

Ladies and Gentlemen,

On behalf of the Management Boards of the Grupa Azoty Group companies, I present the consolidated Directors' Report on the Group's operations in 2019.

I am happy to announce that, despite numerous headwinds, this past year was very successful in terms of the financial performance we were able to deliver. The Group's consolidated revenue reached a record-high level of PLN 11.3bn. Its year-on-year increase was PLN 1.3bn, attributable primarily to the consolidation of Germany's Compo Expert acquired in 2018.



The 2019 EBITDA came in at PLN 1.4bn, with net profit topping PLN 400m. The Agro segment was the principal area of the Group's business. Certainly, a key driver behind the Group's markedly improved performance were favourable developments on the gas market. Following the 2018 hike in the prices of this essential feedstock in the production of our fertilizers, the gas prices did not fall back to previous levels, but were still about 30% lower.

However, it should be stressed that we were operating against a challenging market backdrop, with drought-stricken agricultural production for the second year running and new regulations restricting the application of fertilizers. The solid results delivered amid such challenges by the Agro segment confirm that our strategy for the area, which envisages moving up in the value chain from straight bulk fertilizers to compound and speciality products while generating synergies through consolidation of further business areas within the Group, is well chosen.

In 2019, the effects of our acquisition of Compo Expert, a manufacturer of speciality fertilizers marketing them in nearly 100 countries around the world, became clearly evident. Compo Expert's 2019 revenue was close to PLN 1.5bn, accounting for over 13% of the Grupa Azoty Group's consolidated sales. This acquisition has also provided the Group with access to many advanced technologies. We estimate the sum of synergies achievable by 2024 at EUR 40m. 2019 was the first full year of the Agro Segment's Corporate Sales Department, which integrated our key companies' sales forces previously operating independently of one another, thus delivering tangible financial benefits.

2019 was also an intensive period in terms of capital projects pursued by our Group companies. In line with our strategy of revenue diversification, we continued our development efforts in the area of plastics. As a next stage of the process of extending the polyamide product chain, a modified plastics plant went on stream in Tarnów. Currently, the caprolactam output from Tarnów and Puławy is processed into polyamide 6 in Tarnów and in Guben, Germany. Polyamide 6 is then processed at the Tarnów plant, according to customer orders, into various types of advanced modified plastics enhanced with glass fibres, carbon flame retardants and other substances.

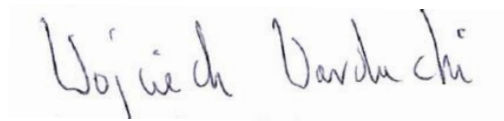
As regards the launch of production of propylene and polypropylene (Polimery Police), which is a capital project of critical importance for the future of our Group and the largest investment within the Polish chemical industry in recent years, in 2019 we signed a contract with South Korea's Hyundai as the general contractor for the project, and secured equity financing by joining forces with Hyundai, the Korean governmental organisation KIND, and Grupa Lotos as partners in the project. As a result, we were able to launch the construction of the project facilities at the start of this year. Also in 2020, we have completed the process of raising debt financing.

All these successes give us reason to have an optimistic outlook on the future, even though new risks

and threats, such as the ongoing coronavirus pandemic, are emerging alongside the old and well-known ones. The pandemic will certainly have an impact on our business, but at present the extent of the impact is difficult to estimate. We cannot rule out a passing decline in demand for many of our products, or a potential temporary slowdown in the progress on some of our capital projects. I can assure you that Grupa Azoty is taking this threat very seriously, having adopted various measures to minimise the risk to its employees and business partners and to ensure the continuity of production.

I wish to thank all employees of the Grupa Azoty companies for their contribution to developing our Group and to entrenching its position as the region's leading, modern and innovative chemical manufacturer. I would like to thank the Management Boards of the Group companies for the smooth and effective delivery of our ambitious projects. I also extend my thanks to the companies' Supervisory Boards.

President of the Management Board of Grupa Azoty S.A.

A handwritten signature in black ink that reads "Wojciech Wardacki". The signature is written in a cursive, slightly slanted style.

Wojciech Wardacki, PhD