



Consolidated interim report of the Grupa Azoty Group
for the three months ended March 31st 2021

Contents

Interim condensed consolidated financial statements of the Grupa Azoty Group for the three months ended March 31st 2021.	4
Interim condensed consolidated statement of profit or loss and other comprehensive income	5
Interim condensed consolidated statement of financial position	7
Interim condensed consolidated statement of changes in equity	9
Interim condensed consolidated statement of cash flows	10
Supplementary information to the interim condensed consolidated financial statements	12
1. Description of the Group	12
1.1. The Group's organisational structure	12
1.2. Changes in the Group's structure	15
2. Basis of preparation of the interim condensed consolidated financial statements	15
2.1. Statement of compliance and general basis of preparation	15
2.2. Accounting policies and data presentation	16
3. Selected notes and supplementary information	20
3.1. Business segment reporting	20
3.2. Impairment testing	25
3.3. Other material changes in the statement of financial position and statement of profit or loss	26
3.4. Contingent liabilities, contingent assets, sureties and guarantees	27
3.5. Related-party transactions	27
3.6. Accounting estimates and assumptions	27
3.7. Dividend	28
3.8. Seasonality of operations	28
3.9. Information on the effects of the COVID-19 pandemic	29
3.10. Events after the reporting date	30
Interim condensed separate financial statements of Grupa Azoty Spółka Akcyjna for the three months ended March 31st 2021	32
Interim condensed separate statement of profit or loss and other comprehensive income	33
Interim condensed separate statement of financial position	34
Interim condensed separate statement of changes in equity	36
Interim condensed separate statement of cash flows	37
Supplementary information to the interim condensed separate financial statements	38
1. Basis of preparation of the interim condensed separate financial statements	38
1.1. Statement of compliance and general basis of preparation	38
1.2. Accounting policies and data presentation	38
2. Supplementary information	43
2.1. Impairment testing	43
2.2. Information on the effects of the COVID-19 pandemic	43
2.3. Additional information	43
Management's discussion and analysis of Grupa Azoty S.A.'s performance in the three months ended March 31st 2021	45
1. General information on the Grupa Azoty Group	46
1.1. Organisation and structure	46
1.2. Business segments	49
1.3. Overview of key products	50
1.4. Sources of strategic raw materials	52
2. Financial position of the Group	54
2.1. Assessment of factors and one-off events having a material impact on the Group's operations and financial performance	54
2.2. Market overview	57
2.3. Key financial and economic data	71
2.3.1. Consolidated financial information	71
2.3.2. Segment results	71
2.3.3. Structure of operating expenses	73
2.3.4. Assets, equity and liabilities	74
2.3.5. Financial ratios	75
2.4. Financial liquidity	76
2.5. Borrowings	77

2.6.Type and amounts of one-off items affecting the assets, equity and liabilities, capital, net profit/loss or cash flows	77
2.7.Key investment projects	77
2.8.Factors which will affect the Group's performance over at least the next reporting period .	80
3. Other information	83
3.1.Other significant events	83
3.2.Significant agreements	85
3.3.Sureties for credit facilities or loans, guarantees issued.....	86
3.4.Shares and shareholding structure	86
3.5.Parent shares held by management and supervisory personnel.....	87
3.6.Composition of the management and supervisory bodies	87
4. Additional information.....	91



Interim condensed consolidated financial statements of
the Grupa Azoty Group for the three months ended
March 31st 2021.

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

	for the period Jan 1 – Mar 31 2021 <i>unaudited</i>	for the period Jan 1 – Mar 31 2020 <i>unaudited restated*</i>
<i>Profit/loss</i>		
Revenue	3,361,982	3,103,720
Cost of sales	(2,693,871)	(2,411,275)
Gross profit	668,111	692,445
Selling and distribution expenses	(249,755)	(254,930)
Administrative expenses	(192,651)	(198,670)
Other income	8,508	20,308
Other expenses	(20,787)	(11,069)
Operating profit	213,426	248,084
Finance income	22,044	17,227
Finance costs	(106,871)	(51,009)
Net finance costs	(84,827)	(33,782)
Share of profit of equity-accounted investees	3,475	3,467
Profit before tax	132,074	217,769
Income tax	(46,197)	(52,715)
Net profit	85,877	165,054
<i>Other comprehensive income</i>		
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	(18,367)	(58,728)
Exchange differences on translating foreign operations	11,722	54,806
Income tax relating to items that are or will be reclassified to profit or loss	1,571	11,159
	(5,074)	7,237
Total other comprehensive income	(5,074)	7,241
Comprehensive income for the period	80,803	172,295

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

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

	for the period Jan 1 – Mar 31 2021 <i>unaudited</i>	for the period Jan 1 – Mar 31 2020 <i>unaudited restated*</i>
Net profit attributable to:		
Owners of the parent	87,570	151,109
Non-controlling interests	(1,693)	13,945
Comprehensive income for the period attributable to:		
Owners of the parent	84,517	158,377
Non-controlling interests	(3,714)	13,918
Earnings per share:		
Basic (PLN)	0.88	1.52
Diluted (PLN)	0.88	1.52

* As described in Section 2.2 b.

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

Interim condensed consolidated statement of financial position

	as at Mar 31 2021 <i>unaudited</i>	as at Dec 31 2020 <i>audited</i>
Assets		
Non-current assets		
Property, plant and equipment	11,316,292	10,573,104
Right-of-use assets	848,024	834,690
Investment property	56,806	57,364
Intangible assets	1,029,825	1,027,310
Goodwill	334,628	331,683
Shares	9,168	9,168
Equity-accounted investees	94,947	91,461
Other financial assets	2,627	2,484
Other receivables	471,069	489,827
Deferred tax assets	84,361	94,125
Other assets	509	509
Total non-current assets	14,248,256	13,511,725
Current assets		
Inventories	1,438,375	1,534,011
Property rights	715,917	529,199
Derivative financial instruments	-	43,471
Current tax assets	22,337	19,621
Trade and other receivables	2,188,196	1,628,244
Cash and cash equivalents	433,797	923,328
Other assets	15,741	17,456
Assets held for sale	95	95
Total current assets	4,814,458	4,695,425
Total assets	19,062,714	18,207,150

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

Interim condensed consolidated statement of financial position (continued)

	as at Mar 31 2021 <i>unaudited</i>	as at Dec 31 2020 <i>audited</i>
Equity and liabilities		
Equity		
Share capital	495,977	495,977
Share premium	2,418,270	2,418,270
Hedging reserve	(63,349)	(48,540)
Translation reserve	75,067	63,311
Other capital reserves	(17,700)	(17,700)
Retained earnings	4,515,349	4,427,756
Equity attributable to owners of the parent	7,423,614	7,339,074
Non-controlling interests	946,100	949,828
Total equity	8,369,714	8,288,902
Liabilities		
Borrowings	3,683,221	3,322,320
Lease liabilities	361,163	355,774
Derivative financial instruments	56,776	-
Other financial liabilities	573,050	579,438
Employee benefit obligations	490,155	490,864
Trade and other payables	19,996	18,609
Provisions	210,985	211,022
Government grants received	196,651	196,973
Deferred tax liabilities	522,295	529,419
Total non-current liabilities	6,114,292	5,704,419
Borrowings	697,348	193,443
Lease liabilities	63,988	71,422
Derivative financial instruments	11,647	6,086
Other financial liabilities	389,458	670,459
Employee benefit obligations	50,901	54,863
Current tax liabilities	88,513	70,013
Trade and other payables	3,219,154	3,092,693
Provisions	43,278	40,504
Government grants received	14,421	14,346
Total current liabilities	4,578,708	4,213,829
Total liabilities	10,693,000	9,918,248
Total equity and liabilities	19,062,714	18,207,150

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

Interim condensed consolidated statement of changes in equity

For the period ended March 31st 2021 (unaudited)

	Share capital	Share premium	Hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as at Jan 1 2021	495,977	2,418,270	(48,540)	63,311	(17,700)	4,427,756	7,339,074	949,828	8,288,902
<i>Profit or loss and other comprehensive income</i>									
Net profit	-	-	-	-	-	87,570	87,570	(1,693)	85,877
Other comprehensive income	-	-	(14,809)	11,756	-	-	(3,053)	(2,021)	(5,074)
Comprehensive income for the period	-	-	(14,809)	11,756	-	87,570	84,517	(3,714)	80,803
Other	-	-	-	-	-	23	23	(14)	9
Balance as at Mar 31 2021 (unaudited)	495,977	2,418,270	(63,349)	75,067	(17,700)	4,515,349	7,423,614	946,100	8,369,714

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
<i>Profit or loss and other comprehensive income</i>								
Net profit	-	-	-	-	151,109	151,109	13,945	195,832
Other comprehensive income	-	-	(47,569)	54,833	4	7,268	(27)	7,241
Comprehensive income for the period	-	-	(47,569)	54,833	151,113	158,377	13,918	203,073
<i>Transactions with owners, recognised directly in equity</i>								
Issue of ordinary shares	-	-	-	-	-	-	210,368	210,368
<i>Changes in ownership interests in subsidiaries</i>								
Changes in the Group	-	-	-	-	(3,774)	(3,774)	3,740	(33)
Total transactions with owners	-	-	-	-	(3,774)	(3,774)	214,108	210,334
Other	-	-	-	-	(1,019)	(1,019)	1,020	1
Balance as at Mar 31 2020 (unaudited)	495,977	2,418,270	(41,697)	46,581	4,270,827	7,219,499	886,619	8,076,577

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

Interim condensed consolidated statement of cash flows

	for the period Jan 1 – Mar 31 2021 <i>unaudited</i>	for the period Jan 1 – Mar 31 2020 <i>unaudited restated*</i>
Cash flows from operating activities		
Profit before tax	132,074	217,769
<i>Adjustments for:</i>		
Depreciation and amortisation	191,660	189,603
(Reversal of)/impairment losses on assets	299	(3,080)
(Gain)/loss from investing activities	(1,851)	1,539
Gain on disposal of financial assets	(1)	-
Share of profit of equity-accounted investees	(3,475)	(3,467)
Interest, foreign exchange gains or losses	8,334	79,524
Fair value (gain) on financial assets at fair value	(57,414)	(11,069)
Increase in trade and other receivables	(547,680)	(268,910)
Increase in inventories and property rights	(88,075)	(280,778)
Increase in trade and other payables	707,300	277,541
Increase/decrease in inventories	3,706	(1,620)
Decrease in employee benefit obligations	(11,672)	(3,451)
Decrease/increase in grants	(2,540)	331,048
Other adjustments	2,731	(3,335)
Income tax paid	(27,731)	(15,172)
Net cash from operating activities	305,665	506,142

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

Interim condensed consolidated statement of cash flows (continued)

	for the period Jan 1 – Mar 31 2021 <i>unaudited</i>	for the period Jan 1 – Mar 31 2020 <i>unaudited restated*</i>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	14,594	648
Purchase of property, plant and equipment, intangible assets and investment property	(1,021,002)	(620,364)
Purchase of other financial assets	-	(80,000)
Proceeds from sale of other financial assets	-	173,000
Interest received	368	9,754
Repayments of loans	9	27
Other cash provided by (used in) investing activities	(1,326)	(23,025)
Net cash from investing activities	(1,007,357)	(539,960)
Cash flows from financing activities		
Net share capital issue proceeds	-	205,172
Proceeds from borrowings	873,623	647,012
Repayment of borrowings	(7,093)	(10,512)
Interest paid	(18,309)	(36,587)
Payment of finance lease liabilities	(17,220)	(16,945)
Repayment of reverse factoring liabilities	(619,660)	(612,932)
Other cash provided by (used in) financing activities	2,703	11,276
Net cash from financing activities	214,044	186,484
Total net cash flows	(487,648)	152,666
Cash and cash equivalents at beginning of period	923,328	770,087
Effect of exchange rate fluctuations on cash held	(1,883)	13,015
Cash and cash equivalents at end of period	433,797	935,768

* As described in Section 2.2 b.

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 2021, the Grupa Azoty Group ("Grupa Azoty", the "Group") comprised: Grupa Azoty S.A. (the "Parent"), direct subsidiaries:

- COMPO EXPERT Holding GmbH ("COMPO EXPERT") - wholly-owned,
- Grupa Azoty ATT Polymers GmbH - wholly-owned,
- Grupa Azoty Compounding Sp. z o.o. ("Grupa Azoty COMPOUNDING") - wholly-owned,
- Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. ("Grupa Azoty SIARKOPOL") - a 99.56% 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") - 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 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.). In 2020, the Parent's name did not change.

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 an indefinite period.

These interim condensed consolidated financial statements were authorised for issue by the Parent's Management Board on May 12th 2021.

Grupa Azoty PUŁAWY

Company	Ownership interest (%)	Share capital
Agrochem Puławy Sp. z o.o.	100.00	PLN 68,639 thousand
SCF Natural Sp. z o.o.	99.99	PLN 15,001 thousand
Grupa Azoty Zakłady Fosforowe Gdańsk Sp. z o.o.	99.19	PLN 59,003 thousand
Grupa Azoty Zakłady Azotowe Chorzów S.A.	96.48	PLN 94,700 thousand
STO-ZAP Sp. z o.o.	96.15	PLN 1,117 thousand
Remzap Sp. z o.o.	94.61	PLN 1,812 thousand
Prozap Sp. z o.o. ¹⁾	78.86	PLN 892 thousand
Bałtycka Baza Masowa Sp. z o.o.	50.00	PLN 19,500 thousand
Grupa Azoty KOLTAR Sp. z o.o.	20.00	PLN 54,600 thousand
Technochimserwis S.A. (closed joint-stock company)	25.00	RUB 800 thousand

1) Grupa Azoty POLICE holds 7.35% of shares in Prozap Sp. z o.o.

Grupa Azoty Zakłady Azotowe Puławy S.A. and the subsidiaries in which it holds equity interests of more than 50%, with the exception of STO-ZAP Sp. z o.o., are consolidated using the full method. STO-ZAP Sp. z o.o. and Technochimserwis S.A. (closed joint-stock company) are excluded from consolidation due to immateriality. Bałtycka Baza Masowa Sp. z o.o. is consolidated using the equity method.

Grupa Azoty POLICE

Company	Ownership interest (%)	Share capital
Supra Agrochemia Sp. z o.o.	100.00	PLN 19,721 thousand
Grupa Azoty Transtech Sp. z o.o.	100.00	PLN 9,783 thousand
Grupa Azoty Police Serwis Sp. z o.o.	100.00	PLN 9,618 thousand
Grupa Azoty Africa S.A. w likwidacji (in liquidation)	99.99	XOF ³⁾ 132,000 thousand
Zarząd Morskiego Portu Police Sp. z o.o.	99.91	PLN 32,642 thousand
Budchem Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankructcy)	48.96	PLN 1,201 thousand
Grupa Azoty Polyolefins S.A. ¹⁾ ("Grupa Azoty POLYOLEFINS")	34.41	PLN 922,968 thousand
Kemipol Sp. z o.o.	33.99	PLN 3,445 thousand
Prozap Sp. z o.o. ²⁾	7.35	PLN 892 thousand

1) The Parent holds 30.52% of shares in Grupa Azoty POLYOLEFINS S.A.

2) Grupa Azoty PUŁAWY holds 78.86% of shares in Prozap Sp. z o.o.

3) XOF is the West African CFA franc.

Kemipol Sp. z o.o. and Budchem Sp. z o.o. are accounted for using the equity method. The other subsidiaries of Grupa Azoty Zakłady Chemiczne Police S.A. are fully consolidated.

Grupa Azoty KĘDZIERZYN

Company	Ownership interest (%)	Share capital
ZAKSA S.A. ¹⁾	91.67	PLN 6,000 thousand
Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o.	36.73	PLN 85,631 thousand
Grupa Azoty KOLTAR Sp. z o.o.	20.00	PLN 54,600 thousand

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

The subsidiary and associates of Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. are fully consolidated as all of them are subsidiaries of Grupa Azoty S.A.

Azoty PKCh Sp. z o.o.

Company	Ownership interest (%)	Share capital
Grupa Azoty Jednostka Ratownictwa Chemicznego Sp. z o.o. ¹⁾	100.00	PLN 21,749 thousand
Grupa Azoty Prorem Sp. z o.o. ²⁾	100.00	PLN 11,567 thousand
Grupa Azoty Automatyka Sp. z o.o.	77.86	PLN 4,654 thousand

¹⁾ Grupa Azoty Jednostka Ratownictwa Chemicznego Sp. z o.o. holds 60% of shares in Konsorcjum EKO TECHNOLOGIES and 12% of shares in EKOTAR Sp. z o.o.

²⁾ Grupa Azoty Prorem Sp. z o.o. holds 12% of shares in EKOTAR Sp. z o.o.

All subsidiaries of Grupa Azoty PKCh are fully consolidated.

Compo Expert Holding GmbH Group

Company	Ownership interest (%)	Share capital
COMPO EXPERT International GmbH	100	EUR 25 thousand

COMPO EXPERT International GmbH

Company	Ownership interest (%)	Share capital
COMPO EXPERT GmbH	100.00	EUR 25 thousand
COMPO EXPERT Italia S.r.l.	100.00	EUR 10 thousand
COMPO EXPERT Spain S.L.	100.00	EUR 3 thousand
COMPO EXPERT Portugal, Unipessoal Lda.	100.00	EUR 2 thousand
COMPO EXPERT France SAS	100.00	EUR 524 thousand
COMPO EXPERT Polska Sp. z o.o.	100.00	PLN 6 thousand
COMPO EXPERT Hellas S.A.	100.00	EUR 60 thousand
COMPO EXPERT UK Ltd.	100.00	1 GBP
COMPO EXPERT Techn. (Shenzhen) Co. Ltd.	100.00	CNY 2,810 thousand
COMPO EXPERT Asia Pacific Sdn. Bhd.	100.00	MYR 500 thousand
COMPO EXPERT USA&CANADA Inc.	100.00	1 USD
COMPO EXPERT Brasil Fertilizantes Ltda. ¹⁾	99.99	BRL 26,199 thousand
COMPO EXPERT Chile Fertilizantes Ltda. ²⁾	99.99	CLP 1,528,560 thousand
COMPO EXPERT India Private Limited	99.99	INR 2,500 thousand
COMPO EXPERT Benelux N.V. ³⁾	99.99	EUR 7,965 thousand
COMPO EXPERT Mexico S.A. de C.V. ⁴⁾	99.99	MXN 100 thousand
COMPO EXPERT Egypt LLC ⁵⁾	99.90	EGP 100 thousand
COMPO EXPERT Turkey Tarim Sanai ve Ticaret Ltd. Şirketi ⁶⁾	96.17	264,375 TRY
COMPO EXPERT Argentina SRL ⁷⁾	90.00	ARS 41,199 thousand

- ¹⁾ 0.000003% of the share capital is held by COMPO EXPERT GmbH.
²⁾ 0.01% of the share capital is held by COMPO EXPERT GmbH.
³⁾ 0.0103% of the share capital is held by COMPO EXPERT GmbH.
⁴⁾ 0.000311% of the share capital is held by COMPO EXPERT GmbH.
⁵⁾ 0.1% of the share capital is held by COMPO EXPERT GmbH.
⁶⁾ 3.83% of the share capital is held by COMPO EXPERT GmbH.
⁷⁾ 10.000024% of the share capital is held by COMPO EXPERT GmbH.

In addition, COMPO EXPERT GmbH holds shares in:

Company	Ownership interest (%)	Share capital
COMPO EXPERT South Africa (Pty) Ltd.	100.00	ZAR 100
COMPO EXPERT Austria GmbH	100.00	EUR 35 thousand

All companies of the COMPO EXPERT Holding GmbH Group are fully consolidated.

1.2. Changes in the Group's structure

Changes in the Group's structure in the three months ended March 31st 2021

Cancellation of Prozap Sp. z o.o. shares

On February 9th 2021 two shares in Prozap Sp. z o.o., previously held by a deceased shareholder (employee of the company) were cancelled.

As a result, the percentage of voting rights held by Grupa Azoty PUŁAWY at the General Meeting of Prozap Sp. z o.o. rose from 80.30% to 80.39%. The share in the capital did not change.

Cancellation of Remzap Sp. z o.o. shares

On March 29th 2021, 18 shares of former employees of the company were cancelled. As a result, the percentage of voting rights held by Grupa Azoty PUŁAWY at the General Meeting of Remzap Sp. z o.o. increased from 97.05% to 97.12%.

Events after the reporting date

Merger plan for subsidiaries

Grupa Azoty POLICE and Supra Agrochemia Sp. z o.o. published a plan of merger on their respective websites.

The merger will be effected pursuant to Art. 492.1.1) of the Commercial Companies Code, i.e. through the transfer of all assets of the acquiree (Supra Agrochemia Sp. z o.o.) to the acquirer (Grupa Azoty POLICE) - merger by way of acquisition, without any increase in the share capital of the acquirer (prohibition on the acquisition of own shares provided for in Art. 514 of the Commercial Companies Code). Currently, the acquirer is the sole shareholder of the acquiree.

The merger will require relevant resolutions by the General Meetings of the merging companies. The acquiree will be dissolved, without liquidation proceedings, in accordance with the procedure provided for in Art. 493.1 of the Commercial Companies Code on the day of its deletion from the Register of Business in the National Court Register.

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 2021 and contain comparative data for the three months ended March 31st 2020 and as at December 31st 2020.

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 2020, prepared in accordance with International Financial Reporting Standards as endorsed by the European Union. The financial statements for 2020 were authorised for issue on April 12th 2021.

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 zloty, 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 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 has concluded that they do not indicate any threat to the Parent or any of the material Group 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 2020.

a) Changes in International Financial Reporting Standards

The following standards effective as of 2021 have no material impact on the Group's operations or its financial reporting:

- Interest Rate Benchmark Reform Phase II - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments to these standards were issued on August 27th 2020 to complement the first phase of reporting amendments resulting from the reform of interbank reference rates of September 2019. The amendments are effective for annual periods beginning on or after January 1st 2021. Phase II amendments address issues that might affect financial reporting, e.g. relating to valuation of financial instruments and lease liabilities, when an existing interest rate benchmark is replaced with a new benchmark (i.e. replacement issues).

b) New standards and interpretations

The standards and interpretations which have been issued but are not yet effective as they have not been endorsed by the EU or have been endorsed but the Group has not elected to apply them early:

In these financial statements, the Group has not opted to early apply any standards or interpretations which have been issued but are not yet effective.

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but are not effective as at the reporting date:

- IFRS 17 *Insurance Contracts*

The new standard was issued on May 18th 2017 and subsequently amended on June 25th 2020, and is effective for annual periods beginning on or after January 1st 2023. Early application is permitted as long as IFRS 15 and IFRS 9 are also applied. The standard supersedes earlier regulations on insurance contracts (IFRS 4). On June 25th 2020, IFRS 4 was also amended to defer the effective date of IFRS 9 *Financial Instruments* for insurers until January 1st 2023.

The Group will apply the new standard as of January 1st 2023. As at the date of these financial statements, it is not possible to reliably estimate the effects of the application of the new standard.

- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*

Amendments to IAS 1 were issued on January 23rd 2020 with its effective date subsequently modified in July 2020, and are effective for annual periods beginning on or after January 1st 2023.

The amendment redefines the criteria for classifying liabilities as current. The amendment may affect the presentation of liabilities and their reclassification between current and non-current.

The Group will apply the amended standard as of January 1st 2023. As at the date of these financial statements, it is not possible to reliably estimate the effects of the application of the new standard.

- Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements to IFRS Standards 2018-2020

The amendments were issued on May 14th 2020, and are effective for annual periods beginning on or after January 1st 2022. One of the amendments prohibits deducting from the cost of property, plant

and equipment of any proceeds from selling items produced while the entity is developing/preparing the asset for its intended use.

The Group will apply the amended standards as of January 1st 2022. As at the date of these financial statements, it is not possible to reliably estimate the effects of the application of the amended standards.

- Amendments to IAS 1 *Disclosure of Accounting Policies* and IAS 8 *Definition of Accounting Estimates*

The amendments were issued on February 12th 2021, and are effective for annual periods beginning on or after January 1st 2023. The purpose of these amendments is to place greater emphasis on the disclosure of material accounting policies and to clarify how companies should distinguish between changes in accounting policies and changes in accounting estimates.

The Group will apply the amended standards as of January 1st 2023. As at the date of these financial statements, it is not possible to reliably estimate the effects of the application of the amended standards.

The IFRSs as endorsed by the EU do not differ materially from the regulations adopted by the International Accounting Standards Board (IASB), save for the following standards, interpretations and amendments thereto, which were not yet adopted by EU Member States as at the date of authorisation of these financial statements for issue.

- IFRS 17 *Insurance Contracts* issued on May 18th 2017, as amended on June 25th 2020,
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of liabilities as current and non-current*, issued on January 23rd 2020, as amended on July 15th 2020,
- Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements to IFRS Standards 2018-2020, issued on May 14th 2020,
- Amendments to IAS 1 *Disclosure Initiative* and IAS 8 *Definition of Accounting Estimates*, issued on February 12th 2021.

The Group will apply the amended standards as of their effective dates. As at the date of these financial statements, it is not possible to reliably estimate the effects of the application of the amended standards.

c) Presentation changes

Following changes in the presentation of data on the effect of changes in items of the statement of financial position in the consolidated statement of cash flows as at December 31st 2020, in order to provide more detailed information the Company presents below the relevant restatements as at March 31st 2020 relating to the interim statement of cash flows.

In addition, since the presentation of accounting for CO₂ emission allowances received free of charge was changed in the first half of 2020, the presentation of the statement of profit or loss for the three months ended March 31st 2020 reflects that change. The restated data is presented in the financial statements for the six months ended June 30th 2020 in Section 1.3.2.

Interim condensed consolidated statement of cash flows

	for the period Jan 1 – Mar 31 2020	Change	for the period Jan 1 – Mar 31 2020 restated
Cash flows from operating activities			
Profit/(loss) before tax	255,766	(37,997)	217,769
<i>Adjustments for:</i>			
Depreciation and amortisation	189,603	-	189,603
(Reversal of)/impairment losses on assets	(3,080)	-	(3,080)
Loss on investing activities	1,539	-	1,539
Share of profit of equity-accounted investees	(3,467)	-	(3,467)
Interest, foreign exchange gains or losses	79,524	-	79,524
Fair value (gain)/loss of financial assets at fair value	(11,069)	-	(11,069)
Increase in trade and other receivables	(221,073)	(47,837)	(268,910)
Increase in inventories	(280,778)	-	(280,778)
Increase in trade and other payables	149,481	128,060	277,541
Increase in provisions, accruals and government grants	368,203	(368,203)	-
Decrease in provisions	-	(1,620)	(1,620)
Decrease in employee benefit obligations	-	(3,451)	(3,451)
Increase in grants	-	331,048	331,048
Other adjustments	(3,335)	-	(3,335)
Income tax paid	(15,172)	-	(15,172)
Net cash from operating activities	506,142	-	506,142
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment, intangible assets and investment property	648	-	648
Purchase of property, plant and equipment, intangible assets and investment property	(620,364)	-	(620,364)
Purchase of other financial assets	(80,000)	-	(80,000)
Proceeds from sale of other financial assets	173,000	-	173,000
Interest received	9,754	-	9,754

	for the period Jan 1 – Mar 31 2020	Change	for the period Jan 1 – Mar 31 2020 restated
Repayments of loans	27	-	27
Other cash provided by investing activities	449	(449)	-
Purchase of derivative instruments	(22,128)	22,128	-
Other cash used in investing activities	(1,346)	1,346	-
Other cash provided by (used in) investing activities	-	-	(23,025)
Net cash from investing activities	(539,960)	-	(539,960)
Cash flows from financing activities			
Net proceeds from non-controlling interests on account of issue of shares in a subsidiary	205,172	-	205,172
Proceeds from borrowings	647,012	-	647,012
Repayment of borrowings	(10,512)	-	(10,512)
Interest paid	(36,587)	-	(36,587)
Payment of lease liabilities	(16,945)	-	(16,945)
Repayment of reverse factoring liabilities	(612,932)	-	(612,932)
Other cash provided by financing activities	11,945	(11,945)	-
Other cash used in financing activities	(669)	669	-
Other cash provided by (used in) financing activities	-	-	11,276
Net cash from financing activities	186,484	-	186,484
Total net cash flows	152,666	-	152,666
Cash and cash equivalents at beginning of period	770,087	-	770,087
Effect of exchange rate fluctuations on cash held	13,015	-	13,015
Cash and cash equivalents at end of period	935,768	-	935,768

a) Accounting estimates and judgments

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 2020, subject to measurement revisions resulting from the passage of time or a change of market parameters. Currently, the prices of CO₂ emission allowances exceeded the historical level of EUR 50 per tonne. However, it should be remembered that the market has become highly speculative due to the activity of hedge funds, driving price growth, and we expect a correction in the near future.

3. Selected notes and supplementary information

3.1. 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),
 - Compound fertilizers (NPK: Polifoska® and Amofoska®; NP: DAP; PK),
 - Nitrogen fertilizers with sulfur (solid: ammonium sulfate, ammonium sulfonitrite, urea-ammonium sulfate, calcium nitrate with sulfur; liquid: liquid: UAN- urea-ammonium nitrate solution, urea solution and ammonium sulfate solution,
 - 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 based on PA6 and other engineering resins (POM, PA66, PPC - polypropylene, PPH, PBT - polybutylene terephthalate),
 - Plastic products (PA pipes, PE pipes, polyamide casings);
 - Grupa Azoty Polyolefins
- 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.

Recognition of the transfer of Grupa Azoty POLYOLEFINS from Other Activities to the Plastics segment

As at December 31st 2020, given significant progress on the Polimery Police project, operations of Grupa Azoty POLYOLEFINS were transferred from Other Activities to the Plastics segment.

Data for the three months ended March 31st 2020 were restated accordingly.

Operating segments

Operating segments' revenue, expenses and financial results for the three months ended March 31st 2021 (unaudited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Continuing operations						
External revenue	2,018,828	386,617	815,294	84,583	56,660	3,361,982
Intersegment revenue	761,109	90,292	299,262	905,332	204,451	2,260,446
Total revenue	2,779,937	476,909	1,114,556	989,915	261,111	5,622,428
Operating expenses, including: (-)	(2,602,224)	(480,465)	(1,058,913)	(989,872)	(265,249)	(5,396,723)
<i>selling and distribution expenses (-)</i>	(188,026)	(16,793)	(44,124)	(25)	(787)	(249,755)
<i>administrative expenses (-)</i>	(93,777)	(37,829)	(44,943)	(4,640)	(11,462)	(192,651)
Other income	2,305	1,056	2,257	1,101	1,789	8,508
Other expenses (-)	(1,506)	(8,795)	(2,885)	(1,601)	(6,000)	(20,787)
Segment's EBIT	178,512	(11,295)	55,015	(457)	(8,349)	213,426
Finance income	-	-	-	-	-	22,044
Finance costs (-)	-	-	-	-	-	(106,871)
Share of profit of equity-accounted investees	-	-	-	-	-	3,475
Profit before tax	-	-	-	-	-	132,074
Income tax	-	-	-	-	-	(46,197)
Net profit	-	-	-	-	-	85,877
EBIT*	178,512	(11,295)	55,015	(457)	(8,349)	213,426
Depreciation and amortisation	83,023	19,130	24,953	28,023	28,968	184,097
Unallocated depreciation and amortisation	-	-	-	-	-	7,563
EBITDA**	261,535	7,835	79,968	27,566	20,619	405,086

* 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.

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

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Continuing operations						
External revenue	1,927,296	373,392	685,460	65,895	51,677	3,103,720
Intersegment revenue	551,829	85,408	245,879	720,972	202,673	1,806,761
Total revenue	2,479,125	458,800	931,339	786,867	254,350	4,910,481
Operating expenses, including: (-)	(2,275,283)	(481,344)	(865,287)	(792,071)	(257,651)	(4,671,636)
<i>selling and distribution expenses (-)</i>	(197,983)	(18,989)	(37,322)	(235)	(401)	(254,930)
<i>administrative expenses (-)</i>	(100,863)	(37,876)	(41,806)	(4,364)	(13,761)	(198,670)
Other income	7,689	2,210	1,396	4,700	4,313	20,308
Other expenses (-)	(899)	(158)	(395)	(2,668)	(6,949)	(11,069)
Segment's EBIT	210,632	(20,492)	67,053	(3,172)	(5,937)	248,084
Finance income	-	-	-	-	-	17,227
Finance costs (-)	-	-	-	-	-	(51,009)
Share of profit of equity-accounted investees	-	-	-	-	-	3,467
Profit before tax	-	-	-	-	-	217,769
Income tax	-	-	-	-	-	(52,715)
Net profit	-	-	-	-	-	165,054
EBIT*	210,632	(20,492)	67,053	(3,172)	(5,937)	248,084
Depreciation and amortisation	81,654	18,462	26,666	27,615	26,857	181,254
Unallocated depreciation and amortisation	-	-	-	-	-	8,349
EBITDA**	292,286	(2,030)	93,719	24,443	20,920	437,687

* 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.

Operating segments' assets and liabilities as at March 31st 2021 (unaudited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Segment's assets	7,433,251	4,539,607	1,591,787	2,835,656	1,439,860	17,840,161
Unallocated assets	-	-	-	-	-	1,127,606
Investments in associates	-	-	-	-	-	94,947
Total assets	7,433,251	4,539,607	1,591,787	2,835,656	1,439,860	19,062,714
Segment's liabilities	3,273,013	2,173,289	317,212	1,246,221	540,727	7,550,462
Unallocated liabilities	-	-	-	-	-	3,142,538
Total liabilities	3,273,013	2,173,289	317,212	1,246,221	540,727	10,693,000

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

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Segment's assets	6,830,793	4,280,618	1,518,531	2,311,387	1,366,135	16,307,464
Unallocated assets	-	-	-	-	-	1,808,225
Investments in associates	-	-	-	-	-	91,461
Total assets	6,830,793	4,280,618	1,518,531	2,311,387	1,366,135	18,207,150
Segment's liabilities	3,201,045	2,134,096	365,360	1,366,281	552,482	7,619,264
Unallocated liabilities	-	-	-	-	-	2,298,984
Total liabilities	3,201,045	2,134,096	365,360	1,366,281	552,482	9,918,248

Geographical areas

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

Revenue

	for the period Jan 1 – Mar 31 2021	for the period Jan 1 – Mar 31 2020
	<i>unaudited</i>	<i>unaudited</i>
Poland	1,633,195	1,480,533
Germany	362,349	230,276
Other EU countries	850,540	913,890
Asia	87,815	82,151
South America	59,053	50,087
Other countries	369,030	346,783
Total	3,361,982	3,103,720

No single customer accounted for more than 10% of revenue in the three months ended March 31st 2021 and March 31st 2020.

3.2. Impairment testing

As at March 31st 2021, 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 2020,
- the cost dynamics were to a large extent reflected on the income side,
- for the majority of CGUs EBITDA for the three months ended March 31st 2021 was higher than planned, as was consolidated EBITDA,
- the risk-free interest rate (yield on 10-year Treasury bonds) rose from 1.23% at the end of 2020 to 1.55% at the end of March 2021, driving up the weighted average cost of capital for the Grupa Azoty Group. At the same time, the increase in the discount rate does not reduce materially the recoverable amount of the respective CGUs.

Given the above, it was concluded that the recoverable amount estimates resulting from previous tests remained valid as at March 31st 2021, 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.

Grupa Azoty POLYOLEFINS reviews the need to update the key model assumptions and parameters on an ongoing basis. February 25th 2021 saw the financial closing, for the purpose of which the Company provided an updated financial model to the financing institutions. The scope of the updates was primarily related to the effect of transactions hedging the currency and interest rate risks.

Based on the updated, positive findings of the economic feasibility study resulting from the financial model referred to above, which Grupa Azoty POLYOLEFINS 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 2021.

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 2020.

3.3. Other material changes in the statement of financial position and statement of profit or loss

The PLN 743,188 thousand increase in **property, plant and equipment** was attributable mainly to higher expenditure on non-current assets in relation to the strategic capex project Polimery Police implemented by Grupa Azoty POLYOLEFINS.

The higher balance of **property rights**, by PLN 186,718 thousand, was mainly caused by the settlement of CO₂ emission allowances purchased in futures/forward transactions, with some Group companies surrendering the allowances to offset 2020 emissions in April 2021.

The PLN 559,952 thousand growth in **trade and other receivables** was attributable to increased credit sales, accompanied by an increase in selling prices and recognition of receivables for CO₂ emission allowances to be received, which were settled in line with the production in the three months ended March 31st 2021.

The PLN 489,531 thousand decrease in **cash and cash equivalents** is the cumulative effect of: settlement of CO₂ emission allowances purchased in futures/forward transactions, repayment of reverse factoring liabilities, as well as financing of higher trade payables, and simultaneous increase in trade receivables, resulting from higher purchase prices of raw materials and selling prices of products in the three months ended March 31st 2021 .

The PLN 864,806 thousand increase in **borrowings** was mainly attributable to the disbursement of long-term credit facilities granted to finance the Polimery Police project and the construction of a new CHP plant at Grupa Azoty PUŁAWY, as well as increased use of an overdraft facility taken out to reduce factoring liabilities.

Repayment of reverse factoring liabilities reduced short-term other financial liabilities by PLN 281,001 thousand.

The PLN 126,461 thousand increase in **trade and other payables** is due mainly to higher prices of key raw materials and lesser use of reverse factoring arrangements.

An item that materially influenced **finance costs** in the three months ended March 31st 2021 was the effect of measurement of financial instruments hedging cash flows of the Polimery Police project, entered into accordance in with the requirements of the Credit Facilities Agreement and resulting from the USD-denominated financing and payments in EUR, mainly to the general contractor. As a result of the measurement, the Group's finance costs in the three months ended March 31st 2021 increased by PLN 90,140 thousand.

3.4. Contingent liabilities, contingent assets, sureties and guarantees

Contingent assets

	as at Mar 31 2021	as at Dec 31 2020
	<i>unaudited</i>	<i>audited</i>
Contingent receivables	30,088	29,960

Contingent liabilities and guarantees/sureties

	as at Mar 31 2021	as at Dec 31 2020
	<i>unaudited</i>	<i>audited</i>
Other contingent liabilities, including guarantees	33,851	34,064

For a description of contingent assets and liabilities towards Grupa LOTOS, Hyundai and KIND under the Shareholders' Agreement, see Notes 21.6 and 21.7 to the consolidated financial statements of the of the Grupa Azoty Group for the 12 months ended December 31st 2020.

3.5. 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 2021, 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 2021, 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.

3.6. Accounting estimates and assumptions

Changes in impairment losses on property, plant and equipment

	for the period Jan 1 – Mar 31 2021	for the period Jan 1 – Mar 31 2020
	<i>unaudited</i>	<i>unaudited</i>
At beginning of period	331,566	333,085
Effect of business acquisitions/combinations	-	-
Recognised	635	-
Reversed (-)	(3)	(213)
Used (-)	(11)	(365)
At end of period	332,187	332,507

Changes in inventory write-downs

	for the period Jan 1 – Mar 31 2021	for the period Jan 1 – Mar 31 2020
	<i>unaudited</i>	<i>unaudited</i>
At beginning of period	62,619	59,731
Recognised	7,235	3,364
Reversed (-)	(1,939)	(2,717)
Used (-)	(6,109)	(3,695)
Exchange differences	151	32
At end of period	61,957	56,715

Changes in impairment losses on receivables

	for the period Jan 1 – Mar 31 2021	for the period Jan 1 – Mar 31 2020
	<i>unaudited</i>	<i>unaudited</i>
At beginning of period	86,252	84,477
Recognised	1,224	5,549
Reversed (-)	(1,487)	(1,029)
Used (-)	(74)	(745)
Foreign exchange gains (losses)	128	(1,044)
At end of period	86,043	87,208

3.7. Dividend

In the three months ended March 31st 2021 and as at the issue date of the financial statements for that period, the Parent did not pay any dividends. On May 5th 2021, the Parent's Management Board resolved to recommend that the net profit for 2020 be allocated to increase the share capital.

3.8. Seasonality of operations

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

Mineral fertilizers

The seasonality effects in the Fertilizers segment in the three months ended March 31st 2021 were slightly different from the typical developments for this part of the year, with an extended fertilizer application period and a significant increase in the prices of raw materials and fertilizers. It is typically a period of growing demand for fertilizers, driven by the spring application season that starts in March. The key factor is still the development of weather conditions. In the first quarter of 2021, it was characterised by periods of dynamic changes, which affected the timing of application of the first doses of nitrogen. 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

The Parent's key markets, that is in Poland and Europe, see the strongest demand for titanium white in spring and summer (second and third quarter), which is related to the increase in demand for paints and varnishes in the building industry. Winter, i.e. the fourth and first quarter of the year, is usually a period of sales declines. Titanium white remains a seasonal product but given its multiple applications, the demand depends primarily on the overall market conditions.

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.

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

In connection with the Act on Special Measures to Prevent, Counteract and Combat COVID-19, Other Infectious Diseases and Related Crisis Situations, dated March 2nd 2020 (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 pandemic situation led to changes in the work organisation systems, designed to limit physical contacts between employees in order to minimise the risk of infection.

The Group companies also monitor 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 their 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.

The descriptions and amounts given below reflect the general impact of these factors on the Company's and the Group's operations.

Plastics

The first quarter of 2021, like the last months of 2020, saw growth of demand for natural and modified plastics. The industries with the largest shares in Grupa Azoty's sales, such as the automotive, electrical engineering, construction, consumer goods and packaging sectors, are clearly rebuilding their markets and increasing volumes. However, the pandemic-driven instability is increasingly affecting the prices and availability of raw materials, additives and components for production. This is the case both in the plastics industry and in the target industries, causing periodic production problems and, in extreme cases, production stoppages and declarations of force majeure.

Instability and uncertainty were further exacerbated by the nearly week-long blocking of the Suez Canal. Its consequences may be seen in the second quarter of 2021.

The situation in the Plastics segment is still driven by the general economic situation, which currently looks more optimistic in terms of demand and prices, but is still very dynamic and prone to turbulence. The factor of key importance to further improvement will be the pace of implementation of preventive measures to combat the pandemic and its economic impact in Poland and across Europe, and normalisation of the situation on the raw material and additive markets.

The segment's revenue in the three months ended March 31st 2021 was up 3.5% year on year.

Agro Fertilizers

The COVID-19 pandemic had no material effect on the delivery of the production and contract sale schedules in the three months ended March 31st 2021.

The Agro Fertilizers segment's EBITDA was mainly influenced by the selling prices of nitrogen, compound and speciality fertilisers, which went up relative to the first quarter of Q1 2020 as a result of high demand fuelled by high grain prices and lower imports of fertilizers. The positive effect of the growth of selling prices was offset by an increase in production costs, due to higher prices of raw materials, mainly natural gas.

The Fertilizers segment reported year on year revenue growth of approximately 4.7% in the three months ended March 31st 2021.

Chemicals

In the three months ended March 31st 2021, the OXO products business had to face a major challenge of securing uninterrupted deliveries of raw materials, which was caused by their very limited supply,

supply volume reductions as a result of technical issues, and very high prices on the spot market. At the same time, on the sales side the segment was able to take advantage of the market situation created by the technical problems experienced by the competition and resulting in technical production stoppages and declarations of force majeure by key manufacturers in the European market, accompanied by limited imports, which were affected by high freight costs, shortages of transport containers, and logistics problems of Asian producers.

Revenue from sales of oxo alcohols in the three months ended March 31st 2021 rose 23% year on year.

High demand, especially in the US, limited supply and similar logistics problems were seen on the melamine market. The product's price levels, which are in line with the prices of urea, are clearly an effect of the increase in gas prices.

In the three months ended March 31st 2021, revenue from melamine sales was down 12% year on year.

On the prilled and liquid sulfur market, the three months ended March 31st 2021 saw a high price growth, driven by strong demand and limited supply from the petrochemical industry, whose operations were affected by the pandemic situation as well as overhauls and shutdowns.

Demand for titanium white remained high. No major problems were observed in the areas of supply of raw materials for production, logistics and customer service. European contract prices went up in the first quarter of the year in the wake of the strong Chinese market, high sea transport costs, increased demand, as well as higher costs of titanium-bearing feedstocks. The demand for TiO₂ remains extremely high, driven by residential renovation projects. The availability of Chinese titanium white in Europe is limited, and imports from Asia have become hardly profitable for European buyers for pricing and logistics reasons, including mainly high freight costs.

The Chemicals segment reported revenue growth of 18.9% in the quarter under review compared with the three months ended March 31st 2020.

The Grupa Azoty Group is taking steps to minimise the impact of the COVID-19 pandemic on the Group's operations, for instance by using solutions available on the market to support working capital management, optimise the costs of feedstock procurement and adjust the production volumes to sales opportunities.

It should be noted that the Group's financial condition is stable. The Group has additional sources of liquidity, namely cash, whose amount as at March 31st 2021, including cash held as bank deposits, was PLN 434m (of which cash of Grupa Azoty POLYOLEFINS amounted to PLN 138m, and other cash of the of the Grupa Azoty Group stood at PLN 296m), undrawn credit facilities, whose amount as at March 31st 2021 was PLN 7,135m (of which credit facilities of Grupa Azoty POLYOLEFINS for the financing of the Polimery Police project amounted to PLN 5,174m, and credit facilities of the other companies of the Grupa Azoty Group were PLN 1,961m), and available reverse factoring limit of PLN 296m. As at March 31st 2021, cash and amounts available under financing facilities totalled PLN 7,842m (of which cash and amounts available under financing facilities of Grupa Azoty POLYOLEFINS stood at PLN 5,312m, and the balance of cash and amounts available under financing facilities of the other companies of the Grupa Azoty Group was PLN 2,530m).

In the opinion of the Parent's Management Board, the preventive measures taken have minimised the economic impact of the COVID-19 pandemic and mitigated the risk to business continuity, but the observed impacts of the pandemic are bound to have a materially adverse short- and medium-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.

3.10. Events after the reporting date

Agreements concluded after the reporting date

Reverse factoring agreement with ING Commercial Finance Polska S.A. executed after the reporting date

On April 29th 2021, the Parent and Grupa Azoty PUŁAWY, Grupa Azoty POLICE and Grupa Azoty KĘDZIERZYN signed a factoring agreement for PLN 500m (or its equivalent in EUR or USD) with ING Commercial Finance Polska S.A. The agreement was entered into for an indefinite term, with an annual renewal of the financing limit. For further information, see the Parent's Current Report No. 14/2020 of April 29th 2021.

Payment services and financing agreement with CaixaBank S.A.

On April 29th 2021, the Parent and Grupa Azoty PUŁAWY, Grupa Azoty POLICE and Grupa Azoty KĘDZIERZYN signed a payment services and financing agreement for PLN 500m (or its equivalent in EUR or USD) with CaixaBank S.A., Polish Branch. The agreement was entered into for an indefinite term, with an annual renewal of the financing limit. For further information, see the Parent's Current Report No. 15/2021 of April 29th 2021.



Interim condensed separate financial statements of
Grupa Azoty Spółka Akcyjna for the three months
ended March 31st 2021

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

	for the period Jan 1 – Mar 31 2021 <i>unaudited</i>	for the period Jan 1 – Mar 31 2020 <i>unaudited</i>
<i>Profit/loss</i>		
Revenue	521,127	521,380
Cost of sales	(420,237)	(416,027)
Gross profit	100,890	105,353
Selling and distribution expenses	(27,338)	(29,057)
Administrative expenses	(44,271)	(42,235)
Other income	3,512	5,485
Other expenses	(4,377)	(4,029)
Operating profit	28,416	35,517
Finance income	22,839	9,023
Finance costs	(19,961)	(63,903)
Net finance income/(costs)	2,878	(54,880)
Profit/(loss) before tax	31,294	(19,363)
Income tax	(6,087)	(11,364)
Net profit/(loss)	25,207	(30,727)
<i>Other comprehensive income</i>		
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	(8,269)	(58,728)
Income tax relating to items that are or will be reclassified to profit or loss	1,571	11,159
	(6,698)	(47,569)
Total other comprehensive income	(6,698)	(47,565)
Comprehensive income for the period	18,509	(78,292)
Earnings per share:		
Basic (PLN)	0.25	(0.31)
Diluted (PLN)	0.25	(0.31)

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

Interim condensed separate statement of financial position

	as at Mar 31 2021 <i>unaudited</i>	as at Dec 31 2020 <i>audited</i>
Assets		
Non-current assets		
Property, plant and equipment	1,626,706	1,642,695
Right-of-use assets	41,442	40,332
Investment property	20,891	21,911
Intangible assets	50,507	51,307
Shares	5,706,230	5,706,230
Other financial assets	1,211,644	1,233,971
Other receivables	32,514	32,318
Deferred tax assets	-	3,959
Total non-current assets	8,689,934	8,732,723
Current assets		
Inventories	199,206	201,730
Property rights	17,657	67,477
Other financial assets	140,631	131,432
Current tax assets	10,959	10,283
Trade and other receivables	363,761	237,628
Cash and cash equivalents	464,226	464,174
Assets held for sale	95	95
Total current assets	1,196,535	1,112,819
Total assets	9,886,469	9,845,542

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

Interim condensed separate statement of financial position (continued)

	as at Mar 31 2021 <i>unaudited</i>	as at Dec 31 2020 <i>audited</i>
Equity and liabilities		
Equity		
Share capital	495,977	495,977
Share premium	2,418,270	2,418,270
Hedging reserve	(54,185)	(47,487)
Retained earnings	2,067,613	2,042,406
Total equity	4,927,675	4,909,166
Liabilities		
Borrowings	3,187,261	2,861,537
Lease liabilities	32,128	31,134
Other financial liabilities	29,940	35,141
Employee benefit obligations	69,702	69,917
Provisions	31,255	31,255
Government grants received	50,968	51,505
Deferred tax liabilities	556	-
Total non-current liabilities	3,401,810	3,080,489
Borrowings	997,714	1,199,668
Lease liabilities	12,435	13,497
Derivative financial instruments	2,533	1,810
Other financial liabilities	243,631	295,067
Employee benefit obligations	5,100	5,100
Trade and other payables	283,298	328,465
Provisions	9,608	9,608
Government grants received	2,665	2,672
Total current liabilities	1,556,984	1,855,887
Total liabilities	4,958,794	4,936,376
Total equity and liabilities	9,886,469	9,845,542

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

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 2021	495,977	2,418,270	(47,487)	2,042,406	4,909,166
<i>Profit or loss and other comprehensive income</i>					
Net profit	-	-	-	25,207	25,207
Other comprehensive income	-	-	(6,698)	-	(6,698)
Comprehensive income for the period	-	-	(6,698)	25,207	18,509
Balance as at Mar 31 2021 (unaudited)	495,977	2,418,270	(54,185)	2,067,613	4,927,675

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
<i>Profit or loss and other comprehensive income</i>					
Net profit	-	-	-	(30,727)	(30,727)
Other comprehensive income	-	-	(47,569)	4	(47,565)
Comprehensive income for the period	-	-	(47,569)	(30,723)	(78,292)
Balance as at Mar 31 2020 (unaudited)	495,977	2,418,270	(41,697)	1,889,788	4,762,338

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

Interim condensed separate statement of cash flows

	for the period Jan 1 – Mar 31 2021 <i>unaudited</i>	for the period Jan 1 – Mar 31 2020 <i>unaudited restated*</i>
Cash flows from operating activities		
Profit/(loss) before tax	31,294	(19,363)
<i>Adjustments for:</i>		
Depreciation and amortisation	35,255	33,523
Impairment losses	344	-
(Gain)/loss from investing activities	(649)	52
Interest, foreign exchange gains or losses	6,209	64,304
Fair value (gain)/loss on financial assets at fair value	(15,768)	5,498
Increase in trade and other receivables	(126,134)	(75,983)
Decrease in inventories and property rights	52,345	26,728
Increase/(decrease) in trade and other payables	178,539	(22,101)
Increase/(decrease) in employee benefit obligations	(215)	248
Increase/(decrease) in grants	(671)	38,784
Other adjustments	(3,500)	(3,500)
Income tax paid	(281)	(8,178)
Net cash from operating activities	156,768	40,012
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	619	110
Purchase of property, plant and equipment, intangible assets and investment property	(21,088)	(45,731)
Interest received	3,984	7,338
Loans	-	(19,400)
Repayments of loans	29,456	14,168
Other cash provided by (used in) investing activities	(201)	(995)
Net cash from investing activities	12,770	(44,510)
Cash flows from financing activities		
Proceeds from borrowings	350,000	618,530
Repayment of borrowings	(233,197)	(35,979)
Interest paid	(12,304)	(18,437)
Commission fees on bank borrowings	(1,112)	(1,745)
Payment of lease liabilities	(2,404)	(4,317)
Repayment of reverse factoring liabilities	(249,067)	(185,304)
Other cash provided by (used in) financing activities	(21,074)	9,780
Net cash from financing activities	(169,158)	382,528
Total net cash flows	380	378,030
Cash and cash equivalents at beginning of period	464,174	1,158,379
Effect of exchange rate fluctuations on cash held	(328)	(133)
Cash and cash equivalents at end of period	464,226	1,536,276

* As described in Section 1.2 b.

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 Spółka Akcyjna (“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 2021 and contain comparative data for the three months ended March 31st 2020 and as at December 31st 2020.

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 2021 were authorised for issue by the Management Board on May 12th 2021.

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 2020, prepared in accordance with International Financial Reporting Standards as endorsed by the European Union and authorised for issue on April 12th 2021.

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 Company’s full-year financial statements for the year ended December 31st 2020.

a) Changes in International Financial Reporting Standards

The following standards effective as of 2021 have no material impact on the Company’s operations or its financial reporting:

- Interest Rate Benchmark Reform Phase II - Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
The amendments to these standards were issued on August 27th 2020 to complement the first phase of reporting amendments resulting from the reform of interbank reference rates of September 2019. The amendments are effective for annual periods beginning on or after January 1st 2021. Phase II amendments address issues that might affect financial reporting, e.g. relating to valuation of financial instruments and lease liabilities, when an existing interest rate benchmark is replaced with a new benchmark (i.e. replacement issues).

b) New standards and interpretations

The standards and interpretations which have been issued but are not yet effective as they have not been endorsed by the EU, or have been endorsed but the Company has not elected to apply them early:

In these financial statements, the Company has not opted to early apply any standards or interpretations which have been issued but are not yet effective.

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but are not effective as at the reporting date:

- IFRS 17 *Insurance Contracts*

The new standard was issued on May 18th 2017 and subsequently amended on June 25th 2020, and is effective for annual periods beginning on or after January 1st 2023. Early application is permitted as long as IFRS 15 and IFRS 9 are also applied. The standard supersedes earlier regulations on insurance contracts (IFRS 4). On June 25th 2020, IFRS 4 was also amended to defer the effective date of IFRS 9 *Financial Instruments* for insurers until January 1st 2023.

The Company will apply the new standard as of January 1st 2023. As at the date of these financial statements, it is not possible to reliably estimate the effects of the application of the new standard.

- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*

Amendments to IAS 1 were issued on January 23rd 2020 with its effective date subsequently modified in July 2020, and are effective for annual periods beginning on or after January 1st 2023.

The amendment redefines the criteria for classifying liabilities as current. The amendment may affect the presentation of liabilities and their reclassification between current and non-current.

The Company will apply the amended standard as of January 1st 2023. As at the date of these financial statements, it is not possible to reliably estimate the effects of the application of the new standard.

- Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements to IFRS Standards 2018-2020

The amendments were issued on May 14th 2020, and are effective for annual periods beginning on or after January 1st 2022. One of the amendments prohibits deducting from the cost of property, plant and equipment of any proceeds from selling items produced while the entity is developing/preparing the asset for its intended use.

The Company will apply the amended standards as of January 1st 2022. As at the date of these financial statements, it is not possible to reliably estimate the effects of the application of the amended standards.

- Amendments to IAS 1 *Disclosure of Accounting Policies* and IAS 8 *Definition of Accounting Estimates*

The amendments were issued on February 12th 2021, and are effective for annual periods beginning on or after January 1st 2023. The purpose of these amendments is to place greater emphasis on the disclosure of material accounting policies and to clarify how companies should distinguish between changes in accounting policies and changes in accounting estimates.

The Company will apply the amended standards as of January 1st 2023. As at the date of these financial statements, it is not possible to reliably estimate the effects of the application of the amended standards.

The IFRSs as endorsed by the EU do not differ materially from the regulations adopted by the International Accounting Standards Board (IASB), save for the following standards, interpretations and amendments thereto, which were not yet adopted by EU Member States as at the date of authorisation of these financial statements for issue.

- IFRS 17 *Insurance Contracts* issued on May 18th 2017, as amended on June 25th 2020,
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of liabilities as current and non-current*, issued on January 23rd 2020, as amended on July 15th 2020,
- Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements to IFRS Standards 2018-2020, issued on May 14th 2020,
- Amendments to IAS 1 *Disclosure Initiative* and IAS 8 *Definition of Accounting Estimates*, issued on February 12th 2021.

The Company will apply the amended standards as of their effective dates. As at the date of these financial statements, it is not possible to reliably estimate the effects of the application of the amended standards.

c) Presentation changes

Following changes in the presentation of data on the effect of changes in items of the statement of financial position in the statement of cash flows as at December 31st 2020, in order to provide more detailed information the Company presents below the relevant restatements as at March 31st 2020.

Interim condensed statement of cash flows

	for the period Jan 1 – Mar 31 2020	Change	for the period Jan 1 – Mar 31 2020 restated*
Cash flows from operating activities			
Profit before tax	(19,363)	-	(19,363)
Adjustments for:			
Depreciation and amortisation	33,523	-	33,523
Loss on investing activities	52	-	52
Interest, foreign exchange gains or losses	64,304	-	64,304
Fair value (gain) on financial assets at fair value	5,498	-	5,498
Increase in trade and other receivables	(70,651)	(5,332)	(75,983)
(Increase) in inventories and property rights	26,728	-	26,728
Increase in trade and other payables	41,731	(63,832)	(22,101)
Increase in provisions, accruals and government grants	(30,132)	30,132	-
Increase in employee benefit obligations	-	248	248
Increase in grants	-	38,784	38,784
Other adjustments	(3,500)	-	(3,500)
Income tax paid	(8,178)	-	(8,178)
Net cash from operating activities	40,012	-	40,012
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment, intangible assets and investment property	110	-	110
Purchase of property, plant and equipment, intangible assets and investment property	(45,731)	-	(45,731)
Interest received	7,338	-	7,338
Loans	(19,400)	-	(19,400)
Repayments of loans	14,168	-	14,168
Other cash used in investing activities	(995)	-	(995)
Net cash from investing activities	(44,510)	-	(44,510)

	for the period Jan 1 – Mar 31 2020	Change	for the period Jan 1 – Mar 31 2020 restated*
Cash flows from financing activities			
Proceeds from borrowings	618,530	-	618,530
Repayment of borrowings	(35,979)	-	(35,979)
Interest paid	(18,437)	-	(18,437)
Commission fees on bank borrowings	(1,745)	-	(1,745)
Payment of lease liabilities	(4,317)	-	(4,317)
Other cash provided by financing activities	9,780	-	9,780
Repayment of reverse factoring liabilities	(185,304)	-	(185,304)
Net cash from financing activities	382,528	-	382,528
Total net cash flows	378,030	-	378,030
Cash and cash equivalents at beginning of period	1,158,379	-	1,158,379
Effect of exchange rate fluctuations on cash held	(133)	-	(133)
Cash and cash equivalents at end of period	1,536,276	-	1,536,276

2. Supplementary information

2.1. Impairment testing

As at March 31st 2021, 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) at the Company and the value of assets of each CGU did not change materially relative to the respective amounts as at December 31st 2020,
- the cost dynamics were to a large extent reflected on the income side,
- EBITDA for the three months ended March 31st 2021 was higher than planned at the Company and CGU levels,
- the risk-free interest rate (yield on 10-year Treasury bonds) rose from 1.23% at the end of 2020 to 1.55% at the end of March 2021, driving up the weighted average cost of capital for the Grupa Azoty Group. At the same time, the increase in the discount rate does not reduce materially the recoverable amount of the respective CGUs.

Given the above, it was concluded that the recoverable amount estimates resulting from previous tests remained valid as at March 31st 2021 and no impairment losses needed to be recognised other than those recognised as at December 31st 2020.

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 of 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 2021 and there was no need for recognition of additional impairment losses on shares held in subsidiaries, jointly-controlled entities and associates or reversal of any impairment losses recognised in previous periods.

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 2020.

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

For information on the effects of the COVID-19 pandemic on the Company and the Group, see Note 3.9 to the interim condensed consolidated financial statements of the Grupa Azoty Group for the three months ended March 31st 2021.

2.3. Additional information

As at March 31st 2021, the Company redeemed CO₂ emission allowances for 2020, which brought down the value of **property rights**.

The value of the right and obligation to repurchase Grupa Azoty POLYOLEFINS shares from non-controlling shareholders, i.e. the call and put options as at March 31st 2021 was as follows:

Instrument	Total valuation	Company interest (47%)	Grupa Azoty Zakłady Chemiczne Police S.A. interest (53%)
Call option (financial asset)	111,066	52,201	58,865
Put option (financial liability)	35,062	16,479	18,583

The effect of measurement of the financial instruments referred to above on the Company's profit before tax in the three months ended March 31st 2021 was PLN 11,418 thousand.

For detailed information on the transactions, see Note 30.6 on derivative financial instruments in the separate financial statements of Grupa Azoty Spółka Akcyjna for the 12 months ended December 31st 2020.



Management's discussion and analysis of Grupa Azoty
S.A.'s performance in the three months ended
March 31st 2021

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 2021, the Grupa Azoty Group comprised Grupa Azoty S.A. (the Parent) and nine 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. Its history goes back to 1927, when Państwowa Fabryka Związków Azotowych was established in Mościce, a township later incorporated into Tarnów. The plant's construction was one of the largest investment projects undertaken in the Republic of Poland after it regained independence in 1918.

Parent's direct subsidiaries

Grupa Azoty PUŁAWY

The company's registered office is located in Puławy.

Grupa Azoty PUŁAWY (full name: Grupa Azoty Zakłady Azotowe Puławy Spółka Akcyjna) specialises in the production of nitrogen fertilizers and is also one of the largest melamine manufacturers in the world.

Grupa Azoty POLICE

The company's registered office is located in Police.

Grupa Azoty POLICE (full name: Grupa Azoty Zakłady Chemiczne Police Spółka Akcyjna) is a major producer of compound fertilizers, nitrogen fertilizers and titanium white.

Grupa Azoty KĘDZIERZYN

The company's registered office is located in Kędzierzyn-Koźle.

The business of Grupa Azoty KĘDZIERZYN (full name: Grupa Azoty Zakłady Azotowe Kędzierzyn Spółka Akcyjna) is based on two pillars: nitrogen fertilizers and OXO products (OXO alcohols and plasticizers).

COMPO EXPERT

The company's registered office is located in Münster, Germany. The company (full name: COMPO EXPERT Holding GmbH) is a holding company for a group of 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. It manufactures polyamide 6 (PA6).

Grupa Azoty PKCh Sp. z o.o.

The company's registered office is located in Tarnów. The services of Grupa Azoty PKCh Sp. z o.o. (full name: Grupa Azoty Polskie Konsorcjum Chemiczne Spółka z ograniczoną odpowiedzialnością) encompass comprehensive design support for investment projects in the chemical industry – from study and concept work to engineering design, building permit design and working plans, to services provided during the construction, commissioning and operation of process units.

Grupa Azoty KOLTAR Sp. z o.o.

The company's registered office is located in Tarnów.

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 SIARKOPOL

The company's registered office is located in Grzybów.

Grupa Azoty SIARKOPOL (full name: Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol Spółka Akcyjna) is Poland's largest producer of liquid sulfur.

Grupa Azoty Compounding Sp. z o.o.

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.

Parent's equity interests in subsidiaries as at March 31st 2021

<i>(in relevant currency)</i>			
Company	Registered office/address	Share capital	% of shares held directly
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 SIARKOPOL	Grzybów, 28-200 Staszów, Poland	60,620,090 PLN	99.56
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 PKCh Sp. z o.o.	Kwiatkowskiego 7 33-101 Tarnów, Poland	85,630,550 PLN	63.27
Grupa Azoty POLICE	ul. Kuźnicka 1 72-010 Police, Poland	1,241,757,680 PLN	62.86
Grupa Azoty KOLTAR Sp. z o.o.	Kwiatkowskiego 8 33-101 Tarnów, Poland	54,600,000 PLN	60.00

The Parent and its subsidiaries as at March 31st 2021



- 1** **Parent**
- Grupa Azoty „Compounding” Sp. z o.o.
100%
 - Grupa Azoty PKCh Sp. z o.o.
63.27%
 - Grupa Azoty KOLTAR Sp. z o.o.
60%

- 2** Grupa Azoty PUŁAWY
95.98%
- 3** Grupa Azoty POLICE
62.86%
- 4** Grupa Azoty KĘDZIERZYN
93.48%

- 5** Grupa Azoty SIARKOPOL
99.56%
- 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 data.

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, 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) as well as auxiliary and intermediate products, such as caprolactam and other chemicals. They are manufactured by the 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 and the fifth largest in the European Union. The Group is Poland's only producer of titanium white.

Energy

Electricity and heat generated by the Energy segment are used primarily for the Group's own production needs, with small volumes sold locally, in the immediate vicinity of the Group companies. 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 customers connected to local heat and electricity distribution networks. The Group companies operate their own energy 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.

The Group's portfolio also includes Pulrea[®] +INu, i.e. urea with an addition of urease inhibitor (NBPT), which increases the absorption of nitrogen from the fertilizer. The fertiliser is a stable source of nitrogen for plants.

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.

Titanium white

Titanium white (titanium dioxide) is the most widespread category of inorganic pigments characterised by the highest refractive index. Its other properties include the capacity to strongly absorb harmful ultraviolet radiation. The pure form is a colourless, crystalline, non-volatile, non-flammable, insoluble and thermally stable solid. Industrial applications of titanium white include the manufacture of paints and varnishes, plastics, paper, synthetic fibres, ceramics, rubber, cosmetics, pharmaceuticals and food products.

The Group sells titanium white under the Tytanpol® brand. Several titanium white grades are regularly manufactured, including universal pigments: R-001, R-003, R-210, and speciality pigments: R-002, R-211, R-213, RD-5, RS, R-310).

1.4. 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 a major one in CEE, operating 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 2021, 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 Commonwealth of Independent States (Russia, 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

At the beginning of 2021, information on the approval of successive COVID vaccines had a positive effect on the markets, but as the expected time needed to achieve population immunity extended and the next wave of the pandemic escalated, the market sentiment deteriorated by the end of the first quarter of 2021. As a result, March 2021 saw the appreciation of USD to EUR and weakening of PLN against USD and, to a lesser extent, EUR.

These developments resulted in the depreciation of PLN over the first quarter of 2021 relative to both EUR and USD, by approximately 1% and 5.6% versus the respective levels recorded on December 31st 2020. In Q1 2021, the average PLN/EUR exchange rate remained unchanged from Q4 2020, and the average PLN/USD exchange rate fell by approximately 0.9% quarter on quarter.

The slight weakening of PLN against EUR as at March 31st 2021 relative to the exchange rate as at December 31st 2020 did not have a material effect on the Group's performance in that period with respect to the Group's currency exposure in EUR.

The Group reduces the risk resulting from its currency exposure by using selected instruments and taking measures to hedge against the currency risk based on the current and planned currency exposure. In the reporting period, the main hedging tools used by the Group included natural hedging, factoring and discounting of foreign currency receivables, 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, up to 50% of the remaining currency exposure with time horizons between 6 and 12 months, and up to 25% of the remaining currency exposure with time horizons between 12 and 24 months.

The Group has a physical EUR cash pooling structure in place that allows the companies to use the Group's global liquidity limit in that currency, which further reduces their exposure to the currency risk in the euro by correcting potential mismatches in revenue and expenditure over time.

In the three months ended March 31st 2021, the Grupa Azoty Group entered into FX forward contracts for the sale of EUR and USD, executed in the periods of depreciation of PLN, to supplement hedges in line with its planned exposure in both currencies.

The net result on settled hedging transactions of the Group (excluding Grupa Azoty POLYOLEFINS) in the three months ended March 31st 2021 was a loss of PLN (415) thousand, with a negative net result on remeasurement of hedging instruments at PLN (4,595) thousand, which was due to the significant appreciation of EUR against PLN at the end of the quarter.

The overall net result of the Group (excluding Grupa Azoty POLYOLEFINS) on the settlement of hedging transactions and remeasurement of hedging instruments in the three months ended March 31st 2021 was negative at PLN (5,010) thousand.

Furthermore, in the three months ended March 31st 2021, Grupa Azoty POLYOLEFINS entered into FX forward contracts to buy EUR for USD and PLN for USD to hedge the expected expenditure in EUR and PLN under contractual payments for the Polimery Police project, to be covered from disbursements under the term facility. The FX forwards were the target security required under the Credit Facilities Agreement. They are a continuation of the temporary security executed in 2020.

As at March 31st 2021, Grupa Azoty POLYOLEFINS had the following open contracts:

- FX forward to buy approximately EUR 227m for USD (hedging expenditure planned to the covered with proceeds from the term facility made available under the Credit Facilities Agreement in USD),

- FX forward to buy approximately PLN 229m for USD (hedging expenditure planned to be covered with proceeds from the term facility made available under the Credit Facilities Agreement in USD).

The FX forwards for the purchase of PLN for USD were designated as hedges for accounting purposes. As at March 31st 2021, the total result on the measurement of open FX forwards executed by Grupa Azoty POLYOLEFINS was PLN (62,349) thousand, including PLN (17,289) thousand attributable to the measurement of transactions designated as hedges for accounting purposes.

The total effect of remeasurement of financial instruments hedging cash flows of the Polimery Police project, entered into accordance with the requirements of the Credit Facilities Agreement and resulting from the USD-denominated financing and payments in EUR, mainly to the general contractor, was PLN (90. 140) thousand in the three months ended March 31st 2021.

Interest rate risk

In the three months ended March 31st 2021, Grupa Azoty POLYOLEFINS entered into IRSs with a zero floor whereby positive values of EURIBOR and USD LIBOR are exchanged for a fixed interest rate. The contracts hedge the planned interest expense on the term facility made available under the Credit Facilities Agreement. They constitute security required under the Credit Facilities Agreement.

As at March 31st 2021, Grupa Azoty POLYOLEFINS had the following open contracts:

- IRS with a zero floor on EURIBOR for a maximum notional amount of approximately EUR 370m (the notional amounts increase and then are amortised in accordance with the Company's expectations regarding the notional amounts resulting from the term facility under the Credit Facilities Agreement in EUR),
- IRS with a zero floor on USD LIBOR for a maximum notional amount of approximately USD 408m (the notional amounts increase and then are amortised in accordance with the Company's expectations regarding the notional amounts resulting from the term facility under the Credit Facilities Agreement in USD),

The transactions hedging interest rate risk have been fully designated for hedge accounting purposes. As at March 31st 2021, the Company's portfolio included open IRS contracts with a zero floor measured at PLN 5,572 thousand.

Currency risk

In the three months ended March 31st 2021, Grupa Azoty POLYOLEFINS entered into commodity swaps hedging purchase prices of precious metals (platinum and palladium) purchased by the Company. All commodity risk hedging transactions held by Grupa Azoty POLYOLEFINS were settled in the three months ended March 31st 2021.

Commodity hedging transactions were fully designated for hedge accounting purposes.

Foreign currency derivatives and hedge accounting

As at March 31st 2021, the notional amount of the Grupa Azoty Group's open currency derivatives (FX forwards) totalled EUR 85.1m (instruments maturing in 2021: April - EUR 10.3m, May - EUR 12m, June - EUR 10.7m, July - EUR 10.8m, August - EUR 8.7m, September - EUR 9.8m, October - EUR 6.2m, November - EUR 6.3m, December - EUR 3.7m; instruments maturing in 2022: March - EUR 1m, April - EUR 0.5m, May - EUR 1.3m, July - EUR 0.5m, August - EUR 0.5m, September - EUR 1.3m, October - EUR 0.5m, November - EUR 0.5m, December - EUR 0.5m) and EUR 8.5m under options, maturing between April and December 2021, executed by Grupa Azoty POLICE.

The total value of the Grupa Azoty Group's open currency derivatives amounted to EUR 93.6m.

In the case of USD, the notional amount of open currency derivatives (FX forwards) of Grupa Azoty was USD 11.3m (instruments maturing in 2021: April - USD 2m, May - USD 1.3m, July - USD 6m, September - USD 1m, December - USD 1m).

Such contracts are only entered into with reliable banks under master agreements. All the contracts reflect actual cash flows in foreign currencies. Currency forwards and derivative contracts are executed to match the Parent's currency exposure and their purpose is to limit the effect of exchange rate fluctuations on profit or loss.

The Group applies cash flow hedge accounting. The hedged items are highly probable future proceeds from sale transactions in EUR, which will be recognised in profit or loss in the period from April 2021 to September 2028. The hedging covers currency risk. The hedge are two euro-denominated credit facilities of:

- EUR 81,729 thousand as at March 31st 2021, 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 2021, repayable in the period from September 2021 to September 2028 in 15 equal half-yearly instalments of EUR 6,666 thousand each;

The carrying amount of both facilities as at March 31st 2021 was PLN 867,268 thousand. The hedging reserve as at March 31st 2021 included PLN (66,895) thousand on account of the effective hedge.

In the three months ended March 31st 2021, the Group did not reclassify any hedge accounting amounts from other comprehensive income to the statement of profit or loss.

Prices of CO₂ emission allowances

In the three months ended March 31st 2021, the prices of CO₂ emission allowances (EUAs) on the exchange market ranged between EUR 31 and EUR 44, continuing in a strong upward trend started in the fourth quarter of 2020. Since March last year, when EUA prices hit their low, they have risen threefold, to historical highs, exceeding analysts' forecasts. The direct driver of this growth trend was the support expressed by European leaders in December 2020 for the European Commission's proposal of a more ambitious emission reduction target for the European Union, i.e. 55% by 2030. The European Parliament opted for the 60% target at the time.

Finally, in April 2021, an emission reduction target of "at least 55%" was agreed.

The high prices of emission allowances are supported by growths in other energy commodity markets and equity markets, as well as the presence of hedge funds, which take long-term positions in the expectation of continuing price hikes. The Group companies purchased allowances for this year and for 2022-2023 based on the Grupa Azoty's corporate management model for CO₂ emission allowances and an approved procurement plan. As at the end of the three months ended March 31st 2021, the Grupa Azoty Group companies' requirements with respect to EUAs for 2021 were largely covered with purchases made in previous years.

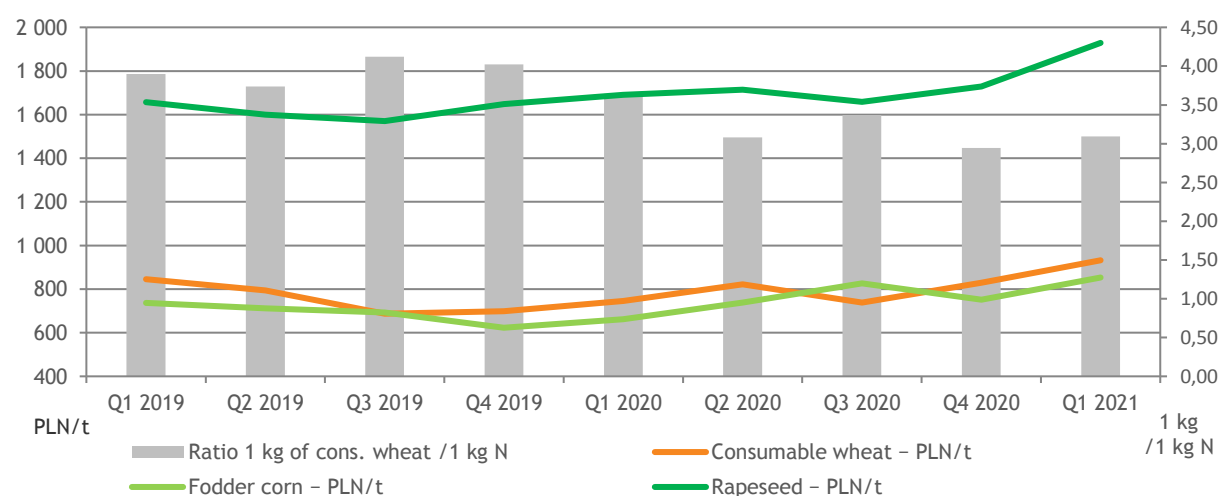
2.2. Market overview

AGRO FERTILIZERS

Economic conditions in agriculture

The condition of the Polish agricultural sector in the three months ended March 31st 2021 improved to some extent, driven by record-high prices of agricultural produce and high rates of disbursements for 2020 under the direct payments system. In the three months ended March 31st 2021, the average price of milling wheat stood at PLN 932 per tonne, up 25% year on year. Equally high price levels were seen in the case of maize (PLN 662 per tonne; up 28.8% year on year) and rapeseed (PLN 1,929 per tonne; up 14.1 year on year). The current agricultural produce forecasts for 2021 predict that the prices will be generally higher than in 2020. The key factor will be the actual outcome of this year's harvest, both in Poland and in the European Union as a whole. Based on the Grains Strategy (SG) forecasts for Poland for the 2021/2022 season, the yields may be slightly lower but will not differ materially from the average volumes harvested in previous years. The forecasts put yields of wheat at 11.45 million tonnes (i.e. down 4.6% year on year) and of barley at 3.73 million tonnes (down 2.6% year on year). Maize is an exception, as its production is expected to grow by 0.7%, to 4.45 million tonnes. The situation in the European Union as a whole is largely different, with a slight year-on-year increase of 4% in grain production projected in the 2021/2022 season, from 276.9 million tonnes to 288.1 million tonnes (the statistics for the European Union no longer include grain production in the United Kingdom). The condition of crops in Poland after the first quarter of 2021 is assessed as relatively good, despite the sometimes dynamic development of weather conditions (sharp air temperature declines in winter). Losses due to frost damage do not exceed 4-5% countrywide (based on the area of arable land), which should be viewed as a very good result. At present, the only problem is the air temperature levels, too low for this time of the year and materially slowing down the growth of crops. However, the weather improvement forecast for the later part of the period should make it possible to make up for the slow start. One very optimistic predictor for this year's grain crop yields is the favourable water balance of soil, which significantly reduces the risk of spring drought. Despite the prospects that the relatively weak economic condition of the Polish agricultural sector, being the outcome of a few years of droughts and the losses they produced, will continue in the later part of the period, the demand for fertilizer products as basic means of agricultural production is still being significantly supported by direct payments. As reported by the Polish Agency for Restructuring and Modernisation of Agriculture (ARiMR) on February 28th 2021, the amount of direct payment disbursements is estimated at PLN 14.2bn, out of the PLN 15.53bn allocated for this purpose. This means a disbursement rate of 91.4%. Maintenance of this high rate warrants a conclusion that the agricultural sector in Poland has received a sizeable injection of funds, the majority of which will be spent, like every year, on means of production (mainly fertilizer products).

Prices of wheat, maize and rapeseed



Source: In-house analysis based on external data.

Average prices of wheat, maize and rapeseed

	Average Q1 2020	Average Q1 2021	y/y	March 2021	MIN 2021	MAX 2021
	PLN/t	PLN/t	%	PLN/t	PLN/t	PLN/t
Milling wheat	746	932	25.0	955	905	955
Maize	691	662	28.8	888	809	888
Rapeseed	1,690	1,929	14.1	2,064	1,830	2,064

Source: In-house analysis based on external data.

Market of nitrogen fertilizers

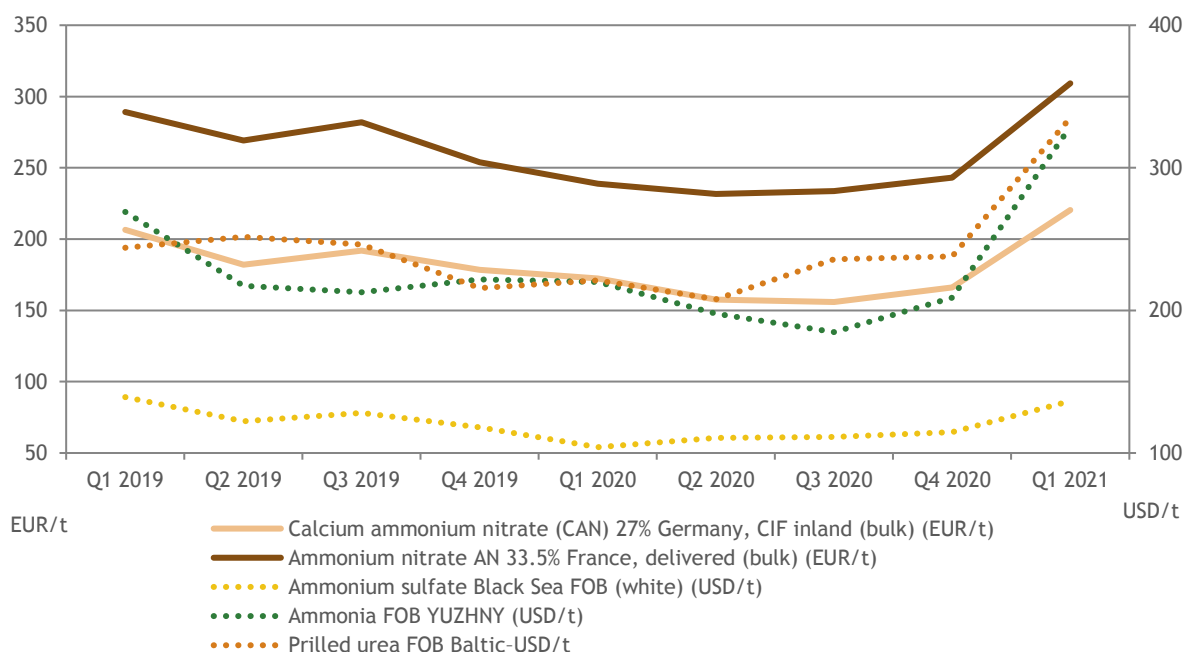
In the three months ended March 31st 2021, the prices of nitrate fertilizers and UAN were much higher than in the corresponding period of the previous year. The average price of ammonium nitrate in France grew by as much as 29.5% year on year, with a similar high rise (27.9%) seen in the case of CAN on the German market. The main reason for the fertilizer price growth in the period was a sharp increase in the prices of natural gas, which had an effect on the cost of production and the pricing policies of the largest market players, who raised the prices of their products several times in the course of a month. Demand for nitrogen fertilizers in Poland in the three months ended March 31st 2021 was characterised by periodic dynamic changes, due to the weather conditions and the legislative constraints. On a year to year basis, the demand is estimated to have grown slightly, driven by the relatively good condition of winter crops, which encouraged the agricultural sector to increase spending on agricultural production, and the sector's improved purchasing power, resulting from higher crop prices and high levels of direct payment disbursements. Although the application of the first doses of nitrogen was slightly delayed by the excessive soil moisture levels seen at the beginning of March, the subsequent improvement in weather made it possible to make up for this late start. It is expected that the distribution of demand in the later part of the period will still depend strongly on the weather conditions, which determine the state of the crops going forward and the timing of fertilisation treatments in spring. Contrary to the previous years with the spring droughts, the current market situation indicates that consumption of nitrogen fertilizers in 2021 may increase year on year.

Ammonia prices in the three months ended March 31st 2021 were up 49.5% year on year. Strong demand for imports from China caused by natural gas supply constraints, and the limited availability of exports in key production regions were among the factors driving up prices in the third week of January. The closure of production capacities in the Caribbean and Middle East limited the supply of ammonia in the period of strong demand from fertilizer and chemical manufacturers.

The USD 100/tonne increase in contract prices on US Tampa basis in the 20th week of 2021 was a sign of a rebound on the international ammonia market. The agreement reached by the two key producers was the result of strong demand for raw materials from the fertilizer and chemicals market. The recovery on the market continued in April, as the capacity shutdowns in the three key supply regions still affected the product's availability on the spot markets, and the volumes which had not been sold under contracts were offered at a premium on the deficit market. As a result, ammonia prices rose to levels last seen at the beginning of 2015.

Urea prices in the three months ended March 31st 2021 were 51.6% up year on year. The key development on the fertilizer markets in Europe was an increase in urea prices on the international markets. It had been expected that urea volumes dedicated to the spring season would reach the market in Europe in October 2020, but the situation continued to deteriorate in the fourth quarter of 2020 due to market uncertainties and huge demand from a large importer, i.e. India. As a result, an upward price trend continued. In the case of urea volumes from Egypt with delivery dates falling in March the prices rose by as much as 15%, mainly on the European market. The growing prices of energy and raw materials and the upcoming spring fertilizer application season also contributed to the price growth. The activity of players on the international market in early February was assessed as high. It was supported by strong demand, limited supply, high production levels, and the cost of gas. In March and April, production in India fell below the 2020 levels due to shutdowns and disruptions caused by the COVID-19 pandemic, which increased demand for imports. Freight rates were still high in March, posing an obstacle to shipments from producers, especially in the Baltic Sea region. It was not until the end of March that the freight rates started to go down, for the first time in many months, which may facilitate contracting shipments by the producers in the near future. At the beginning of March, demand on the European urea market slowed down and remained low until the end of the month. According to some market players, this was due to the cold weather prevailing in north-western Europe.

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



Source: In-house analysis based on external data.

Average prices of nitrogen fertilizers

	Average Q1 2020	Average Q1 2021	y/y	March 2021	MIN 2021	MAX 2021
	EUR/t	EUR/t	%	EUR/t	EUR/t	EUR/t
CAN 27% Germany CIF inland (bulk)	172	220	27.9	243	198	243
AN 33.5% France, delivered (bulk)	239	309	29.5	340	275	340
	USD/t	USD/t	%	USD/t	USD/t	USD/t
Ammonia (FOB Yuzhny)	220	329	49.5	408	250	408
Urea (FOB Baltic)	221	335	51.6	351	298	356
AS (Black Sea FOB white)	104	137	31.1	160	113	160

Source: In-house analysis based on external data.

Market of compound fertilizers

In the three months ended March 31st 2021, the average price of 3x16 compound fertilizers (FOB Baltic) grew 24.4% year on year.

At the beginning of the first quarter, despite limited trading activity, prices of compound fertilizers went up, led by commodity prices and the expected increase in demand before the upcoming (spring) season of fertilizer application in Europe. The price hikes were further supported by growing logistics costs, the announcement of tenders for purchases in Africa and India, and the rising demand in Latin America. The rate of growth in prices of compound fertilizers was more moderate than in the case straight fertilizers, which had its source in the foundations underlying the demand-supply balance. Nevertheless, as early as at the end of January, the sellers contemplated withholding transactions for the volumes to be delivered in March as the product value was dynamically growing.

At the beginning of March, the prices in Asia (India, China and South East Asia) increased on the back of growth in the prices of raw materials. The receding ice cover in the Baltic Sea helped stop a further increase in freight prices. Also in the third month of the year, imports to Eastern Europe were largely suppressed as a result of the approaching end of the application season. In mid-March, the upward trend seen from the beginning of the year stabilised. At the end of the month, the limited global supply led to an upward pressure on prices but most of the quotations remained unchanged or changed only slightly due to low trading activity.

In the three months ended March 31st 2021, the average price of DAP (FOB Baltic) grew 65.5% year on year. Global prices of phosphate fertilizers were in an uptrend for much of the first quarter of 2021. The slow price increase for DAP and MAP fertilizers, started in the third quarter of 2020, accelerated strongly after the US announced the imposition of countervailing duties on fertilizers imported from Russia and Morocco in 2021. This information caused a major turmoil on the US market - a strong demand coupled with limited supply pushed DAP and MAP prices in the first quarter up to levels not seen since 2012.

The imposition of duties on imports of phosphate fertilizers from Russia and Morocco by the US International Trade Commission was a major market development in the first quarter of 2021. The decision, initiated by a petition filed by an US producer in June 2020, was made on March 11th, ending an eight-month investigation process. The duties will be in effect for five years (as of April 1st 2021). This means that the United States will remain a premium market for phosphate fertilizers. Supplies of DAP/MAP from Morocco and Russia, subject to the duties, are likely to continue to be directed to alternative target markets.

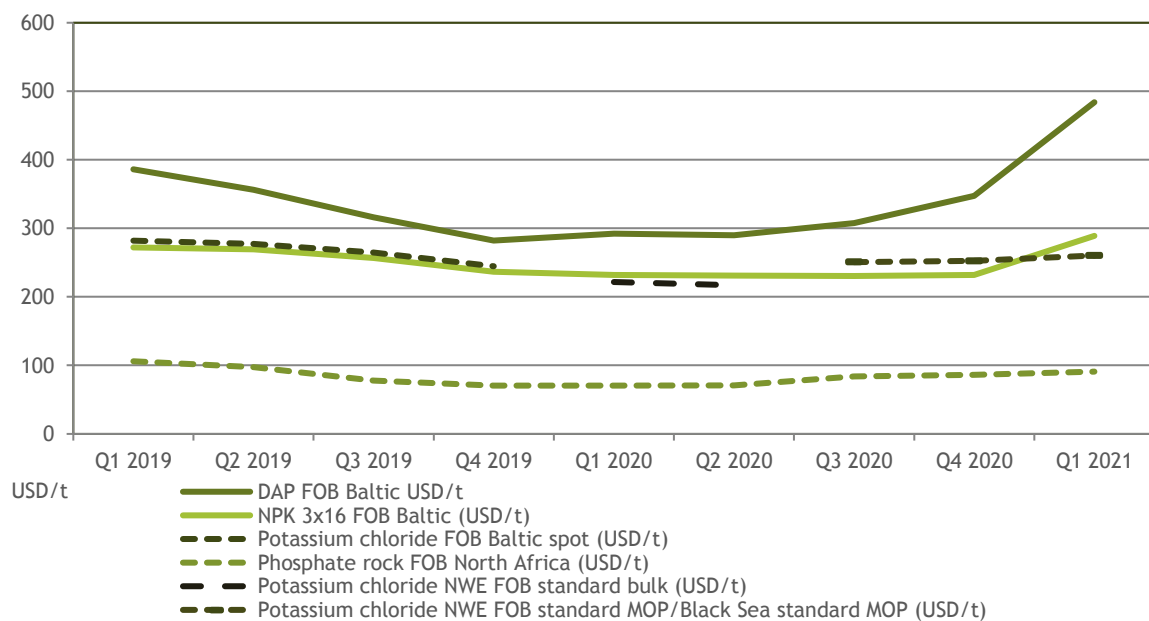
In the first quarter of 2021, the market was affected by supply shortages. After a surge in January, DAP prices entered an upward trend, lasting throughout the quarter. It was underpinned by shortages of the product on the US market and the demand from Bangladesh and Pakistan, which further limited its availability.

In February 2021, the shortage of DAP in the US, combined with the growing demand from Asia and the Chinese producers focusing on their domestic market, led to a further sharp increase in prices.

In March, the price increase slowed down. The purchasing season in China ended and Chinese producers returned to the export markets. In addition, demand from South East Asia was declining. Seasonal demand also slowed down in Europe and the United States. In Russia, prices of phosphate fertilizers increased in the first quarter in line with the global market, while bad weather and ice accumulation in ports pushed up freight costs.

In the second quarter of 2021, global DAP prices are expected to fluctuate around the levels recorded this March, and will be supported by demand from the Indian sub-continent and high prices of phosphoric acid sold to India. The market is expected to be well balanced during this period.

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



Source: In-house analysis based on external data.

Average prices of compound fertilizers and raw materials for their production

	Average Q1 2020	Average Q1 2021	y/y	March 2021	MIN 2021	MAX 2021
	USD/t	USD/t	%	USD/t	USD/t	USD/t
DAP (FOB Baltic)	293	484	65.5	533	416	533
NPK3x16 (FOB Baltic)	232	289	24.4	307	268	307
Potassium chloride (NWE FOB Standard MOP/Black Sea Standard MOP)*		260		267	256	267
Phosphate rock (FOB North Africa)**		91		93	87	93

* Rebased.

** Change of the source of quotations.

Source: In-house analysis based on external data.

The potassium chloride market followed an upward trend in the three months ended March 31st 2021. Supportive conditions on the fertilizers market, limited supply and high demand led to a strong increase in its prices on spot markets, especially on NOLA in the US and on the Brazilian market. Both these markets saw significant price hikes, with the prices rising by several dozen USD per tonne in the first quarter, approaching the benchmark prices from the beginning of 2019. The price growth in the spot markets translated into higher prices of potassium chloride sold to China and India.

Based on forecasts for the following months of 2021, the prices in Brazil, Africa and South East Asia may continue to go up on the back of good crop forecasts, strong demand, and limited supply reported by potassium chloride producers. The US NOLA market, after intensive growth in the first quarter, should remain stable in the coming months, with no price growth expected. In real terms, the contract prices for China are relatively low compared with the spot markets, and some new price arrangements are possible here, but it is unlikely that the prices will reach the level agreed in contracts for India.

The strong price growth was seen across almost all fertilizers markets, pushing up the prices of raw materials for the production of these fertilizers, i.e. phosphoric acid and phosphate rock. In the first quarter of 2021, the price of phosphoric acid sold to India grew significantly relative to the last quarter of 2020, and the second quarter of 2021 saw an even higher increase. This major phosphoric acid price growth in the contracts for India is affecting the profitability of DAP production in India. The phosphate rock market remained relatively stable in the three months ended March 31st 2021, with growth rates of a few to a dozen or so USD per tonne. No supply problems were reported by the producers, and there were no factors on the demand side that could lead to a further increase in prices. In the first quarter of 2021, phosphate rock price benchmarks grew on average by approximately 6% and 10% relative to the fourth quarter and the first quarter of 2020, respectively.

Forecasts predict a slight decline in DAP prices in the second and third quarters of 2021, after sales are redirected, mainly to the Indian market. Given the nearing end of the fertilizer application season, DAP prices are under pressure in China and South East Asia, as well as in Europe and the US. There may be periodic spikes in the DAP and MAP prices in response to supply problems, but generally the prices of phosphate fertilizers are expected to fall by the end of the year. The significant growth in phosphoric acid prices from the beginning of 2021 may cause a rise of a few US dollars in the prices of phosphate rock before the second quarter of 2021 ends. As the phosphoric acid market and the DAP market are strongly correlated, if the prices of phosphoric fertilizers drop by the end of the year as forecast, the prices of phosphoric acid may also go down.

PLASTICS

Polyamide 6 chain

In the three months ended March 31st 2021, the market situation across the polyamide 6 segment was still strongly driven by the demand-supply balance and prices of petrochemical raw materials. The global market continued to be affected by the COVID-19 pandemic.

The price growth across the product chain started at the end of 2020 continued into the first quarter of 2021. From the fourth quarter of 2020, the prices of raw materials (benzene and phenol) had been on the rise, except in February, when they went down, only to rebound sharply in March. Owing to the strong demand from processing markets and repeated supply disruptions, in March the contract prices of benzene in Europe reached their highest level, not seen from the second half of 2018. Relative to the first quarter of 2020, average quarterly prices of benzene in Europe were up 1.8% (CIF NWE), with phenol prices down 0.4% (FD NWE).

The benzene demand-supply balance in Europe was unstable. On the demand side, demand from most benzene derivatives manufacturers remained high, with limited availability from domestic suppliers. As the COVID-19 pandemic resulted in a decline in transport fuel demand, refineries were forced to operate at reduced rates. This limited the availability of raw materials for further processing, in particular in the propylene and base oils chains. Because of strong demand growth started in the second half of 2020, the pandemic also led to persistent shortages of transport containers and a sharp increase in prices, especially on the route from Asia to Europe. At the end of 2020, the hurricanes in the US, followed by the polar storm on the shores of the Gulf of Mexico in February, temporarily stopped production at a significant part of the US chemical sector. In Europe, scheduled and unscheduled shutdowns led to declarations of force majeure and supply shortages. Also, the week-long blocking of the Suez Canal (many products strongly depend on imports from the Middle East) produced higher supply pressures, pushing up the prices. The European market of phenol continued to be affected by supply constraints in the upstream segment (especially in the case of non-integrated producers), low imports and high demand from the downstream sectors.

In the first quarter of 2021, prices of liquid caprolactam in Europe continued to follow the upward trend commenced in the second half of 2020. In February, the prices of the product fell, partly reflecting lower prices of benzene. In March, prices of liquid caprolactam increased sharply again, by more than 15% month on month, supported by strong demand from the polyamide 6 market, rising costs of raw materials, and supply constraints. Average quarterly contract prices of European caprolactam (Liq. DDP WE) rose by 6% compared with the first quarter of 2020.

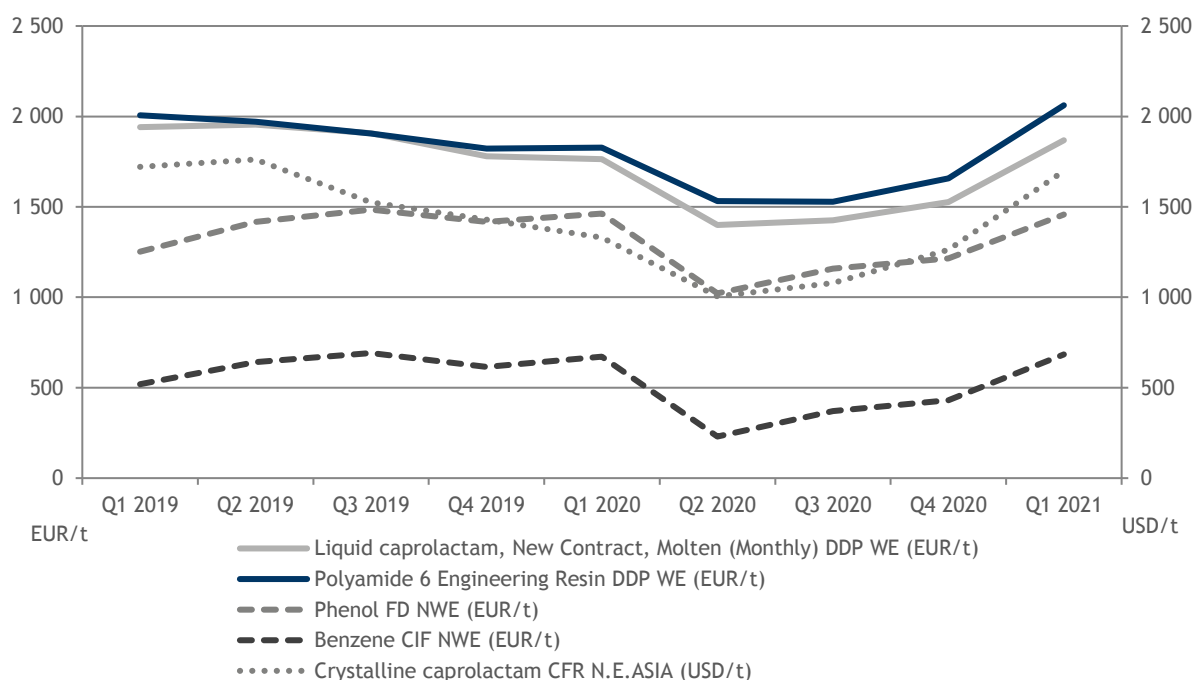
The average quarterly price of caprolactam in Asia (CFR NE Asia) was 17.7% higher than in the first quarter of 2020. Significant regional demand from the polyamide 6 processing markets and low imports supported price increases.

During the quarter, polyamide 6 prices in Europe followed an upward trend, and towards the end of the quarter reached a level last seen in mid 2017. Year on year, the average quarterly European contract price of polyamide 6 (Engineering Resin Virgin DDP, WE) was up 12.8% .

The first quarter of 2021 saw continued strong demand from almost all PA6 applications, combined with limited supply. PA6 demand was high in all major industrial sectors, including the automotive, electronic, domestic appliances, construction and packaging industries. Demand from other PA6 applications remained stable. Demand for polyamide in the automotive sector remains strong despite the prevailing shortage of semiconductor chips and other components, and lower sales of vehicles. According to some market players, in the coming months demand will depend on the activity of end users.

The supply of caprolactam and polyamide 6 was limited by shortages of raw materials (low operating metrics at many refineries, effects of the winter storm in the US, logistics delays, shortage of transport containers, blocking of the Suez Canal, shortage of semiconductors, glass fibre and other components). A number of producers, both in Europe and globally, declared force majeure on polyamides 6 and 66, as well as various raw materials and their intermediate products.

Prices of PA6, caprolactam, benzene and phenol



Source: In-house analysis based on external data.

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

	Average Q1 2020	Average Q1 2021	y/y	March 2021	MIN 2021	MAX 2021
	EUR/t	EUR/t	%	EUR/t	EUR/t	EUR/t
Benzene (CIF, NWE)	672	684	1.8	765	602	765
Phenol (FD, NWE)	1,464	1,458	0.4↓	1,539	1,376	1,539
Caprolactam (Liq., DDP, WE)	1,763	1,869	6.0	2,035	1,765	2,035
Polyamide 6 (PA 6) (DDP, WE)	1,828	2,062	12.8	2,245	1,945	2,245
	USD/t	USD/t	%	USD/t	USD/t	USD/t
Caprolactam (CFR, NE Asia)	1,330	1,698	27.7	1,925	1,585	1,925
	USD/bbl	USD/bbl	%	USD/bbl	USD/bbl	USD/bbl
Crude oil (BRENT)	51.28	60.83	18.6	65.82	55.10	65.82

Source: In-house analysis based on external data.

In the second quarter of 2021, product prices in the polyamide 6 chain will be driven by the supply and demand developments in end-use markets and the prices of petrochemical raw materials.

In the short term, the market will still experience shortages of CPL and polyamide 6. The high prices of raw materials and the continued robust demand from the processing sectors, coupled with supply constraints (low stock levels, declarations of force majeure by certain PA6 and PA66 producers in the region and globally), are likely to support an increase in CPL and polyamide 6 prices.

Forecasts for the further part of 2021 are prudently optimistic. The market situation will continue to be driven by the evolution of the COVID-19 pandemic.

CHEMICALS

OXO product chain

In the three months ended March 31st 2021, the prices of 2-EH went up 52.2% year on year. This marked increase was due mainly to the very limited supply of that alcohol on the European market, with continuing high demand.

The supply of OXO alcohols shrank significantly in the first quarter of 2021 as a result of the declaration of force majeure by two producers, which strongly affected availability of the products from both domestic and foreign manufacturers. Demand for OXO alcohols remained strong, especially from companies active in the processing of OXO alcohols into butyl acetate and glycol. The continuing high demand and major supply constraints led to further substantial price increases on the market. Imports into the European market were very limited, owing to logistics problems caused by high freight prices and shortages of transport containers.

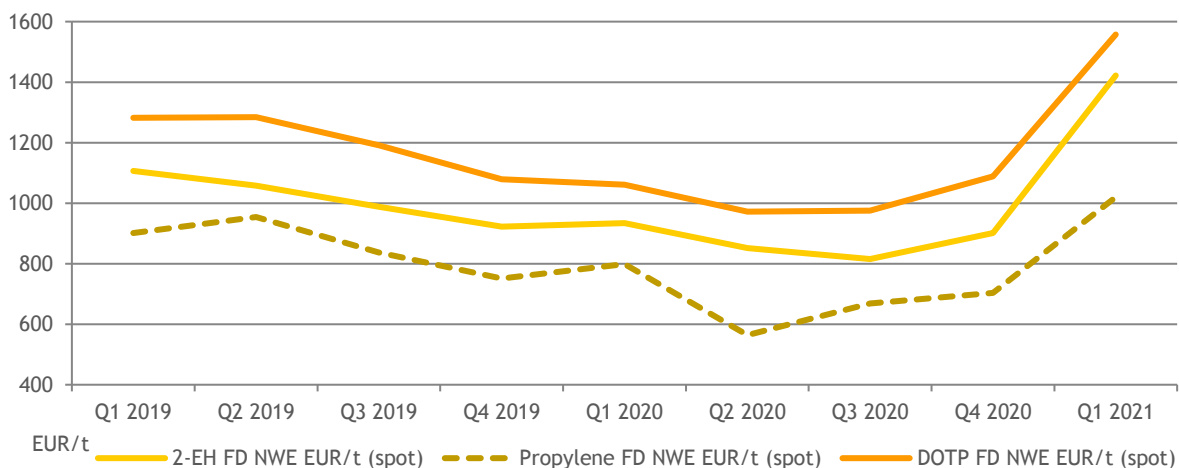
In the first quarter of 2021, the prices of DOTP went up 46.8% year on year. The limited supply of OXO alcohols led to reduced availability of plasticizers on the European market, especially in March, when three key producers declared force majeure. Heavy snowfalls and low air temperatures prevailing in Europe at the beginning of February, combined with the high freight prices and shortages of containers, translated into logistics problems, which also led to reduced imports of plasticizers from other regions of the world (mainly Korea, but also Russia) and further supply constraints. This was particularly evident on the DOTP market. The demand for plasticizers remained very high, driven by efforts to accumulate stocks of the product on the one hand and, on the other hand, by an increase in demand for products used in plasticizer processing that occurred when the economy accelerated after the COVID-19-related temporary production stoppages at the beginning of the year.

In the first quarter of 2021, the spot prices of propylene went up 27.7% year on year, while its contract prices rose by approximately 5.5%.

The demand-supply balance on the propylene market deteriorated in the first quarter of 2021 after the supply (in particular of polymer propylene) went down significantly relative to Q4 2020, mainly because of scheduled and unscheduled maintenance shutdowns of crackers at some European propylene producers. In addition, some propylene producers reported shortages of human resources in connection with the pandemic, and the resulting scaling down of production. Logistics problems caused by the pandemic also affected deliveries, both from domestic and foreign producers, in particular in February. At the end of March, the supply of propylene started to improve slightly, driven by resumed operation of crackers and shutdowns at some companies in the propylene processing sector. Demand for propylene remained very high, especially in the segment of polypropylene and propylene oxide production.

In the coming months, the prices of propylene are expected to stabilise, mainly as a result of declines in the prices of crude oil and kerosene. An important price driver will be the size of propylene supply on the market. If propylene processing capacities resume production while maintenance shutdowns of propylene production units continue, the availability of this product may be significantly limited, potentially resulting in another large increase in its prices (mainly on the spot market).

Prices of 2-EH, DOTP and propylene



Source: In-house analysis based on external data.

Average prices of 2-EH, DOTP and propylene

	Average Q1 2020	Average Q1 2021	y/y	March 2021	MIN 2021	MAX 2021
	EUR/t	EUR/t	%	EUR/t	EUR/t	EUR/t
2-EH (FD NWE spot)	934	1,422	52.2	1,763	1,078	1,763
DOTP (FD NWE spot)	1,061	1,557	46.8	1,950	1,256	1,950
Propylene (FD NWE spot)	799	1,020	27.7	1,071	940	1,071

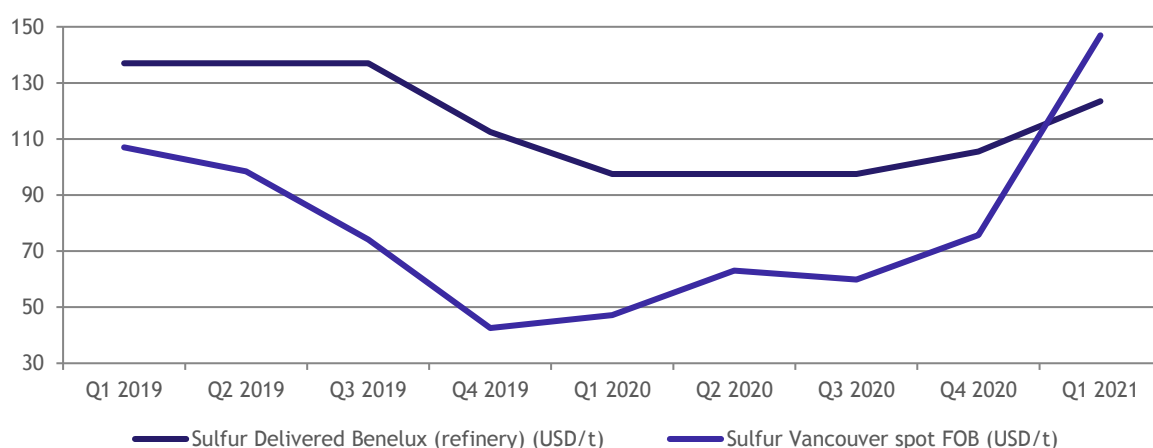
Source: In-house analysis based on external data.

Sulfur

In the three months ended March 31st 2021, the prices of prilled sulfur rose significantly. Their growth was driven, on the one hand, by favourable conditions on the phosphate fertilizers markets and high demand for sulfur for phosphoric acid production, and, on the other hand, by limited supply of sulfur due to the petrochemical industry operating at reduced capacities (owing to the pandemic, overhauls and shutdowns). In the first quarter of 2021, the prices of prilled sulfur (Vancouver SPOT FOB) surged by approximately 200% year on year. This price rebound was seen across all pricing bases. On the other hand, the liquid sulfur market in Europe saw a much lower growth. The average price of liquid sulfur on the Benelux Delivered basis moved up by approximately 27% year on year in the first quarter of 2021. At the same time, liquid sulfur prices on the US Tampa basis rose 100%, which was due to strongly limited supply and high demand.

Based on short-term forecasts for the prilled sulfur market, the prices in the coming quarter should go down slightly because of very limited activity of the market in China (it is using its own accumulated stocks). In the coming quarters, the supply situation in the Middle East and the US should improve, which will be another factor stimulating a price decline. However, the most recent forecasts predict that until the end of the year the prices of prilled sulfur will remain at above USD 100 per tonne. Similarly to the prilled sulfur market, the market of liquid sulfur is projected to see a price decrease in the further part of the year, as the operating metrics of the European refineries improve. In both cases, the demand-supply balance will largely depend on whether further restrictions related to the coronavirus pandemic are imposed. It can be concluded that the situation will improve in the summer as a result of people's increased mobility (as the restrictions are lifted), higher demand for fuels, and larger production volumes of refining sulfur.

Prices of sulfur



Source: In-house analysis based on external data.

Average prices of sulfur

	Average Q1 2020	Average Q1 2021	y/y	March 2021	MIN 2021	MAX 2021
	USD/t	USD/t	%	USD/t	USD/t	USD/t
Liquid sulfur (Delivered Benelux refinery)	98	124	26.7	124	124	124
Prilled sulfur (Vancouver spot FOB)	47	147	212	177	112	177

Source: In-house analysis based on external data.

Pigment chain

In the three months ended March 31st 2021, the price of titanium white manufactured in Europe increased 0.3% year on year. The European prices rose at the beginning of 2021, and then remained stable until the end of the quarter.

In the first quarter of 2021, European contract prices went up in the wake of the strong Chinese market, high sea transport costs, increased demand, as well as higher costs of titanium-bearing feedstocks. The demand for TiO₂ remains extremely high, driven by residential renovation projects. The availability of Chinese titanium white in Europe is limited, and imports from Asia have become hardly profitable for European buyers for pricing and logistics reasons, including mainly high freight costs.

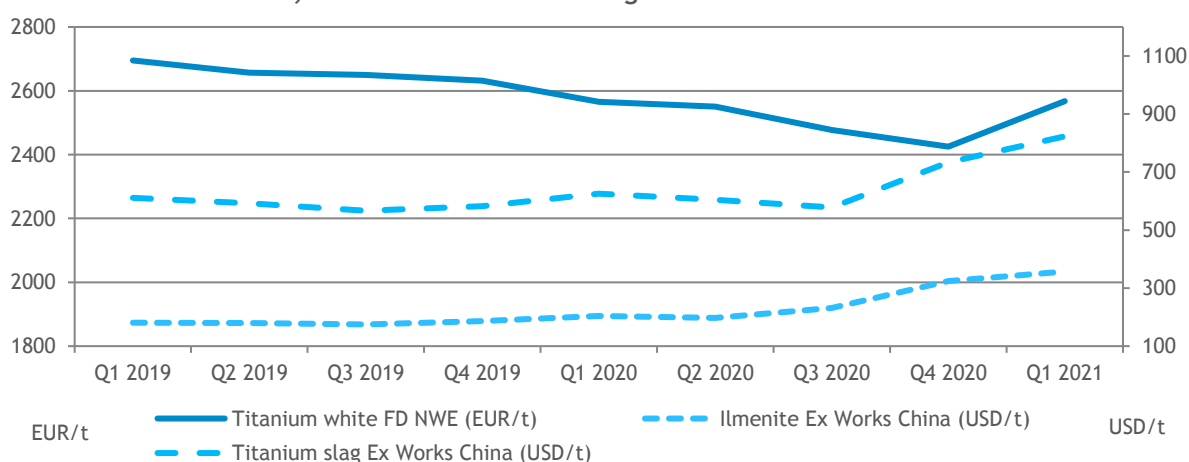
Customers are finding it difficult to purchase the product outside contracts, and deliveries are significantly delayed. Delivery times for West European products are between five and eight weeks, while for Asian products they are up to three months. There was no significant impact of the Suez Canal blocking by a container ship on the TiO₂ market.

In 2020, the construction market shrank by approximately 6%, but is expected to rebound significantly in the current year, with annual growth forecast at approximately 7%.

The global shortage of semiconductors caused a slowdown in the automotive industry as many manufacturers decided to scale down their production.

At present, it is very difficult to predict how demand will develop in the coming months since the buyers' interest during the typically low-demand winter season was much higher than expected. Despite pandemic-related impediments and winter weather, demand is growing surprisingly well. If international freight rates and logistics improve, the European players may again become interested in supplies from Asia. The key source of buyers' concerns is depleted stocks on the European market (they were consumed as a result of the higher-than-expected demand during the usually slow winter months), the approaching peak of the coating season, and imports-related challenges.

Prices of titanium white, ilmenite and titanium slag



Source: In-house analysis based on external data.

Average prices of titanium white and raw materials for its production

	Average Q1 2020	Average Q1 2021	y/y	March 2021	MIN 2021	MAX 2021
	EUR/t	EUR/t	%	EUR/t	EUR/t	EUR/t
Titanium white FD NWE	2,565	2,568	0.1	2,615	2,473	2,615
	USD/t	USD/t	%	USD/t	USD/t	USD/t
Ilmenite Ex Works China	204	357	75.3	383	338	383
Titanium slag ex Works China	625	823	31.7	851	804	851

Source: In-house analysis based on external data.

Ilmenite prices have continued at high levels since the beginning of 2021 and are expected to grow further. The dynamic rebound of the Chinese economy after the pandemic-caused crisis, started already in the second half of 2020, caused a sharp growth in the prices of titanium-bearing feedstocks on that market. According to estimates, the price of ilmenite in China in the first quarter of 2021 was 75% higher than in the first quarter of 2020, with the titanium slag price rising 32%. The price hikes made Chinese producers of titanium white increase imports, which triggered a price growth globally, although it is less sharp. The price of titanium slag used in the sulfate-based production of titanium white shows greater stability and some downward tendency. However, given the growth of demand from the Chinese market, there may be a correction to the forecast drops.

In the first half of 2021, ilmenite prices are expected to continue on the upward trend, which may stop at the earliest in the second half of 2021, as the market saturates and oversupply occurs. The price of titanium slag remains relatively high, but due to lower interest in the product it may be subject to a downward correction.

Melamine

In the three months ended March 31st 2021, the global melamine markets saw strong demand, especially in the US.

In the first quarter of 2021, average quarterly contract prices of melamine on the European market increased 10.6% year on year and 13% quarter on quarter. The spot prices grew 39.5% quarter on quarter and 34.9% year on year. Moreover, the spot market was affected to a significant extent by limited availability of transport containers, which translated into increased freight charges worldwide.

The US market saw an increase in maritime transport costs and a weakening of melamine supply. The contract prices of melamine rose relative to the previous quarter, driven by limited global supply (planned overhauls at melamine manufacturers in other regions) and logistics constraints (impact of the COVID-19 pandemic).

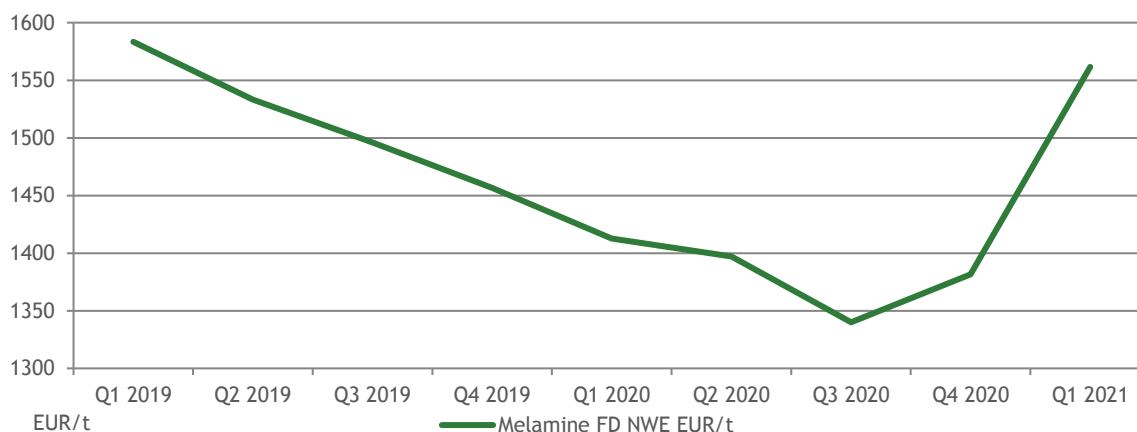
The melamine capacity utilisation rates in Asia increased to above 75% at the end of March 2021. In the three months ended March 31st 2021, spot prices on the FOB China basis grew on average by more than USD 200 per tonne quarter on quarter, with the growth fuelled by high demand and the possibility of exporting the product to Europe.

Poor availability of transport containers, and thus limited supply of Asian melamine, reduced the supply of the product in Latin America.

In March 2021, negotiations were initiated to agree on melamine prices for the second quarter of 2021.

In the second quarter of 2021, melamine prices on global markets may grow by over 100%, given the high demand and limited supply. High demand for melamine may even continue into the third quarter of 2021.

Prices of melamine



Source: In-house analysis based on external data.

Average prices of melamine

	Average Q1 2020	Average Q1 2021	y/y	March 2021	MIN 2021	MAX 2021
	EUR/t	EUR/t	%	EUR/t	EUR/t	EUR/t
Melamine (FD NWE)	1,413	1,562	10.6	1,595	1,495	1,595

Source: In-house analysis based on external data.

ENERGY

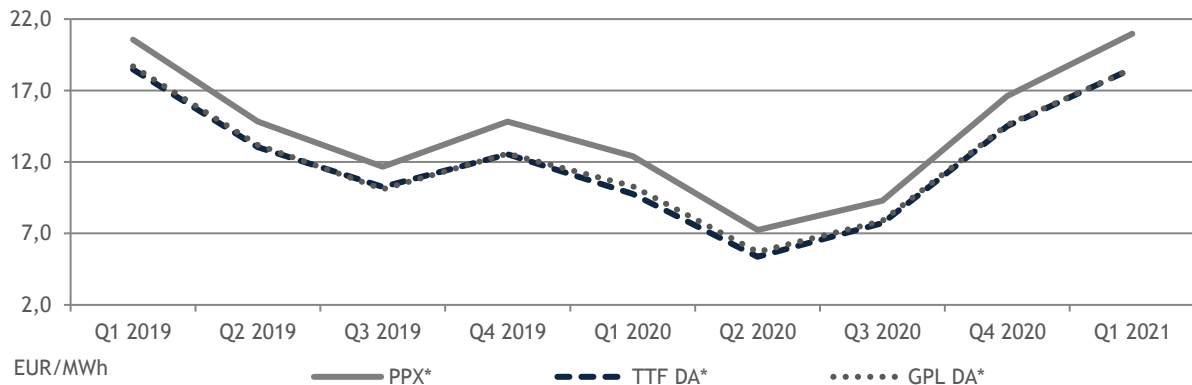
Natural gas

At the beginning of the year, spot prices of gas at Gaspool were at approximately EUR 19/MWh. After an initial decline, gas prices rose sharply in mid-January, to nearly EUR 26/MWh, as the market reacted nervously to an increase in LNG prices in Asia. The spot price of LNG supplies in Asia went up by more than 20 times over six months, reaching an all-time high. 1 MMBtu of LNG cost almost USD 40 (over EUR 100/MWh). This record high level was caused by strong frosts in Asia. Other problems, apart from the availability of gas, were transport-related issues (congestion at the Panama Canal) and constrained supplies of LNG from the Qatari and Australian plants. In Europe, the prices were quickly brought back to previous levels by higher air temperatures and improved wind conditions. Subsequently, natural gas prices were on a steady downward trend until mid-February. At the same time, there were significant daily price fluctuations in response to movements in the renewable energy generation volumes and changes in weather forecasts. In the second half of February, the prices stabilised at approximately EUR 16/MWh.

On the other hand, the first half of March saw a steady and slow rise in gas prices on the spot market. The key contributor was the weather, as air temperatures in Europe remained below the long-term average. Another growth driver was the low stocks of gas at storage facilities in the EU, due to the low air temperatures and weak LNG supplies to Europe in the first quarter. Asia remained a more profitable market for liquefied gas suppliers. The spot prices of gas were also supported by failures in Norwegian gas fields and higher prices of coal and CO₂ emission allowances, which exceeded the psychological limit of EUR 40 per tonne, improving the cost effectiveness of gas as fuel in electricity generation. At the end of the period under review, gas prices on the market stabilised at the level seen at the beginning of the first quarter.

Given the high demand and growth of LNG prices in Asia from mid-March, unfavourable weather forecasts for April, low stocks of gas at storage facilities in the EU, and overhauls of the Norwegian gas infrastructure planned for April, May and most of June, gas prices may be relatively high in the second quarter.

Prices of natural gas



* Excluding transmission.

Source: In-house analysis based on external data.

Average prices of natural gas

	Average Q1 2020	Average Q1 2021	y/y	March 2021	MIN 2021	MAX 2021
	EUR/MWh	EUR/MWh	%	EUR/MWh	EUR/MWh	EUR/MWh
TTF DA*	9.8	18.5	89.8	17.7	17.5	20.4
GPL DA*	10.3	18.5	80.0	17.9	17.7	19.9
PPX*	20.6	12.4	39.7↓	11.1	11.1	14.0

* Excluding transmission.

Source: In-house analysis based on external data.

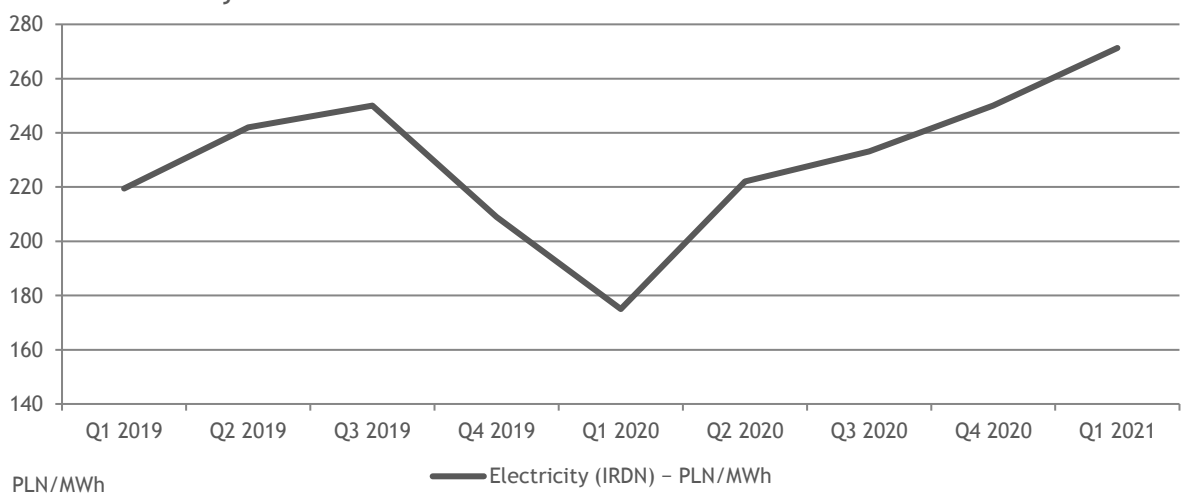
Electricity

The period under analysis saw further growth in average electricity prices - by 8% quarter on quarter and by over 55% year on year. The growth was led mainly by higher prices of CO₂ emission allowances (in Q1 2021, they reached their new highs), volatility of demand, and changes in the structure of generation sources (with an increased share of renewables).

Electricity prices will be driven by the following factors:

- Situation related to COVID-19 in Poland and globally, pushing the demand for electricity down as manufacturing and services are restricted;
- Significant price fluctuations on other commodity markets;
- Changes in the RES support system; measures taken to achieve climate neutrality;
- Sensitivity of electricity prices to prices of CO₂ emission allowances.

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: In-house analysis based on external data.

Average prices of electricity

	Average Q1 2020	Average Q1 2021	y/y	March 2021	MIN 2021	MAX 2021
	PLN/MWh	PLN/MWh	%	PLN/MWh	PLN/MWh	PLN/MWh
Electricity	175	271	55.0	278	183	325

Source: In-house analysis based on external data.

Coal

In the first quarter of 2021, coal prices continued on an upward trend. Compared with the previous quarter, average prices increased by more than 13%. They were highly volatile in the period, rising to the maximum level in January, to fall to a low in February and return to high values in March. Year on year, average prices were up by more than 18%, reaching their mid-2019 level.

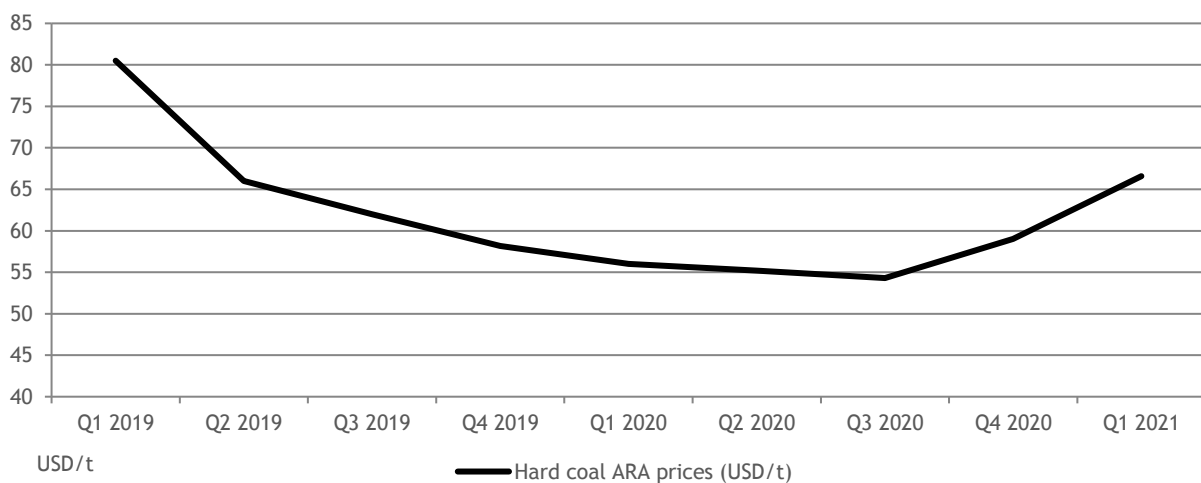
On the European market, the price growth was driven by an increase in freight rates, frosty weather, and energy generation from solid fuels, with a declining share of wind energy. The upcoming summer period should slow down the price growth.

The key price drivers will include:

- The European policy aimed at reducing coal consumption in favour of the green mix;
- Weakening demand for coal in Europe;
- Price fluctuations on other commodity markets.

Analysts expect the average ARA prices to remain below USD 70 per tonne in 2021.

Prices of hard coal



Source: In-house analysis based on external data.

Average prices of hard coal

	Average Q1 2020	Average Q1 2021	y/y	March 2021	MIN 2021	MAX 2021
	USD/t	USD/t	%	USD/t	USD/t	USD/t
Coal	56	67	18.6	67	62.20	73.75

Source: In-house analysis based on external data.

2.3. Key financial and economic data

2.3.1. Consolidated financial information

Item	Q1 2021	Q1 2020	change	% change
Revenue	3,361,982	3,103,720	258,262	8.3
Cost of sales	(2,693,871)	(2,411,275)	(282,596)	11.7
Gross profit	668,111	692,445	(24,334)	(3.5)
Selling and distribution expenses	(249,755)	(254,930)	5,175	(2.0)
Administrative expenses	(192,651)	(198,670)	6,019	(3.0)
Profit on sales	225,705	238,845	(13,140)	(5.5)
Net other income/(expenses)	(12,279)	9,239	(21,518)	(232.9)
Operating profit	213,426	248,084	(34,658)	(14.0)
Net finance costs	(84,827)	(33,782)	(51,045)	151.1
Share of profit of equity-accounted investees	3,475	3,467	8	0.2
Profit before tax	132,074	217,769	(85,695)	(39.4)
Income tax	(46,197)	(52,715)	6,518	(12.4)
Net profit	85,877	165,054	(79,177)	(48.0)
EBIT	213,426	248,084	(34,658)	(14.0)
Depreciation and amortisation	191,660	189,603	2,057	1.1
EBITDA	405,086	437,687	(32,601)	(7.4)

Source: Company data.

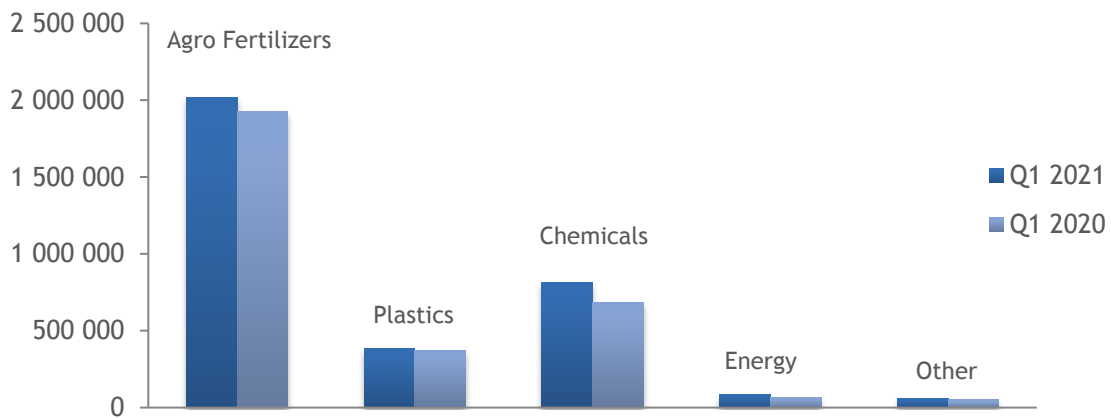
2.3.2. Segment results

EBIT by segment

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities
External revenue	2,018,828	386,617	815,294	84,583	56,660
Profit/(loss) on sales	177,713	(3,556)	55,643	43	(4,138)
EBIT	178,512	(11,295)	55,015	(457)	(8,349)

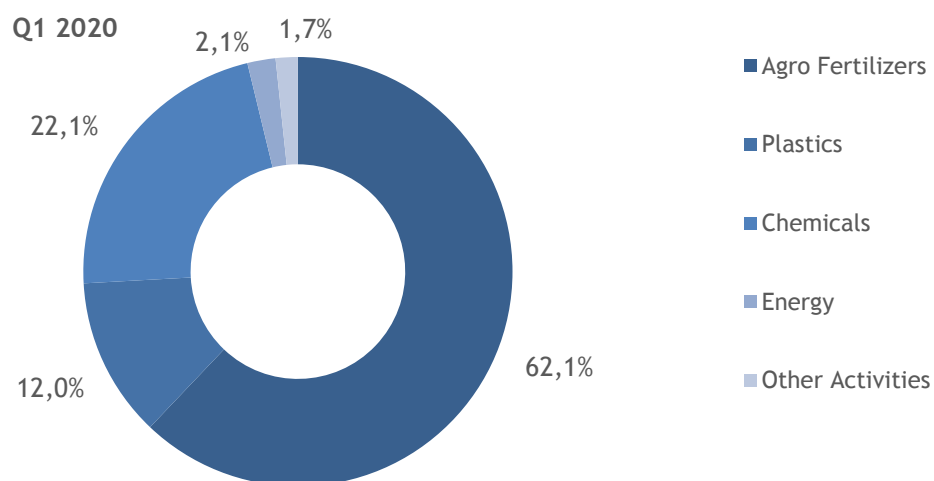
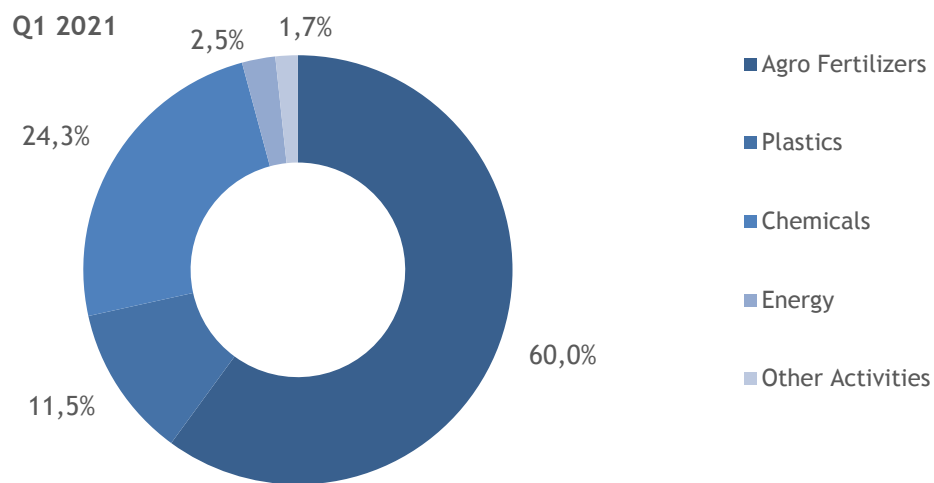
Source: Company data.

Revenue by segment



Source: Company data.

Revenue by segment



Source: Company data.

Agro Fertilizers

In the three months ended March 31st 2021, revenue in the Agro Fertilizers segment was PLN 2,018,828 thousand and accounted for 60.0% of the Group's total revenue. It rose by 4.7% relative to the first quarter of 2020.

EBIT reported by the Agro Fertilizers segment was positive.

Sales on the domestic market accounted for approximately 55.5% of the segment's revenue.

Plastics

In the three months ended March 31st 2021, revenue in the Plastics segment was PLN 386,617 thousand and accounted for 11.5% of the Group's total revenue. It was up 3.5% year on year. EBIT reported by the Plastics segment was negative.

More than 86.1% of the segment's revenue was derived from sales on foreign markets.

Chemicals

In the three months ended March 31st 2021, revenue in the Chemicals segment came in at PLN 815,294 thousand, having increased 18.9% year on year. The segment's revenue accounted for 24.3% of the Group's total revenue.

EBIT reported by the Chemicals segment was positive.

Sales on foreign markets accounted for approximately 59.6% of the Chemicals segment's revenue.

Energy

In the three months ended March 31st 2021, revenue in the Energy segment was PLN 84,583 thousand and accounted for approximately 2.5% of the Group's total revenue. Year on year, the segment's revenue rose by 28.4%.

EBIT reported by the Energy segment was negative.

Other Activities

In the three months ended March 31st 2021, revenue in the Other Activities segment was PLN 56,660 thousand and accounted for 1.7% of the Group's total revenue, having increased 9.6% year on year. The segment's EBIT was negative.

2.3.3. Structure of operating expenses

Operating expenses by nature of expense

	Q1 2021	Q1 2020	change	% change
Depreciation and amortisation	190,514	188,411	2,103	1.1
Raw materials and consumables used	1,921,006	1,546,596	374,410	24.2
Services	309,459	288,870	20,589	7.1
Salaries and wages, including surcharges, and other benefits	446,541	439,354	7,187	1.6
Taxes and charges	194,123	145,274	48,849	33.6
Other operating expenses	31,154	41,458	(10,304)	(24.9)
Total	3,092,797	2,649,963	442,834	16.7

Source: Company data.

Structure of other operating expenses [%]

	Q1 2021	Q1 2020
Depreciation and amortisation	6.2	7.1
Services	10.0	10.9
Salaries and wages, including surcharges, and other benefits	14.4	16.6
Taxes and charges	6.3	5.5
Other operating expenses	1.0	1.6
Total	37.9	41.6

Source: Company data.

2.3.4. Assets, equity and liabilities

Structure of assets

	Q1 2021	Q1 2020	change	% change
Non-current assets, including:	14,248,256	11,227,156	3,021,100	26.9
Property, plant and equipment	11,316,292	8,230,186	3,086,106	37.5
Intangible assets	1,029,825	1,022,541	7,284	0.7
Right-of-use assets	848,024	842,292	5,732	0.7
Other receivables	471,069	535,430	(64,361)	(12.0)
Goodwill	334,628	327,630	6,998	2.1
Current assets, including:	4,814,458	5,434,484	(620,026)	(11.4)
Trade and other receivables	2,188,196	1,866,173	322,023	17.3
Inventories	1,438,375	1,435,962	2,413	0.2
Property rights	715,917	1,005,541	(289,624)	(28.8)
Cash and cash equivalents	433,797	935,768	(501,971)	(53.6)
Total assets	19,062,714	16,661,640	2,401,074	14.4

Source: Company data.

Structure of equity and liabilities

	Q1 2021	Q1 2020	change	% change
Equity	8,369,714	8,076,577	293,137	3.6
Non-current liabilities, including:	6,114,292	4,865,784	1,248,508	25.7
Borrowings	3,683,221	3,107,675	575,546	18.5
Other financial liabilities	573,050	15,043	558,007	3,709.4
Deferred tax liabilities	522,295	485,108	37,187	7.7
Employee benefit obligations	490,155	471,137	19,018	4.0
Lease liabilities	361,163	359,686	1,477	0.4
Provisions	210,985	208,322	2,663	1.3
Government grants received	196,651	192,605	4,046	2.1
Current liabilities, including:	4,578,708	3,719,279	859,429	23.1
Trade and other payables	3,219,154	2,461,990	757,164	30.8
Borrowings	697,348	516,781	180,567	34.9
Other financial liabilities	389,458	166,196	223,262	134.3
Government grants received	14,421	345,886	(331,465)	(95.8)
Total equity and liabilities	19,062,714	16,661,640	2,401,074	14.4

Source: Company data.

2.3.5. Financial ratios

Profitability ratios [%]

	Q1 2021	Q1 2020
Gross profit margin	19.9	22.3
EBIT margin	6.3	8.0
EBITDA margin	12.0	14.1
Net profit margin	2.6	5.3
ROA	0.5	1.0
ROCE	1.5	1.9
ROE	1.0	2.0
Return on non-current assets	0.6	1.5

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 2021	Q1 2020
Current ratio	1.1	1.5
Quick ratio	0.7	1.1
Cash ratio	0.2	0.4

Source: Company data.

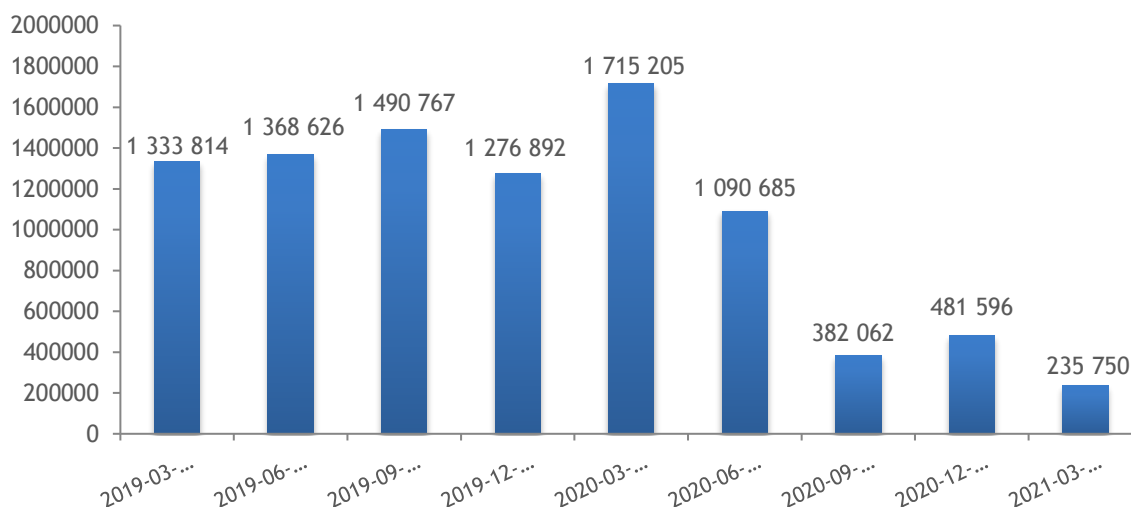
Ratio formulas:

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.

The decrease in working capital relative to prior periods resulted from a decrease in current assets, due mainly to the equity contribution and disbursement of loans to Grupa Azoty POLYOLEFINS (a decrease in cash), with a concurrent growth in current borrowing-related liabilities to other entities.

Operational efficiency ratios

	Q1 2021	Q1 2020
Inventory turnover	48	54
Average collection period	59	54
Average payment period	108	93
Cash conversion cycle	(2)	15

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 2021	Q1 2020
Total debt ratio	56.1	51.5
Long-term debt ratio	32.1	29.2
Short-term debt ratio	24.0	22.3
Equity-to-debt ratio	78.3	94.1
Interest cover ratio	934.2	1,004.9

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 and 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 to further support payment of such liabilities in a timely manner. In the three months ended March 31st 2021, the Group paid all of its liabilities under borrowings 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 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, the Group identified no significant impact of the pandemic on its financial condition, and the relatively weaker impact of the new waves of the pandemic on Poland's economy offers prospects of gradual improvement in the economic situation in 2021.

2.5. Borrowings

In the three months ended March 31st 2021, the Group paid all of its liabilities under borrowings 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. The Grupa Azoty Group also has access to bilateral overdraft limits and multi-purpose facilities available to the Group companies.

The amount of limits under overdraft and multi-purpose credit facilities available to the Group as at March 31st 2021 was PLN 652m. At the same time, as at the reporting date, the Group had unused limits under corporate credit facilities of approximately PLN 1,279m and PLN 30m in funds available under special purpose loans.

In addition, the amount of credit limits available to Grupa Azoty POLYOLEFINS under the Credit Facilities Agreement for the financing of the separate Polimery Police Project was PLN 5,174m.

As at March 31st 2021, under the agreements specified above the Group had access to total credit limits of approximately PLN 7,135m (of which limits under Grupa Azoty POLYOLEFINS special purpose credit facilities for the financing of the Polimery Police project were PLN 5,174m, and other limits available to Grupa Azoty amounted to PLN 1,961m).

The Group's financial standing 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.

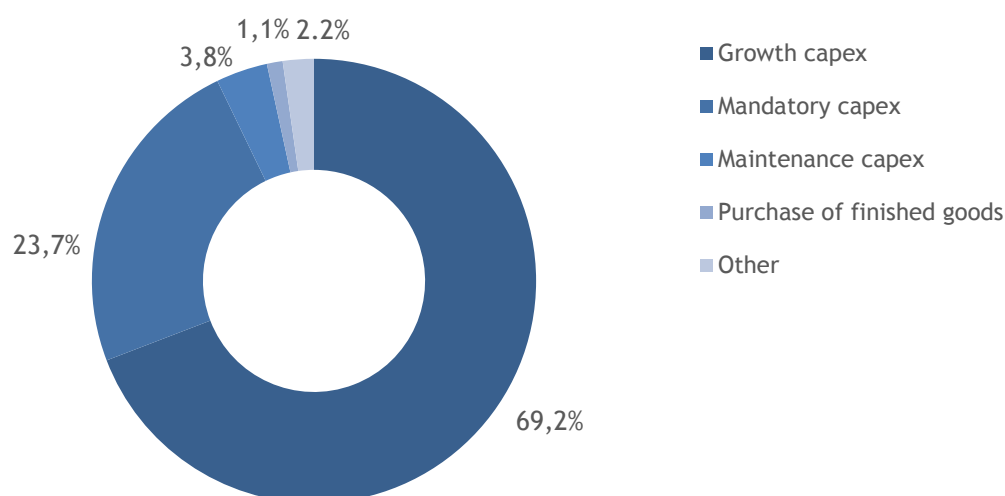
2.7. Key investment projects

The Grupa Azoty Group's main capital expenditure in the three months ended March 31st 2021 amounted to PLN 914,123 thousand (including amounts spent on components, major overhaul work and improvements).

Structure of the main capital expenditure:

• Growth capex	PLN 632,389 thousand
• Mandatory capex	PLN 216,244 thousand
• Maintenance capex	PLN 34,388 thousand
• Purchase of finished goods	PLN 10,485 thousand
• Other (components, major overhauls, catalysts, other)	PLN 20,664 thousand

Structure of the Grupa Azoty Group's main capital expenditure in the three months ended March 31st 2021



Source: Company data.

The Grupa Azoty Group's main capital expenditure in the three months ended March 31st 2021:

• Parent	PLN 11,647 thousand
• Grupa Azoty POLYOLEFINS	PLN 551,803 thousand
• Grupa Azoty PUŁAWY Group	PLN 292,488 thousand
• Grupa Azoty POLICE Group	PLN 30,055 thousand
• Grupa Azoty KĘDZIERZYN Group	PLN 16,036 thousand
• Grupa Azoty KOLTAR Sp. z o.o.	PLN 4,005 thousand
• Grupa Azoty SIARKOPOL	PLN 3,177 thousand
• COMPO EXPERT Holding GmbH	PLN 3,132 thousand
• Grupa Azoty PKCh Sp. z o.o.	PLN 1,057 thousand
• Grupa Azoty Compounding Sp. z o.o.	PLN 612 thousand
• Grupa Azoty ATT Polymers GmbH	PLN 158 thousand

Key investment projects implemented by the Group

Project name	Project budget	Expenditure incurred	Expenditure incurred in the three months ended March 31st 2021	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	2,829,147	551,803	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.	2023
Grupa Azoty POLICE					
Making production of demineralised water independent of variable salinity of the Oder River and increasing the ability to produce special waters in the units	108,000	65,679	5,508	Upgrade and expansion of the water treatment and demineralisation station as a means of protection against periodic salinity increases in the Oder river for Grupa Azoty POLICE companies	2023

Project name	Project budget	Expenditure incurred	Expenditure incurred in the three months ended March 31st 2021	Project purpose	Scheduled completion date
Grupa Azoty PUŁAWY					
Construction of a coal-fired power generation unit	1,200,000	612,672	200,594	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	380,214	27,743	Increase in the efficiency of nitric acid production and the economics of production of nitric acid-based fertilizers	2028
Facility for production of granulated fertilizers based on ammonium nitrate	430,000	401,102	12,737	Improvement of the quality of fertilizers by applying modern mechanical granulation	2021
Upgrade of steam generator OP-215 No. 2 to reduce NO _x emissions	145,000	66,433	6,137	Bringing the steam generator into compliance with new NO _x emission standards and restore it to proper working condition	2022
Replacement of the turbine generator set	85,000	34,977	6,386	Increase in the efficiency of electricity and heat cogeneration by replacing a pass-out and condensing turbine with a new unit	2021
Grupa Azoty KĘDZIERZYN					
Upgrade of the synthesis gas compression unit supplying the Ammonia Plant	140,000	66,833	225	Rebuilding the synthesis gas compression capacities for the Ammonia Plant through the installation of new compressors	2023
Peak-load/reserve boilers	123,000	9318	18	The peak-load/reserve boiler house as a peak-load source will operate in conjunction with steam generators; in the event of downtime of coal-fired boilers, the peak-load/reserve boiler house will operate as a stand-alone reserve steam generator.	2024
Purchase and installation of an oxygen compressor	72,800	34,363	69	Replacement of old steam turbine driven oxygen compressors with one electric compressor	2022

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 2021, the Polish zloty weakened again against the euro and the US dollar, from 4.61 to 4.66 and from 3.76 to 3.97, respectively, which was a direct result of another wave of the COVID-19 pandemic and the concurrent increase in uncertainty on the currency market in anticipation of the Supreme Court's decision on Swiss franc loans.

The current developments on the financial markets, related to the acceleration of the vaccination programme and expectations of a strong economic recovery once COVID restrictions are lifted and the pandemic is brought under control, result in increased exposure to market assets that are considered to be risky. In the medium term, this should drive appreciation of the zloty.

The Group expects the Polish currency to remain weak in the second quarter of 2021. In the short term, it will remain under pressure in connection with the National Bank of Poland's position to keep the PLN exchange rate low and the anticipated decision of the Supreme Court regarding Swiss franc loans.

The Group expects a gradual appreciation of PLN in the second quarter of 2021 in line with the expected lifting of restrictions on economic activities as the vaccination programme accelerates, building up collective immunity to COVID, and growing optimism of the markets and consumers.

It is assumed that the forecast currency trends should not have a material bearing on the Group's performance in 2021.

Interest rates in Poland

In the first quarter of 2021, interest rates in Poland were at their all-time low of approximately 0.2% and are expected to remain unchanged until 2022. This helps stabilise the Group's borrowing costs (very low) and reinforce its debt service capacity, also if the Group acts on its plans to increase debt to finance its investing activities.

Taking into consideration the adverse effect of the COVID-19 pandemic on the eurozone countries, the European Central Bank continues its quantitative easing programme and a policy of negative interest rates, which should remain at current levels until the end of 2021, considering that core inflation remains low following a long period of deflation.

Also the Fed kept interest rates to near zero in the first quarter of 2021 to counteract the effects of the COVID-19 pandemic in the United States.

To conclude, any adverse changes to the current very low interest rates on debt in currencies used by the Group to finance its business (PLN and EUR) are unlikely before the end of 2021. Therefore, the risk of the Group's financial condition or results of operations deteriorating on higher debt service costs is 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 continuing to use instruments to ease the monetary policy and sustain liquidity of the interbank sector.

A limited rise of the WIBOR and/or EURIBOR rates may occur no earlier than in 2022, if inflation escalates or the economic conditions in Poland and globally improve significantly after the COVID-19 pandemic is over and global population immunity is reached.

Relative to market rates, the relatively narrow spread between credit and deposit rates available to the Group is expected to continue.

Regulatory area

- The European Commission continues its work on delegated acts under the New Fertilizers Regulation (Regulation (EU) 2019/1009 of the European Parliament and of the Council of June 5th 2019), aimed at clarifying the provisions of the Regulation. To note, the Regulation will take full effect in July 2022 after a three-year vacatio legis period:
 - From January 4th to February 15th, the European Commission ran public consultations on draft delegated acts under the New Fertilizers Regulation, setting out the conditions for the use of fertilizers manufactured from different materials - fertilizers manufactured from pyrolysis and gasification materials, thermal oxidation materials and derivatives, and from precipitated phosphate salts and derivatives.
 - On January 14th 2021, the European Commission published a list of potential agricultural practices which could be supported under the eco-schemes within the framework of the future Green Common Agricultural Policy (CAP), which is to fit in with the concept of the European Green Deal. According to the document, CAP plays a crucial role in managing the transition to a sustainable food system and in strengthening the efforts of European farmers to contribute to achieving the EU climate objectives and protecting the environment.

- Between February 2nd and March 16th 2021, public consultations were held on the draft delegated regulation amending Annexes I, II, III and IV to Regulation (EU) 2019/1009 (technical update).
- On February 12th, the Polish Ministry of Economic Development, Labour and Technology announced a call for price estimates to develop a guide for entrepreneurs concerning categorisation of fertilizer product functions, component material categories and conformity assessment procedures for fertilizer products, which was closed on February 26th 2021.
- On February 18th 2021, the European Commission published a document containing guidelines on fertilizer product marking, much awaited by the fertilizers industry.
- March 25th 2021 saw the publication of a Communication from the European Commission regarding the announcement of the document entitled 'Organic farming - action plan for the development of EU Organic Production'.
- On March 26th 2021, a draft legal act on organic farming was published, updating the list of products and substances allowed in organic production.
- Moreover, the Joint Research Centre of the European Commission extended the consultations on the second version of the report on by-products which, within the meaning of Directive 2008/98/EC, will fall under component material category CMC 11 by March 30th 2021.
- Work continues to implement the provisions of the European Commission Communication on the European Green Deal, aimed at achieving Union's climate neutrality by 2050:
 - In the period February 2nd-April 27th 2021, public consultations were held on the EU's new strategy for soil protection, which is critical to achieving the European Green Deal climate and biodiversity objectives.
 - February 5th 2021 saw the launch of EC public consultations on new rules to prevent methane leakage in the energy sector, with the planned completion date of May 1st 2021. The strategy will include binding rules on monitoring, reporting, verifying and detecting leakages and repairs in the energy sector in 2021, and will contribute to achieving EU's more ambitious climate targets for 2030 as well as the climate neutrality target for 2050.
 - February 8th 2021 saw the conclusion of EC public consultations on sustainable corporate governance. The initiative is to improve the EU legal framework for company law and corporate governance.
 - From February 10th to March 10th 2021, the European Commission held public consultations on the roadmap, and from March 26th to June 18th 2021 - public consultations on proposals to revise gas market regulations so as to bring them into compliance with the European Green Deal objectives and the 'Fit for 55' package.
 - Between February 10th and May 5th 2021, public consultations were held to amend the guidelines for the trans-European transport network (TEN-T) to facilitate transport across Europe and to reduce regional, economic and social disparities by developing an integrated air, road, rail and maritime transport infrastructure.
 - On March 17th 2021, the European Commission commenced public consultations on initiatives for sustainable products. The initiative conforms to European Green Deal objectives and principles of the Circular Economy. It seeks to extend the scope of the Ecodesign Directive beyond energy-related products. It will also provide the option to establish rules on product sustainability and other methods of regulating sustainability-related aspects of a wide range of products.
 - In the first quarter of 2021, the European Union bodies continued to work on the final form of the European Climate Law (in particular with regard to setting the 2030 emission reduction target), the Carbon Border Adjustment Mechanism (CBAM), as well as revising and extending the ETS system (inclusion of the transport and construction sectors in the system).
- On January 14th 2021, the Ministry of Climate and Environment submitted to 30 days' public consultations a draft document entitled 'Poland's Hydrogen Strategy until 2030 with an Outlook until 2040'.
- On February 2nd 2021, the Council of Ministers approved 'Poland's Energy Policy until 2040' (PEP 2040). The Policy represents a vision of Poland's energy transition strategy and stipulates that in 2040 more than a half of Poland's installed capacity will be zero-carbon energy sources. PEP 2040's key objectives include a steady decline in electricity production from coal, from approximately 70% at present, to no more than 56% in 2030 - the appendices also contain the projected share of coal in electricity production beyond 2030, i.e. 11%-28% in 2040 (depending on the prices of CO₂ emission allowances after 2030); development of a 6-9 GW nuclear power generation programme until 2040, with the first nuclear power units (with a capacity of 1-1.6 GW) to be launched by 2033; development of offshore wind power, to 5.9 GW in 2030 and 11 GW by

2040; development of photovoltaics, to 5-7 GW in 2030 and 10-16 GW in 2040, with the share of RES in electricity production by 2030 at no less than 32%.

- During the plenary session held on February 9th 2021, MEPs voted on the amendments to the draft resolution on the Circular Economy Action Plan, prepared by the Committee for Environment, Public Health and Food Safety (ENVI) and the amended resolution. The amendments were adopted and thus the work on the Circular Economy Action Plan was completed. The resolution adopts the action plan and calls on the Commission to bring forward all the initiatives under the Action Plan in line with the dates set out in the Annex of the Communication. In addition, the resolution focuses on several key areas, namely on the development of a sustainable product policy framework; circulation of key product value chains such as ICT, batteries, textiles and packaging, plastics, construction and buildings, food, water and nutrients; the need to prevent waste generation and create value; the role of local entities in implementing the action plan; and the need for global leadership. The efforts are to be multifaced, and include legislative and non-legislative measures.
- February 18th saw the entry into force of the Act on the Promotion of Electricity Generation in Offshore Wind Farms. The published implementing regulation for determining the value of a contract for difference sets the maximum price for electricity generated at an offshore wind farm and fed into the grid at PLN 319.60/MWh (higher than planned). Work is in progress (at various stages) on important amendments to a number of regulations, including the Energy Law and the Capacity Market Act.
- In the period February 26th-April 2nd 2021, public consultations were held on the draft National Reconstruction Plan. The document will serve as the basis for using the funds available under the Recovery Instrument, dedicated to supporting public reform and investment, mainly in the area of green and digital transition.
- On March 15th 2021, Commission Implementing Regulation (EU) 2021/447 determining revised benchmark values for free allocation of emission allowances for the period from 2021 to 2026 was published in the Official Journal of the European Union. Benchmarks determining the number free allowances for ammonia or nitric acid decreased compared with previous ones, as in the case of most products.

International trade policy

- Proceedings are pending to challenge the European Commission's 2019 decision to impose anti-dumping duties on UAN imports from Russia, the US and Trinidad and Tobago by Methanol Holdings (of Trinidad and Tobago) and Eurochem (of Russia).
- On January 1st 2021, following the end of the transitional period after Brexit, the UK left the single market and customs union. The Trade and Cooperation Agreement between the European Union and the United Kingdom, which guarantees zero tariffs and zero quotas on traded goods, has not yet been ratified. The Agreement, signed on December 30th 2020, entered into force on a provisional basis and its ratification was postponed until April 30th 2021.
- Furthermore, on March 15th, the European Commission launched an infringement procedure against the United Kingdom for breaching the provisions of the Protocol on Ireland and Northern Ireland by unilaterally extending the 'grace periods', which constitutes a breach of obligations under the Withdrawal Agreement.
- On February 18th 2021, the EU announced its trade strategy for the coming years, which aims to establish a trade policy based on openness, sustainability and assertiveness (the concept of open strategic autonomy) and places environmental goals at the centre of trade policy. To deliver on these objectives, the Commission will focus on: reforming the WTO, supporting the green transition and promoting responsible and sustainable value chains, promoting the digital transition and trade in services, strengthening the EU's regulatory impact, deepening the EU's partnerships with neighbouring, enlargement countries and Africa, reinforcing the EU's focus on implementing and enforcing trade agreements, and ensuring a level playing field for EU businesses.
- On March 1st 2021, Ngozi Okonjo-Iweala of Nigeria assumed office as Director-General of the World Trade Organization.
- On March 1st 2018, the European Union-Armenia Comprehensive and Enhanced Partnership Agreement (CEPA) formally entered into force; CEPA had been provisionally applied since June 2018.
- On March 5th 2021, the EU and the US agreed to temporarily suspend retaliatory tariffs on EU and US exports imposed in the Airbus and Boeing disputes for a four-month period. The end of the Trump era creates a new opportunity to strengthen transatlantic links and potentially opens the way to working together on reforming the WTO Appellate Body, which has lost its ability to rule on trade disputes as the former US President blocked reappointments to that panel.

- On March 22nd 2021, the Council of the European Union decided to impose sanctions on individuals and entities responsible for serious human rights violations in China. China retorted by imposing counter-sanctions, which calls ratification of the Comprehensive Agreement on Investment (CAI), signed on December 30th 2020, into question.
- By EU Council's decision of March 22nd 2021, sanctions were also imposed on individuals and entities from Russia, Libya, the Democratic People's Republic of Korea, South Sudan and Eritrea. Under the EU Global Human Rights Sanctions Regime, established on December 7th 2020, the penalties imposed on the individuals and entities included in the sanctions list consist in freezing of assets, a ban on travel in the 27-nation bloc, and prohibiting EU persons and entities from making funds available to those listed, either directly or indirectly.
- Negotiations of the European Union's trade agreements with the following third countries are in progress: Australia (the tenth round of negotiations took place from March 9th to March 19th 2021 through video conference), New Zealand (the tenth round of negotiations took place from March 22nd to 26th 2021), Chile (the tenth round of negotiations was scheduled for April 2021 through video conference) and Indonesia (subsequent rounds of negotiations have not been scheduled yet) - the texts of the agreements are being negotiated bilaterally.
- No significant progress has been made in ratifying the trade agreement with MERCOSUR countries. Negotiations on the agreement ended in 2019 (the European Commission expects MERCOSUR to become involved in the Paris Agreement and to tackle the problem of deforestation in the Amazon rainforest).

3. Other information

3.1. Other significant events

Progress of the Polimery Police project

In the three months ended March 31st 2021, Grupa Azoty POLYOLEFINS (a special purpose vehicle) continued to implement Polimery Police, the Grupa Azoty Group's key investment project, comprising the construction of propylene and polypropylene units with auxiliary systems and associated infrastructure, as well as a port terminal with feedstock storage facilities. The general contractor for the project is Hyundai, selected in a tender procedure. The start of commercial operation is scheduled for the first quarter of 2023.

Progress of construction work

As at the date of this report, the overall stage of completion of the EPC contract was approximately 57%. The overall stage of completion is understood as design, procurement and supply, delivery of equipment with long lead times, applications for necessary administrative permits and decisions, construction and assembly work.

Handling and storage terminal (marine gas terminal, "HST")

In the reporting period, installation of the outer shell on an ethylene tank and propane tanks was completed. Preparatory work began to install straight and peripheral bottom plates on the bottoms of inner tanks. Assembly of dome and suspended roof structures of all tanks started. Installation of tank roof components necessary for pneumatic roof lifting commenced.

Concurrently, hydraulic engineering work in the offshore part of the HST subproject (i.e. construction of the wharf and the dredging work) is underway. Piling work on the wharf was completed. Assembly of a part of pipe bridges was completed and pipeline laying and welding began. As at the date of this report, work was under way to construct the main terminal building, transformer station building, and a fire and cooling water pumping station building.

PDH and PP units with a logistics base

In the three months ended March 31st 2021, the deliveries of equipment and apparatus to the construction site were continued. As at the date of issue of this report, all propylene storage tanks, 110kV transformers necessary for the operation of the future power system, propylene production reactors and a propane-propylene splitter, one of the key equipment items at the PDH, had already been delivered.

Blending silos and two PP reactors were placed on the support structures of the PP unit. Prefabrication of 30 storage silos began.

The assembly of a heavy crane structure started. The crane will be used to install a propane-propylene splitter, the key component of the PDH unit.

In the first quarter of 2021, floor slabs were made for the storage silos building, PP electric substation building, and the PP automation systems building. In addition, construction work was carried out in the Logistics Infrastructure Administration building, and bases for the main roads at the PP unit were made. Installation and welding work on the underground and ground piping continues.

Financing of Polimery Police project

On January 29th 2021, Grupa Azoty POLYOLEFINS made a representation on the establishment of mortgages over track properties acquired from Grupa Azoty POLICE in January 2021, where the Polimery Police project is being implemented, in favour of the Security Agent (Bank Polska Kasa Opieki S.A.). The mortgages supplement the security package under the Credit Facilities Agreement of May 31st 2020.

By February 22nd 2022, all shareholders of Grupa Azoty POLYOLEFINS (including the Parent and Grupa Azoty POLICE) and Bank Pekao S.A. executed amendments to the agreements for registered and financial pledges over all shares in Grupa Azoty POLYOLEFINS in order to convert the shares into book-entry form. The conversion was successfully carried out by Grupa Azoty POLYOLEFINS, and the new shares were duly entered in the register of shareholders of Grupa Azoty POLYOLEFINS by March 1st 2021.

On February 22nd 2021, a notarial deed was signed to establish an easement on Grupa Azoty POLICE's properties in favour of Grupa Azoty POLYOLEFINS.

On February 25th 2021, Grupa Azoty POLYOLEFINS was informed by Bank Polska Kasa Opieki S.A., as the Facility Agent, of the receipt (in form and content satisfactory to the Lenders) of all necessary documents and/or information constituting conditions precedent to Financial Close under the Credit Facilities Agreement, as amended.

Financial Closing was thus achieved, enabling Grupa Azoty POLYOLEFINS to apply for disbursement of funds under the credit facilities, subject to the fulfilment of specific conditions for the first disbursement of each credit facility and additional conditions for each subsequent disbursement, similar to conditions commonly applied with respect to financing of this type.

On March 4th 2021, Grupa Azoty POLYOLEFINS sold perpetual usufruct rights to land and ownership rights to real property located on the premises of the Police Maritime Port to Zarząd Morskiego Portu Police Sp. z o.o. ("ZMPP"). Together with the agreement referred to above, an additional agreement was concluded to maintain the security *in rem* over said real property established in favour of the financing institutions. In addition, a conditional lease contract with ZMPP concerning the abovementioned real property took effect. The transactions were required to be carried out under the Credit Facilities Agreement.

Execution of a cooperation agreement regarding integrated project LIFE EKOMAŁOPOLSKA

On February 23rd 2021, the Parent and the Małopolska Region signed an agreement on cooperation in implementing the integrated project LIFE EKOMAŁOPOLSKA.

In the agreement, the parties defined the main principles of cooperation in implementing a climate protection policy and the integrated project LIFE EKOMAŁOPOLSKA - 'Implementation of the Regional Action Plan for Climate and Energy', financed with a LIFE financial instrument and European Union funds.

The Company declared its commitment to:

- Strive to achieve climate neutrality in its production processes and activities carried out in the Małopolska Region by 2050;
- Implement projects supporting the energy transformation process, especially those involving the use of renewable energy sources, and reduction of greenhouse gas emission by 2030;
- Seek to decarbonise industrial activity and minimise the carbon footprint;
- Develop green ammonia and green hydrogen technologies;
- Implement R&D projects that will contribute to the achievement of environmental and climate objectives set out in the European Green Deal;
- Provide expertise and support for the purposes of implementing the integrated project LIFE EKOMAŁOPOLSKA - 'Implementation of the Regional Climate and Energy Action Plan for the Małopolska Region'.

The Małopolska Region declared that it will use its own funds and resources in order to meet the Project requirements and achieve its main objectives.

The Parties to the agreement represented that they would collaborate in developing/preparing assessments, expert opinions and plans regarding transformation of the energy-intensive industry in the Małopolska Region, which are being drawn up as part of the LIFE EKOMAŁOPOLSKA Project.

The agreement does not provide for any financial flows between its parties and no transfer of funds will take place as part of the cooperation.

The agreement was made for an indefinite period and until the completion of the LIFE EKOMAŁOPOLSKA Project - 'Implementation of the Regional Action Plan for Climate and Energy', assuming that the Project will be completed in December 2030.

Either party may withdraw from the agreement by giving written notice to the other party.

The Parent, being aware of air pollution and climate change as well as the inevitable energy transition in industry and the economy as a whole, wishes to engage in all initiatives conducive to achieving climate and environmental goals. One of the initiatives taken is the above project of the Małopolska Region.

Information on the effects of the COVID-19 pandemic

For information on the effects of the COVID-19 pandemic, see Section 3.9. of the interim condensed consolidated financial statements of the Grupa Azoty Group for the three months ended March 31st 2020.

3.2. Significant agreements

The agreements are presented in chronological order.

In the first quarter of 2021 and as at the date of this report for the three months ended March 31st 2021, 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.

Agreements and annexes to contracts of a financial nature

Annexes to credit facility agreements with EIB

On January 12th 2021, the Parent and the European Investment Bank executed Annex 5 to the Financing Agreement of May 28th 2015, as amended (EIB Agreement I) and Annex 4 to the Financing Agreement of January 25th 2018 (EIB Agreement II). In accordance with the Annexes, one-off items resulting from recognition of impairment losses on non-current assets, if any, were excluded from the calculation of the net debt to EBITDA ratio, with effect from December 31st 2020. Furthermore, as the term of the credit facility under EIB Agreement II expired on January 25th 2021, Annex No. 4 extended it until January 25th 2022, at the same time extending by one year the deadlines of individual projects to be financed with the credit facility.

Premium multi-purpose credit facility agreement with BNP Paribas Bank Polski S.A.

On December 29th 2020, the Parent and the Grupa Azoty Group companies entered into a PLN 240m premium multi-purpose credit facility agreement with BNP Paribas BP S.A. The funds made available under the credit facility, valid for three years from the date of the agreement, are to be used for opening and handling letters of credit and guarantees.

On February 4th 2021 Amendment 1 to the agreement was signed to exclude from the definition of EBITDA (applicable to the net debt to EBITDA ratio) of one-off items resulting from recognition or reversal of impairment losses on non-current assets.

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 third year, i.e. from March 1st 2021 to February 28th 2022, 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).

Trade credit insurance at Grupa Azoty PUŁAWY

On February 16th 2021, Grupa Azoty PUŁAWY and Towarzystwo Ubezpieczeń Euler Hermes S.A. (TUEH) signed trade credit insurance policies for the period from February 1st 2021 to January 31st 2022.

Project co-financing agreements

In the three months ended March 31st 2021, Grupa Azoty PUŁAWY's bank account was credited with grants totalling PLN 478 thousand, including:

- PLN 263 thousand under an agreement with the Lublin Agency for the Support of Entrepreneurship concerning co-financing of the 'Development of the Grupa Azoty Puławy Research Laboratory' project;
- PLN 215 thousand under an agreement with the Ministry of Investments and Development concerning co-financing of the 'Strengthening the potential of Grupa Azoty Zakłady Azotowe Puławy S.A.' project.

Agreements concluded after the reporting date

Annex 3 to payments servicing agreement with Banco Santander S.A.

On April 15th 2021, the Parent, its Key Subsidiaries and COMPO EXPERT GmbH executed Annex 3 to the payments servicing agreement of December 14th 2018 with Banco Santander S.A. and Santander Factoring Sp. z o.o., with the wording established by way the agreement amending and superseding the payments servicing agreement of September 23rd 2019, with a maximum limit of EUR 122m, to harmonise the terms of financing with other factoring agreements.

Reverse factoring agreement with ING Commercial Finance Polska S.A. executed after the reporting date

On April 29th 2021, the Parent and Grupa Azoty PUŁAWY, Grupa Azoty POLICE and Grupa Azoty KĘDZIERZYN signed an indefinite-term factoring agreement for PLN 500m (or its equivalent in EUR or USD) with ING Commercial Finance Polska S.A.

For further information, see the Parent's Current Report No. 14/2020 of April 29th 2021.

Payment services and financing agreement with CaixaBank S.A.

On April 29th 2021, the Parent and Grupa Azoty PUŁAWY, Grupa Azoty POLICE and Grupa Azoty KĘDZIERZYN signed an indefinite-term payment services and financing agreement for PLN 500m (or its equivalent in EUR or USD) with CaixaBank S.A., Polish Branch.

For further information, see the Parent's Current Report No. 15/2021 of the Parent of April 29th 2021.

Supplementary Agreement No. 1 to debt purchase agreement with ING BSK S.A. after the reporting date

On April 30th 2021, the Parent and ING BSK S.A. executed Supplementary Agreement No. 1 to the debt purchase agreement of June 10th 2019, with a maximum limit of EUR 25m, to harmonise the terms of financing with other factoring agreements.

3.3. Sureties for credit facilities or loans, guarantees issued

In the first quarter of 2021, the Grupa Azoty Group did not issue or amended any guarantees with a significant aggregate value. The total amount of all guarantees issued by the Grupa Azoty Group companies in the reporting period amounted to PLN 10,059.8 thousand.

Intragroup loans

Annexes to Grupa Azoty POLYOLEFINS' loan agreements

On February 11th 2021, Grupa Azoty POLYOLEFINS executed:

- Annex 1 to the PLN 344,463,738 loan agreement with the Parent, concerning compounding of one third of commission and interest accrued as at December 31st 2020. In accordance with the Annex, as a result of the compounding, the loan principal as of December 31st 2020 is PLN 355,119,914.17.
- Annex 1 to the PLN 388,437,782 loan agreement with Grupa Azoty POLICE, concerning compounding of one third of commission and interest accrued as at December 31st 2020. In accordance with the Annex, as a result of the compounding, the loan principal as of December 31st 2020 is PLN 400,454,319.54.

Annex to loan agreement between Grupa Azoty PUŁAWY and Grupa Azoty CHORZÓW

On February 9th 2021, Annex 1 was signed to the short-term loan agreement of January 8th 2020, whereby Grupa Azoty Puławy granted a PLN 5m loan to Grupa Azoty Chorzów. Under the Annex, the repayment date was postponed from May 31st 2021 to May 31st 2023.

3.4. Shares and shareholding structure

Number and par value of shares as at the date of issue of this 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 15th 2021 (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 15th 2021 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 2021) 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 the three months ended March 31st 2021, there were no changes in the composition of the Management Board.

Composition of the Parent's Management Board as at March 31st 2021 and as at the date of this report:

- Tomasz Hinc - President of the Management Board,
- Witold Szczypiński - Vice President of the Management Board,
- Mariusz Grab - Vice President of the Management Board,
- Filip Grzegorzczak, PhD - Vice President of the Management Board,
- Tomasz Hryniewicz - Vice President of the Management Board,
- Grzegorz Kądziałowski - Vice President of the Management Board,
- Artur Kopeć - Member of the Management Board.

In connection with the expiry of the 11th term of office of the Company's Management Board, on February 23rd 2021 the Supervisory Board passed a resolution to initiate the procedure to recruit members of the Management Board of the 12th term of office.

On March 29th 2021, the Parent's Management Board was notified that Witold Szczypiński would not seek reappointment to the Management Board.

On April 19th 2021, the Parent's Supervisory Board passed resolutions to appoint the following persons to the Management Board of Grupa Azoty S.A. of the new, 12th, term of office, with effect from May 18th 2021:

- Tomasz Hinc - as President of the Management Board,
- Filip Grzegorzczuk - as Vice President of the Management Board,
- Mariusz Grab - as Vice President of the Management Board,
- Tomasz Hryniewicz - as Vice President of the Management Board,
- Grzegorz Kądziałowski - as Vice President of the Management Board.

Powers and responsibilities of the Management Board members

On December 16th 2020, the Company's Management Board passed a resolution establishing the following division of responsibilities between the Management Board members:

- Thomas Hinc - President of the Management Board; management of the Management Board's activities; responsible for strategy, management of the Group and corporate supervision, information policy, HR policy, reputation and communication (including sponsorship and CSR), internal audit, coordination of legal activities, compliance, representation of the Company vis-à-vis its shareholders, governing bodies, state and local government authorities and institutions;
- Witold Szczypiński - Vice President of the Management Board, Chief Executive Officer of the Parent, responsible for the Agro Segment, Plastics Segment, Organic Synthesis Segment, production integration and infrastructure;
- Mariusz Grab - Vice President of the Management Board, responsible for procurement strategy, strategic procurement, tender procedures, feedstock/raw material and product integration, IT (including cyber security), GDPR;
- Filip Grzegorzczuk, Dr. Habil. - Vice President of the Management Board, responsible for logistics, public affairs, risk management, structural and capital transformation, strategic supervision and coordination of issues relating to energy, energy service and emissions allowances;
- Tomasz Hryniewicz - Vice President of the Management Board, responsible for controlling, finance and investor relations; President of the Grupa Azoty PUŁAWY Management Board;
- Grzegorz Kądziałowski - Vice President the Management Board, responsible for innovation, R&D programmes, investments and technical purchases;
- Artur Kopeć - Member of the Management Board, responsible for production assets, plant safety, environmental protection and social dialogue.

Division of responsibilities between the Management Board members as at March 31st 2021

 <p>Tomasz Hinc President of the Management Board</p> <ul style="list-style-type: none"> Directing the work of the Management Board Strategy Management of the Group and corporate supervision Information Policy HR Policy Communication and image (including sponsorship and CSR) Internal audit Coordination of legal functions Compliance Representation of the Company vis-à-vis its Shareholders; governing bodies, state and local government authorities and institutions 	 <p>Witold Szczypiński Vice President of the Management Board</p> <ul style="list-style-type: none"> Director General Agro Segment Plastics Segment Organic Synthesis Segment Production integration Infrastructure 	 <p>Mariusz Grab Vice President of the Management Board</p> <ul style="list-style-type: none"> Purchasing strategy Strategic procurement Tender procedures Raw materials and products integration IT (including cyber security) GDPR 	 <p>Filip Grzegorzcyk Vice President of the Management Board</p> <ul style="list-style-type: none"> Regulations and Public Affairs Corporate risk European Green Deal Logistics 	 <p>Tomasz Hryniewicz Vice President of the Management Board</p> <ul style="list-style-type: none"> Controlling Finance Management of the financial and credit risk IR President of Grupa Azoty Puławy 	 <p>Grzegorz Kądziałowski, PhD Vice President of the Management Board</p> <ul style="list-style-type: none"> Implementation of innovation projects R&D programmes Investments Technical purchases 	 <p>Artur Kopeć Member of the Management Board</p> <ul style="list-style-type: none"> Production assets Plant safety Environment protection Social Dialogue
---	---	--	---	--	---	---

Source: Company data.

The Supervisory Board

As at January 1st 2021, the Supervisory Board consisted of:

- Wojciech Krysztofik - Deputy Chair of the Supervisory Board,
- Zbigniew Paprocki - Secretary 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,
- Marcin Mauer - Member of the Supervisory Board,
- Michał Maziarka - Member of the Supervisory Board,
- Roman Romaniszyn - Member of the Supervisory Board.

On January 8th 2021, by resolution of the Extraordinary General Meeting, Magdalena Butrymowicz, PhD, was appointed to the Company's Supervisory Board.

At the same time, the Extraordinary General Meeting appointed Magdalena Butrymowicz as Chair of the Company's Supervisory Board of the 11th term of office. The resolutions became effective upon adoption.

As at the date of this report, the Supervisory Board consisted of:

- Magdalena Butrymowicz - Chair of the Supervisory Board,
- Wojciech Krysztofik - Deputy Chair of the Supervisory Board,
- Zbigniew Paprocki - Secretary 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,
- Marcin Mauer - Member of the Supervisory Board,
- Michał Maziarka - 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 on Commercialisation and Certain Employee Rights of August 30th 1996,
- 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.

As at January 1st 2021, the Audit Committee consisted of:

- Michał Maziarka - Member,
- Zbigniew Paprocki - Member.

On January 4th 2021, the Supervisory Board passed a resolution to appoint Marcin Mauer as Chair of the Audit Committee.

On February 1st 2021 the Supervisory Board passed resolutions on supplementing the composition of the Audit Committee, appointing Monika Fill to the Committee.

As at the date of this report, the Audit Committee consisted of:

- Marcin Mauer - Chair,
- Monika Fill - Member,
- Michał Maziarka - Member,
- Zbigniew Paprocki - Member.

Responsibilities of the Audit Committee

The Audit Committee operated pursuant to the Rules of Procedure for the Audit Committee, adopted by the Supervisory Board by way of a resolution of July 4th 2013. On March 8th 2021, the Supervisory Board passed a resolution to approve the consolidated text of the Rules of Procedure for the Audit Committee adopted by a resolution of the Supervisory Board's Audit Committee of February 11th 2021.

The Committee's main tasks are those provided for the Audit Committee in the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 1st 2017, the Company's Articles of Association, and resolutions of the Supervisory Board.

The Committee has the right to demand from the Company's Management Board any information, materials and explanations required for the performance of the Committee's tasks.

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.

As at January 1st 2021, the Strategy and Development Committee consisted of:

- Robert Kapka - Chair,
- Zbigniew Paprocki - Member,
- Wojciech Krysztofik - Member.

As at January 1st 2021, the Nomination and Remuneration Committee consisted of:

- Michał Maziarka - Chair,
- Wojciech Krysztofik - Member,
- Roman Romaniszyn - Member.

On February 1st 2021, the Supervisory Board passed resolutions on supplementing the composition of the Committees,

appointing Bartłomiej Litwińczuk to the Strategy and Development Committee and Wojciech Krysztofik as Chair of that Committee.

As at the date of this report, the Company's Strategy and Development Committee consisted of:

- Wojciech Krysztofik - Chair,
- Robert Kapka - Member,
- Bartłomiej Litwińczuk - Member.
- Zbigniew Paprocki - Member.

Magdalena Butrymowicz, PhD, was appointed to the Nomination and Remuneration Committee.

As at the date of this report, the Company's Nomination and Remuneration Committee consisted of:

- Michał Maziarka - Chair,
- Magdalena Butrymowicz - Member,
- Wojciech Krysztofik - Member,
- Roman Romaniszyn - Member.

Until March 7th 2021, the Strategy and Development Committee operated in accordance with the Committee's Rules of Procedure adopted by the Supervisory Board on July 18th 2018. On March 8th 2021, the Supervisory Board passed a resolution to approve the consolidated text of the Rules of Procedure for the Strategy and Development Committee adopted by the Committee's resolution of March 2nd 2021.

In the three months ended March 31st 2021, the Nomination and Remuneration Committee operated in accordance with the Committee's Rules of Procedure adopted by the Supervisory Board on July 18th 2018. On April 19th 2021, the Supervisory Board passed a resolution to approve the consolidated text of the Rules of Procedure for the Nomination and Remuneration Committee adopted by the Committee's resolution of March 24th 2021.

4. Additional information

Management Board's position on the achievement of forecasts

As no forecasts for the first quarter of 2021 were published, the position of the Parent's Management Board concerning achievement of such forecasts is not presented. The results generated in the three months ended March 31st 2021 are in line with the estimates of selected consolidated financial results published on May 6th 2021.

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).

Following an examination made in a closed session on April 1st 2021 of a case brought by a Shareholder seeking to repeal Resolution No. 5 of the Parent's Extraordinary General Meeting of August 20th 2020 to grant consent to legal transactions that could result in disposal of the Parent's non-current assets, on April 17th 2021 it was announced on the information website of the Regional Court of Kraków that the Regional Court of Kraków, 9th Commercial Division, issued a judgment dismissing the action. The judgment is not final.

Parent's branches

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

Shares, share issues

In the three months ended March 31st 2021, 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

Tomasz Hinc
President of the Management Board

Witold Szczypiński
*Vice President of the Management Board,
Director General*

Mariusz Grab
Vice President of the Management Board

Filip Grzegorzczak, PhD
Vice President of the Management Board

Tomasz Hryniewicz
Vice President of the Management Board

Grzegorz Kądziałowski, PhD
Vice President of the Management Board

Artur Kopec
Member of the Management Board

Person responsible for maintaining accounting records

Piotr Kołodziej
*Head of the Corporate Finance
Department*

Tarnów, May 12th 2021