



Warsaw, August 21st 2017

Dear Ladies and Gentlemen,

On behalf of the Management Board of Grupa Azoty S.A. I present to you our financial statements for the six months to June 2017. During this time, we moved forward with better integrating our business and achieved progress on our strategic investment projects. The first six months of 2017 also saw the Group streamlining its business and markedly improving its financial performance.

During the period, the Grupa Azoty Group successfully addressed market challenges and delivered EBIDTA of more than PLN 714m, up by close to 3% year on year. The Group's revenue increased by PLN 236m year on year, to a total of PLN 4.87bn. Net profit came in at PLN 378m, up 7% on the same period last year. The improvement in performance continued to be driven by the Plastics segment, which together with the Pigments segment entirely offset the adverse trends affecting the gas-reliant segments.

In the first half of 2017, the Grupa Azoty Group consistently pursued ambitious development plans, successfully implementing a PLN 501m investment programme, part of this year's total capital expenditure plan of PLN 1.3bn.

One of our landmark projects is the planned construction of a coal gasification plant. The Group has signed a letter of intent with Tauron, whose responsibilities will include the construction of a plant to maximize the use of hard coal from its mines for the production of ammonia, methanol, and other chemicals. The project will allow us to extend the value chain and transition a significant part of our production to Company's own syngas in several years from now.

To achieve further synergies and consolidation within the Grupa Azoty Group, we are also implementing a PDH project, including a polypropylene plant in Police. With the PP unit, this project will enable the Group to further diversify its revenue structure.

All these investment efforts will reinforce the Grupa Azoty Group's second operating pillar of non-fertilizer business lines and thus help us to expand the product mix and, importantly, smooth out seasonality.

To signal its readiness to tackle challenges posed by the dynamic changes in the business environment, in May the Group released its updated strategy until 2020. We improved the reliability of corporate ratios to accurately measure our performance against the strategy. In addition to consolidating leadership in agricultural solutions for European farmers, other key objectives set in the updated strategy are to strengthen the second operating pillar and grow the non-fertilizer business, to develop and implement innovations, and to successfully complete the consolidation process. In order to secure financing for the strategic projects and ensure maximum long-term financial security, the Company also decided to eliminate the bottom dividend payment rate while maintaining the top one at 60%.

The updated strategy is founded on innovation, driven mainly by research and development. It is our ambition to not only benefit from national development and education initiatives, but also to actively participate in them, also as a leader. Our embrace of new technologies, cooperation with start-ups, and focus on delivering value to customers are key drivers of the Group's success. With this mindset, we participate in various third-party projects, including the Presidential Palace's 'Start-ups



in the Palace' programme. In the first half of 2017, we already signed our first contracts with start-ups.

We have also started construction of a research and development centre in Tarnów, which will be our contribution to extending the value chain of the Azoty Group towards new technologies and specialist products. According to the strategy, by 2020 our expenditure on research, development and innovation (R&D&I) will come to as much as 1% of our revenue.

In order to ensure long-term security and stability of supplies of gas, one of the most important raw materials used in our business, the Azoty Group concluded very important gas supply contracts with Polskie Górnictwo Naftowe i Gazownictwo S.A. Negotiating the contracts as an integrated group, we managed to achieve synergies by optimising costs and terms of the supplies.

External experts appreciate our dynamic growth, bold investment decisions, and high quality of management. It is worthwhile to note that in the past six months Grupa Azoty was awarded the title of "Transparent Company 2016" as part of a campaign by the editorial board of "Parkiet" daily for capital market participants and the Institute of Accountancy and Taxes, with the support of the Warsaw Stock Exchange. This places the Company among the top 20 most transparent companies in WIG20, WIG40 and WIG80 indices. Grupa Azoty S.A. received an Acknowledgement Letter and Cup of the Leader of Polish Export, awarded by the Association of Polish Exporters.

I take this opportunity to thank the employees of the Azoty Group for their everyday work and contribution to such good financial performance, the management boards of the Group companies for their efforts in building the Group's value, and our Shareholders for their trust in the Group.

I hope you will enjoy reading the report.

Sincerely,

*Dr. Wojciech Wardacki
President of the Management Board of Grupa Azoty S.A.*