

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

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 the first half of 2020.

The past months were primarily a period when we tried to adapt to the conditions and restrictions imposed in response to the COVID-19 pandemic. In line with our expectations, we had to face headwinds from the plastics market, where the automotive and electrotechnical industries were badly affected by the pandemic. Situation in the segment of fertilizers, a key pillar of the Group's business, remains stable, while that of chemicals is seeing declines in both price levels and demand for NOx, OXO alcohols and melamine, although the pandemic's impact on the prices of titanium white has been relatively limited.



In the first six months of 2020, the Group generated revenue of PLN 5,373m, EBITDA of PLN 753m and EBITDA margin of 14.0%. The Group's net profit for the first half of 2020 reached PLN 222.1m. These results were delivered on the back of our consistently pursued strategy of business diversification, which will be greatly enhanced when *Polimery Police*, our flagship investment project, is completed. Once brought on stream, the project will diversify our business into the promising and fast-growing market of plastics, especially polypropylene.

The first half of 2020 saw the completion of work to prepare this key investment project for the Grupa Azoty Group. With the President Andrzej Duda and Minister of State Assets Jacek Sasin in attendance, we announced the conclusion by Grupa Azoty Polyolefins of a credit facility agreement with a syndicate of both Polish and foreign financial institutions, as well as the execution, by Grupa Azoty, Grupa Azoty Zakłady Chemiczne Police, Grupa Azoty Polyolefins, Grupa Lotos, Hyundai Engineering Co., and Korea Overseas Infrastructure & Urban Development Corporation (KIND), of agreements to finance the project. Thus, we made another major step towards closing one of the largest projects ever implemented in Poland under the project finance model. At present, construction work is already in progress on all its five sub-projects, and the general contractor has secured all the required building permits for the performance of critical path work.

The first half of this year was also a period of precommissioning and commissioning of the facility for production of ammonium nitrate-based granulated fertilizers at Grupa Azoty Puławy. Our granulated ammonium nitrate and calcium nitrate will meet the growing demand from large-scale agriculture. This project confirms that Grupa Azoty, as a proven partner to Polish farmers, continues to meet their needs by expanding its product mix and improving quality.

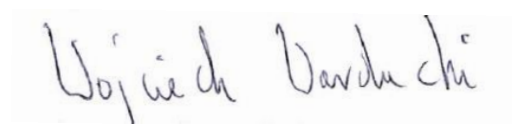
At Grupa Azoty, we are committed to innovation and understand its vital role within our sector. In the past six-month period, we announced the launch of commercial sales of FDM (fused deposition modelling) products manufactured at the 3D Printing Materials Centre, located at our Research & Development Centre. With the launch of sales of FDM 3D printing

filaments, the R&D programme pursued by the Group since 2017 entered the commercialisation phase. The filaments for 3D printers manufactured by the Group are already available from our online store.

While discussing the R&D area, we need to also mention a letter of intent prepared on the initiative of the Ministry of Climate, concerning the 'Polish hydrogen agreement'. Grupa Azoty was among its signatories because, as Poland's largest hydrogen producer set to further increase its output once the *Polimery Police* project comes on stream, we have no doubt that the development of hydrogen technologies will be a key driver of the transition towards a low- or zero-carbon economy. We sell hydrogen to external partners (currently some 600 tonnes per year), and we are preparing to market high-purity hydrogen suitable for use in fuel cells. We are also involved in many other research and development projects which, as I firmly believe, will allow us to consolidate Grupa Azoty's market position as an innovation-driven company.

I take this opportunity to thank all employees of Grupa Azoty for their unflagging commitment to building Grupa Azoty's value, especially during the turbulent time of the pandemic, which required us to swiftly adapt to fast-changing market conditions. I also thank the Management Boards of the Grupa Azoty Group companies for their cooperation in the pursuit of bold and ambitious projects. My thanks also go to the Supervisory Boards of the companies for their involvement in making key decisions, which will define the Group's future on the domestic market and internationally.

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

A handwritten signature in blue ink that reads "Wojciech Wardacki". The signature is written in a cursive style and is centered within a light blue rectangular box.

Wojciech Wardacki, PhD