acquire 6,201,383 shares in Grupa Azoty POLYOLEFINS as part of the issue of Series F shares, for the issue price of PLN 47.90 per share (total consideration of PLN 297,046,245.70). In order to implement the resolution, the Management Board requested the Supervisory Board to grant consent for the above actions.
On April 7th 2020, the Supervisory Board of the Parent approved the execution of an agreement to acquire Grupa Azoty POLYOLEFINS shares.
As Grupa Azoty POLYOLEFINS' requirement for funds was deferred in time, the above equity contributions were not made and on April 30th 2020 the Extraordinary General Meeting of Grupa Azoty POLYOLEFINS resolved to amend the resolutions and postpone the deadline for payment in respect of Grupa Azoty POLYOLEFINS' share issue until July 31st 2020.

Registration of a merger of Koncept Sp. z o.o. and Prozap Sp. z o.o.
The merger was entered with the National Court Register on January 29th 2020. Following the merger, Grupa Azoty POLICE received, in exchange for 1,023 shares in Koncept Sp. z o.o., 131 shares in Prozap Sp. z o.o.
Following the merger, Grupa Azoty PUŁAWY and Grupa Azoty POLICE hold, respectively, 78.46% and 7.35% of shares in Prozap Sp. z o.o.

Repurchase of minority interests in Grupa Azoty SIARKOPOL
On March 26th 2020, an entry was made in the share register concerning acquisition by the Parent of 2,159 shares, by way of repurchase in accordance with Art. 418[1] of the Commercial Companies Code.

On March 27th 2020, the Parent received a declaration of the State Treasury's acceptance of a repurchase offer for 7,604 employee-stock shares in Grupa Azoty SIARKOPOL which had not been acquired by that company's eligible employees or their heirs. The payment for the shares was made on April 30th 2020. On May 8th 2020, a global certificate for the shares was delivered against a transfer report; accordingly, the Parent's interest in the share capital of Grupa Azoty SIARKOPOL increased to 99.56%.

2. Basis of preparation of the interim condensed consolidated financial statements

2.1. Statement of compliance and general basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements of the Group cover the three months ended March 31st 2020 and contain comparative data for the three months ended March 31st 2019 and as at December 31st 2019.
The interim condensed consolidated financial statements do not include all the information and disclosures required to be included in full-year financial statements and should be read in conjunction with the consolidated full-year financial statements of the Grupa Azoty Group for the 12 months ended December 31st 2019, prepared in accordance with International Financial Reporting Standards as endorsed by the European Union. The financial statements were authorised for issue on April 7th 2020.
The Company's interim financial results may not be indicative of its potential full-year financial results.
All amounts in these interim condensed consolidated financial statements are presented in thousands of złoty, unless indicated otherwise.

These interim condensed consolidated financial statements were prepared under the assumption that the Group would continue as a going concern for the foreseeable future. For information on the impact of the COVID-19 infection pandemic on the Group's situation, see Section 3.4 *Information on the effects of the COVID-19 pandemic*. Considering the circumstances described in that section, the Parent's Management Board concluded that these issues did not indicate any threat to the Parent or any of its material subsidiaries continuing as going concerns.

2.2. Accounting policies and data presentation

The accounting policies applied to prepare these interim condensed consolidated financial statements are consistent with those applied to draw up the Grupa Azoty Group's full-year consolidated financial statements for the year ended December 31st 2019.

a) Changes in International Financial Reporting Standards

The amendments to International Financial Reporting Standards ("IFRSs") presented below have been applied in these interim condensed consolidated financial statements as of their effective dates, however, they had no material effect on the disclosed data:

- *Amendments to References to the Conceptual Framework in International Financial Reporting Standards* (issued on March 29th 2018) – effective for annual periods beginning on or after January 1st 2020;
- Amendments to IFRS 3 *Business Combinations* (issued on October 22nd 2018) – effective for annual periods beginning on or after January 1st 2020;
- Amendments to IAS 1 and IAS 8: *Definition of materiality* (published on October 31st 2018) – effective for annual periods beginning on or after January 1st 2020;
- Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest rate benchmark reform* (published on September 26th 2019) – effective for annual periods beginning on or after January 1st 2020;

b) New standards and interpretations which have been issued but are not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board, but are not yet effective:

- IFRS 14 Regulatory Deferral Accounts (issued on January 30th 2014) − pursuant to the European Commission's decision, the process leading to the approval of a preliminary version of the standard will not be initiated until the issue of its final version (not endorsed by the EU by the date of authorisation of these financial statements for issue) – effective for annual periods beginning on or after January 1st 2016,
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued on September 11th 2014) − work leading to endorsement of the amendments was deferred by the EU for an indefinite period − effective date was deferred by the IASB for an indefinite period,
- IFRS 17 *Insurance Contracts* (issued on May 18th 2017) – effective for annual periods beginning on or after January 1st 2021;
- Amendments to IAS 1 Presentation of Financial Statements: *Classification of Liabilities as Current or Non-Current* (issued on January 23rd 2020) – expected to be effective for periods beginning on or after January 1st 2022.

The effective dates are set in the text of the standards issued by the International Accounting Standards Board. The effective dates of the standards in the European Union may differ from those specified in the text of the standards and are announced on approval of a standard by the European Union.

The Group does not expect the proposed amendments to IFRSs to have a material effect on its financial reporting.

c) Judgements and estimates

The preparation of these interim condensed consolidated financial statements requires the Management Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are based on historical experience and other factors deemed reasonable under the circumstances, and their results provide a basis for judgements regarding the net carrying amounts of assets and liabilities, where they are not directly available from other sources. Actual results may differ from these estimates.

Estimates and the underlying assumptions are subject to ongoing verification. A change in accounting estimates is recognised in the period in which the change is made or in current and future periods if the change in estimates affects both the current period and the future periods.

The key judgements and estimates made by the Management Board in preparing these interim condensed consolidated financial statements were the same as those made in preparing the consolidated financial statements for the financial year ended December 31st 2019.

3. Selected notes and supplementary information

3.1. Notes

Business segment reporting

Operating segments

The Group's business objectives are delivered through four main reportable segments, identified based on separate management strategies (production, sales, and marketing) adopted in each of the segments.

Operations of the Company's reportable segments:

- Agro Fertilizers segment comprises the manufacturing and marketing of the following products:
  - Speciality (fertilizing/fertilizer) products (liquid fertilizers for foliar feeding and fertigation, biostimulants, SRF and CRF fertilizers for precise fertilization, dedicated NPK fertilizers),
  - Nitrogen fertilizers (solid: calcium ammonium nitrate, ammonium nitrate, urea; liquid: RSM® – ammonium nitrate-urea solution),

  - Nitrogen fertilizers with sulfur (solid: ammonium sulfate, ammonium sulfonitrite, urea-ammonium sulfate, calcium nitrate with sulfur; liquid: liquid: RSMS® – urea-ammonium nitrate solution, urea and ammonium sulfate solution),
  - Compound fertilizers (NPK: Polifoski® and Amofoski®; NP: DAP),
  - Nitrogen fertilizers,
  - ammonia,
  - Technical-grade and concentrated nitric acid,
  - Industrial gases;
- Plastics segment comprises the manufacturing and marketing of the following products:
  - caprolactam (an intermediate product used to manufacture polyamide 6 (PA6),
  - Natural engineering plastics (PA 6, POM – polyacetal),
  - Modified plastics (PA 6, PA66, POM, PPC – polypropylene, PPH, PBT– polybutylene terephthalate),
  - Plastic products (PA pipes, PE pipes, polyamide casings);
- Chemicals segment comprises the manufacturing and marketing of the following products:
  - Melamine,
  - OXO products (OXO alcohols, plasticizers),
  - Sulfur,
  - Titanium white,
  - Iron sulfate,
  - Solutions based on urea and ammonia;
- Energy segment includes the production of energy carriers (electricity, heat, water, process and instrument air, nitrogen) for the purposes of chemical units and, to a lesser extent, for resale (mainly of electricity) to external customers. As part of its operations, the segment also purchases and distributes natural gas for process needs;
- Other Activities segment comprises the remaining activities:
  - Research and Development Centre,
  - laboratory services,
  - Catalyst production (iron-chromium catalyst, copper catalysts, iron catalysts),
  - rental of real estate, and
  - other activities not allocated to any of the segments specified above.

(all amounts in PLN '000 unless indicated otherwise)

Operating segments

Operating segments' revenue, expenses and financial results for the three months ended March 31st 2020 (unaudited)

Continuing operations	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	1,927,296	373,252	685,460	65,895	51,817	3,103,720
Intersegment revenue	551,829	85,408	245,879	720,972	202,673	1,806,761
Total revenue	2,479,125	458,660	931,339	786,867	254,490	4,910,481
Operating expenses, including: (-)	(2,254,920)	(471,344)	(854,451)	(791,420)	(261,504)	(4,633,639)
selling and distribution expenses (-)	*(197,983)*	*(18,989)*	*(37,322)*	*(235)*	*(401)*	*(254,930)*
administrative expenses (-)	*(100,863)*	*(33,442)*	*(41,806)*	*(4,364)*	*(18,195)*	*(198,670)*
Other income	7,689	2,009	1,396	4,700	4,514	20,308
Other expenses (-)	(899)	(147)	(395)	(2,668)	(6,960)	(11,069)
Segment's EBIT	**230,995**	**(10,822)**	**77,889**	**(2,521)**	**(9,460)**	**286,081**
Finance income	-	-		-	-	17,227
Finance costs (-)	-	-	-	-	-	(51,009)
Share of profit of equity-accounted investees	-	-	-	-	-	3,467
Profit before tax	**-**	**-**	**-**	**-**	**-**	**255,766**
Income tax	-	-		-	-	(59,934)
Net profit	**-**	**-**	**-**	**-**	**-**	**195,832**
EBIT*	230,995	(10,822)	77,889	(2,521)	(9,460)	286,081
Depreciation and amortisation	81,654	18,351	26,666	27,615	26,968	181,254
Unallocated depreciation and amortisation	-	-	-	-	-	8,349
EBITDA**	**312,649**	**7,529**	**104,555**	**25,094**	**17,508**	**475,684**

* EBIT is calculated as operating profit (loss) as disclosed in the statement of profit or loss.
** EBITDA is calculated as operating profit (loss) before depreciation and amortisation.

(all amounts in PLN '000 unless indicated otherwise)

Operating segments' revenue, expenses and financial results for the three months ended March 31st 2019 (unaudited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	2,097,044	409,371	752,439	66,413	39,617	3,364,884
Intersegment revenue	634,571	95,651	273,436	791,768	200,153	1,995,579
Total revenue	2,731,615	505,022	1,025,875	858,181	239,770	5,360,463
Operating expenses, including: (-)	(2,398,285)	(466,155)	(952,810)	(861,939)	(271,536)	(4,950,725)
selling and distribution expenses (-)	*(177,566)*	*(17,391)*	*(40,811)*	*(30)*	*43*	*(235,755)*
administrative expenses (-)	*(93,016)*	*(30,477)*	*(43,870)*	*(4,218)*	*(31,233)*	*(202,814)*
Other income	7,917	358	1,927	13,068	4,946	28,216
Other expenses (-)	(9,035)	(703)	(647)	(12,305)	(7,177)	(29,867)
Segment's EBIT*	**332,212**	**38,522**	**74,345**	**(2,995)**	**(33,997)**	**408,087**
Finance income	-	-		-	-	5,848
Finance costs (-)	-	-		-	-	(17,774)
Share of profit of equity-accounted investees	-	-	-	-	-	2,894
Profit before tax	**-**	**-**	**-**	**-**	**-**	**399,055**
Income tax	-	-		-	-	(76,183)
Net profit	**-**	**-**		**-**	**-**	**322,872**
EBIT*	332,212	38,522	74,345	(2,995)	(33,997)	408,087
Depreciation and amortisation	79,584	15,687	28,032	28,171	26,123	177,597
Unallocated depreciation and amortisation	-	-	-	-	-	22,710
EBITDA**	**411,796**	**54,209**	**102,377**	**25,176**	**(7,874)**	**608,394**

* EBIT is calculated as operating profit (loss) as disclosed in the statement of profit or loss.
** EBITDA is calculated as operating profit (loss) before depreciation and amortisation.

(all amounts in PLN '000 unless indicated otherwise)

Operating segments' assets and liabilities as at March 31st 2020 (unaudited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Segment's assets	6,596,039	1,428,453	1,611,228	1,972,163	2,318,784	13,926,667
Unallocated assets	-	-	-	-	-	2,645,630
Investments in associates	-	-	-	-	-	89,343
Total assets	**6,596,039**	**1,428,453**	**1,611,228**	**1,972,163**	**2,318,784**	**16,661,640**
Segment's liabilities	2,623,931	370,814	303,500	921,526	914,287	5,134,058
Unallocated liabilities	-	-	-	-	-	3,420,227
Total liabilities	**2,623,931**	**370,814**	**303,500**	**921,526**	**914,287**	**8,554,285**

Operating segments' assets and liabilities as at December 31st 2019 (unaudited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Segment's assets	6,477,774	1,414,573	1,524,812	1,855,654	1,945,846	13,218,659
Unallocated assets	-	-	-	-	-	2,171,123
Investments in associates	-	-	-	-	-	88,909
Total assets	**6,477,774**	**1,414,573**	**1,524,812**	**1,855,654**	**1,945,846**	**15,478,691**
Segment's liabilities	2,589,279	332,759	333,591	793,075	758,895	4,807,599
Unallocated liabilities	-	-	-	-	-	2,977,145
Total liabilities	**2,589,279**	**332,759**	**333,591**	**793,075**	**758,895**	**7,784,744**

(all amounts in PLN '000 unless indicated otherwise)

Geographical areas

Revenue split by geographical areas is determined based on the location of customers.

Revenue

	for the period Jan 1 – Mar 31 2020	for the period Jan 1– Mar 31 2019
	unaudited	*unaudited*
Poland	1,480,533	1,684,205
Germany	230,276	260,264
Other EU countries	913,890	946,702
Asia	82,151	119,899
South America	50,087	72,124
Other countries	346,783	281,690
Total	**3,103,720**	**3,364,884**

No single customer accounted for more than 10% of revenue in Q1 2020 and Q1 2019.

Note 1 Impairment tests

As at March 31st 2020, the trigger referred to in paragraph 12d of IAS 36 *Impairment of Assets* occurred – the carrying amount of the Group's net assets was higher than its market capitalisation. Therefore, the Parent and the key subsidiaries reviewed the validity of the assumptions adopted for previous impairment tests and the results of those tests. The analysis showed that:

- the adopted strategy and the key assumptions did not change;
- the definition of cash generating units (CGUs) within the Group companies and the value of assets of each CGU did not change materially relative to the respective amounts as at December 31st 2019,
- EBITDA for the first three months of 2020 was higher than planned in the majority of cases; consolidated EBITDA also went up,
- there were symptoms of the risk that the macroeconomic outlook and market conditions could deteriorate, including as a result of the spreading SARS CoV-2 coronavirus pandemic, but the Group assessed their effect as limited, not warranting any material adjustment to its financial performance projections for the medium and long term relative to the levels assumed in the tests,
- the risk-free interest rate decreased as a result of the NBP's reduction of its reference rate by 0.5pp to 1.0% on March 18th 2020, the weighted average cost of capital did not increase. Another reduction in the reference rate quoted by the National Bank of Poland to 0.5% took place after the reporting date, on April 9th 2020, which has resulted in a further reduction of the risk-free rate, influencing the Group's weighted average cost of capital.

Given the above, it was concluded that the recoverable amount estimates resulting from previous tests remained valid as at March 31st 2020, no additional impairment losses needed to be recognised and no indicators existed that any impairment losses on assets recognised in prior periods should be reversed.

Grupa Azoty POLYOLEFINS, the subsidiary responsible for the implementation of the strategic capex project Polimery Police, monitors the projected profitability of its investment using a financial model for the project developed in cooperation with reputable advisory firms. The key assumptions developed for the purposes of the financial model, including technological assumptions and market forecasts, are based on independent studies, such as technical documentation provided by recognised engineering companies (including technology licensors) and market advisor reports.

The subsidiary reviews the need to update the key model assumptions and parameters on an ongoing basis. The scope of revisions made in the first quarter of 2020 covered primarily selected aspects of financial assumptions, including those agreed during ongoing discussions with the syndicate of financing institutions.

As fundraising for the Polimery Police project is at an advanced stage and given positive findings of the economic feasibility study resulting from the financial model referred to above, which the subsidiary uses as a recoverable amount estimate for the purposes of asset impairment testing, the determination that assets of the Polimery Police project were not impaired was upheld as at March 31st 2020.

(all amounts in PLN '000 unless indicated otherwise)

For detailed information on the impairment tests and their results, see Note 10 to the consolidated financial statements of the Grupa Azoty Group for the 12 months ended December 31st 2019.

Note 2 Other material changes in the statement of financial position

The PLN 378,563 thousand increase in long-term **other receivables** was attributable mainly to an increase in prepaid deliveries of non-current assets in relation to the strategic capex project Polimery Police implemented by Grupa Azoty POLYOLEFINS.

The PLN 233,847 thousand decrease in **inventories** was attributable to sale of the accumulated stock of products in connection with the beginning fertilizer season.

The PLN 531,408 thousand increase in **property rights** was mainly attributable to the annual allotment of free CO_2 emission allowances, which also led to a PLN 294,409 thousand rise in short-term grants, recognised as the corresponding entry to account for CO_2 emission allowances allocated free of charge. The balance of the increase was attributable to the settlement of CO_2 emission allowances purchased in futures/forward transactions, with some companies surrendering the allowances to offset 2019 emissions in April 2020.

The PLN 250,687 thousand increase in **trade and other receivables** was attributable to increased credit sales.

The PLN 872,545 thousand increase in **borrowings** was mainly attributable to the disbursement of long-term credit facilities granted to finance the Polimery Police project and disbursement of an overdraft facility taken out to reduce factoring liabilities.

Repayment of reverse factoring liabilities reduced **other financial liabilities** by PLN 388,109 thousand.

Note 3 Contingent liabilities, contingent assets, sureties and guarantees

Contingent assets

	as at Mar 21 2020	as at Dec 31 2019
	unaudited	*Audited*
Contingent receivables	119,601	114,213

In connection with the Act on a compensation scheme for energy-intensive sectors and subsectors of July 19th 2019, entities in these sectors may be eligible for public aid for passing on the costs of emission allowances to the prices of electricity used to produce products in energy-intensive sectors or subsectors. For an entity to be eligible, its application for refund of indirect costs must obtain a positive assessment by an accredited greenhouse gas emissions reviewer and a positive decision by the President of the Energy Regulatory Office. Refunds are expected to be paid in Q3 2020.
There is a certain limit of refunds that Poland can grant from the Indirect Emission Cost Compensation Fund, so the estimated amount of compensation may be reduced if the aggregate amount of refunds requested by Polish applicants exceeds the limit.
The Group's related contingent assets were PLN 88,764 thousand and concerned refunds expected to be received for 2019. Other contingent receivables included mainly disputed receivables from the state budget which arose from the tax authorities challenging corrections made by Grupa Azoty PUŁAWY to its property tax returns for 2012–2018, along with petitions to determine an overpayment of PLN 10,566 thousand, as well as a claim by Grupa Azoty PUŁAWY seeking compensation of PLN 18,864 thousand from Ciech S.A. for breach of warranties given in the agreement for sale of shares in GZNF Fosfory Sp. z o.o., filed with the court on October 30th 2012.

(all amounts in PLN '000 unless indicated otherwise)

Contingent liabilities and guarantees/sureties

	as at Mar 21 2020	as at Dec 31 2019
	Unaudited	*Audited*
Other contingent liabilities, including guarantees	25,190	31,651

Other contingent liabilities, including guarantees, were mainly attributable to a claim filed on February 12th 2013 by Ciech S.A. with the Regional Court of Gdańsk for payment of PLN 18,884 thousand by Gdańskie Zakłady Nawozów Fosforowych Fosfory Sp. z o.o. (a subsidiary of Grupa Azoty PUŁAWY) as compensation for damage suffered by Ciech S.A. as a result of untrue representations made by the defendant as to the legal status and financial position of the defendant and its subsidiaries, together with statutory interest accrued from the claim filing date to the payment date, and legal costs, including costs of legal representation,
The balance comprises claims brought by other companies, arising in the course of business, in respect of mutual settlements and guarantee amounts arising under trade contracts.

Note 4 Related-party transactions

Significant related-party transactions

a) **Material related-party transactions executed by the Group on non-arm's length terms**

In the three months ended March 31st 2020, the Grupa Azoty Group did not execute any related-party transactions on non-arm's length terms.

b) **Transactions with members of the Management Board and Supervisory Board of the Parent, their spouses, siblings, ascendants, descendants or other closely related persons**

During the three months ended March 31st 2020, the Grupa Azoty Group did not grant any advances, loans, guarantees or sureties to members of its management or supervisory personnel or persons closely related to them, nor did it enter into any agreements whereby such persons are required to provide benefits to the Group companies.

Note 5 Accounting estimates and assumptions

Changes in impairment losses on property, plant and equipment

	for the period Jan 1 – Mar 31 2020	for the period Jan 1– Mar 31 2019
	unaudited	*unaudited*
At beginning of period	**333,085**	**351,730**
Effect of business acquisitions/combinations	-	9,113
Recognised	-	143
Reversed (-)	(213)	-
Used (-)	(365)	(3,061)
At end of period	**332,507**	**357,925**

(all amounts in PLN '000 unless indicated otherwise)

Changes in inventory write-downs

	for the period Jan 1 – Mar 31 2020	for the period Jan 1– Mar 31 2019
	unaudited	*unaudited*
At beginning of period	**59,731**	**48,739**
Recognised	3,364	3,708
Reversed (-)	(2,717)	(720)
Used (-)	(3,695)	(6,687)
Exchange differences	32	(45)
At end of period	**56,715**	**44,995**

Changes in impairment losses on receivables

	for the period Jan 1 – Mar 31 2020	for the period Jan 1– Mar 31 2019
	unaudited	*unaudited*
At beginning of period	**84,477**	**82,290**
Recognised	5,549	2,970
Reversed (-)	(1,029)	(2,380)
Used (-)	(745)	(255)
	(1,044)	116
At end of period	**87,208**	**82,741**

3.2. Dividend

In Q1 2020 and as at the issue date of the Q1 2020 report, the Parent did not pay or declare any dividend.

3.3. Seasonality of operations

Seasonality of operations is seen mainly in the markets for mineral fertilizers.

Mineral fertilizers
In Q1 2020, conditions for the Fertilizer segment were typical of the period, which usually sees a peak in demand for fertilizers. However, the weather conditions, being the key driver of demand, were not typical at the beginning of 2020 as temperatures were high and rainfall was low. Weather conditions have a significant impact on demand for fertilizer products. The Group follows a policy of mitigating seasonality through optimum volume allocation:

- as part of all-year supplies to the distribution network, and
- by partial sales of products on geographical markets with different seasonality patterns.

Titanium white market
Because of its chief application (as a component of paints and varnishes), titanium white is a seasonal product used in structural construction. Demand for titanium white depends on the situation on its application markets, especially the construction market. It usually starts to rise at the end of the first quarter and falls as the construction season draws to an end in autumn. The first quarter is classified as a low season, a run-up to the slow beginning of a high season.

In the case of other Grupa Azoty Group's products, seasonality does not have a material effect on the Group's performance as they represent a small proportion of total output.

3.4. Information on the effects of the COVID-19 pandemic

In connection with the Act on special arrangements to prevent, counteract and combat the COVID-19 infectious disease, other infectious diseases and crisis situations caused by them (Dz.U. of 2020, item 374, as amended) and the pandemic announced by the World Health Organisation due to the spread of coronavirus SARS-CoV-2 which causes the COVID-19 disease, the Group has taken immediate measures to protect its business against the consequences of the pandemic. In order to enable the Parent and other Group companies to operate in a possibly smooth manner, procedures have been put in place to ensure prompt response by relevant units. In addition, the Grupa issued instructions to mitigate the risk of infection among its employees, including in particular:

- detailed instructions and guidelines on monitoring the health of the Group's employees and the health of trading partners' employees who come in physical contact with the Group's employees,
- reducing the number of meetings as well as domestic and foreign business travel, and using teleconferencing, videoconferencing and instant messengers as much as possible,
- instructions to enable remote work to the extent it does not disrupt the work of individual organisational units,
- instructions to provide the Group employees with additional personal protection and hygiene supplies.

The Group also monitors the market situation with respect to sales of products and supplies of key raw materials and feedstock, as well as the situation on financial markets in the context of its currency and interest rate risk exposures. Measures of this type have been taken at the Parent and all its subsidiaries, including the COMPO EXPERT Group, with respect to operations at all locations where the companies are present.

In the reporting period and after the reporting date until this report was authorised for issue, a number of material risk areas related to the COVID-19 pandemic were identified, potentially with material bearing on the Group's future financial results. The risk areas include:

1. Disruptions in the supply chains of raw materials and in the sale of products due to transport disruptions (especially in areas with high epidemic risk) caused by problems faced by transport companies, reduction in the number and types of available means of transport, higher delivery costs due to increased transport rates, especially in exports, temporary border closure or other related constraints. As the spread of the COVID-19 pandemic has been contained, these constraints began to be gradually lifted after the reporting date.
2. Potential temporary disruptions in timely execution of investment projects and repair works at the Group due to difficulties faced by or limited availability of contractors, possible delays in deliveries of materials and equipment, and public administration bodies' delayed decision-making in administrative processes.
3. Disruptions in the continuity of production processes in the event of reduced staff availability.
4. Potential risk of deterioration in the financial liquidity of some of our trading partners as a result of payment backlogs.
5. Increased volatility of exchange rates.

Possible risks of sales disruption in the individual segments as at the date of these consolidated financial statements:

Agro Fertilizers
Notwithstanding considerable tensions surrounding potential risks associated with the COVID 19 pandemic, the pandemic has not been a significant factor affecting the Group's sales in the Agro Fertilizers segment. No significant drop in demand on the fertilizer market has been observed. However, one of the effects brought about by the pandemic is limited availability of imported fertilizers in Poland, resulting from road transport restrictions and other issues, seen both in March and April, and the fact that imported fertilizers have become less competitive due to foreign exchange relations.
The first decade of April saw increased interest in fertilizer purchases among buyers on the Polish market, who were also pressed for time, which can be interpreted as their trying to secure access to fertilizers in case of possible future perturbations with access to points of sale. There were no restrictions in access to points of sale or products during the period under review.

Plastics
Certain customers' orders for Q2 2020 have been curtailed and the prices of certain products have declined. Największe zmniejszenia dotyczą branży motoryzacyjnej. The temporary shutdown of most automotive plants in Europe announced by the leading carmakers has resulted in a drop in orders

throughout the entire supply chain, as manifest in the Group companies' sales targets for the following months. In addition, the selling prices remain significantly suppressed, which is offset by markedly lower feedstock prices reflecting a steep decline in crude oil prices.

Chemicals
Cases of reduced ability to supply oxo alcohols and plasticizers to customers in countries with a high degree of the epidemic risk have been identified, driven by both production constraints faced by trading partners and transport restrictions. Approximately a quarter of our oxo alcohol and plasticizer output is exported to countries where the COVID-19 pandemic is particularly widespread.
In addition, the Group has received notices of temporary production cuts from some of its melamine customers. These developments have not had a significant effect on sales in Q1 2020, but demand is expected to weaken substantially in the coming months.
The slowdown in transport companies' operations translates into lower purchases of fuels and fuel additives that reduce exhaust emissions (NOXy®).
A negative impact of the situation on the European pigment market has also been identified. Italy is the first country to introduce laws on complete closure of those industrial segments which are not related to civil security, therefore the sale of titanium white on the Italian market has been stopped. According to market signals, the impact of the pandemic on the titanium white market will be felt in Q2 2020. The product overhang on the market has caused price erosion. The situation implies that the pandemic's impact on pigment sales has been intensifying, but is not currently significant in relation to the scale of the Group's operations.

Concurrently, in addition to the stricter procedures introduced to ensure physical safety of the Group companies' employees and trading partners so as to minimise the risk of infection, intensive measures have been undertaken to support our financial condition. These measures include in particular:
- close monitoring of sales, trading partners' position and collection of receivables,
- implementing crisis management rules, in particular with regard to carrying out repair works and investment projects, in order to limit their scope to activities which are mandatory due to technical or legal reasons,
- cooperation with public administration bodies in developing appropriate regulations to mitigate the adverse consequences of the COVID-19 pandemic for the economy.

It should be noted that given the Group's strong financial performance in 2019 and Q1 2020, its financial condition is stable. The Group also has additional sources of liquidity, namely cash held, which as at March 31st 2020 amounted to PLN 1,016m (including cash held as bank deposits), undrawn credit facilities, which as at March 31st 2020 amounted to PLN 2,411m, and available reverse factoring limit of PLN 507m, adding up to a total of PLN 3,934m. As at April 30th 2020, the amount of cash held was PLN 981m, the amount of available credit limits was PLN 2,402m, and the available limit of the reverse factoring facility was PLN 506m, adding up to a total of PLN 3,889m.

In the current market conditions, the Group benefits from low prices of commodities, in particular natural gas, and the weakening of PLN against EUR and USD due to significant export sales as well as the ongoing fertilizer application season.

In the opinion of the Parent's Management Board, the preventive measures taken have mitigated the risk to business continuity, but the observed impacts of the COVID-19 pandemic are bound to have a materially adverse short-term effect on the operations of the Grupa Azoty Group, especially in the Plastics and Chemicals segments. However, these effects will not jeopardise the Group's market position, its liquidity or ability to pursue strategic investment projects.

Interim condensed separate financial statements of Grupa Azoty Spółka Akcyjna for the three months ended March 31st 2020

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed separate statement of profit or loss and other comprehensive income

	for the period Jan 1 – Mar 31 2020 *unaudited*	for the period Jan 1– Mar 31 2019 *unaudited*
Profit/loss		
Revenue	**521,380**	558,146
Cost of sales	**(416,027)**	(413,044)
Gross profit	**105,353**	**145,102**
Selling and distribution expenses	(29,057)	(26,601)
Administrative expenses	(42,235)	(40,623)
Other income	5,485	4,222
Other expenses	(4,029)	(3,849)
Operating profit	**35,517**	**78,251**
Finance income	9,023	6,080
Finance costs	(63,903)	(14,984)
Net finance income	(54,880)	**(8,904)**
Profit before tax	**(19,363)**	**69,347**
Income tax	(11,364)	(12,248)
Net profit	**(30,727)**	**57,099**
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Actuarial gains from defined benefit plans	5	-
Tax on items that will not be reclassified to profit or loss	(1)	-
	4	-
Items that are or may be reclassified to profit or loss		
Cash flow hedging – effective portion of change in fair value	(58,728)	(219)
Income tax relating to items that are or will be reclassified to profit or loss	11,159	42
	(47,569)	**(177)**
Total other comprehensive income	**(47,565)**	**(177)**
Comprehensive income for the year	**(78,292)**	**56,922**
Earnings per share:		
Basic (PLN)	(0.31)	0.58
Diluted (PLN)	(0.31)	0.58

The supplementary information is an integral part of these interim condensed separate financial statements.

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed separate statement of financial position

	as at Mar 21 2020 *unaudited*	as at Dec 31 2019 *audited*
Assets		
Non-current assets		
Property, plant and equipment	1,650,748	1,661,561
Right-of-use assets	44,611	47,411
Intangible assets	52,028	50,838
Investment property	22,647	23,049
Shares	5,409,976	5,410,006
Other financial assets	292,145	292,001
Other receivables	5,866	5,855
Deferred tax assets	6,572	-
Total non-current assets	**7,484,593**	**7,490,721**
Current assets		
Inventories	209,098	251,022
Property rights	60,709	45,513
Derivative financial instruments	-	1,025
Other financial assets	63,971	61,409
Trade and other receivables	308,212	232,229
Cash and cash equivalents	1,536,276	1,158,379
Assets held for sale	95	95
Total current assets	**2,178,361**	**1,749,672**
Total assets	**9,662,954**	**9,240,393**

The supplementary information is an integral part of these interim condensed separate financial statements.

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed separate statement of financial position (continued)

	as at Mar 21 2020 *unaudited*	as at Dec 31 2019 *audited*
Equity and liabilities		
Equity		
Share capital	495,977	495,977
Share premium	2,418,270	2,418,270
Hedging reserve	(41,697)	5,872
Retained earnings, including:	1,889,788	1,920,511
Net profit for the year	*(30,727)*	*58,249*
Total equity	**4,762,338**	**4,840,630**
Liabilities		
Borrowings	2,981,914	2,413,532
Lease liabilities	32,332	38,962
Other financial liabilities	15,695	19,042
Employee benefit obligations	64,328	64,080
Trade and other payables	32	32
Provisions	31,619	31,619
Government grants received	46,783	47,048
Deferred tax liabilities	-	1,426
Total non-current liabilities	**3,172,703**	**2,615,741**
Borrowings	1,243,209	1,118,985
Derivative financial instruments	2,917	-
Lease liabilities	15,855	13,199
Other financial liabilities	117,285	262,879
Employee benefit obligations	4,678	4,678
Current tax liabilities	1,193	1,168
Trade and other payables	298,772	378,443
Provisions	2,251	2,251
Government grants received	41,753	2,419
Total current liabilities	**1,727,913**	**1,784,022**
Total liabilities	**4,900,616**	**4,399,763**
Total equity and liabilities	**9,662,954**	**9,240,393**

The supplementary information is an integral part of these interim condensed separate financial statements.

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed separate statement of changes in equity

For the period ended March 31st 2020 (*unaudited*)

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
Balance as at Jan 1 2020	**495,977**	**2,418,270**	**5,872**	**1,920,511**	**4,840,630**
Profit or loss and other comprehensive income					
Net profit	-	-	-	(30,727)	(30,727)
Other comprehensive income	-	-	(47,569)	4	(47,565)
Comprehensive income for the year	**-**	**-**	**(47,569)**	**(30,723)**	**(78,292)**
Balance as at March 31st 2020 (unaudited)	**495,977**	**2,418,270**	**(41,697)**	**1,889,788**	**4,762,338**

For the period ended March 31st 2019 (unaudited)

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
Balance as at Jan 1 2019	**495,977**	**2,418,270**	**1,861**	**1,872,080**	**4,788,188**
Profit or loss and other comprehensive income					
Net profit	-	-	-	57,099	57,099
Other comprehensive income	-	-	(177)	-	(177)
Comprehensive income for the year	**-**	**-**	**(177)**	**57,099**	**56,922**
Balance as at March 31st 2019 (unaudited)	**495,977**	**2,418,270**	**1,684**	**1,929,179**	**4,845,110**

The supplementary information is an integral part of these interim condensed separate financial statements.

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed separate statement of cash flows

	for the period Jan 1 – Mar 31 2020 *unaudited*	for the period Jan 1– Mar 31 2019 *unaudited*
Cash flows from operating activities		
Profit before tax	**(19,363)**	**69,347**
Adjustments for:	*103,377*	*38,593*
Depreciation and amortisation	33,523	29,743
Impairment losses	-	121
Loss on investing activities	52	64
Interest, foreign exchange gains or losses	64,304	8,798
Fair value loss/(gain) on financial assets at fair value	5,498	(133)
	84,014	***107,940***
Increase in trade and other receivables	(70,651)	(72,746)
Decrease/(Increase) in inventories and property rights	26,728	(20,926)
Increase/(Decrease) in trade and other payables	41,731	(24,545)
(Decrease)/Increase in provisions, prepayments and grants	(30,132)	37,930
Other adjustments	(3,500)	(3,500)
Cash generated from operating activities	**48,190**	***24,153***
Income tax paid	(8,178)	(11,883)
Net cash from operating activities	**40,012**	**12,270**

The supplementary information is an integral part of these interim condensed separate financial statements.

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed separate statement of cash flows (continued)

	for the period Jan 1 – Mar 31 2020 *unaudited*	for the period Jan 1– Mar 31 2019 *unaudited*
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	110	360
Purchase of property, plant and equipment, intangible assets and investment property	(45,731)	(39,566)
Interest received	7,338	4,115
Loans	(19,400)	(18,230)
Repayments of loans	14,168	16,246
Other disbursements	(995)	(221)
Net cash from investing activities	**(44,510)**	**(37,296)**
Cash flows from financing activities		
Proceeds from borrowings	618,530	40,668
Repayment of borrowings	(35,979)	(109,460)
Interest paid	(20,182)	(11,642)
Payment of lease liabilities	(4,317)	(2,368)
Other cash provided by financing activities	9,780	-
Repayment of reverse factoring	(185,304)	(47,232)
Other cash used in financing activities	-	(390)
Net cash from financing activities	**382,528**	**(130,424)**
Total net cash flows	**378,030**	**(155,450)**
Cash and cash equivalents at beginning of period	**1,158,379**	**1,000,980**
Effect of exchange rate fluctuations on cash held	(133)	267
Cash and cash equivalents at end of period	**1,536,276**	**845,797**

The supplementary information is an integral part of these interim condensed separate financial statements.

Supplementary information to the interim condensed separate financial statements

1. Basis of preparation of the interim condensed separate financial statements

1.1. Statement of compliance and general basis of preparation

Grupa Azoty S.A. ("the Company") is a joint stock company with its registered office in Tarnów, Poland. The Company shares are publicly traded on the Warsaw Stock Exchange.

These interim condensed separate financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These interim condensed separate financial statements of the Company cover the three months ended March 31st 2020 and contain comparative data for the three months ended March 31st 2019 and as at December 31st 2019.

The Company is entered in the Register of Businesses in the National Court Register maintained by the District Court in Kraków, 12th Commercial Division of the National Court Register, under entry No. KRS 0000075450. The Company's REGON number for public statistics purposes is 850002268.

The Company has been established for an indefinite term.

Grupa Azoty's business includes in particular:
- Manufacture of basic chemicals,
- Manufacture of fertilizers and nitrogen compounds,
- Manufacture of plastics in primary forms,
- Manufacture of plastics.

These interim condensed separate financial statements of the Company for the three months ended March 31st 2020 were authorised for issue by the Management Board on May 20th 2020.

The interim condensed financial statements do not include all the information and disclosures required to be included in full-year financial statements and should be read in conjunction with the separate full-year financial statements of Grupa Azoty Spółka Akcyjna for the 12 months ended December 31st 2019, prepared in accordance with International Financial Reporting Standards as endorsed by the European Union and authorised for issue on April 7th 2020.

The Company's interim financial results may not be indicative of its potential full-year financial results.

All amounts in these interim condensed separate financial statements are presented in thousands of złoty.

These interim condensed separate financial statements have been prepared on the assumption that the Company will continue as a going concern for the foreseeable future. As at the date of authorisation of these financial statements, no circumstances were identified which would indicate any threat to the Company continuing as a going concern.

1.2. Accounting policies and data presentation

The accounting policies applied to prepare these interim condensed separate financial statements are consistent with those applied to draw up the Parent's full-year separate financial statements for the year ended December 31st 2019.

a) Changes in International Financial Reporting Standards

The amendments to IFRSs presented below have been applied in these interim condensed separate financial statements as of their effective dates, however, they had no material effect on the disclosed data:

- *Amendments to References to the Conceptual Framework in International Financial Reporting Standards* (issued on March 29th 2018) − effective for annual periods beginning on or after January 1st 2020;
- Amendments to IFRS 3 *Business Combinations* (issued on October 22nd 2018) – effective for annual periods beginning on or after January 1st 2020;

- Amendments to IAS 1 and IAS 8: *Definition of materiality* (published on October 31st 2018) – effective for annual periods beginning on or after January 1st 2020;
- Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest rate benchmark reform* (published on September 26th 2019) – effective for annual periods beginning on or after January 1st 2020;

b) New standards and interpretations which have been issued but are not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board, but are not yet effective:

- IFRS 14 *Regulatory Deferral Accounts* (issued on January 30th 2014) − pursuant to the European Commission's decision, the process leading to the approval of a preliminary version of the standard will not be initiated until the issue of its final version (not endorsed by the EU by the date of authorisation of these financial statements for issue) – effective for annual periods beginning on or after January 1st 2016,
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued on September 11th 2014) − work leading to endorsement of the amendments was deferred by the EU for an indefinite period − effective date was deferred by the IASB for an indefinite period,
- IFRS 17 *Insurance Contracts* (issued on May 18th 2017) – effective for annual periods beginning on or after January 1st 2021;
- Amendments to IAS 1 Presentation of Financial Statements: *Classification of Liabilities as Current or Non-Current* (issued on January 23rd 2020) – expected to be effective for periods beginning on or after January 1st 2022.

The effective dates are set in the text of the standards issued by the International Accounting Standards Board. The effective dates of the standards in the European Union may differ from those specified in the text of the standards and are announced on approval of a standard by the European Union.

The Parent does not expect the proposed amendments to IFRSs to have a material effect on its financial reporting.

2. Supplementary information

Impairment testing

As at March 31st 2020, the trigger referred to in paragraph 12d of IAS 36 *Impairment of Assets* occurred – the carrying amount of the Company's net assets was higher than its market capitalisation. Therefore, the Company analysed the validity of the assumptions adopted for previous impairment tests and the results of those tests. The analysis showed that:

- the adopted strategy and the key assumptions did not change,
- the definition of cash generating units (CGUs) within the Company and the value of the assets of each CGU did not change materially relative to the respective amounts as at December 31st 2019,
- EBITDA for the first three months of 2020 was higher than planned,
- there were symptoms of the risk that the macroeconomic outlook and market conditions could deteriorate, including as a result of the spreading coronavirus pandemic, but the Company assessed their effect as limited, not warranting any material adjustment to its financial performance projections for the medium and long term relative to the levels assumed in the tests,
- the risk-free interest rate decreased as a result of the NBP's reduction of its reference rate to 1.0% on March 18th 2020, while the weighted average cost of capital did not increase. Another reduction in the reference rate quoted by the National Bank of Poland to 0.5% took place after the reporting date, on April 9th 2020, which has resulted in a further reduction of the risk-free rate.

Given the above, it was concluded that the recoverable amount estimates resulting from previous tests remained valid as at March 31st 2020 and no impairment losses needed to be recognised other than those recognised as at December 31st 2019.

The results of impairment tests on consolidated non-current assets are taken into account in the assessment of impairment of shares held by the Company in subsidiaries, jointly-controlled entities and associates in the Company's separate financial statements, including shares in Grupa Azoty Polyolefins S.A. Considering the results of the key subsidiaries' review of the validity of impairment tests of assets, it was concluded that the recoverable amount estimates resulting from previous tests remained valid as at March 31st 2020 and no impairment losses on shares held in subsidiaries, jointly-controlled entities and associates needed to be recognised other than those recognised as at December 31st 2019.

For detailed information on the impairment tests and their results, see Note 10 to the separate financial statements of Grupa Azoty Spółka Akcyjna for the 12 months ended December 31st 2019.

Management’s discussion and analysis of Grupa Azoty Spółka Akcyjna’s performance in Q1 2020

1. General information on the Grupa Azoty Group

1.1. Organisation and structure

The Grupa Azoty Group is one of Central Europe's major chemical groups with a strong presence on the market of mineral fertilizers, engineering plastics, OXO products, and other chemicals.
Grupa Azoty has brought together companies with different traditions and complementary business profiles, seeking to leverage their potential to deliver a common strategy. This has led to the creation of Poland's largest chemical group and a major industry player in Europe. Thanks to its carefully designed structure, the Group offers a diverse product mix, ranging from nitrogen and compound fertilizers, engineering plastics, to OXO products and melamine.
As at March 31st 2020, the Grupa Azoty Group comprised Grupa Azoty S.A. (the Parent) and ten direct subsidiaries together with entities included in their respective groups.

Parent

Grupa Azoty S.A. is the Parent of the Grupa Azoty Group. Its principal business activities include manufacturing, trading in and service activities related to nitrogen fertilizers, engineering plastics and intermediates.
The Company operates its own research facilities. It concentrates both on research into new products and technologies, and on advancing existing products.
The Company's registered office is located at ul. Eugeniusza Kwiatkowskiego 8, Tarnów, Poland. Since April 22nd 2013, the Company has been trading under the name Grupa Azoty Spółka Akcyjna.

Parent's subsidiaries

Grupa Azoty Zakłady Azotowe Puławy S.A.
The company's registered office is located in Puławy. Since April 4th 2013, it has been trading under the name Grupa Azoty Zakłady Azotowe Puławy Spółka Akcyjna (abbreviated to Grupa Azoty PUŁAWY).
Grupa Azoty PUŁAWY specialises in the manufacturing of nitrogen fertilizers and is also one of the largest melamine manufacturers in the world.

Grupa Azoty Zakłady Chemiczne Police Spółka Akcyjna
The company's registered office is located in Police. Since June 3rd 2013, it has been trading under the name Grupa Azoty Zakłady Chemiczne Police Spółka Akcyjna (abbreviated to Grupa Azoty Police).
Grupa Azoty Police is a major manufacturer of compound and nitrogen fertilizers, as well as titanium white.

Grupa Azoty Zakłady Azotowe Kędzierzyn Spółka Akcyjna
The company's registered office is located in Kędzierzyn-Koźle. Since January 11th 2013, it has been trading under the name Grupa Azoty Zakłady Azotowe Kędzierzyn Spółka Akcyjna (abbreviated to Grupa Azoty Kędzierzyn).
The company's two business pillars are nitrogen fertilizers and OXO products (OXO alcohols and plasticizers).

COMPO EXPERT Holding GmbH
The company's registered office is located in Münster, Germany.
The Company is a holding company for 21 subsidiaries, including the main operating company COMPO EXPERT GmbH, one of the world's largest manufacturers of speciality fertilizers for professional customers. The Group's products are sold in many countries in Europe, Asia, Africa, as well as North and South Americas.

Grupa Azoty ATT Polymers GmbH
The company's registered office is located in Guben, Germany. Since July 10th 2013, it has been trading under the name Grupa Azoty ATT Polymers GmbH.
It manufactures polyamide 6 (PA6).

Grupa Azoty Polskie Konsorcjum Chemiczne Spółka z ograniczoną odpowiedzialnością
The company's registered office is located in Tarnów. Since February 28th 2013, it has been trading under the name Grupa Azoty Polskie Konsorcjum Chemiczne Spółka z ograniczoną odpowiedzialnością (abbreviated to Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. or Grupa Azoty PKCh Sp. z o.o.).
Grupa Azoty PKCh's services encompass comprehensive design support for investment projects in the chemical industry − from study and concept work to engineering design, building permit design and

(all amounts in PLN '000 unless indicated otherwise)

working plans, to services provided during the construction, commissioning and operation of process units.

Grupa Azoty Koltar Spółka z ograniczoną odpowiedzialnością
The company's registered office is located in Tarnów. Since March 6th 2013, it has been trading under the name Grupa Azoty Koltar Spółka z ograniczoną odpowiedzialnością (abbreviated to Grupa Azoty Koltar Sp. z o.o.).
Grupa Azoty KOLTAR provides countrywide railway transport services. It is one of the few organisations in Poland to hold licences required to perform comprehensive repairs of rail car chassis and tank cars used in the transport of dangerous materials (according to RID).

Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol Spółka Akcyjna
The company's registered office is located in Grzybów. Since February 11th 2014, it has been trading under the name Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol Spółka Akcyjna (abbreviated to Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. or Grupa Azoty SIARKOPOL).
Grupa Azoty SIARKOPOL is Poland's largest producer of liquid sulfur.

Grupa Azoty Compounding Spółka z ograniczoną odpowiedzialnością
The company's registered office is located in Tarnów. Its business model is based on a portfolio of specialised engineering plastics manufactured through the compounding of plastics, with the use of innovative technological solutions.
The Company manufactures and sells modified plastics.

Grupa Azoty Folie Spółka z ograniczoną odpowiedzialnością w likwidacji (in liquidation)
On December 31st 2019, the Extraordinary General Meeting passed resolutions to dissolve Grupa Azoty Folie Sp. z o.o. and to put the Company into liquidation, remove the Company's Management Board members and appoint a Liquidator.

Parent's equity interests in subsidiaries as at March 31st 2020

(in relevant currency)

Company	Registered office/address	Share capital	Equity interest (%)
COMPO EXPERT Holding GmbH	Krögerweg 10 48155, Münster, Germany	25,000 EUR	100.00
Grupa Azoty ATT Polymers GmbH	Forster Straße 72 03172 Guben, Germany	9,000,000 EUR	100.00
Grupa Azoty Compounding Sp. z o.o.	Chemiczna 118 33-101 Tarnów, Poland	72,007,700 PLN	100.00
Grupa Azoty Folie Sp. z o.o. w likwidacji (in liquidation)	Chemiczna 118 33-101 Tarnów, Poland	5,500,000 PLN	100.00
Grupa Azoty SIARKOPOL	Grzybów, 28-200 Staszów, Poland	60,620,090 PLN	99.43*)
Grupa Azoty PUŁAWY	al. Tysiąclecia Państwa Polskiego 13 24-110 Puławy, Poland	191,150,000 PLN	95.98
Grupa Azoty KĘDZIERZYN	ul. Mostowa 30 A skr. poczt. 163 47-220 Kędzierzyn-Koźle, Poland	285,064,300 PLN	93.48
Grupa Azoty POLICE	ul. Kuźnicka 1 72-010 Police, Poland	1,241,757,680 PLN	62.86
Grupa Azoty PKCh Sp. z o.o.	Kwiatkowskiego 7 33-101 Tarnów, Poland	85,630,550 PLN	63.27
Grupa Azoty KOLTAR Sp. z o.o.	Kwiatkowskiego 8 33-101 Tarnów, Poland	54,600,000 PLN	60.00

*) After the reporting date, the Parent purchased shares from a minority shareholder; consequently, as at the date of authorisation of this report for issue, its equity interest in Grupa Azoty SIARKOPOL increased to 99.56%.

The Parent and its subsidiaries as at March 31st 2020

1 **Parent**

- Grupa Azoty „Compounding" Sp. z o.o.
  100%
- Grupa Azoty „Folie" Sp. z o.o. w likwidacji
  100%
- Grupa Azoty KOLTAR Sp. z o.o.
  60%
- Grupa Azoty PKCh Sp. z o.o.
  63.27%

2 Grupa Azoty PUŁAWY
95.98%

3 Grupa Azoty POLICE
62.86%

4 Grupa Azoty KĘDZIERZYN
93.48%

5 Grupa Azoty SIARKOPOL
99.43%

6 Grupa Azoty ATT Polymers GmbH
100%

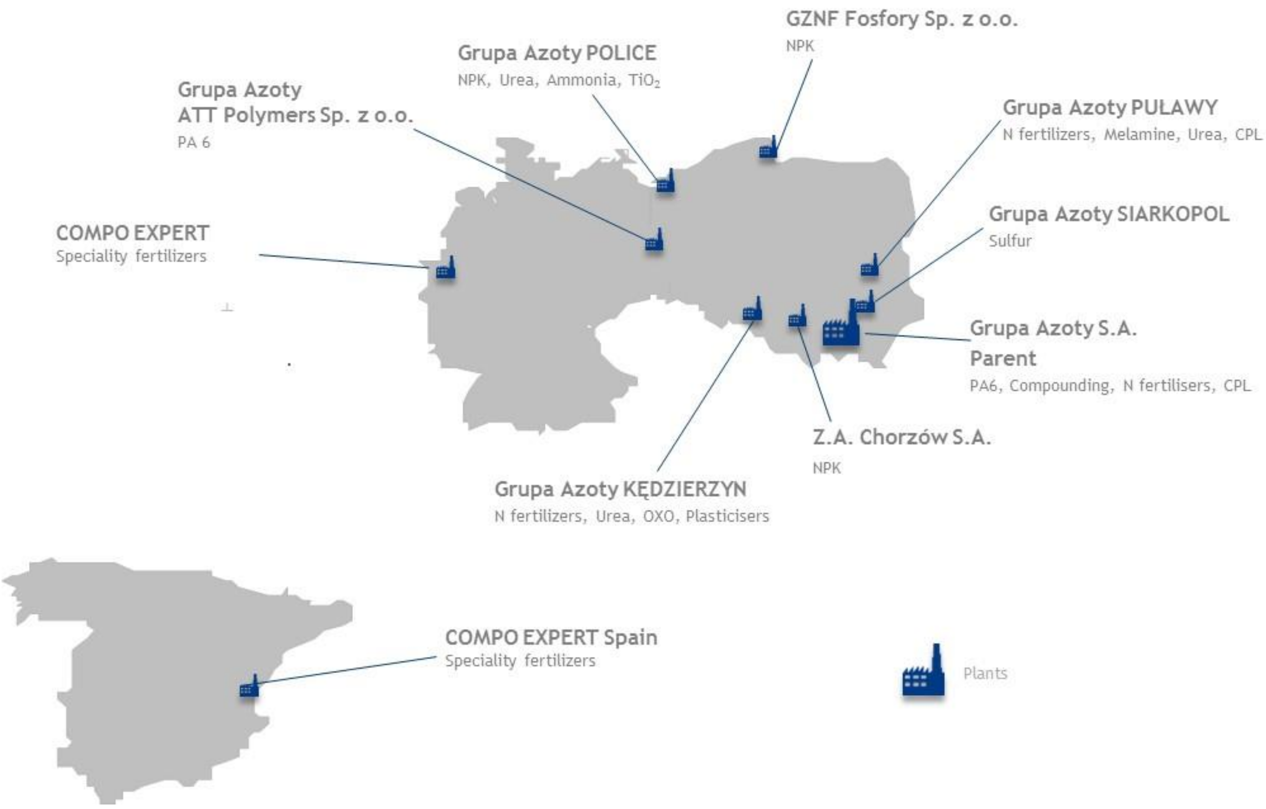
7 COMPO EXPERT Holding GmbH
100%

Source: Company data

1.2. Business segments

The Group is the largest chemical group in Poland and a significant player in Central Europe. It offers mineral fertilizers and B2B products, including engineering plastics, OXO products and melamine.

Grupa Azoty – core business areas



Source: Company

The Group's business is divided into the following segments:

- Agro Fertilizers,
- Plastics,
- Chemicals,
- Energy,
- Other Activities.

Agro Fertilizers

Mineral fertilizers are the key area of the Group's business. The Agro Fertilizers segment manufactures nitrogen and compound fertilizers, as well as speciality fertilizers. As well as ammonia and other nitrogen-based intermediate products.

The segment's manufacturing activities are conducted by the companies based in Tarnów (the Parent), Puławy, Kędzierzyn, Police, Gdańsk, Chorzów, as well as Germany and Spain. The Group is Poland's largest and European Union's second largest manufacturer of mineral fertilizers.

Plastics

The segment's key products are engineering plastics (polyamide 6 (PA6) and modified plastics) and auxiliary products, such as caprolactam and other chemicals. They are manufactured by three companies – in Tarnów, Puławy, and Guben (Germany). The Group is the leading manufacturer of PA6 in Poland and the third largest producer of this polyamide in the European Union.

Chemicals

The Chemicals segment is an important part of the Group's business, comprising OXO alcohols, plasticizers, melamine, technical grade urea, titanium white, sulfur, AdBlue® , and other products.

They are manufactured in Kędzierzyn, Puławy, Police, and Grzybów. The Group is a major manufacturer of melamine globally and the third largest in the European Union. As regards OXO products, the Group is the only manufacturer of OXO alcohols in Poland, ranking fifth in the European Union. The Group is Poland's only producer of titanium white.

Energy

Electricity and heat produced by the Energy segment are sold locally, to customers in the immediate vicinity of the Group's plants.
The segment's key customers are companies of the Group. Outside the Group, the segment's products are sold on the electricity and hot water markets to local customers. The Group companies operate their own electricity and energy carrier distribution networks.

Other Activities

The Other Activities segment comprises auxiliary and support services. As in the case of the Energy segment, its services are mainly rendered for the Group companies. Outside the Group, the segment mainly provides maintenance (automation, design, repair, etc.) and logistics services (road transport, rail transport, ports), and conducts manufacturing at the Catalyst Production Plant. The segment is also involved in various operations in such areas as environmental protection, administration, research, and infrastructure management.

1.3. Overview of key products

AGRO FERTILIZERS

The Group classifies **mineral fertilizers** as nitrogen (single-nutrient) fertilizers and compound fertilizers, the latter including at least two of the following key nutrients: nitrogen (N), phosphorus (P) or potassium (K), as well as speciality fertilizers.

Nitrogen fertilizers

Nitrogen fertilizers are substances or mixtures of substances where nitrogen is the primary plant nutrient. The Group's product range includes a number of nitrogen fertilizers: urea, nitrate fertilizers (including ammonium nitrate, calcium ammonium nitrate, UAN), nitrogen-sulfur fertilizers (made as a result of mixing fertilizers in the manufacturing process: ammonium sulfate nitrate, solid and liquid mixtures of urea and ammonium sulfate, and ammonium sulfate). Natural gas is the key feedstock for nitrogen fertilizers production.

Urea

Urea is a nitrogen fertilizer containing 46% nitrogen; it is produced in Puławy (as PULREA®), Police (as mocznik.pl®), and Kędzierzyn. Urea is a universal fertilizer – it can be used for all crops at various growth stages, both in the granular form and as a solution.
Outside agriculture, urea is used for technical purposes, mainly for manufacturing of adhesive resins, which find application in the chipboard industry. Urea may also be further processed into urea-ammonium nitrate solution (UAN – RSM®), a liquid fertilizer, or into melamine.

Nitrate fertilizers

- Ammonium nitrate is a nitrogen fertilizer which is easily dissolved in water, Containing between 30% and 34% nitrogen. The Group offers this product in a wide variety of granule forms and sizes, such as mechanically granulated ZAKsan®, with excellent sowing properties; the PULAN® beaded ammonium nitrate,
- Calcium ammonium nitrate (CAN) is a nitrogen fertilizer with a nitrogen content of up to 28%. It is a universal fertilizer, suitable for all types of soil, well soluble and easily absorbed by crops. The Group markets CAN in a number of granule varieties; the offering includes the granulated Salmag® fertilizers (including varieties with a sulfur or boron content), and bead fertilizers such as Saletrzak 27 (CAN 27) standard and Saletrzak 27 with boron.
- Urea-ammonium nitrate solution (UAN – RSM®) is a liquid nitrogen fertilizer coming in three varieties: with 32%, 30% and 28% nitrogen content. Thanks to its form, UAN–RSM® is easily absorbed by plants. It is also produced with an admixture of sulfur, as UAN–RSM®S.

Nitrogen-sulfur fertilizers

These fertilizers improve sulfur content in the soil, enhance arable crops' ability to absorb nitrogen, and thus increase the quality and volume of crops.
- PULGRAN®S – urea-ammonium sulfate, is a nitrogen fertilizer with sulfur in the form of white hemispherical pastilles, obtained by blending urea and ammonium sulfate. It is manufactured in two varieties with various contents: 37% nitrogen/21% sulfur and 33% nitrogen/31% sulfur.
- Saletrosan®, or ammonium sulfate nitrate, is a nitrogen fertilizer with sulfur, obtained by blending ammonium nitrate and ammonium sulfate. Saletrosan® 26 contains 26% nitrogen and 13% sulfur.

The fertilizer is also marketed under the trade name Saletrosan® 30, with different proportions of nitrogen and sulfur (30% and 6%).

- Polifoska® 21 is a nitrogen fertilizer with sulfur; it is an ammonium sulfate-urea mix, containing 21% nitrogen and 33% sulfur.
- Ammonium sulfate, marketed under the trade names AS 21 and Pulsar®, is a simple nitrogen fertilizer with sulfur, containing 21% nitrogen and 24% sulfur. It is a by-product in the manufacture of caprolactam and in flue gas desulfurisation. The Group manufactures a wide range of ammonium sulfate in various granule forms and sizes: selection, macro, standard, and crystalline.
- PULASKA® is a liquid nitrogen fertilizer with sulfur, obtained by blending urea and ammonium sulfate, and has a 20% nitrogen and a 6% sulfur content.

Compound fertilizers (NPK, NP)
NPK and NP compound fertilizers are universal fertilizers which, depending on composition, can be applied to various types of crops and soil. Aside from the primary components − nitrogen (N), phosphorous (P) and potassium (K), these fertilizers contain secondary nutrients such as magnesium, sulfur or calcium, and may contain microelements such as boron or zinc.
Compound fertilizers may be used to provide nutrients to all types of arable crops. The Group's current offering includes more than 40 grades of compound fertilizers, which are marketed under the following trade names: Polifoska®, Polidap®, Polimag® Superfosfat, Amofoska®, etc. The Group also offers dedicated fertilizers, custom-made to satisfy customers' specific requirements.

Speciality fertilizers
Speciality fertilizers are designed to meet the requirements of various sectors, including fruit and vegetable growing, horticulture or maintenance of green areas. In addition to the primary components − nitrogen (N), phosphorous (P) and potassium (K), such fertilizers also contain secondary nutrients and microelements. They may also contain inhibitors that reduce nutrient leaching.
Available in solid (coated or uncoated) or in liquid form, this product range also includes fertigation and foliar fertilizers.
Currently, they are marketed under a number of trade names, including Blaukorn®, NovaTec®, Hakaphos®, Basfoliar®, Easygreen®, DuraTec®, Basacote® and Floranid®Twin.

Ammonia
Ammonia is a feedstock for the manufacture of fertilizers, produced in a process of direct synthesis of nitrogen and hydrogen. Ammonia is the basic intermediate product used to manufacture nitrogen fertilizers and compound fertilizers. It is also used in the chemical industry, e.g. for the manufacturing of caprolactam or polymers, or as a cooling agent. Natural gas is the key feedstock for the production of ammonia.

PLASTICS

Engineering plastics
Engineering plastics exhibit high thermal resistance and good mechanical properties. The wide range of the plastics' beneficial properties makes them a product of choice for many industries, including automotive, construction, electrical engineering, household appliances, and the food and textile industries.
The Group manufactures polyamide 6 (PA6) and modified plastics (with admixtures affecting the physical and chemical properties of the final plastics) based on polyamide 6 and other engineering plastics (POM, PP, PBT, PA6.6). It also offers modified plastics, custom-made to meet the requirements of individual customers.

Polyamide 6 (PA 6)
Polyamide 6 (PA6) is a high quality thermoplastic in granular form used for injection processing. It is the leading product among engineering plastics. The Group's very popular brands in this segment are Tarnamid® and Alphalon®.

Caprolactam
Caprolactam is an organic chemical compound and an intermediate product used for the manufacture of polyamide 6 (PA6). It is produced mainly from benzene and phenol. Synthesis of caprolactam yields ammonium sulfate as a by-product.

CHEMICALS

OXO products

OXO alcohols manufactured by the Grupa Azoty Group: 2-ethylhexanol (2-EH) and butanols (n-butanol, isobutanol). The key product in this group is 2-EH.
2-ethylhexanol (2-EH) is used in the manufacture of plasticizers, paints and varnishes as well as in the textile industry and oil refining processes. It is also applied as a solvent for vegetable oils, animal fats, resins, waxes and petrochemicals.

Plasticizers manufactured by the Grupa Azoty Group:

- DEHT/DOTP. It is used in the chemical industry to increase the plasticity of materials, mainly PVC, and as an additive to paints and varnishes. The Group's **DEHT/DOTP** is marketed under the Oxoviflex® brand. It is used in plastics processing as a non-phthalic plasticizer as well as in the manufacture of paints and varnishes. It is also widely applied for the production of floor tiles and wall cladding as well as toys for children.
- DBTP/DBT. It is a plasticizer characterised by quick plastification of polymers and low migration, giving higher flexibility to finished products. Due to these properties, DBTP/DBT is used in the production of PVC flooring as a functional plasticizer in combination with Oxoviflex®, as well as in the production of adhesives, seals, and inks. The Group's DBTP/DBT is marketed under the Oxovilen® brand.
- DEHA/DOA. It is a high quality bis(2-ethylhexyl) adipate which is recommended for the manufacture of food contact materials (particularly PVC food wrapping film) due to its very good plastifying properties and the fact that it maintains its properties in low-temperature applications and has a safe toxicological profile. The Group markets its DEHA/DOA under the Adoflex® brand. The product is also used in the manufacture of garden hoses, cables and coated fabrics. Depending on the application, it may be used as the main plasticizer or a functional plasticizer in combination with Oxoviflex®. Besides its application in PCV processing, Adoflex® is also recommended as a solvent for the cosmetics industry, for use in nitrocellulose and synthetic rubber plasticisation, and in the manufacturing of lacquers.

Sulfur

The product offered by Grupa Azoty is mined sulfur. Sulfur is mainly used to produce sulfuric acid, which is widely used in the chemical industry, for instance to produce DAP, a two-component fertilizer. The product is offered in various forms. For the Group's own needs, sulfur is also purchased from other suppliers who obtain it as a by-product from flue gas desulfurisation or crude oil refining.

Melamine

It is a non-toxic, non-flammable product in the form of a white powder, used for the production of synthetic resins, thermosetting plastics, adhesives, paints, varnishes (including furnace varnishes), auxiliary materials for the textile industry, fire retardants, and other.

SOURCES OF STRATEGIC RAW MATERIALS

For the most part, the Group procures its raw materials, merchandise and services on the domestic and EU markets. Certain raw materials (phosphate rock, slag, potassium chloride) are purchased from non-EU suppliers. Raw materials supplied by the Group companies, i.e. ammonia and to some extent sulfur, account for a significant share of the total raw materials procured by the Group.

Ammonia

The procurement strategy is based primarily on the optimisation of intragroup supplies. Intragroup supplies are transacted on arm's length terms. The Grupa Azoty Group is the largest ammonia manufacturer in Poland and CEE, and operates several ammonia units. It is also one of the largest consumers of ammonia in the region, with a significant potential in logistics.
Having satisfied its own needs, the Group sells a surplus on the market. The Group's ability to effectively secure ammonia supplies largely depends on conditions prevailing on the fertilizer market and in the natural gas sector.

Benzene

Benzene is mainly delivered under one-year contracts, with supplementary purchases made on the spot market. Benzene is sourced chiefly from domestic and CEE suppliers. The benzene market is largely driven by the situation on the crude oil market and the demand-supply balance on global markets, particularly the level of demand for benzene outside Europe.

Electricity
The Group purchases electricity from major Polish suppliers trading with large accounts. Following a number of tenders for 2020, the Group companies signed electricity supply contracts under their existing framework agreements. Thanks to the joint procurement strategy for electricity supplies, they secured competitive prices and favourable terms of the contracts. Given the volatility of the electricity market and its changing legal framework, the Group's policy is to purchase electricity under forward contracts concluded for various periods and on the SPOT market, including on the Polish Power Exchange.

Phenol
The procurement strategy is based primarily on supplies from the domestic and the EU markets, with deliveries from outside Europe covering deficit. The Group secures phenol supplies for its own needs under long-term contracts concluded directly with Europe's largest producers. In 2019, the Grupa Azoty Group increased its internal storage capacities, thus optimising the phenol supply chain.

Phosphate rock
Phosphate rock is purchased under term contracts, chiefly from North African and West African producers, given the mineral's abundance in the region and the well-developed local sea logistics infrastructure. The situation on the phosphorite market is to a large extent driven by the situation in the fertilizers sector. The Group has in place a joint phosphate rock purchase programme for Grupa Azoty POLICE and GZNF Fosfory Sp. z o.o.

Natural gas
High-methane gas and gas from local sources was supplied by PGNiG S.A. under long-term contracts. Any additionally required volumes were bought by the Group at the Polish Power Exchange.

Propylene
The bulk of the Group's purchases of propylene are made under annual contracts, with supplementary purchases made on the spot market. To a large extent, propylene prices are driven by oil prices. The Group pursues a diversified procurement strategy, based chiefly on supplies from the EU and countries east of Poland. Supplies from the latter largely reduce the overall cost of propylene procurement.

Sulfur
The Group is the largest producer and consumer of liquid sulfur on the domestic market and in the region. Its sulfur procurement strategy is based on optimising intragroup supplies (from Grupa Azoty SIARKOPOL) and on supplies from the petrochemical sector. This approach gives the Group considerable procurement flexibility, and significantly reduces the risk of supply shortages. The Group also has the largest logistics facilities in Poland, which is a source of additional competitive advantage. With a centralised sulfur procurement strategy in place (a joint purchase programme for the entire Group), the Group is able to aggregate the supply volumes and reduce the cost of this raw material.

Potassium chloride
With substantial natural resources and competitive commercial terms, producers from the former Soviet Union (Russia and Belarus) as well as Canada and Germany are the primary suppliers of potassium chloride. The Group's procurement strategy is chiefly based on quarterly framework agreements, with supplementary deliveries sourced from Western Europe. The Group pursues a centralised procurement strategy by making joint purchases for Grupa Azoty POLICE and GZNF Fosfory Sp. z o.o.

Coal
The Group purchases coal mainly on the domestic market. Purchasing large volumes of coal of the required quality from geographically remote markets is not economically viable given the transport costs and price formulae (ARA).
On the domestic market, the prices of pulverised coal used in power generation are not directly linked to ARA rates, which only serve as pricing benchmarks for Polish coal producers.
Since 2018, the Group companies follow a strategy of purchasing coal under multi-year contracts with a guaranteed price change range. Such long-term contracts cover all of the Group's needs for coal supplies.

2. Financial position of the Group

2.1. Assessment of factors and one-off events having a material impact on the Group's operations and financial performance

Exchange rates

In early 2020, the market behaviour was under the positive influence of news about the conclusion of a trade agreement between the US and China, and domestically about the sustained strong momentum in GDP growth and sound public finances. Since February 2020, the market sentiment has deteriorated significantly and become highly volatile in the wake of the progressing coronavirus epidemic in China and its subsequent spread into Europe and the US. The magnitude of its consequences will have a considerable adverse impact on the global economy throughout 2020 at the very least.

At the end of Q1 2020, these developments resulted in a depreciation of PLN relative to both EUR and USD, by approximately 6.9% and 9.2% versus the respective levels recorded on December 31st 2019. The average PLN/EUR exchange rate weakened only slightly in Q1 2020 relative to Q4 2019, by approximately 0.9%, while the average PLN/USD rate declined by approximately 1.3% quarter on quarter driven by steep depreciation in March 2020.

The considerable weakening of PLN relative to EUR as at March 31st 2020 compared with December 31st 2019 had a negative impact on the value of Grupa Azoty's foreign currency bank loans in EUR. However, as the loan maturity dates are usually far in the future (until 2028), the Group does not expect to repay the debt at the current high EUR/PLN exchange rates. The valuation itself does not directly adversely affect the Group's financial liquidity.

Since the average depreciation of PLN against USD and EUR in Q1 2020 was limited compared with the previous quarter, the Group's performance in the period was not materially affected thereby (with respect to the EUR and USD currency exposure of the Grupa Azoty Group).

The Group monitors its current and planned net currency exposures and manages the resulting currency risk by applying selected hedging instruments. In the reporting period, the main tool used by the Group to hedge its currency exposure was natural hedging, generated by significant sale and purchase transactions in foreign currencies, mainly EUR. Other tools used by the Group included factoring and discounting of receivables denominated in foreign currencies, and currency forwards entered into on a rolling basis to cover up to 80% of the remaining currency exposure with time horizons of less than 6 months, and up to 50% of the remaining currency exposure with time horizons between 6 and 12 months.

The structure of the Grupa Azoty Group's physical cash pooling in EUR allows the Group companies to use the Group's aggregate liquidity limit in that currency, which further reduces their exposure to the currency risk in EUR by levelling off a potential mismatch in revenue and expenditure over time.

In Q1 2020, the Grupa Azoty Group used EUR and USD forward swaps to hedge its exposures, supplementing its forward hedges for EUR and USD sale to reflect its planned net exposure in both currencies.

The Group's net result on hedging transactions settled in Q1 2020 was a gain of PLN 467 thousand, with a negative net result on remeasurement of hedging instruments at PLN (21,489) thousand, which was due to the significant appreciation of EUR against PLN at the end of the quarter.

In the first quarter of 2020, Grupa Azoty POLYOLEFINS entered into forward contracts for the purchase of EUR 159.75m for PLN, hedging expected payments in EUR under the contract for turnkey execution of the Polimery Police project, which are to be made through PLN contributions from Grupa Azoty S.A. and Grupa Azoty Zakłady Chemiczne Police S.A. in the form of a share capital increase and subordinated loans.

In the first quarter of 2020, Grupa Azoty POLYOLEFINS also purchased FX options to purchase EUR 104.5m for PLN in respect of the Project joint sponsors' planned contribution in PLN, and options to purchase EUR 300.5m for USD in respect of the Project joint sponsors' planned contribution in USD, and partly for the USD-denominated senior facility. The transactions allow the company to hedge the Project's budget in accordance with its financial model.

As at the end of Q1 2020, the total net value of forward contracts and options executed by Grupa Azoty POLYOLEFINS was PLN 34,029 thousand.

No hedge accounting was applied to account for the transactions, in particular because it could not be applied to transactions hedging the exchange rate against a currency other than the functional currency of Grupa Azoty POLYOLEFINS, i.e. PLN. Therefore, the above net effect of measurement of the financial instruments as at March 31st 2020 was recognised in profit or loss for the period.

In the first quarter of 2020, the Group's overall net result on the settlement of hedging transactions and remeasurement of hedging instruments was a gain of PLN 13,069 thousand.

Grupa Azoty S.A. applies cash flow hedge accounting. The hedged item are highly probable future proceeds from sale transactions in EUR, which will be recognised in profit or loss in the period from April 2020 to September 2028. The hedging covers currency risk. The hedge are two euro-denominated credit facilities of:

- EUR 99,891 thousand as at March 31st 2020, repayable in the period from December 2018 to June 2025 in 14 equal half-yearly instalments of EUR 9,081 thousand each;
- EUR 100,000 thousand as at March 31st 2020, repayable from March 2021 to September 2028 in 15 equal half-yearly instalments of EUR 3,333 thousand each.

The carrying amount of both facilities as at March 31st 2020 was PLN 909,410 thousand. The hedging reserve as at March 31st 2020 included PLN (51,478) on account of the effective hedge.
In Q1 2020, the Group did not reclassify any hedge accounting amounts from other comprehensive income to the statement of profit or loss.

Prices of CO_2 emission allowances
In Q1 2020, the prices of CO_2 emission allowances went down significantly, from over EUR 25 to below EUR 20, as a direct consequence of the worldwide reduction in economic activity and resulting drop in CO_2 emission levels caused by the COVID-19 pandemic. Price volatility on the market is very strong, and further waves of CO_2 emission allowance price declines are likely.
The Grupa Azoty Group purchases emission allowances in line with the joint management model for CO_2 emission allowances adopted by the Group, under an approved purchasing plan. The Grupa Azoty Group pursues a policy of a rolling reduction of its deficit in CO_2 emission allowances through spot and futures transactions with a three-year time horizon.
In Q1 2020, the Group took steps to take advantage of the significant reduction in the prices of emission allowances in order to accelerate its purchasing plans, and to increase the use of EUA futures to cover its deficit in emission allowances. Further purchases of allowances are planned in Q2 2020, especially during periods of further price reductions.

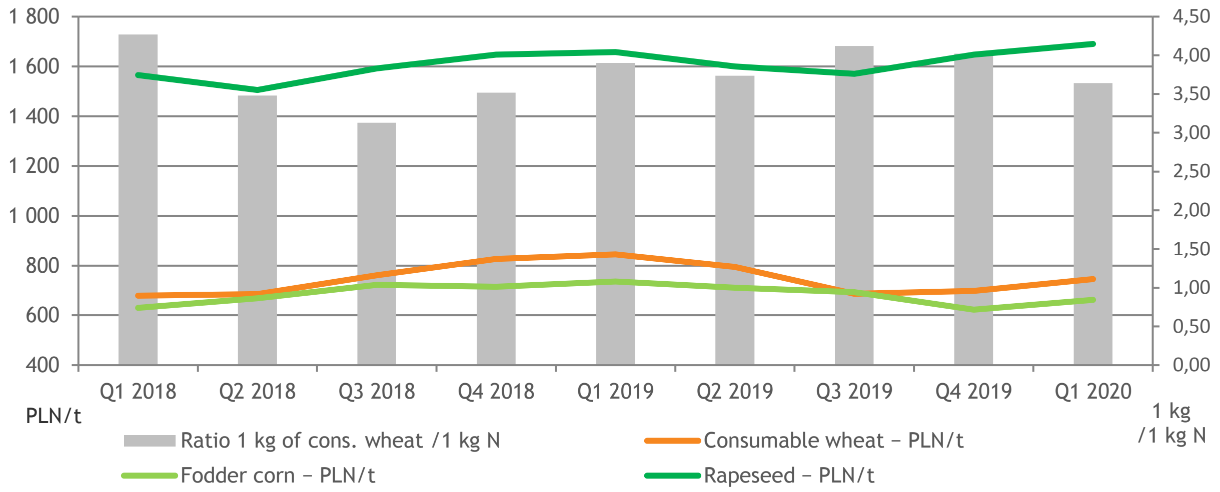
2.2. Market overview

AGRO FERTILIZERS

Economic conditions in agriculture
In Q1 2020, the prices of key agricultural produce in Poland were much lower year on year. The average price of wheat was around PLN 746 per tonne, which means a year-on-year decline of 11.8%. A similar change was recorded in maize prices, which averaged PLN 662 per tonne in the period under review, a 10% decline year on year. Looking at the market prices, the prices of rapeseed were quite an exception at around PLN 1,690 per tonne, which was slightly higher (+2%) relative to the previous year's levels.
Despite the warm winter, the condition of winter crops in the period under review was considered relatively good. The situation was not affected by a cold weather spell in late Q1 and early Q2. No significant losses due to frost damage have been observed. On the other hand, low rainfall levels posed a problem, hugely distorting the soil water balance following the warm and snowless winter. This is a strongly negative factor for further growth of the winter crops and spring crops sown at that time. In the longer term, the lack of rainfall can significantly compromise the crop yield potential this year, resulting in a lower output of cereal crops.
In Q1 2020, the economic situation of the Polish agricultural sector continued to be viewed as relatively poor, the main reason, aside from the adverse effects of two years of drought, being the resumption of direct payments by the Agency for Restructuring and Modernisation of Agriculture (ARiMR) too late into the season. As at the end of Q1 2020, a total of PLN 14.1bn out of the PLN 15.2bn allocation was disbursed. Of that amount, PLN 1.5bn was disbursed in March. No changes were recorded relative to the previous months in respect of drought payments. They were discontinued at the end of 2019 (with approximately PLN 0.7bn disbursed) and were not resumed by the end of March 2020.

(all amounts in PLN '000 unless indicated otherwise)

Prices of wheat, maize and rapeseed



Source: Ministry of Agriculture and Rural Development.

Average prices of wheat, maize and rape seed

	Average Q1 2019	Average Q1 2020	y/y	03-2020	MIN 2020	MAX 2020
	PLN/t	*PLN/t*	*%*	*PLN/t*	*PLN/t*	*PLN/t*
Milling wheat	845	746	11.8↓	755	731	755
Maize	736	662	10.0↓	671	654	671
Rapeseed	1,657	1,690	2.0	1,696	1,681	1,696

Source: Ministry of Agriculture and Rural Development.

Market of nitrogen fertilizers

In Q1 2020, the prices of nitrate fertilizers on the markets under review were lower year on year. The average CAN price on the German market fluctuated around EUR 172 per tonne CIF Inland, down 16.5% on 2019. A year-on-year price decline was also seen for AN on the French market, with an average price of EUR 239 per tonne CPT, down 17.5% year on year. The lower prices of nitrogen fertilizers relative to 2019 were mostly due to a decline in the prices of natural gas, the main feedstock for their production. It allowed fertilizer manufacturers to better adjust their prices to the market reality prevailing at that time.

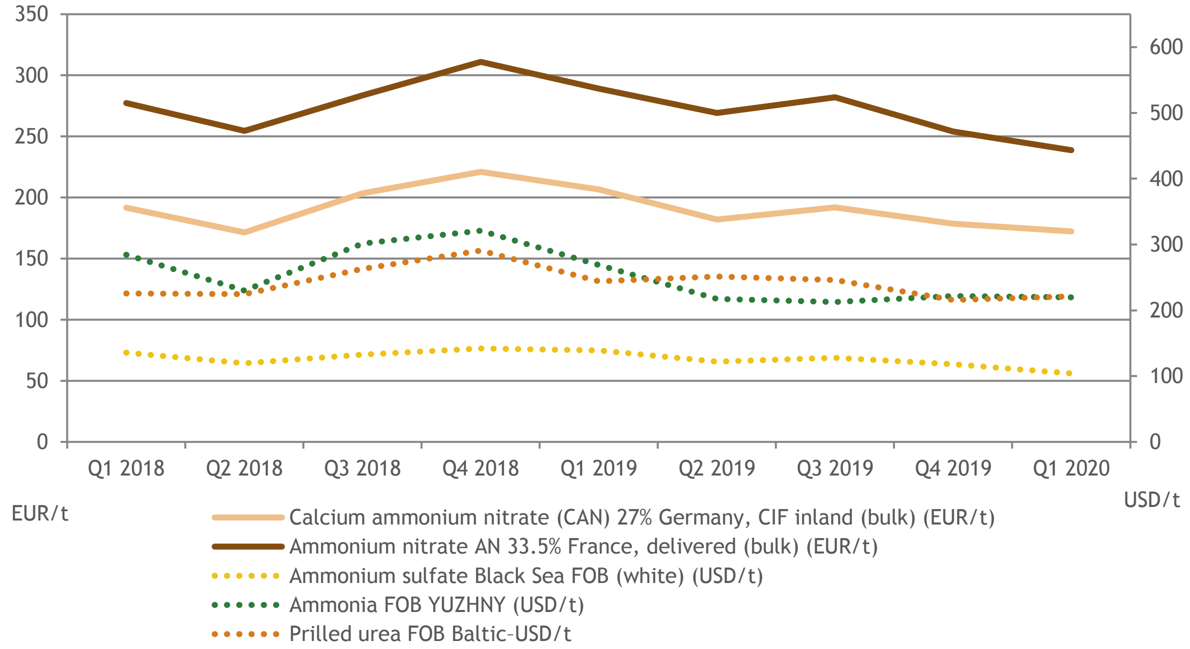
Given the sufficient product supply on the market, demand for fertilizers changed rapidly at times. In anticipation of falling prices, the agricultural sector withheld fertilizer purchases until the very last moment, adjusting the purchase volume to current demand. The relatively warm winter, as a result of which plants did not go dormant but continued to vegetate, was a significant factor for the demand distribution in spring on the Polish market. As a consequence, some crops (such as rapeseed) showed the first signs of nutrient shortage as early as the second half of January. This was the main reason why the Ministry of Agriculture and Rural Development accelerated the first application of nitrogen in the spring period from March 1st to February 15th 2020, resulting in a spike in demand for nitrogen fertilizers already in the first half of February 2020. Due to the accelerated first application of nitrogen, the Polish agricultural sector proceeded with the second application a month later (in mid-March), which boosted the demand for nitrate fertilizers in that period. A slight decline in sales was not seen until late March/early April, when it was triggered by a wave of frost. Urea prices in Q1 2020 were 9.4% down year on year. The global prices of urea were stable throughout most of January, although their short-term prospects were uncertain, given tensions between the United States and Iran. In a purchasing campaign announced in India on December 27th 2019, almost 710 thousand tonnes of prilled and granular urea was bought in January 2020, an amount lower than projected. Therefore, India closed its purchasing programme for 2019-20, having bought 7.2 million tonnes of the product, up 2.4 million tonnes (+33%) relative to 2018-19. It is estimated that in 2020-21 imports to India will decline as new capacities of 1.3 million tonnes/year will be placed in service in Q2, and for other reasons. According to forecasts, imports to India in 2020 will amount to 5.5 million tonnes.

In early February, global trends on the urea market were set by the United States. The demand for urea imports into the US was estimated at 0.8 to 1 million tonnes, of which around half had already been delivered from regions such as North Africa or the Persian Gulf. Some estimates reach as much

(all amounts in PLN '000 unless indicated otherwise)

as 1.4 million tonnes. A key event in March was the announcement of a purchasing campaign in India for an undefined amount of urea. The bidding was closed on March 30th and one of the criteria was delivery before May 5th. With the COVID-19 pandemic having hit domestic production in India, purchases of around 1 million tonnes of the product were expected.
Towards the end of Q1, the risk of shipments to India emerged as a significant market factor, as Indian ports had either declared force majeure or worked below their capacities.
The demand for prilled urea declined in March, especially from industrial buyers in Europe, while Canada and the US were the only potential markets for granular urea.

Prices of nitrogen fertilizers (urea, CAN, AN, AS,) and ammonia



Source: ICIS, Argus FMB, Profercy.

Average prices of nitrogen fertilizers

	Average Q1 2019	Average Q1 2020	y/y	03-2020	MIN 2020	MAX 2020
	EUR/t	*EUR/t*	*%*	*EUR/t*	*EUR/t*	*EUR/t*
CAN 27% Germany CIF inland (bulk)	207	172	16.5↓	170	170	174
AN 33.5% France, delivered (bulk)	289	239	17.5↓	243	236	243
	USD/t	*USD/t*	*%*	*USD/t*	*USD/t*	*USD/t*
Ammonia (FOB Yuzhny)	269	220	18.2↓	221	219	221
Urea (FOB Baltic)	244	221	9.4↓	233	214	233
AS (Black Sea FOB white)	139	104	25.2↓	112	99	112

Source: ICIS, Argus FMB, Profercy.

Ammonia prices in Q1 2020 were down 18.2% year on year. In what was a relatively calm period for the international ammonia market, spot activity diminished and a slight upward pressure on the prices emerged east of the Suez Canal. Concerns over the impact of the coronavirus on key fertilizer and chemical markets instilled slightly more conservative attitudes in suppliers. The Indian Ministry of Shipping published a letter authorising ports to invoke the COVID-19 pandemic as a valid reason for declaring force majeure. Many of them followed the guidelines after the Indian government announced a 21-day lockdown on March 25th. Port closures, plant stoppages and supply interruptions in that key import market resulted in a severe slump in demand in late April and early May. The situation is likely to persist over the next weeks. It is yet unknown how producers and suppliers will respond to this gloomy projection – some of them may attempt to survive the crisis by reducing capacity utilisation, accelerating overhauls or exporting their ammonia.

In China, the Ministry of Transport and the NDRC (National Development and Reform Commission) reduced terminal handling charges in an attempt to support the recovery of logistics and manufacturing following the coronavirus outbreak. It is expected that the lower terminal handling charges should help the logistics sector return back to normal, spurring fertilizer exports from China.

Market of compound fertilizers

In early Q1, the demand for DAP fertilizers in Europe was weak, and producers focused on export shipments, mainly to India, Brazil, Ethiopia and the US. At the end of Q1, the demand in Europe picked up, but the market suffered from logistics disruptions caused by COVID-19 restrictions. Due to the restrictions on free movement imposed by many countries, there was a shortage of drivers, cars and containers alike.

Other regions of the world were also affected by the pandemic. For instance, some production facilities were closed in India. Nevertheless, according to preliminary estimates, the DAP fertilizer output in India increased year on year. China was affected by the outbreak as well. Due to the Chinese government's decision to supply fertilizers first to domestic farmers, exports were markedly curtailed.

In Q1, DAP prices in the Baltic Sea region were on an upward trend, as opposed to the same period of 2019. The prices of DAP and MAP phosphate fertilizers rebounded after sharp declines in H2 2019. In some markets (Tampa-US) DAP prices fell to a 13-year low. In the period under review, prices in that region averaged at USD 292 per tonne, down by 24.2% on Q1 2019.

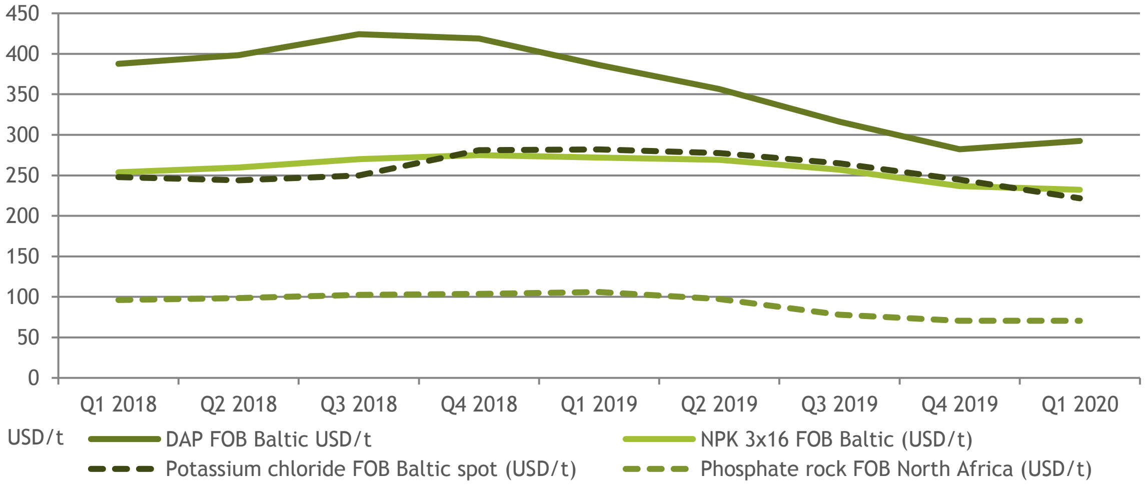
In the first weeks of Q1 2020, the demand for NPK fertilizers in many European countries was negligible. Interest was only seen among purchasers from Russia and Ukraine. However, at the end of the quarter, demand was also observed in Slovakia, Ireland and the UK. Relative to the same period last year, demand in Russia remained stable, while demand in Ireland was much lower. In January, a Russian producer resumed the production of NPK 13:19:19, which was applied mostly in Russia and the Baltics. Another major plant launched the production of NPK 3x16 in Ukraine. It was expected to deliver 15,000 tonnes of fertilizers from end of February to the end of March.

Restrictions imposed by governments to fight the coronavirus caused noticeable delays in road transport.

Meanwhile, no problems with rail transport were observed, and ports operated without any major disruptions, too.

In the Baltic Sea, as in the same period last year, NPK 15:15:15 prices were on an upward trend with the average price of USD 232 per tonne, down 14.5% on 2019.

Prices of compound fertilizers (NPK, DAP), potassium chloride and phosphate rock



Source: WFM, FERTECON, Profercy.

Average prices of compound fertilizers and raw materials for their production

(all amounts in PLN '000 unless indicated otherwise)

	Average Q1 2019	Average Q1 2020	y/y	03-2020	MIN 2020	MAX 2020
	USD/t	*USD/t*	*%*	*USD/t*	*USD/t*	*USD/t*
DAP (FOB Baltic)	386	292	24.2↓	305	275	305
NPK3x16 (FOB Baltic)	272	232	14.5↓	233	231	233
Potassium chloride (FOB Baltic spot)	282	222	21.3↓	212	212	233
Phosphate rock (FOB North Africa)	106	71	33.2↓	71	71	71

Source: WFM, FERTECON, Profercy.

In Q1 2020, the average prices of potassium chloride (Baltic spot FOB) were about 21% lower than in Q1 2019. Compared to H1 2019, the potassium chloride market in H2 was much weaker, and the main producers of potassium chloride reduced their output by 2.8 million tonnes already in Q4 2019. The demand for both standard and granular potassium chloride was significantly suppressed by the COVID-19 outbreak. The shutdown of the Chinese economy, demand constraints in India, as well as logistics problems hitting many regions of the world resulted in a higher oversupply and declining prices.
The main factor with a major impact on the potassium chloride market further into 2020 will be developments related to the COVID-19 pandemic. In the event of further restrictions, closing of further internal markets, and logistics problems in maritime transport and intra-country shipments, demand may be expected to shrink in the second quarter of 2020, leading to further weakening of the market and lower prices of potassium chloride for the final customer. If agreement on a contract for China is reached in Q2, setting the minimum price level for potassium chloride, short-term stabilisation will be possible. According to forecasts, the MOP price for China in the new contract can be lower by as much as USD 50 per tonne CFR compared with the last contract for 2018/2019.
Despite an increase in the prices of DAP and MAP fertilizers, the average price of phosphate rock FOB North Africa in Q1 2020 remained unchanged on Q4 2019. On the other hand, the prices of phosphoric acid (West Europe, CFR) decreased by about 26%. A similar price correction (down by approximately 22% quarter on quarter) was recorded in the case of phosphoric acid supplied to India.
The COVID-19 pandemic did not lead to a decline in the prices of phosphate fertilizers due to the exclusion of Chinese manufacturers, who – aside from producing for the home market – supply a large part of Asia and Australia. On the one hand, demand declined, but on the other, various logistic issues (such as force majeure declared at Indian ports) and supply constraints increased the price benchmarks for phosphate fertilizers. Some local governments (in Jordan, Peru) ordered a temporary shutdown of phosphate fertilizers and phosphate rock production. The production of fertilizers in China has been gradually resumed since early March, mainly in the Hubei province, where the leading fertilizer plants and phosphate rock mines are located.
Further into 2020, the market of phosphate fertilizers and main production inputs will be strongly correlated with the developments related to the coronavirus pandemic. On the one hand, the weather conditions now present in many areas of the world are conducive to intensive application of fertilizers, but, on the other hand, there can be serious logistic problems with the transport of products. Due to the specific role of fertilizers, many countries (including China) do everything to make sure they reach target customers so they can achieve the planned yields. The situation is very dynamic and there can be no assurance that due to the spread of the pandemic the production capacities of the principal global manufacturers will not be reduced. However, the current situation may significantly upset the supply and demand balance. Drought in many regions of the world is likely to pose a major risk, which may lead to lower fertilization, including with phosphoric fertilizers.

PLASTICS

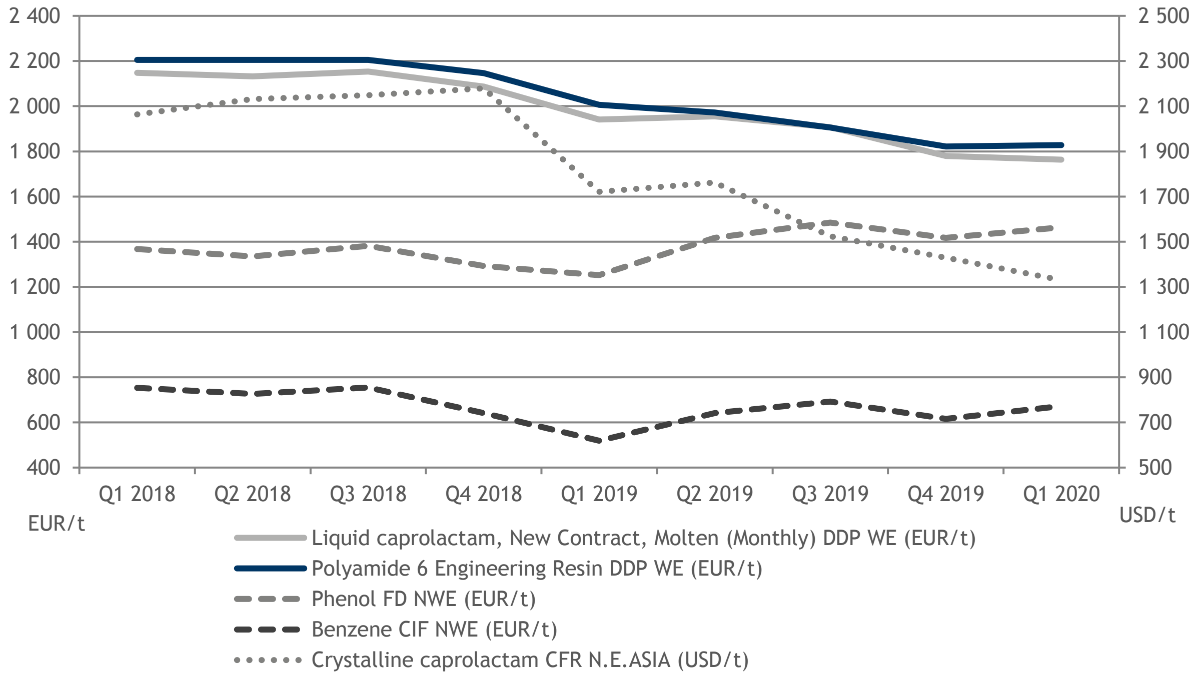
Polyamide 6 chain

As in the previous periods, in Q1 2020 the market situation along the polyamide 6 chain continued to be shaped mainly by supply and demand forces and, to a lesser extent, by prices of petroleum products.
The latter are determined by crude oil prices and by the balance of supply and demand within particular regions. Between December 2019 and February 2020, the prices of inputs (benzene and phenol) were on an upward trend. Despite declines recorded in March, the average European contract

(all amounts in PLN '000 unless indicated otherwise)

prices for benzene (CIF NWE) went up by 29.5% year on year, and of phenol (FD NWE) by 16.9% year on year in Q1 2020.
The same happened for caprolactam and polyamide 6: after their growth in January and February, the contract prices in Europe declined in March. However, in the period under review, the average quarterly contract prices of European caprolactam (Liq. DDP WE) decreased by 9.2%, and polyamide 6 prices (PA6, Engineering Resin Virgin, DDP WE) by 8.9% relative to Q1 2019. The higher prices of benzene and phenol did not fully translate into higher caprolactam and polyamide 6 prices. At the same time, the average prices of caprolactam on the Asian market (CFR NE Asia) in Q1 2020 were 22.7% lower than in Q1 2019. Most Chinese producers reduced their output due to continued low demand for caprolactam linked to the spread of COVID-19 pandemic and the resulting constraints in production and logistics. To stimulate the export market, the Chinese government increased tax refunds related to sales of certain chemical products, including caprolactam, from 10% to 13%, effective from March 20th.
The supply of polyamide 6 on the European market in Q1 2020 remained strong, with lower-than-expected demand from downstream industries. In January and February, the spread of the COVID-19 virus did not yet affect the supply and demand balance. In the following months, the global and European markets were increasingly affected by the COVID-19 outbreak due to the response by most governments that involved social distancing to minimise the risk of infection.
The tough situation caused by the epidemic sparked a crisis in the automotive industry. At the end of March, the steepest production declines, combined with shutdowns at automotive companies, occurred mainly in Asia and Europe, and to a lesser extent in the US.
March was a period of fast-changing developments. Compared with the previous months, demand for PA6 from most customers (except for the automotive industry) improved in early March, to deteriorate in the following weeks as a consequence of security measures introduced by European countries to counter the COVID-19 pandemic. With the exception of the packaging and medical industries, sales to all segments buying PA6 fell to varying degrees, depending on the application and region. Producers in Europe have been taking precautions and some of them have reduced operating rates in both CPL and PA6 in line with the lower demand.

Prices of PA6, caprolactam, benzene and phenol



Source: TECNON, ICIS.

Average prices of Polyamide 6, caprolactam and raw materials used in their production

	Average Q1 2019	Average Q1 2020	y/y	03-2020	MIN 2020	MAX 2020
	EUR/t	*EUR/t*	*%*	*EUR/t*	*EUR/t*	*EUR/t*

Benzene (CIF, NWE)	519	672	29.5	595	595	742
Phenol (FD, NWE)	1,252	1,463	16.9	1,387	1,387	1,533
Caprolactam (Liq., DDP, WE)	1,942	1,763	9.2↓	1,727	1,727	1,807
Polyamide 6 (PA 6) (DDP, WE)	2,007	1,828	8.9↓	1,815	1,805	1,865
	USD/t	*USD/t*	*%*	*USD/t*	*USD/t*	*USD/t*
Caprolactam (CFR, NE Asia)	1,721	1,330	22.7↓	1,310	1,298	1,383
	USD/bbl	*USD/bbl*	*%*	*USD/bbl*	*USD/bbl*	*USD/bbl*
Crude oil (BRENT)	63.70	51.28	19.5↓	34.72	34.72	63.60

Source: ICIS, Tecnon, Rzeczpospolita.

In the coming periods, prices along the polyamide chain will mainly be driven by supply and demand forces on the end-use markets, which in turn will be strongly determined by the COVID-19 situation. Another factor with bearing on the segment’s market are prices of petrochemical feedstocks, putting pressure on price movements along the entire product chain.
The outbreak of the COVID-19 pandemic in China at the end of 2019 and its violent spread across the globe will hamper global economic growth. The COVID-19 pandemic and plunge in oil prices affected especially the automotive industry as the temporary production shutdowns at most European, US and Asian plants announced in late March by car manufacturers will result in a drop in orders along the entire supply chain. Some expect that if the lockdown measures in Italy, Germany and Spain are alleviated, some plants, including automotive producers, could slowly resume production. However, a recovery in the automotive industry and return to normal rates are not expected any time soon. Accordingly, it is still difficult to estimate the ultimate scale of the pandemic’s impact on that industry.
A potential recovery over the next periods will depend on when the pandemic is defeated and on the success of economic stimulus programmes adopted by individual countries.

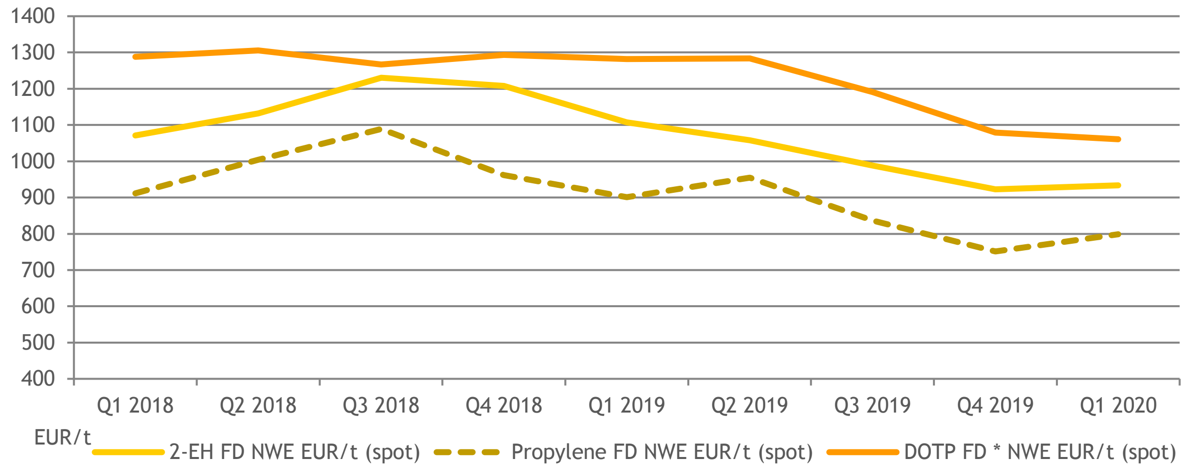
CHEMICALS

OXO product chain

In Q1 2020, the prices of 2-EH went down 15.6% year on year, mainly on lower prices of raw materials used in its production, as well as its wide availability.
The availability of OXO alcohols on the European market in Q1 2020 was considered very high. In late February, after the declaration of force majeure by one of the producers, the market availability of 2-EH and n-butanol declined. Relative to Q4 2019, imports of OXO alcohols into the European market decreased due to lower prices of those products in Europe. Alcohol demand started to grow later into the quarter, exceeding the projections in March. Towards the end of March, first logistic problems were reported in the wake of the COVID-19 pandemic in Europe and associated restrictions leading to longer lead times.
In Q1 2020, the prices of DOTP were down 17.2% year on year.
The supply of plasticizers in Europe remained very strong in Q1 2020, as local output was supported by imports from other parts of the world (Korea, Turkey, US, Russia). At the end of March, the availability of DOTP (mainly on the spot market) decreased following the announcement of force majeure at one manufacturer and a decline in 2-EH supply. The market saw DOTP sale offers at prices well below those recorded according to ICIS (especially at the beginning of 2020). Demand for plasticizers remained low early in the year. However, at the end of January, it started gradually growing, reaching a level above the forecast in March.
As on the OXO alcohol market, also on the plasticizer market some problems were encountered with the timeliness of supplies at the end of March, as a result of transport restrictions imposed by European countries. A sharp market slowdown, attributable partly to the COVID-19 pandemic and production stoppages in many European countries, may cause the demand for plasticizers to fall significantly over the coming months.

Prices of 2-EH, DOTP and propylene

(all amounts in PLN '000 unless indicated otherwise)



** January 18th 2017 - The changes in DOTP prices were caused by alteration of the price gathering methodology applied by ICIS (which was revised to better present the actual market prices) and should not be viewed as an indication of an actual change in the plasticizer prices.*

Source: ICIS.

Average prices of 2-EH, DOTP and propylene

	Average Q1 2019	Average Q1 2020	y/y	03-2020	MIN 2020	MAX 2020
	EUR/t	*EUR/t*	*%*	*EUR/t*	*EUR/t*	*EUR/t*
2-EH (FD NWE spot)	1,107	934	15.6↓	968	915	968
DOTP (FD NWE spot)	1,282	1,061	17.2↓	1,073	1,053	1,073
Propylene (FD NWE spot)	901	799	11.4↓	808	782	808

Source: ICIS.

In Q1 2020, the spot prices of propylene were down 11.4% year on year, while contract prices fell by around 11%.
The supply of and demand for propylene remained fairly stable. In Q1 2020, the supply of feedstock (particularly polymer) deteriorated slightly quarter on quarter, Which was attributable to strikes that broke out across France in early January, as well as to maintenance and emergency shutdowns at several European propylene producers. Compared with the end of 2019, propylene demand went up. Despite the increased demand for and lower supply of propylene, its processors faced no supply constraints. Compared with the end of the previous year, imports of propylene to the European market, mainly from the US, declined.
In the coming months, the market prices of propylene are expected to fall, driven by drops in crude oil and kerosene prices, as well as by the demand dwindling amid the COVID-19 pandemic. The market will also be suffering from logistic problems related to Europe-wide border-crossing and travel restrictions, which may cause delays in the deliveries of both feedstock and finished products.

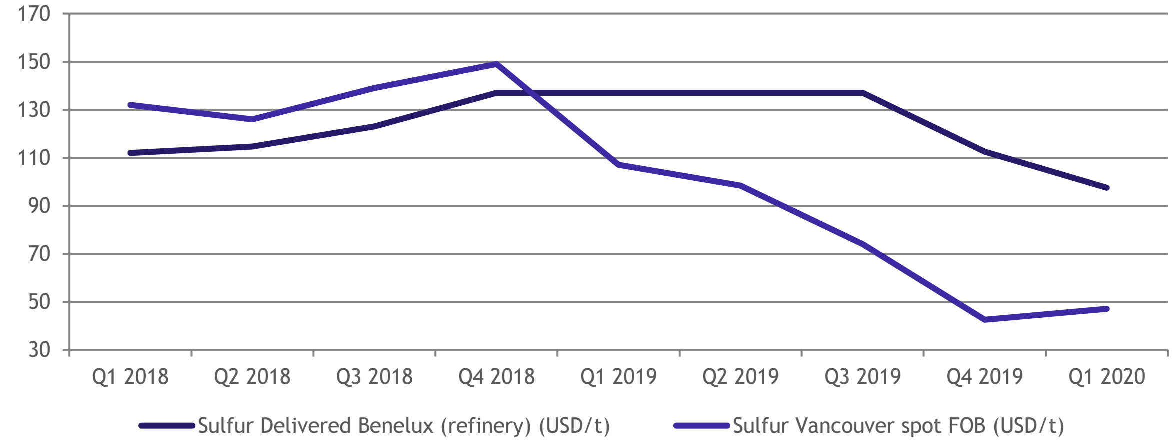
Sulfur

The first quarter of 2020 saw a continuation of the weak trend on the sulfur market, which has remained practically unchanged since the beginning of 2019. Significant weakening of the phosphate fertilizers market depressed the market for sulfur, which is primarily used in the production of phosphoric acid and then DAP, MAP and NPK fertilizers. In Q1 2020, the prices of prilled sulfur (Vancouver SPOT FOB) fell by about 56% year on year. China, as the leading target market for prilled sulfur, significantly limited the production of phosphate fertilizers for half of the quarter given its fight against the COVID-19 pandemic, which reduced its demand for sulfur. In China itself the price of prilled sulfur strengthened slightly, which was due to major logistic constraints.
Price declines on the European market for liquid sulfur were slightly lower. Compared with Q1 2019, the average price of liquid sulfur (Benelux Delivered) was approximately 29% lower in Q1 2020. Despite resistance from manufacturers (refineries, gas plants), the price of liquid sulfur had to follow the global prices of the prilled product. There were no sharp changes in demand on the European market in Q1 2020. With the closure of borders between EU member states in March, logistics was hindered.

(all amounts in PLN '000 unless indicated otherwise)

The coronavirus pandemic has strongly influenced the sulfuric acid market. In Q1 2020, significant drops in sulfuric acid prices were recorded, with zero or even negative FOB prices quoted on the spot market.
After price declines in Q4 2019, the European market for liquid sulfur continued to follow a downward trend. Given the COVID-19 pandemic, the coming quarters may see disruptions in both supply and demand. In Q2 2020, a roll-over of Q1 liquid sulfur prices in Western Europe and a rise in global prices of prilled sulfur have been observed. However, in the latter case analysts warn this may be a temporary reaction of the market. Potential production cuts by phosphate fertilizer manufacturers, which are key buyers of sulfur, may have a strong impact on sulfur supply. On the other hand, crude oil processing and sulfur production may also be reduced. These developments have been accompanied by overall logistic problems and their effect in freight availability and rates. All in all, this landscape may give rise to any scenarios, with both declines and increases in sulfur prices possible in subsequent quarters of the year.

Sulfur prices



Source: FERTECON.

Average prices of sulfur

	Average Q1 2019	Average Q1 2020	y/y	03-2020	MIN 2020	MAX 2020
	USD/t	*USD/t*	*%*	*USD/t*	*USD/t*	*USD/t*
Liquid sulfur (Delivered Benelux refinery)	137	98	28.8↓	98	98	98
Prilled sulfur (Vancouver spot FOB)	107	47	56.0↓	56	42	56

Source: FERTECON.

Pigment chain
In Q1 2020, the price of titanium white in Europe declined 5% year on year. The European prices fell at the beginning of the year, to remain stable until the end of the quarter.
Early 2020 proved a difficult period for the titanium white market. Some uncertainties which dampened demand already in 2019, such as the trade war and unresolved issue of Brexit, still persisted. Furthermore, the industry suffered from a slowdown in industrial and chemical production on the European Union markets. Demand from many important sectors, especially the automotive industry, shrank markedly. In January and February 2020, supply and demand remained substantially balanced. The supply of the product was good, while the demand remained limited. Another material factor affecting the market balance were competitive imports of cheaper titanium white from China into Europe, further compounded by the launch of new capacities based on the chloride process on the Chinese market (a total target capacity of 200,000 tonnes per year). On February 14th 2020, China reduced its duties on certain goods imported from the US, including TiO_2. The steps seeking to end the US-China trade war were a very good signal, but the spread of the coronavirus has aggravated economic concerns amid the already unstable economic sentiments. In March, the onset of the COVID-19 pandemic in Europe started to strongly affect the titanium white market, in a period of a seasonal

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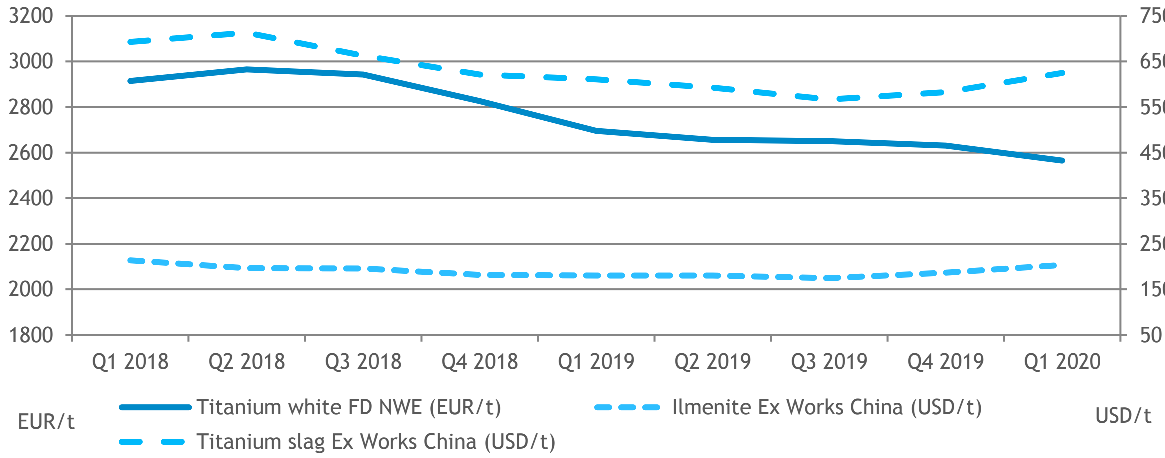
increase in demand for the product. Limited purchases, resulting from the implementation of virus prevention measures, were offset by the buyers' willingness to secure adequate stock levels. The ultimate impact of COVID-19 on the titanium white market is still unknown. The situation has been changing rapidly, but demand may be hit if the pandemic stays for longer. Chinese exports of titanium dioxide to Europe have been delayed due to increased logistic problems caused by stringent security controls at the borders and limited availability of both trucks and drivers.
An important driver of price trends in the coming months will be the economic situation on global markets. The economic downturn caused by the COVID-19 pandemic may have an effect on the demand for titanium white in 2020, its extent correlated with any escalation of the risk. The rapid growth of the Chinese market is strengthening the position of Chinese producers of titanium white. Another new production line with an annual capacity of 100,000 tonnes is to be launched in China by mid-2020. Against this backdrop, strong imports of Chinese titanium white into the European Union are likely to continue, which may upset both the EU and Polish titanium white markets.
In line with the seasonality cycle, in Q2 2020 demand is expected to gather momentum, but increased economic concerns and the pandemic may affect this year's high season. Buyers tend to avoid long-term commitments and the macroeconomic uncertainty is strongly undermining consumer confidence. Demand from the paints and coatings sector may gradually increase in the coming weeks as buyers begin to build up stocks ahead of the peak season. Negotiations of contract prices have slowly begun, with buyers strongly opposing any form of price rises.

Prices of titanium white, ilmenite and titanium slag



Source: ICIS, CCM.

Average prices of titanium white and raw materials for its production

	Average Q1 2019	Average Q1 2020	y/y	03-2020	MIN 2020	MAX 2020
	EUR/t	*EUR/t*	*%*	*EUR/t*	*EUR/t*	*EUR/t*
Titanium white FD NWE	2,695	2,565	4.8↓	2,550	2,550	2,595
	USD/t	*USD/t*	*%*	*USD/t*	*USD/t*	*USD/t*
Ilmenite Ex Works China	181	204	12.7	224	193	224
Titanium slag ex Works China	611	625	2.3	642	611	642

Source: ICIS, CCM.

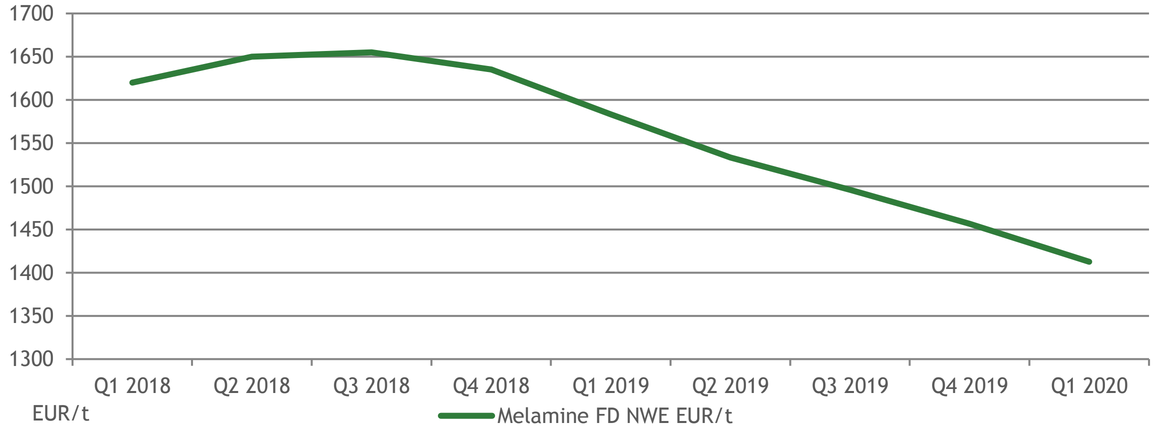
Situation on the titanium-bearing minerals market is stable. Only minor (between 2.5% and 3.5%) increases in ilmenite prices were recorded in Europe. In China, they were slightly more pronounced due to locally limited availability of the feedstock caused by the COVID-19 outbreak. For the time being, no problems with ilmenite supply have been encountered in Europe.
As no investments have been made in new furnaces, the titanium slag market is undersupplied, especially with respect to 74-76% titanium slag used in the sulfate-based production of titanium white. Some of the manufacturers have discontinued the production of titanium slag with a lower titanium content and switched to producing slags with a 90% or higher TiO_2 content, prompted by higher margins achieved on sales of titanium white manufactured by chloride process. Thus, despite the falling prices of titanium white, the global price of titanium slag remains high. In Q1 2020, the average price of feedstock used in the manufacture of titanium white by the sulfate process in Europe

(all amounts in PLN '000 unless indicated otherwise)

remained at a stable level of approximately USD 625 per tonne (FOB), having not changed materially relative to the same period of 2019.
As there are signals of growing demand for ilmenite, mainly from Chinese titanium white manufacturers, and investments in the production of titanium-bearing minerals are insufficient, ilmenite prices are forecast to rise globally in the coming quarters. The continued undersupply of titanium slag is likely to prevent any decline in its prices. Accordingly, the price of titanium slag is expected to remain high.

Melamine
In Q1 2020, the global melamine market remained strongly affected by the spreading coronavirus pandemic. In the Asian market, melamine output was reduced to about 63% of the capacity at the quarter's end, with a view to preserving margins, given soft demand and growing stocks of the product. At the same time, the largest Chinese exporters started to offer additional price reductions for melamine, following the introduction of a special governmental discount scheme with a refund of 13% of the tax on export sales. However, none of those measures changed the demand for melamine from other regions, all the more so that many countries have closed or significantly restricted cross-border traffic. Since February 2020, Chinese melamine processors have been slowly resuming production, thanks to reduced staff absence rates and the easing of transport restrictions by certain Chinese cities with high COVID-19 incidence.
In Q1 2020, the average contract prices of melamine in Europe fell by 3.1% quarter on quarter and 10.8% year on year. In March, European manufacturers were holding discussions over the prices of melamine for the second quarter of 2020. Reduced demand, logistic constraints and production cuts (especially in Italy) may be reflected in lower prices. On the other hand, the prices of melamine exported to countries normally supplied by China (Indonesia, India, Turkey) went up.
In the US market, the contract prices of melamine were reduced by USD 22 per tonne relative to the previous quarter. Once the price reductions were announced, the market calmed down; consequently, no significant price changes are expected in the following quarter. However, in early March 2020, an American manufacturer announced a proposal to increase melamine prices by USD 110 per tonne. The decision has affected the next quarter's price negotiations among trading partners, who will be seeking a compromise between the proposal and the currently prevailing conditions on the world's melamine market.

Prices of melamine



Source: ICIS, Global Bleaching Chemicals.

Average prices of melamine

	Average Q1 2019	Average Q1 2020	y/y	03-2020	MIN 2020	MAX 2020
	EUR/t	*EUR/t*	*%*	*EUR/t*	*EUR/t*	*EUR/t*
Melamine	1,583	1,413	10.8↓	1,405	1,405	1,428

Source: ICIS, Global Bleaching Chemicals.

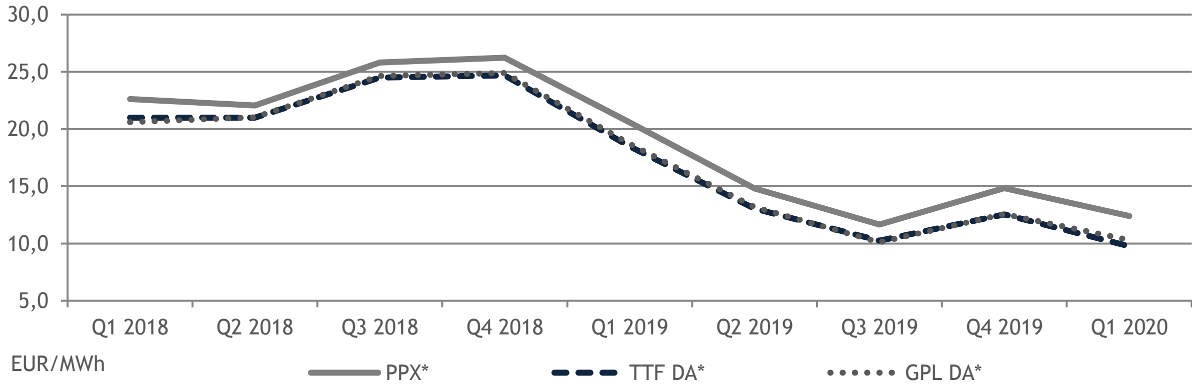
ENERGY

Natural gas

(all amounts in PLN '000 unless indicated otherwise)

In Q1 2020, natural gas prices were falling across all markets covered by research. The spot prices of gas on the TTF (the largest EU hub) commenced the quarter at around EUR 12/MWh, to end it at around EUR 7/MWh. The prices were initially falling as a combined result of the exceptionally warm weather, high stock levels, uninterrupted pipeline supplies and increasing LNG supplies. The mild winter in Europe, coupled with high wind levels, has reduced demand for gas used for heating. This translated into a much slower pace of stocks exhaustion. As at the end of March 2020, 600 TWh of gas (54% of the capacity) was stored in Europe, 285 TWh (24%) above the five-year average. On the other hand, an oversupply of LNG on the global market pushed down gas prices on the Asian market, where JKM prices fell from USD 4.0 to USD 2.9/MMBtu during the period under review. As a result, spot LNG deliveries from the Atlantic region were directed to Europe, where they offered higher rates of return.
In March 2020, the impact of fundamental factors was strengthened by the COVID-19 pandemic, which led to a sharp decline in energy demand. Most businesses have stopped or scaled down their operations. The price of gas was plummeting in response to news of the spreading pandemic. Over two weeks, gas prices in Europe fell by more than EUR 2/MWh. The gas price decline was also mirroring the falling prices of coal, CO_2 emission allowances and crude oil. The failure of talks within OPEC+ and the price war between Saudi Arabia and Russia, coupled with the growing oversupply, led to the steepest plunge in crude oil prices on record. At the end of the quarter, Brent crude cost USD 22.7/bbl, almost a third of the price from the year's beginning.
The abundant gas stocks, LNG supplies, as well as decisions to postpone maintenance shutdowns of Norwegian gas production and transmission infrastructure until after the pandemic should translate into an oversupply on the European gas market, exerting strong price pressure later in the year. At the same time, the price dynamics in Europe will to a larger extent depend on how the pandemic continues to impact the world's economy, in particular LNG demand in Asia and LNG prices in the Pacific region.

Prices of natural gas



** Excluding transmission.*

Source: PGNiG tariff, ICIS.

Average prices of natural gas

	Average Q1 2019	Average Q1 2020	y/y	03-2020	MIN 2020	MAX 2020
	EUR/MWh	*EUR/MWh*	*%*	*EUR/MWh*	*EUR/MWh*	*EUR/MWh*
TTF DA*	18.5	9.8	47.2↓	8.6	8.6	11.3
GPL DA*	18.7	10.3	44.9↓	9.1	9.1	11.8
PPX*	20.6	12.4	39.7↓	11.1	11.1	14.0

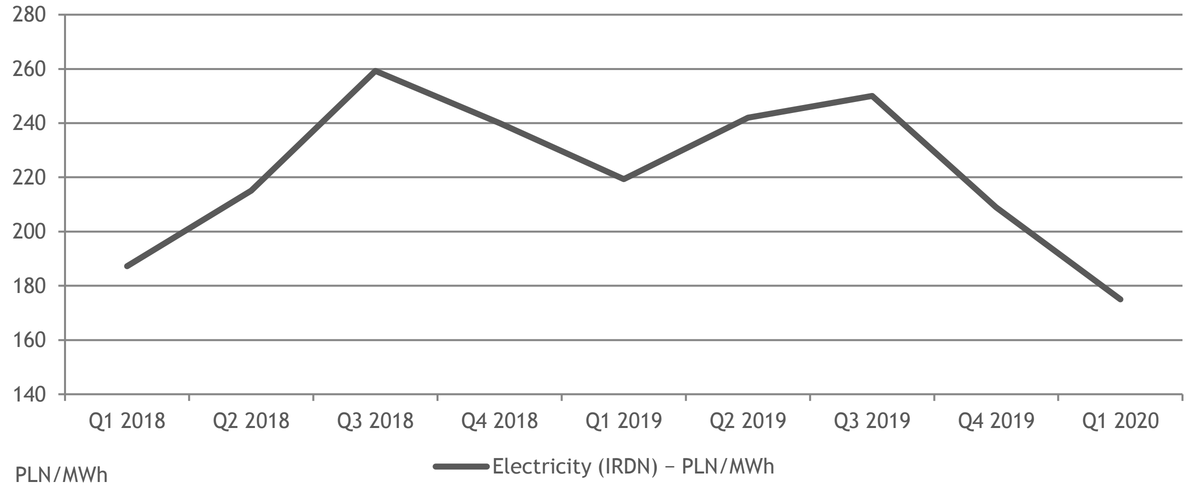
** Excluding transmission.*

Source: PGNiG tariff, ICIS.

(all amounts in PLN '000 unless indicated otherwise)

Electricity

Prices of electricity



IRDN − average price weighted by the volume of all transactions on a trading day, calculated after the delivery date for the entire day.

Source: The Polish Power Exchange

Average prices of electricity

	Average Q1 2019	Average Q1 2020	y/y	03-2020	MIN 2020	MAX 2020
	PLN/MWh	*PLN/MWh*	*%*	*PLN/MWh*	*PLN/MWh*	*PLN/MWh*
Electricity	219.44	174.79	20.3↓	165.62	82.78	242.04

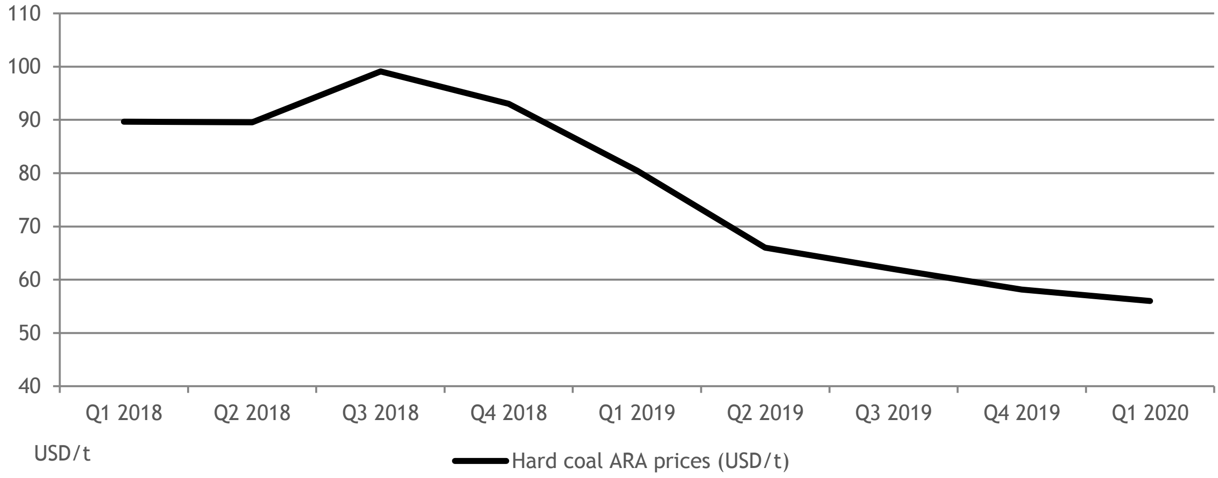
Source: The Polish Power Exchange

Electricity prices remain on a declining trend. In Q1 2020, its average prices fell by more than 16% quarter on quarter and more than 20% year on year.
The Polish market is largely affected by climate regulations, the legal regime, as well as the need to continue upgrading generation capacities (expenditure on new capacities) and to maintain the operating capacity reserve (effect on production costs). The price slump was caused by higher volumes of net electricity imports and wind power output.
In the coming months, electricity prices will be driven, among other factors, by strong price fluctuations on the commodity markets. Both in Poland and globally, the COVID-19 pandemic will be pushing the demand for electricity down as manufacturing and services have been restricted. Lower demand for energy may entail a decline in demand for key energy commodities. Furthermore, electricity prices will be sensitive to behaviour on the market for CO_2 emission allowances, especially in view of the approaching deadline for their mandatory redemption. Another important factor will remain Poland's and the EU's policies to support the power industry.

(all amounts in PLN '000 unless indicated otherwise)

Coal

Prices of hard coal



Source: ARA prices.

Average prices of hard coal

	Average Q1 2019	Average Q1 2020	y/y	03-2020	MIN 2020	MAX 2020
	USD/t	*USD/t*	*%*	*USD/t*	*USD/t*	*USD/t*
Coal	81.50	56.15	30.7↓	53.50	52.15	63.10

Source: ARA prices.

In Q1 2020, the downward trend, which began in the second half of the previous year, continued. Compared with the quarter before, the prices fell by another 3.4%. Year on year, the average coal prices fell by more than 30%, to reach the period's low of USD 52.15 per tonne at the end of the quarter.
The current situation on the international coal market is described as highly volatile. The prices are under downward pressure, driven by the level of European stocks and the EU policy of reducing coal consumption in favour of natural gas. Additionally, the COVID-19 pandemic will have a significant impact on the market, as the reason for closing down or limiting the operations of certain service or manufacturing segments, including its impact on the operation of mines within the Polish Upper Silesian Coal Basin. The global coal market will also be affected by wide price fluctuations across the other commodity markets.
Analysts expect the average ARA prices to remain below USD 60 per tonne in 2020.

(all amounts in PLN '000 unless indicated otherwise)

2.3. Key financial and economic data

2.3.1. Consolidated financial information

Item	Q1 2020	Q1 2019	change	% change
Revenue	3,103,720	3,364,884	(261,164)	(7.8)
Cost of sales	(2,373,278)	(2,516,577)	143,299	(5.7)
Gross profit	**730,442**	**848,307**	**(117,865)**	**(13.9)**
Selling and distribution expenses	(254,930)	(235,755)	(19,175)	8.1
Administrative expenses	(198,670)	(202,814)	4,144	(2.0)
Profit on sales	**276,842**	**409,738**	**(132,896)**	**(32.4)**
Net other income/(expenses)	9,239	(1,651)	10,890	(659.6)
Operating profit	**286,081**	**408,087**	**(122,006)**	**(29.9)**
Net finance costs	(33,782)	(11,926)	(21,856)	183.3
Share of profit of equity-accounted investees	3,467	2,894	573	19.8
Profit before tax	**255,766**	**399,055**	**(143,289)**	**(35.9)**
Income tax	(59,934)	(76,183)	16,249	(21.3)
Net profit	**195,832**	**322,872**	**(127,040)**	**(39.3)**
EBIT	**286,081**	**408,087**	**(122,006)**	**(29.9)**
Depreciation and amortisation	189,603	200,307	(10,704)	(5.3)
EBITDA	**475,684**	**608,394**	**(132,710)**	**(21.8)**

Source: Company data.

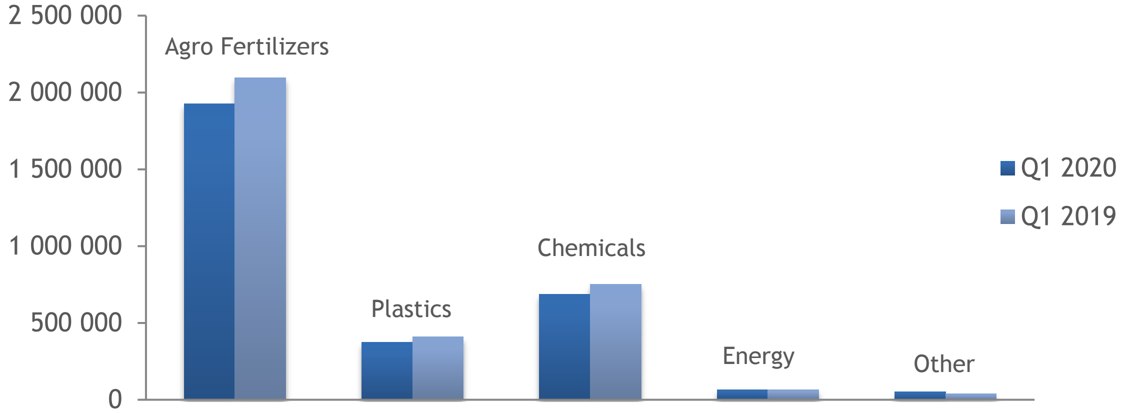
2.3.2. Segment results

EBIT by segment

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities
External revenue	1,927,296	373,252	685,460	65,895	51,817
Profit/(loss) on sales	224,205	(12,684)	76,888	(4,553)	(7,014)
EBIT	230,995	(10,822)	77,889	(2,521)	(9,460)

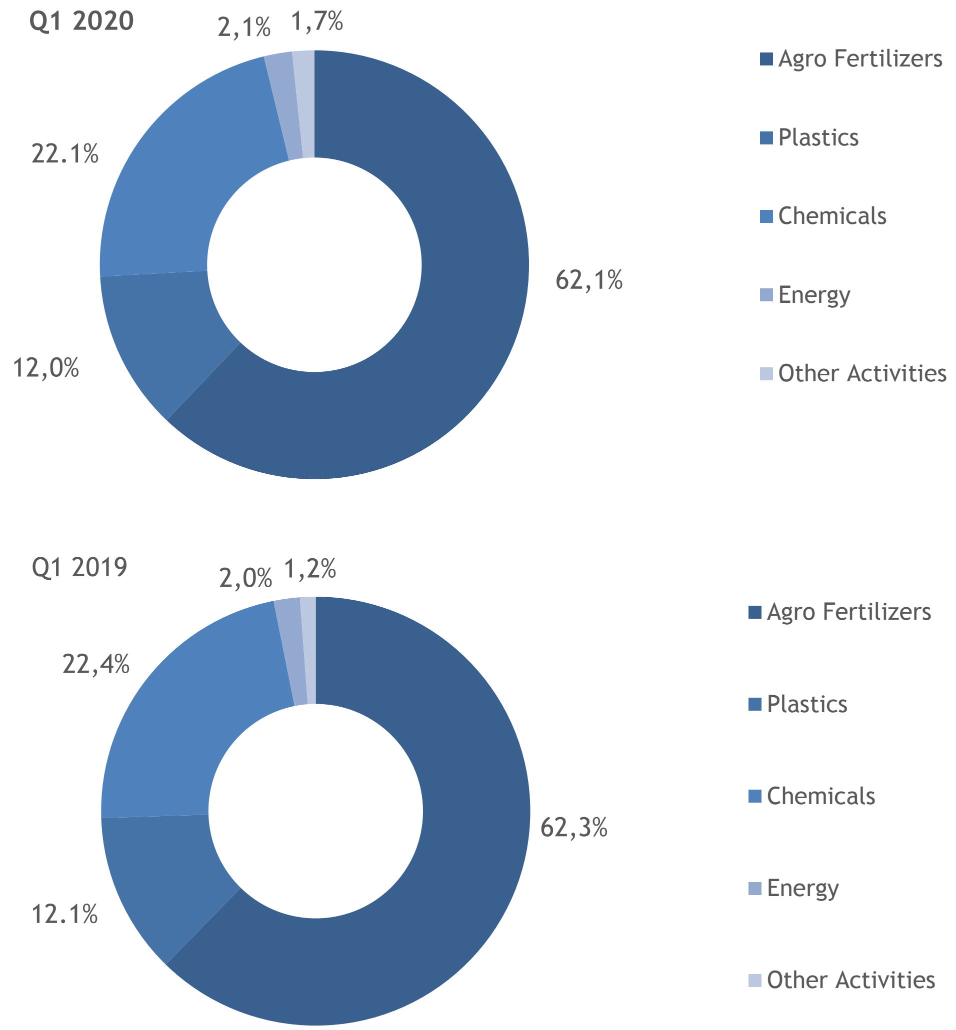
Source: Company data.

Revenue by segment



Source: Company data.

Revenue by segment



Source: Company data.

(all amounts in PLN '000 unless indicated otherwise)

Agro Fertilizers

In Q1 2020, revenue in the Agro Fertilizers segment was PLN 1,927,296 thousand and accounted for 62.1% of the Group's total revenue. Relative to Q1 2019, the segment's revenue fell by 8.1%.
EBIT reported by the Agro Fertilizers segment was positive.
Sales on the domestic market accounted for approximately 54.3% of the segment's revenue.

Plastics

In Q1 2020, revenue in the Plastics segment was PLN 373,252 thousand and accounted for 12.0% of the Group's total revenue. The segment's revenue was down 8.8% year on year. EBIT reported by the Plastics segment was negative.
More than 88.2% of the segment's revenue was derived from sales on foreign markets.

Chemicals

In Q1 2020, revenue in the Chemicals segment amounted to PLN 685,460 thousand, having decreased 8.9% year on year. The segment's revenue accounted for 22.1% of the Group's total revenue.
EBIT reported by the Chemicals segment was positive.
Sales on foreign markets accounted for approximately 60.5% of the Chemicals segment's revenue.

Energy

In Q1 2020, revenue in the Energy segment was PLN 65,895 thousand and accounted for approximately 2.1% of the Group's total revenue. Year on year, the segment's revenue decreased by 0.8%.
EBIT reported by the Energy segment was negative.

Other Activities

In Q1 2020, revenue of the Other Activities segment was PLN 51,817 thousand and accounted for 1.7% of the Group's total revenue, having increased by 30.8% relative to Q1 2019. Its EBIT was negative.

2.3.3. Structure of operating expenses

Operating expenses by nature of expense

	Q1 2020	Q1 2019	change	% change
Depreciation and amortisation	188,411	199,348	(10,937)	(5.5)
Raw materials and consumables used	1,546,596	1,847,002	(300,406)	(16.3)
Services	288,870	276,710	12,160	4.4
Salaries and wages, including surcharges, and other benefits	439,354	428,478	10,876	2.5
Taxes and charges	100,641	105,158	(4,517)	(4.3)
Other expenses	41,458	31,950	9,508	29.8
Total	**2,605,330**	**2,888,646**	**(283,316)**	**(9.8)**

Source: Company data.

Structure of other operating expenses [%]

	Q1 2020	Q1 2019
Depreciation and amortisation	7.2	6.9
Services	11.1	9.6
Salaries and wages, including surcharges, and other benefits	16.9	14.8
Taxes and charges	3.9	3.6
Other expenses	1.6	1.1
Total	**40.6**	**36.1**

Source: Company data.

(all amounts in PLN '000 unless indicated otherwise)

2.3.4. Assets, equity and liabilities

Structure of assets

	Q1 2020	Q1 2019* restated	change	% change
Non-current assets, including:	**11,227,156**	**10,350,360**	**876,796**	**8.5**
Property, plant and equipment	8,230,186	7,900,233	329,953	4.2
Intangible assets	1,022,541	1,027,254	(4,713)	(0.5)
Other receivables	535,430	203,153	332,277	163.6
Goodwill	327,630	311,068	16,562	5.3
Deferred tax assets	102,147	96,453	5,694	5.9
Current assets, including:	**5,434,484**	**4,747,444**	**687,040**	**14.5**
Trade and other receivables	1,866,173	1,837,908	28,265	1.5
Inventories	1,435,962	1,428,259	7,703	0.5
Property rights	1,005,541	717,802	287,739	40.1
Cash and cash equivalents	935,768	604,734	331,034	54.7
Total assets	**16,661,640**	**15,097,804**	**1,563,836**	**10.4**

* In line with the information presented in Section 2.1.b of the consolidated financial statements of the Grupa Azoty Group for the 12 months ended December 31st 2019;

Source: Company data.

Structure of equity and liabilities

	Q1 2020	Q1 2019* restated	change	% change
Equity	**8,107,355**	**7,650,663**	**456,692**	**(6.0)**
Non-current liabilities, including:	**4,873,003**	**4,049,449**	**823,554**	**20.3**
Borrowings	3,107,675	2,477,617	630,058	25.4
Deferred tax liabilities	492,327	470,863	21,464	4.6
Employee benefit obligations	471,137	394,366	76,771	19.5
Lease liabilities	359,686	385,955	(26,269)	(6.8)
Provisions	208,322	143,511	64,811	45.2
Government grants received	192,605	147,032	45,573	31.0
Current liabilities, including:	**3,681,282**	**3,397,692**	**283,590**	**8.3**
Trade and other payables	2,461,990	2,514,546	(52,556)	(2.1)
Borrowings	516,781	412,083	104,698	25.4
Government grants received	307,889	274,130	33,759	12.3
Other financial liabilities	166,196	52,308	113,888	217.7
Total equity and liabilities	**16,661,640**	**15,097,804**	**1,563,836**	**10.4**

* In line with the information presented in Section 2.1.b of the consolidated financial statements of the Grupa Azoty Group for the 12 months ended December 31st 2019;

Source: Company data.

(all amounts in PLN '000 unless indicated otherwise)

2.3.5. Financial ratios

Profitability ratios [%]

	Q1 2020	Q1 2019
Gross profit margin	23.5	25.2
EBIT margin	9.2	12.1
EBITDA margin	15.3	18.1
Net profit margin	6.3	9.6
ROA	1.2	2.1
ROCE	2.2	3.5
ROE	2.4	4.2
Return on non-current assets	1.7	3.1

Source: Company data.

Ratio formulas:
Gross profit margin = gross profit (loss) / revenue
EBIT margin = EBIT / revenue
EBITDA margin = EBITDA / net revenue
Net profit margin = net profit (loss) / revenue
Return on assets (ROA) = net profit (loss) / total assets
Return on capital employed (ROCE) = EBIT / TALCL, that is EBIT / total assets less current liabilities
Return on equity (ROE) = net profit (loss) / equity
Return on non-current assets = net profit (loss) / non-current assets

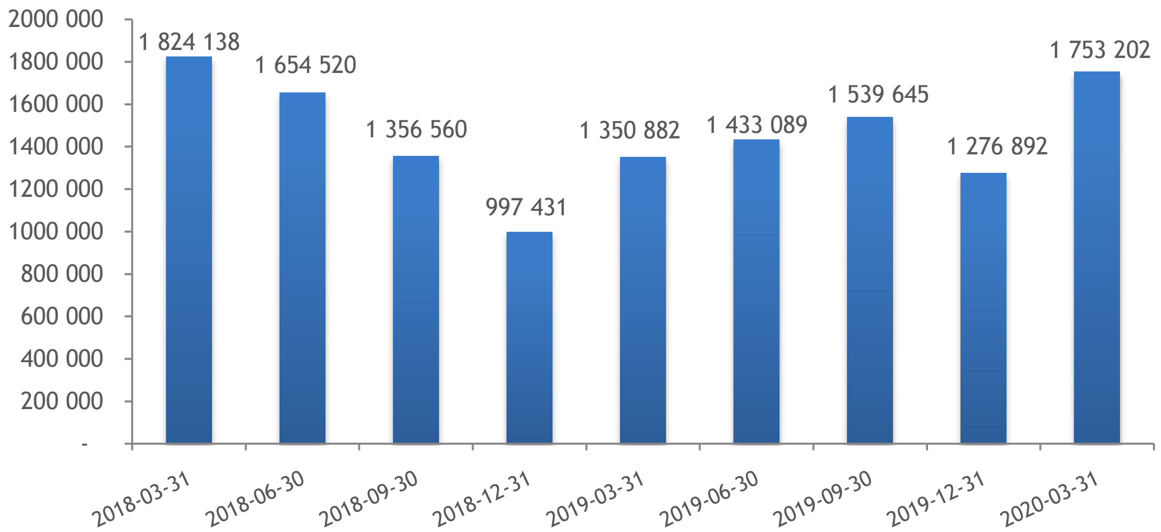
Liquidity ratios

	Q1 2020	Q1 2019
Current ratio	1.5	1.4
Quick ratio	1.1	1.0
Cash ratio	0.3	0.2

Source: Company data.

Ratio formulas:
Current ratio = current assets / current liabilities
Quick ratio = (current assets - inventories - current prepayments and accrued income) / current liabilities
Cash ratio = (cash + other financial assets) / current liabilities

Changes in net working capital



Source: Company data.

Operational efficiency ratios

(all amounts in PLN '000 unless indicated otherwise)

	Q1 2020	Q1 2019
Inventory turnover	54	51
Average collection period	54	49
Average payment period	94	90
Cash conversion cycle	14	10

Source: Company data.

Ratio formulas:
*Inventory turnover = inventories * 90 / cost of sales*
*Average collection period = trade and other receivables * 90 / revenue*
*Average payment period = trade and other payables * 90 / cost of sales*
Cash conversion cycle = inventory turnover + average collection period - average payment period

Debt ratios [%]

Ratio	Q1 2020	Q1 2019
Total debt ratio	51.3	49.3
Long-term debt ratio	29.2	26.8
Short-term debt ratio	22.1	22.5
Equity-to-debt ratio	94.8	102.7
Interest cover ratio	1,162.8	2,498.9

Source: Company data.

Ratio formulas:
Total debt ratio = total liabilities / total assets
Long-term debt ratio = non-current liabilities / total assets
Short-term debt ratio = current liabilities / total assets
Equity-to-debt ratio = equity / current and non-current liabilities
Interest cover ratio = (profit before tax + interest expense) / interest expense

2.4. Financial liquidity

Although their situation is clearly linked to developments in the market environment, the Parent as well as the other Group companies are fully solvent, with good credit standing. The Group is able to pay its liabilities as they fall due and to hold and generate free operating cash flows. In Q1 2020, the Group paid all of its borrowing-related and other financial liabilities when due, and there is no threat to its ability to continue servicing its debt.
The liquidity management policy operated by the Group consists in maintaining surplus cash and available credit facilities as well as limits under the intragroup financing agreement (one purpose of which is to effectively distribute available funds within the Group), and in ensuring that their level remains safe and adequate to the scale of the Group's business.
The Grupa Azoty Group is monitoring the spread of the COVID-19 pandemic and its impact on the Group's economic environment. The Group has identified the following risk areas related to the pandemic outbreak that may affect its liquidity:

- potential risk of deterioration in the financial liquidity of some of our trading partners as a result of payment backlogs,
- volatility of exchange rates.

As at the date of this report, no material impact of COVID-19 on the Group's financial condition was recorded, despite a considerable slowdown, particularly in the Plastics segment. Since the actual magnitude of future effects of the COVID-19 crisis and their impact on the Grupa Azoty Group's business is difficult to estimate, it is not possible to reliably determine the impact of the pandemic on the Group's operations and financial condition.

2.5. Borrowings

In Q1 2020, the Group paid all of its borrowing-related liabilities when due, and there is no threat to its ability to continue servicing its debt.
The Grupa Azoty Group has access to umbrella overdraft limits related to the PLN and EUR physical cash pooling arrangements and under a multi-purpose credit facility, which may be used as directed by the Parent at times of increased demand for funding from any of the Group companies.

(all amounts in PLN '000 unless indicated otherwise)

Additionally, the Group has access to bilateral overdraft limits and multi-purpose facilities available to its companies.
The amount of limits under overdraft and multi-purpose credit facilities available to the Group as at March 31st 2020 was PLN 717m. In addition, as at the reporting date, the Group had access to corporate credit facilities of approximately PLN 1,642m. The Group also had access to special purpose loans totalling PLN 52m.
As at March 31st 2020, under the agreements specified above the Group had access to total credit limits of approximately PLN 2,411m.
Moreover, as at March 31st 2020, the Group had access to an undrawn amount of PLN 507m under a payment services agreement to finance its liabilities towards suppliers (reverse factoring).
The Group's financial condition is sound, and there are no material threats or risks of its deterioration in the future. The Group complies with the uniform covenants of its facility agreements, which enable it to significantly increase financial debt when and as needed.

2.6. Type and amounts of one-off items affecting the assets, equity and liabilities, capital, net profit/loss or cash flows

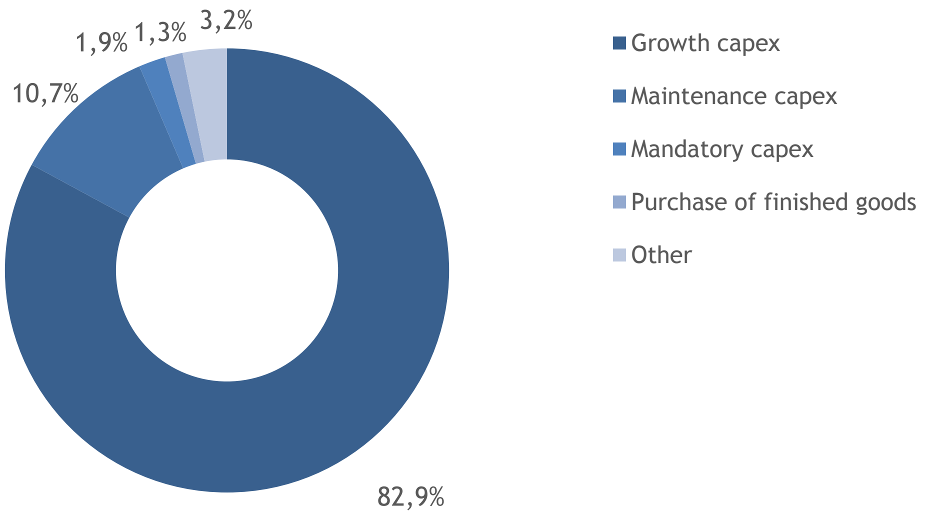
There were no one-off items in the reporting period that would materially affect the Group's assets, equity and liabilities, capital, net profit/loss or cash flows.

2.7. Key investment projects

Main items of the Grupa Azoty Group's capital expenditure in Q1 2020 amounted to PLN 615,148 thousand (including amounts spent on components, major overhaul work and improvements).
Structure of the key capital expenditure:

• Growth capex	PLN 509,922 thousand
• Maintenance capex	PLN 65,518 thousand
• Mandatory investments	PLN 11,940 thousand
• Purchase of finished goods	PLN 7,963 thousand
• Other (components, major overhauls, catalysts, other)	PLN 19,805 thousand

Structure of the Grupa Azoty Group's main capital expenditure in Q1 2020



Source: Company data.

The Grupa Azoty Group's main capital expenditure in Q1 2020:

• Parent	PLN 20,051 thousand
• Grupa Azoty POLYOLEFINS	PLN 444,375 thousand
• Grupa Azoty PUŁAWY Group	PLN 95,396 thousand
• Grupa Azoty POLICE Group	PLN 27,949 thousand
• Grupa Azoty KĘDZIERZYN Group	PLN 14,545 thousand
• Grupa Azoty KOLTAR Sp. z o.o.	PLN 4,226 thousand

(all amounts in PLN '000 unless indicated otherwise)

- Grupa Azoty Compounding Sp. z o.o. PLN 2,783 thousand
- COMPO EXPERT PLN 2,295 thousand*)
- Grupa Azoty SIARKOPOL PLN 2,108 thousand
- Grupa Azoty PKCh Sp. z o.o. PLN 1,383 thousand
- Grupa Azoty ATT Polymers GmbH PLN 37 thousand*)

*) Translated at the EUR/PLN exchange rate quoted by the National Bank of Poland for March 31st 2020: EUR 1 = PLN 4.5523 (table No. 63/A/NBP/2020).

Key investment projects implemented by the Group

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q1 2020	Project purpose	Scheduled completion date
Grupa Azoty POLYOLEFINS					
Propane Dehydrogenation (PDH) unit with related infrastructure, and polypropylene (PP) production unit	USD 1,801,109 thousand	733,192	444,375	Construction of a propylene dehydrogenation plant (PDH) and a polypropylene production plant with associated infrastructure, including the expansion of the Police Sea Port to include a propane and ethylene handling and storage terminal.	2022
Grupa Azoty PUŁAWY					
Construction of a coal-fired power generation unit	1,200,000	14,070	3,375	Adaptation of energy generation units to environmental requirements, while increasing the share of the autoproducer CHP plant in electricity consumption by production units and ensuring continuity of energy supply	2022
Upgrade of existing nitric acid production units and construction of new nitric acid production and neutralisation units and units for production of new fertilizers based on nitric acid	695,000	277,224	36,232	To raise the efficiency of nitric acid production and improve the economics of production of nitric acid-based fertilizers	2024
Facility for production of granulated fertilizers based on ammonium nitrate	385,000	369,586	6,139	To improve the quality of fertilizers by applying modern mechanical granulation	2021
Upgrade of steam generator OP-215 No. 2 to reduce NO_x emissions	93,000	32,871	2,399	To bring the steam generator into compliance with new NO_x emission standards and restore it to proper working condition	2021
Replacement of the turbine generator set	85,000	8,604	8,395	To increase the efficiency of electricity and heat cogeneration by replacing a pass-out and condensing turbine with a new unit	2021

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q1 2020	Project purpose	Scheduled completion date
Grupa Azoty POLICE					
Making production of demineralised water independent of variable salinity	108,000	4,648	3,599	Upgrade and expansion of the water treatment and demineralisation station as a means of protection against periodic	2022

(all amounts in PLN '000 unless indicated otherwise)

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q1 2020	Project purpose	Scheduled completion date
of the Oder River and increasing the ability to produce special waters in the units				salinity increases in the Oder river for Grupa Azoty POLICE companies	
Grupa Azoty KĘDZIERZYN					
Upgrade of the synthesis gas compression unit supplying the Ammonia Plant	140,000	59,930	607	To rebuild the capacity of synthesis gas compression for the Ammonia Plant through the installation of new compressors	2021

Source: Company data.

2.8. Factors which will affect the Group's performance over at least the next reporting period

Exchange rates

In the first quarter of 2020, the PLN/EUR and PLN/USD exchange rates weakened significantly, 4.55 vs 4.25 and 4.15 vs 3.70, respectively, which was directly attributable to the spread of the COVID-19 pandemic and the market's expectations concerning its severe economic impacts.

The Grupa Azoty Group expects that in Q2 2020 the Polish złoty will continue to be predominantly influenced by global factors, which may involve its potential further depreciation against both the euro and the US dollar. Emergence from the worst of the economic crisis caused by the COVID-19 pandemic is expected to begin in Q3 2020 at the earliest.

In the short to medium term, the złoty may come under the pressure of interest rate cuts implemented by the Monetary Policy Council in March and April 2020, coupled with quantitative easing measures taken by the National Bank of Poland (NBP).

As a result, the PLN/EUR and PLN/USD exchange rates may temporarily weaken even further, in the range of 4.55–4.80 and 4.15–4.40, respectively.

In the medium term, i.e. by the end of 2020, the Polish złoty may gradually appreciate reflecting positive effects of the announced lifting of administrative restrictions on business activity. A second, strong wave of COVID-19 or a greater than expected deterioration in the condition of businesses and banks, as well as a sovereign debt and insolvency risk crisis affecting major economies, could be a hazard.

The forecast currency exchange trends are not expected to bear materially on the Grupa Azoty Group's performance in the second quarter of 2020, as its positive currency exposure in EUR from operating activities should offset any adverse changes in the value of EUR-denominated loans.

The effect of the złoty's depreciation against convertible currencies should not significantly jeopardise the achievement of the Group's currency exposure targets in Q2 2020.

Interest rates in Poland

In March and April 2020, the Polish Monetary Policy Council significantly reduced the interest rates, by 1pp. Thus, the main reference rate applicable to credit facilities contracted by the Group (1M/3M WIBOR) fell from approximately 1.7% to about 0.7%, And is expected to remain unchanged in the long term or to slightly decline, by ca. 0.25%. This will help stabilise the Group's borrowing costs at a relatively low level and reinforce its debt service capacity, also if the Group plans to increase debt to finance its investing activities.

Given the negative impact of the COVID-19 pandemic on the eurozone, the European Central Bank is continuing its quantitative easing programme and a policy of negative interest rates, Which should remain at current levels until the end of 2020, considering that core inflation remains low following a prolonged period of deflation.

In the first quarter of 2020, also the US Fed lowered the interest rates to zero to counter the effects of the spread of the COVID-19 pandemic in the United States, and is not likely to raise them in at least in the medium term.

To conclude, any adverse changes to the current low interest rates on debt in the currencies used by the Grupa Azoty Group to finance its activities (PLN and EUR) are unlikely before the end of 2020. Thus, the risk of the Group's financial condition or results of its operations deteriorating on higher borrowing costs should be considered low.

It is also expected that the European Central Bank, the Fed, as well as the Polish Monetary Policy Council and the National Bank of Poland, will focus on implementing non-standard instruments to ease the monetary policy and sustain liquidity of the interbank sector.
A limited rise of the WIBOR and/or EURIBOR rates is unlikely before 2021 if inflation escalates or the economic conditions in Poland and globally improve significantly after the COVID-19 pandemic is over.
Relative to market rates, the relatively narrow spread between credit and deposit rates available to the Group is expected to continue.
Interest income earned on free cash under cash pooling and fixed-term deposits will partially offset the borrowing costs.

Regulatory area

- In Q1 2020, the European Commission continued its work on delegated acts to the New Fertilizers Regulation (Regulation (EU) 2019/1009 of the European Parliament and of the Council of 5 June 2019) concerning the rules for labelling fertilizer products. The Regulation will become fully binding in July 2022 after a three-year *vacatio legis* period. In Poland, a procedure is under way to harmonise national laws, e.g. the Polish Fertilizers and Fertilization Act, with the Regulation.
- The European Commission continues to work on the European Green Deal, which aims to transform the EU into a fair and prosperous society, with a modern, resource-efficient and competitive economy and no net emissions of greenhouse gases by 2050:
  - On January 14th 2020, the European Commission published a communication on how to finance and mobilise EUR 100 trillion to achieve the economic transformation envisaged by the European Green Deal. One of its pillars is the Just Transition Fund.
  - On March 4th 2020, the European Commission published a draft Regulation on the first EU Climate Law and the EU Climate Pact. The main objective of the former is to set a long-term target of reducing GHG emissions by 2050, while the latter is chiefly intended to bring together citizens to design climate actions.
  - On March 10th, the Commission announced the adoption of a new EU industrial strategy and on March 11th – a new Circular Economy plan.
  - On March 20th, the Commission closed preliminary consultations on the 'farm to fork' strategy road map to foster sustainable development along the value chain.
  - On March 25th 2020, the European Commission launched consultations on a revision of the Industrial Emissions Directive (the IED Directive). The IED Directive aspires to address the impact of industrial activities on the environment and health, which is to be achieved primarily be requiring industrial plants to use Best Available Techniques.
  - On March 30th 2020, 40 Members of the European Parliament signed a letter to the President of the European Commission, the President of the Council of the European Union, and the President of the European Parliament with a view to suspending, for an indefinite period, work on the European Green Deal due to the outbreak of the coronavirus pandemic.
  - On March 31st 2020, the European Commission published a notice regarding public consultation on raising the EU emission reduction targets to 50%–55% in 2030 (relative to 1990), and on sectoral action and policy design related to the implementation of the European Green Deal. The consultation will last 12 weeks and end on June 23rd 2020.
- On January 2nd 2020, the Minister of Climate issued a Regulation on waste catalogue. Issued pursuant to the Waste Act, the Regulation specifies a catalogue of waste by group, subgroup and type of waste, with identification of hazardous waste.
- On January 8th 2020, the Minister of Climate issued a Regulation amending the Regulation on the types of results of measurements performed in connection with the operation of units or equipment and other data, as well as the dates and manner of their presentation. The Regulation is based on the Environmental Protection Law.
- On January 15th 2020, the European Commission published a notice on the allocation of emission allowances to new entrants from the New Entrants Reserve (NER) for 2013-2020. To date, 169.7m emission allowances (EUA) (from the available pool of 480.2m) have been reserved for 996 installations operating under the EU ETS. Therefore, until the end of the third ETS trading period, approximately 65% of the reserve will still remain available for new installations. All EUAs not allocated by the end of 2020 will be transferred to the market stability reserve (MSR), of which 200m EUAs will be allocated to NER in 2021-2030.
- On January 20th, a Regulation was issued by the Minister of Marine Economy and Inland Navigation on the form and manner of presentation of the results of measurements of groundwater and surface water samples, as well as the volume and quality of wastewater discharged into the ground or water. The Regulation was issued based on the Water Law. It provides, *inter alia*, that the user of water services must present the results of measurements in written form, on paper or

in electronic format, bearing a qualified signature (electronic, trusted or handwritten) or an authenticated signature, so as to ensure that the origin and integrity of the verified data can be confirmed in electronic format via public telecommunication networks.

- On January 23rd 2020, the Act Amending the Waste Act and Certain Other Acts was promulgated. It provides for the possibility of preparing waste record documents in paper form in the event of a failure of the Waste Database electronic system. The amendment has also extended the period in which waste records may be kept in paper form – until June 30th 2020 (hard-copy version of waste transfer notes), as well as the deadline by which 2019 waste management reports must be submitted to the Province Marshal in the Waste Database electronic system – until the end of June 2020. On March 31st 2020, the Act Amending the Act on Special Arrangements to Prevent, Counteract and Combat COVID-19, Other Infectious Diseases and Crisis Situations Caused by Them, as well as Certain Other Acts, came into force. Pursuant to the Act, records may may kept simultaneously in the Waste Database and in hard-copy form until December 31st 2020, provided that the transferor issues a waste transfer note or a municipal waste transfer note in the same hard-copy form. However, documents issued by December 31st 2020 in paper form must be entered in the Waste Database by January 31st 2021 at the latest. The said provisions of the Act will not affect the activities of those economic operators which have already made the necessary adjustments to keep their records in electronic format via the Waste Database.
- On February 12th 2020, the Polish Council of Ministers issued a Regulation on the adoption of the 'Programme of measures aiming to reduce the pollution of water with nitrates from agricultural sources and to prevent its spread', replacing the earlier regulation issued in 2018 under the same title. Both documents were adopted pursuant to the Water Law. The new Regulation provides, *inter alia*, that the date of fertilizer application in 2020 has been moved, by way of exception, from March 1st (as specified in the document) to February 15th.
- On February 18th 2020, the European Union published Commission Delegated amending Regulation (EC) No 1272/2008 on classification, labelling and packaging (CLP) of substances and mixtures. The Regulation, classifying titanium dioxide as a suspected category 2 carcinogen by inhalation in certain powder forms, came into force on March 9th 2020 and will apply after the 18-month transitional period, i.e. as of October 1st 2021.
- On February 19th, the Minister of Internal Affairs and Administration issued a Regulation on fire protection requirements to be satisfied by buildings, structures or parts thereof, and other locations used for collection, storage or treatment of waste. Fire protection requirements laid down in the Regulation may be satisfied by way of alternative measures, in line with a technical expert analysis drawn up by a fire safety specialist or the Scientific and Research Centre for Fire Protection - National Research Institute.
- On March 10th 2020, the consultation period for a review of the guidelines on certain state aid measures in the context of the greenhouse gas emission allowance trading scheme after 2020 expired.
- On March 30th 2020, the European Union adopted an investment initiative in response to the coronavirus epidemic, which came into force on April 1st 2020. The initiative seeks to transfer EUR 37bn of cohesion policy funds to reinforce healthcare systems and to support small and medium-sized enterprises, short-term work programmes and local community services. In addition, the EU Solidarity Fund will be used to support countries most affected by the coronavirus crisis.
- On March 31st 2020, the President of the Republic of Poland signed a package of laws forming the so-called 'anti-crisis shield':
    - the Act of March 31st 2020 Amending the Act on Special Arrangements to Prevent, Counteract and Combat COVID-19, Other Infectious Diseases and Crisis Situations Caused by Them, as well as Certain Other Acts;
    - the Act of March 31st 2020 Amending Certain Acts on the Healthcare System Relating to Prevention, Counteracting and Combating of COVID-19;
    - the Act of March 31st 2020 Amending the Act on the Development Institution System.

  The aim of the new Regulations is to mitigate adverse market effects caused by the spread of SARS-CoV-2 and the resulting COVID-19 epidemic. The adopted regulations have amended the scope of rights and obligations of Polish economic operators. The amendments concern aspects related, *inter alia*, to the labour law, tax law, financial market, environmental protection, and energy.
- In addition, considering the situation that has arisen not only in the EU but globally as a result of the COVID-19 pandemic, risks arising from the inability to ensure legal compliance are being monitored and requests are being filed with appropriate institutions to temporarily suspend certain requirements, e.g. those relating to transport and logistics (suspension of time

measurement/ extension of truck drivers' working hours), safety (extension of validity of occupational health checks and OHS training), and various certificates (extension of equipment verification validity by Regional Measurement Offices, extension of validity of technical equipment inspections).

International trade policy

- Two proceedings concerning fertilizer imports to Ukraine irrespective of the country of their origin, initiated on August 28th 2019 pursuant to a decision of the Ukrainian Interdepartmental Commission on International Trade, were continued. The case concerning nitrogen and compound fertilizers may result in the imposition of customs duties or quotas on individual countries exporting goods to Ukraine.
- The European Commission is engaged in continued work on the expiry review of anti-dumping measures applicable to imports of ammonium nitrate originating in Russia, initiated in September 2019 following the submission of relevant applications by EU fertilizer manufacturers. Within 15 months after the review, the European Commission will decide whether to lift or keep the duties for another five years. The applicable anti-dumping measures on imports of ammonium nitrate from Russia were announced on November 16th 2018 following a review carried out at the request of EU agricultural producers' associations.
- On January 31st 2020, the United Kingdom left the European Union in accordance with the withdrawal agreement. The transitional period will last until the end of 2020, with trade continuing on the pre-Brexit rules. Future trade relations between the European Union and the United Kingdom will likely be governed by a free trade agreement.
- On February 12th 2020, the European Parliament approved the proposed Free Trade Agreement (FTA) and the Investment Protection Agreement (IPA) between the European Union and Vietnam. The agreement was signed in June 2019, with negotiating guidelines adopted in 2007.
- On February 13th 2020, information was published in the Official Journal of the European Union on an action brought against the 2019 European Commission's decision to impose an anti-dumping duty on UAN imports from Russia, the US and Trinidad and Tobago by Methanol Holdings (of Trinidad and Tobago). On February 24th 2020, it was announced that Eurochem (of Russia) brought an action against the same decision.
- Negotiations are also in progress concerning the European Union's trade agreements with the following third countries: Mexico (the provisions of the agreements are now undergoing a legal review), Chile (the provisions of the agreements are being drafted through bilateral negotiations – their sixth round is scheduled to take place in spring 2020 in Brussels), Uzbekistan (the provisions of the agreements are being drafted through bilateral negotiations – their next round is scheduled to take place in spring 2020 in Tashkent), Australia and New Zealand (the provisions of the agreements are being drafted through bilateral negotiations) and the United States.

3. Other information

3.1. Other significant events

Antitrust clearance of intended concentration

On January 21st 2020, the Management Board of the Parent was notified of a decision issued by the Polish Office of Competition and Consumer Protection (UOKiK) clearing the proposed concentration whereby the Parent, Hyundai Engineering Co., Ltd., Korea Overseas Infrastructure & Urban Development Corporation and Grupa LOTOS S.A. would establish a joint venture operating under the name of Grupa Azoty POLYOLEFINS S.A. This satisfies one of the conditions precedent under the initial term sheet.

Grupa Azoty on the 3D printing materials market

On March 5th 2020, Grupa Azoty announced the launch of commercial sales of FDM technology products manufactured at the 3D Printing Materials Centre, offered under the Tarfuse® brand.
The basic raw material for the production of filaments is the high-quality polyamide 6 and its modified varieties produced at Grupa Azoty S.A. The Tarnów-based Centre will also launch a 3D printing campaign targeted at businesses, scientists, and enthusiasts of incremental technologies.
With the launch of sales of FDM (fused deposition modelling) 3D printing filaments, the R&D programme pursued by Grupa Azoty since 2017 entered the commercialisation phase. Under the Tarfuse® brand, Grupa Azoty offers basic, industrial-grade and speciality filaments. Work is also under way to develop speciality polymer powders for SLS printing as well as light-curing polymers

(photopolymers) for the SLA and DLP technologies. The 3D Printing Materials Centre, engaged in the research into and production of filaments, is located at the Research and Development Centre in Tarnów.
In order to popularise the FDM technology, Grupa Azoty Group will launch the 3D Printing Academy, in which the 3D Printing Materials Centre personnel together with technology partners will provide training in several cities across Poland for scientists, business owners, and enthusiasts of 3D print technologies. The training sessions will be devoted to the 3D design of incremental technologies and the properties of structural polymers dedicated to spatial printing, and will also include presentation of printout case studies: from concept to functional detail.

Signing of commitment letters

On March 30th 2020, Grupa Azoty POLYOLEFINS announced the signing of commitment letters with Polish and international financial institutions confirming debt financing offers for the Polimery Police project.
With regard to senior debt financing, the Management Board of Grupa Azoty POLYOLEFINS signed commitment letters with financing institutions, confirming that the offers submitted by those institutions are backed by approval from their respective credit committees. The financing institutions involved in the project include: PKO BP S.A., Bank Pekao S.A., Bank Gospodarstwa Krajowego, Alior Bank S.A., PZU S.A., Bank Ochrony Środowiska S.A., Santander Bank Polska S.A., BNP Paribas Bank Polska S.A., European Bank for Reconstruction and Development, mBank S.A., and Industrial and Commercial Bank of China (Europe) S.A., Polish Branch.
The total amount committed by these 11 financial institutions will fully cover Grupa Azoty POLYOLEFINS's requirement for senior debt financing.

Concurrently, intensive work was under way to close negotiations with the joint sponsors of Polimery Police and to conclude agreements defining the terms of their involvement in the Project.

3.2. Significant agreements

The agreements are presented in chronological order.
In Q1 2020 and as at the date of this report for Q1 2020, none of the Group companies defaulted on credit facilities or other borrowings or breached any material covenants under significant credit facility or other loan agreements.

Material agreements

Agreements and annexes to contracts of a financial nature

Annexes to credit facility agreements
On January 30th 2020, the Parent and the European Investment Bank executed Annex 4 to the financing agreement of May 28th 2015, as amended, and Annex 3 to the financing agreement of January 25th 2018.
Given the expiry of the availability period of the European Investment Bank's facility on January 25th 2020, an annex to the facility agreement was executed extending the said period until January 25th 2021 and extending the deadlines for delivery of selected projects under the investment and R&D programmes by one year.

Annexes to the physical cash pooling agreement with PKO BP
On February 19th 2020, the Parent, together with other Grupa Azoty Group companies, and PKO Bank Polski S.A. signed Annex 7 to the PLN physical cash pooling agreement of September 20th 2016, as amended, in connection with the merger of Prozap Sp. z o.o. and Koncept Sp. z o.o.

On March 25th 2020, the Parent and the Grupa Azoty Group companies entered into Annex 8 to the agreement with PKO Bank Polski S.A. to amend the terms of interest accrual.

Grupa Azoty POLICE's overdraft facility from Bank Gospodarstwa Krajowego
On January 24th 2020, the PLN 80m overdraft facility agreement with Bank Gospodarstwa Krajowego expired. Accordingly, Grupa Azoty POLICE carried out a RFP procedure for a PLN 100m overdraft facility. The best proposal was submitted by Bank Gospodarstwa Krajowego, and consequently a PLN 100m overdraft facility agreement was concluded on March 5th 2020 for the period until January 23rd 2023.

Credit line agreement concluded by COMPO EXPERT with Banco Santander
In March 2020, COMPO EXPERT increased the credit line at Banco Santander granted under an agreement concluded in September 2019 from EUR 5m to EUR 6m.
The agreement is valid for an indefinite period.

Insurance agreements

Consolidated Group Insurance Programme with TUW PZUW
Under a Master Agreement for the Consolidated Property Insurance Programme (executed with TUW PZUW by Grupa Azoty Group companies, members of the Grupa Azoty Mutual Insurance Union operating within TUW PZUW, for a period of three years, i.e. from March 1st 2019 to February 28th 2022), policies were issued for the second year, i.e. from March 1st 2020 to February 28th 2021, covering the following lines of insurance:
- all-risk property insurance (ALLR),
- all-risk electronic equipment insurance (EEI),
- loss of profit insurance (ALLR (BI)),
- all-risk machinery insurance (MB).

D&O insurance
On March 16th 2020, the Parent signed a directors and officers (D&O) liability insurance policy with PZU S.A. (providing insurance cover to the other Group companies), whereby the existing insurance cover was renewed for the period March 17th 2020 – September 16th 2021 (with the total sum insured of PLN 200m).

Trade credit insurance
In January 2020, Grupa Azoty PUŁAWY and Towarzystwo Ubezpieczeń Euler Hermes S.A. (TUEH) renewed two trade credit risk insurance contracts for the period from February 1st 2020 to January 31st 2021.

Project co-financing agreements

On February 26th 2020, the Parent received a tranche of funding in the amount of PLN 286 thousand under an agreement signed on September 2nd 2016 with the Minister of Development, acting as the Managing Authority, to finance the 'Construction of Grupa Azoty's R&D Centre in Tarnów' project, co-financed from the European Regional Development Fund. The project is being implemented under the Smart Growth Operational Programme 2014–2020.

Grupa Azoty Zakłady PUŁAWY relies on financing in the form of loans and grants under agreements executed in 2011–2018 with: The National Fund for Environmental Protection and Water Management, the National Centre for Research and Development, the Ministry of Investments and Development, and the Lublin Agency for the Support of Entrepreneurship.
On March 27th 2020, the following amounts were credited to the Grupa Azoty PUŁAWY's bank account:

- a PLN 1,789 thousand grant under an agreement signed with the National Centre for Research and Development concerning the 'Development of innovative technologies for microbial mineral fertilizers' project;
- PLN 1,062 thousand paid by the Agency for Restructuring and Modernisation of Agriculture (ARiMR) under the single area payment scheme for 2019.

Commercial contracts

Ilmenite purchase contract
On January 9th 2020, Grupa Azoty POLICE, a subsidiary of the Parent, signed an ilmenite purchase contract with Titania AS of Hauge and Dalane of Norway. The contract was concluded for a definite term from January 1st 2020 to December 31st 2022.
The value of the deliveries to be made under the Contract is estimated at approximately PLN 168m.

Agreements concluded after the reporting date

Annex to the multi-purpose credit facility agreement with PKO BP
On April 22nd 2020, the Parent, together with Grupa Azoty Group companies, and PKO Bank Polski S.A. executed Annex 6 to the multi-purpose credit facility agreement of April 23rd 2015 (as amended), changing the pricing terms for services related to guarantees and letters of credit.

3.3. Sureties for credit facilities or loans, guarantees issued

In Q1 2020, the Grupa Azoty Group did not issue any guarantees with a significant aggregate value.
In Q1 2020, the Grupa Azoty Group did not sign any annexes to its guarantees with a significant aggregate value.

Letters of credit

In the period from January 1st to March 31st 2020, on the instruction of Zakłady Azotowe Chorzów S.A., three documentary letters of credit facilities were opened for a total amount of USD 121.6 thousand, with the following payment dates: April 10th 2020, April 17th 2020 and April 24th 2020.
The beneficiary of the letters of credit is a supplier of magnesium sulfate heptahydrate. As at March 31st 2020, the outstanding credit balance under the letters of credit was PLN 461.0 thousand.

On March 11th 2020, an annex was executed to a letter of credit issued on the instruction of Grupa Azoty KĘDZIERZYN on April 29th 2019 for a total amount of EUR 2,251 thousand. The letter of credit was issued under the multi-purpose credit facility agreement concluded with PKO BP S.A., and the instrument serves as security for the equipment supplied. The beneficiary of the letter of credit is a supplier of catalysts.

(all amounts in PLN '000 unless indicated otherwise)

Intragroup loans

Loan agreement between Grupa Azoty PUŁAWY and Zakłady Azotowe Chorzów S.A.
On January 8th 2020, a loan agreement was signed under which Grupa Azoty PUŁAWY (Lender) advanced a PLN 5m loan to Zakłady Azotowe Chorzów S.A. (Borrower). The agreement provides for the disbursement of the loan in five tranches available until May 5th 2020. The loan bears interest at a variable rate based on 1M WIBOR plus margin. The disbursement of each tranche will be subject to a separate decision of the Lender. The loan is to be repaid in five instalments, from January 2021 to May 2021. By April 3rd 2020, four loan tranches (PLN 4.3m) were disbursed.

Loan tranche disbursement
Under the Intra-Group Financing Agreement of April 23rd 2015, as amended, on January 27th 2020 the Parent disbursed to Grupa Azoty KĘDZIERZYN a PLN 19,400 thousand tranche under the loan for financing of the Fertilizers Unit.

3.4. Shares and shareholding structure

Number and par value of shares as at the date of this quarterly report:
- 24,000,000 Series AA shares with a par value of PLN 5 per share,
- 15,116,421 Series B shares with a par value of PLN 5 per share,
- 24,999,023 Series C shares with a par value of PLN 5 per share,
- 35,080,040 Series D shares with a par value of PLN 5 per share.

The total number of Parent shares is 99,195,484 bearer shares (ISIN code PLZATRM00012).
Below are listed shareholders holding directly, or indirectly through subsidiaries, at least 5% of total voting rights at the General Meeting as at the date of this report, along with information on the number of shares held by such entities, their respective ownership interests, the number of voting rights held, and their share in total voting rights at the General Meeting.

Shareholding structure as at April 8th 2020 (issue date of the most recent financial report)

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of voting rights
State Treasury	32,734,509	33.00	32,734,509	33.00
ING OFE*)	9,883,323	9.96	9,883,323	9.96
Norica Holding S.à r.l. (indirectly: 19,657,350 shares or 19.82%)	406,998	0.41	406,998	0.41
Rainbee Holdings Limited**)	9,820,352	9.90	9,820,352	9.90
Opansa Enterprises Limited**)	9,430,000	9.51	9,430,000	9.51
TFI PZU S.A.	8,530,189	8.60	8,530,189	8.60
Other	28,390,113	28.62	28,390,113	28.62
Total	**99,195,484**	**100.00**	**99,195,484**	**100.00**

*) current name: Nationale-Nederlanden Otwarty Fundusz Emerytalny
**) Direct subsidiary of Norica Holding S.à r.l.

In the period from April 8th 2020 to the issue date of this report, the Parent was not notified of any changes in major holdings of its shares.
The actual shareholding structure may differ from that presented if there were no events giving rise to a shareholder's obligation to disclose a new shareholding or if, despite the occurrence of such events, a shareholder failed to provide relevant information.

3.5. Parent shares held by management and supervisory personnel

As at the end of the reporting period (March 31st 2020) and as at the date of this report, none of the members of the Parent's Management and Supervisory Boards held any shares in the Parent.

3.6. Composition of the management and supervisory bodies

Parent's Management Board
In Q1 2020, there were no changes in the composition of the Management Board.
Composition of the Parent's Management Board as at March 31st 2020 and as at the date of this report:

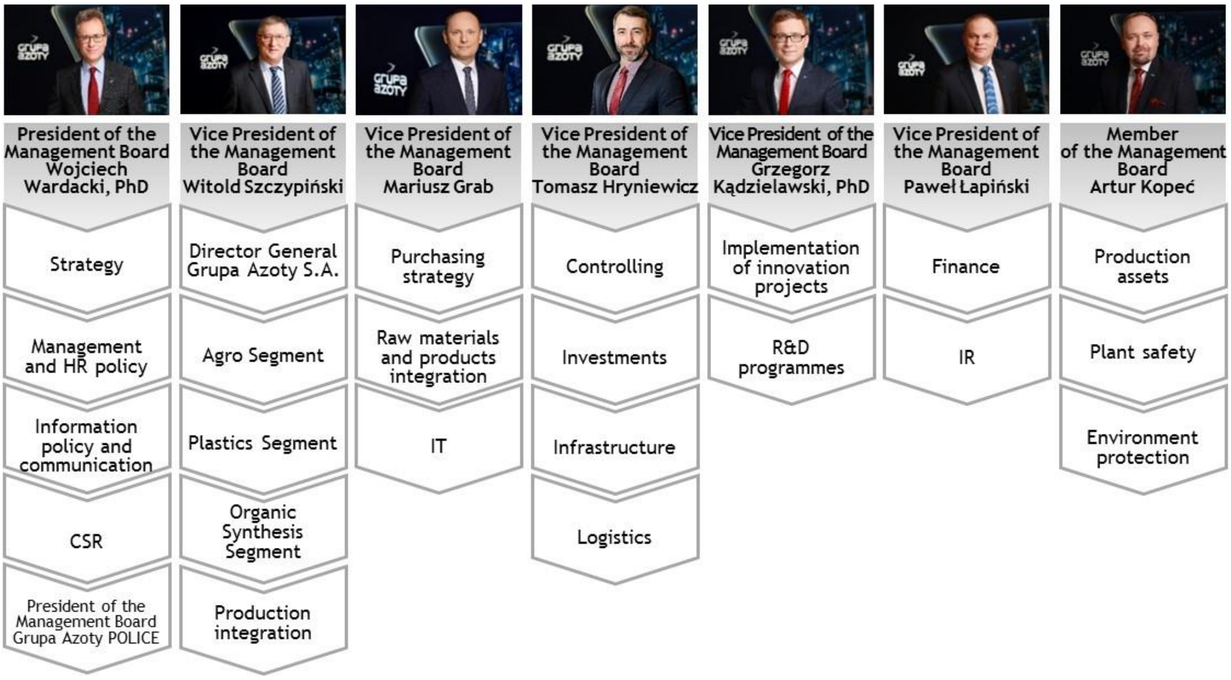
- Wojciech Wardacki – President of the Management Board,
- Witold Szczypiński – Vice President of the Management Board,
- Mariusz Grab – Vice President of the Management Board,
- Tomasz Hryniewicz – Vice President of the Management Board,
- Grzegorz Kądzielawski – Vice President of the Management Board,
- Paweł Łapiński – Vice President of the Management Board,
- Artur Kopeć – Member of the Management Board.

Powers and responsibilities of the Management Board members

On June 19th 2019, the Company's Management Board passed a resolution establishing the following division of responsibilities between the Management Board members:

- Wojciech Wardacki – President of the Management Board, responsible for overall supervision and management of the Group, as well as for the strategy and corporate governance, including exercise of majority shareholder power, human resources management, communication and corporate image (which also covers public relations and CSR),
- Witold Szczypiński – Vice President of the Management Board, Director General of the Parent, responsible for integration of production processes, the Agro Segment, the Plastics Segment, and the Organic Synthesis Segment,
- Mariusz Grab – Vice President of the Management Board, responsible for formulation and implementation of the procurement strategy, raw material and product integration, IT supervision, cyber security management,
- Tomasz Hryniewicz – Vice President of the Management Board, responsible for controlling, logistics and storage management, supervision of property management, infrastructure, and supervision of investment projects,
- Grzegorz Kądzielawski – Vice President of the Management Board, responsible for implementation of R&D programmes, supervision of R&D units, coordination of the technological innovation area,
- Paweł Łapiński – Vice President of the Management Board, responsible for finances, investor relations, financial risk and credit risk management, and for credit policy management,
- Artur Kopeć – Member of the Management Board, responsible for production assets, plant safety, environmental protection, critical infrastructure, and social dialogue.

Division of responsibilities between the Management Board members as at March 31st 2020



Source: Company data.

On May 7th 2020, the Company's Management Board passed a resolution establishing the following division of responsibilities between the Management Board members:

- Wojciech Wardacki – President of the Management Board: directing the work of the Management Board, supervising and managing the Group, in charge of the strategy and supervision of strategic

processes, corporate governance, including owner's supervision, HR policy, information policy, communication and corporate image (including public relations and CSR), representing the Parent in relations with its shareholders, governing bodies, the government and local authorities;
- Witold Szczypiński – Vice President of the Management Board, Director General of the Parent: integration of production processes, supervising the Agro Segment, the Plastics Segment, and the infrastructure;
- Mariusz Grab – Vice President of the Management Board: procurement, raw materials and IT;
- Tomasz Hryniewicz – Vice President of the Management Board: controlling and logistics;
- Grzegorz Kądzielawski – Vice President the Management Board: innovation, R&D programmes, and investments;
- Paweł Łapiński – Vice President of the Management Board: finance and investor relations;
- Artur Kopeć – Member of the Management Board: production assets, plant safety and environmental protection.

The Supervisory Board

In Q1 2020, there were no changes in the composition of the Supervisory Board.
Composition of the Parent's Supervisory Board as at March 31st 2020 and as at the date of this report:
- Marcin Pawlicki – Chairman of the Supervisory Board,
- Michał Gabryel – Deputy Chairman of the Supervisory Board,
- Zbigniew Paprocki – Secretary of the Supervisory Board,
- Paweł Bielski – Member of the Supervisory Board,
- Piotr Czajkowski – Member of the Supervisory Board,
- Monika Fill – Member of the Supervisory Board,
- Robert Kapka – Member of the Supervisory Board,
- Bartłomiej Litwińczuk – Member of the Supervisory Board,
- Roman Romaniszyn – Member of the Supervisory Board.

The Supervisory Board operates on the basis of:
- Commercial Companies Code of September 15th 2000 (Dz.U. No. 94, item 1037, as amended),
- Act of August 30th 1996 on Commercialisation and Certain Employee Rights,
- Accounting Act of September 29th 1994,
- Company's Articles of Association,
- Rules of Procedure for the Company's Supervisory Board.

Supervisory Board's Audit Committee

To streamline its work and improve control of the Parent and the Group, on July 4th 2013 the Supervisory Board passed a resolution to appoint an Audit Committee.
In Q1 2020, there were no changes in the composition of the Audit Committee.
Composition of the Audit Committee as at March 31st 2020 and as at the date of this report:
- Michał Gabryel – Chair,
- Marcin Pawlicki – Member,
- Paweł Bielski – Member.

Responsibilities of the Audit Committee

The Audit Committee operates pursuant to the Rules of Procedure for the Audit Committee, adopted by the Supervisory Board by way of a resolution of July 4th 2013. The main tasks of the Committee include:
- Monitoring of the financial reporting process;
- Monitoring of the effectiveness of the Company's internal control, internal audit and risk management systems;
- Monitoring of financial audit;
- Monitoring of the independence of the auditor and the entity qualified to audit financial statements;
- Monitoring of the audit of full-year separate and consolidated financial statements;
- Monitoring of the work and reports of the independent auditor,
- Analysing selected economic events relevant to the Company's operations.

Other committees of the Supervisory Board

On February 1st 2018, the Supervisory Board resolved to establish a Strategy and Development Committee and a Nomination and Remuneration Committee.
Composition of the Strategy and Development Committee as at March 31st 2020 and as at the date of this report:

- Robert Kapka – Chair,
- Paweł Bielski – Member,
- Piotr Czajkowski – Member,
- Zbigniew Paprocki – Member.

Composition of the Nomination and Remuneration Committee as at March 31st 2020 and as at the date of this report:
- Bartłomiej Litwińczuk – Chair,
- Piotr Czajkowski – Member,
- Monika Fill – Member,
- Roman Romaniszyn – Member.

4. Supplementary information

Management Board's position on the achievement of forecasts
As no forecasts for the first quarter of 2020 were published, the position of the Parent's Management Board concerning achievement of such forecasts is not presented.

Litigation
There are no material court, arbitration or administrative proceedings pending with respect to any of the Group companies that would concern liabilities or debt claims as referred to in the Regulation of the Minister of Finance of April 20th 2018 on current and periodic information (Dz.U. of 2018, item 757).

Parent's branches
The Company does not operate non-local branches or establishments.

Shares, share issues
In Q1 2020, the Parent did not issue, redeem or repay any debt or equity securities. The Company had spent the proceeds from Public Offerings by the end of 2013. The proceeds were used in line with the original issue objectives.
There are no agreements known to the Company which may cause future changes in the percentages of shares held by the existing shareholders and bondholders.
The Company does not operate any control system for employee share ownership plan.

Signatures of members of the Management Board

Signed with qualified electronic signature
....
Wojciech Wardacki, PhD

President of the Management Board

Signed with qualified electronic signature
....
Witold Szczypiński
Vice President of the Management Board, Director General

Signed with qualified electronic signature
....
Mariusz Grab
Vice President of the Management Board

Signed with qualified electronic signature
....
Tomasz Hryniewicz
Vice President of the Management Board

Signed with qualified electronic signature
....
Grzegorz Kądzielawski, PhD
Vice President of the Management Board

Signed with qualified electronic signature
....
Paweł Łapiński
Vice President of the Management Board

Signed with qualified electronic signature
....
Artur Kopeć
Member of the Management Board

Person responsible for maintaining accounting records

Signed with qualified digital signature
....
Piotr Kołodziej
Head of the Corporate Finance Department

Tarnów, May 20th 2020