Consolidated interim report of the Grupa Azoty Group for Q1 2024

Contents

Interim condensed consolidated financial statements of the Grupa Azoty Group for the three months ended 31 March 2024, prepared in accordance with IAS 34 *Interim Financial Reporting* as endorsed by the European Union

Material consolidated financial highlights

	(PLN '000)		(EUR '000)	
	For period 1 Jan – 31 Mar 2024 *unaudited*	For period 1 Jan – 31 Mar 2023 *unaudited*	For period 1 Jan – 31 Mar 2024 *unaudited*	For period 1 Jan – 31 Mar 2023 *unaudited*
Revenue	3,398,779	3,895,453	786,554	828,732
Operating loss	(259,638)	(596,026)	(60,086)	(126,801)
Loss before tax	(356,683)	(583,400)	(82,544)	(124,114)
Net loss	(332,829)	(555,304)	(77,024)	(118,137)
Comprehensive income for period	(295,900)	(580,068)	(68,478)	(123,406)
Number of shares	99,195,484	99,195,484	99,195,484	99,195,484
Loss per ordinary share (PLN)	(2.97)	(5.26)	(0.69)	(1.12)
Net cash from operating activities	415,831	17,532	96,233	3,730
Net cash from investing activities	(309,901)	(471,131)	(71,718)	(100,230)
Net cash from financing activities	(425,059)	(268,687)	(98,368)	(57,161)
Total net cash flows	(319,129)	(722,286)	(73,854)	(153,662)
Cash and cash equivalents at beginning of period	1,012,355	1,376,541	234,282	292,850
Cash and cash equivalents at end of period	694,083	656,110	160,626	139,583
	As at 31 Mar 2024 *unaudited*	As at 31 Dec 2023 *audited*	As at 31 Mar 2024 *unaudited*	As at 31 Dec 2023 *audited*
Non-current assets	17,456,169	17,265,116	4,058,725	3,970,818
Current assets	7,635,467	7,031,404	1,775,318	1,617,158
Non-current liabilities	3,119,518	2,997,479	725,317	689,393
Current liabilities	15,799,729	14,830,752	3,673,587	3,410,937
Equity	6,172,389	6,468,289	1,435,139	1,487,647
Share capital	495,977	495,977	115,319	114,070
Non-controlling interests	487,791	516,835	113,416	118,867

Selected items of the statement of comprehensive income, statement of financial position and statement of cash flows have been translated into the euro using the generally applicable method described below:

- Items of assets and equity and liabilities in the statement of financial position have been translated at the exchange rate effective for the last day of the reporting period:
  the exchange rate as at 29 March 2024 was EUR 1 = PLN 4.3009 (table No. 64/A/NBP/2024);
  the exchange rate as at 29 December 2023 was EUR 1 = PLN 4.3480 (table No. 251/A/NBP/2023);
- Items of the statement of comprehensive income and statement of cash flows were translated using the arithmetic average of the EUR/PLN rates quoted by the National Bank of Poland as effective for the last day of each month in the reporting period:
  in the period 1 January 2024–31 March 2024, the average exchange rate was EUR 1 = PLN 4.3211;
  in the period 1 January 2023–31 March 2023, the average exchange rate was EUR 1 = PLN 4.7005.

The translation was made using the exchange rates specified above by dividing amounts expressed in thousands of the złoty by the exchange rate.

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed consolidated statement of comprehensive income

	For period 1 Jan – 31 Mar 2024 *unaudited*	For period 1 Jan – 31 Mar 2023 *unaudited*
Profits and losses		
Revenue	3,398,779	3,895,453
Cost of sales	(3,132,975)	(4,203,254)
Gross profit/(loss)	**265,804**	**(307,801)**
Selling and distribution expenses	(255,873)	(252,281)
Administrative expenses	(270,478)	(246,244)
Other income	22,879	251,331
Other expenses	(21,970)	(41,031)
Operating loss	**(259,638)**	**(596,026)**
Finance income	4,102	90,939
Finance costs	(108,074)	(84,242)
Net finance costs	**(103,972)**	**6,697**
Share of profit of equity-accounted investees	6,927	5,929
Loss before tax	**(356,683)**	**(583,400)**
Income tax	23,854	28,096
Net loss	**(332,829)**	**(555,304)**
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Cash flow hedges – effective portion of fair-value change	50,871	(27,563)
Exchange differences on translating foreign operations	(12,758)	3,806
Income tax relating to items that are or will be reclassified to profit or loss	(1,184)	(1,007)
	36,929	**(24,764)**
Total other comprehensive income	**36,929**	**(24,764)**
Comprehensive income for period	**(295,900)**	**(580,068)**
Net loss attributable to:		
Owners of the parent	(295,037)	(521,748)
Non-controlling interests	(37,792)	(33,556)
Comprehensive income for period attributable to:		
Owners of the parent	(266,856)	(540,014)
Non-controlling interests	(29,044)	(40,054)
Loss per share:		
Basic (PLN)	(2.97)	(5.26)
Diluted (PLN)	(2.97)	(5.26)

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

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed consolidated statement of financial position

	As at 31 Mar 2024 *unaudited*	As at 31 Dec 2023 *audited*
Assets		
Non-current assets		
Property, plant and equipment	13,674,928	13,676,472
Right-of-use assets	789,019	760,159
Investment property	69,697	71,290
Intangible assets	886,520	892,274
Goodwill	279,795	282,848
Shares	10,172	10,172
Equity-accounted investees	84,310	104,642
Other financial assets	2,925	2,858
Derivative financial instruments	331,135	291,543
Other receivables	729,752	609,262
Deferred tax assets	597,407	563,087
Other assets	509	509
Total non-current assets	**17,456,169**	**17,265,116**
Current assets		
Inventories	2,224,483	2,469,246
Property rights	1,925,457	2,047,478
Other financial assets	-	2,005
Current tax assets	44,275	47,467
Trade and other receivables	2,729,903	1,432,699
Cash and cash equivalents	694,083	1,012,355
Other assets	17,266	20,154
Total current assets	**7,635,467**	**7,031,404**
Total assets	**25,091,636**	**24,296,520**

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

(all amounts in PLN ‘000 unless indicated otherwise)

Interim condensed consolidated statement of financial position (continued)

	As at 31 Mar 2024 *unaudited*	As at 31 Dec 2023 *audited*
Equity and liabilities		
Equity		
Share capital	495,977	495,977
Share premium	2,418,270	2,418,270
Hedging reserve	284,731	243,830
Translation reserve	(22,203)	(9,483)
Other capital reserves	(17,700)	(17,700)
Retained earnings	2,525,523	2,820,560
Equity attributable to owners of the parent	**5,684,598**	**5,951,454**
Non-controlling interests	**487,791**	**516,835**
Total equity	**6,172,389**	**6,468,289**
Liabilities		
Borrowings	645,987	626,865
Lease liabilities	402,681	375,714
Other financial liabilities	871,914	789,893
Employee benefit obligations	476,109	477,788
Trade and other payables	9,986	9,122
Provisions	235,570	234,707
Grants	182,846	185,321
Deferred tax liabilities	294,425	298,069
Total non-current liabilities	**3,119,518**	**2,997,479**
Borrowings	7,853,639	6,867,697
Derivative financial instruments	66	6,680
Lease liabilities	75,306	72,145
Other financial liabilities	1,935,814	2,188,240
Employee benefit obligations	41,351	49,726
Current tax liabilities	27,398	31,186
Trade and other payables	5,009,436	5,388,239
Provisions	118,447	123,257
Grants	738,272	103,582
Total current liabilities	**15,799,729**	**14,830,752**
Total liabilities	**18,919,247**	**17,828,231**
Total equity and liabilities	**25,091,636**	**24,296,520**

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

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed consolidated statement of changes in equity

	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
As at 1 Jan 2024	**495,977**	**2,418,270**	**243,830**	**(9,483)**	**(17,700)**	**2,820,560**	**5,951,454**	**516,835**	**6,468,289**
Profit or loss and other comprehensive income									-
Net loss	-	-	-		-	(295,037)	(295,037)	(37,792)	(332,829)
Other comprehensive income	-	-	40,901	(12,720)	-	-	28,181	8,748	36,929
Comprehensive income for period	**-**	**-**	**40,901**	**(12,720)**	**-**	**(295,037)**	**(266,856)**	**(29,044)**	**(295,900)**
As at 31 Mar 2024 (*unaudited*)	**495,977**	**2,418,270**	**284,731**	**(22,203)**	**(17,700)**	**2,525,523**	**5,684,598**	**487,791**	**6,172,389**
As at 1 Jan 2023	**495,977**	**2,418,270**	**285,136**	**87,421**	**(17,700)**	**5,665,545**	**8,934,649**	**1,021,718**	**9,956,367**
Profit or loss and other comprehensive income									
Net loss	-	-	-		-	(521,748)	(521,748)	(33,556)	(555,304)
Other comprehensive income	-	-	(22,103)	3,837	-	-	(18,266)	(6,498)	(24,764)
Comprehensive income for period	**-**	**-**	**(22,103)**	**3,837**	**-**	**(521,748)**	**(540,014)**	**(40,054)**	**(580,068)**
As at 31 Mar 2023 (*unaudited*)	**495,977**	**2,418,270**	**263,033**	**91,258**	**(17,700)**	**5,143,797**	**8,394,635**	**981,664**	**9,376,299**

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

(all amounts in PLN ‘000 unless indicated otherwise)

Interim condensed consolidated statement of cash flows

	For period 1 Jan – 31 Mar 2024 *unaudited*	For period 1 Jan – 31 Mar 2023 *unaudited*
Cash flows from operating activities		
Loss before tax	**(356,683)**	**(583,400)**
Depreciation and amortisation	208,680	194,853
Recognition of impairment losses	472	39
Gain on investing activities	(701)	(471)
Share of profit of equity-accounted investees	(6,927)	(5,929)
Interest, foreign exchange gains or losses	103,420	64,726
Fair value (gain)/loss on financial assets at fair value	(43,750)	8,105
Increase in trade and other receivables	(1,343,859)	(2,180,550)
Decrease in inventories and property rights	359,742	30,023
Increase in trade and other payables	850,599	1,000,137
(Decrease)/Increase in provisions	(2,107)	12,058
Decrease in employee benefit obligations	(8,335)	(499)
Increase in grants	633,181	1,516,739
Other adjustments	27,998	(3,229)
Income tax paid	(5,899)	(35,070)
Net cash from operating activities	**415,831**	**17,532**
Cash flows from investing activities		
Proceeds from sale of intangible assets, property, plant and equipment, and investment property	453	362
Acquisition of intangible assets, property, plant and equipment, and investment property	(312,069)	(470,524)
Proceeds from sale of other financial assets	1,997	-
Other cash provided by (used in) investing activities	(282)	(969)
Net cash from investing activities	**(309,901)**	**(471,131)**
Cash flows from financing activities		
Proceeds from borrowings	1,014,570	1,194,317
Repayment of borrowings	-	(66,256)
Interest paid	(93,111)	(92,337)
Payment of finance lease liabilities	(23,248)	(26,192)
Payment of reverse factoring liabilities	(1,313,351)	(1,279,003)
Other cash provided by (used in) financing activities	(9,919)	784
Net cash from financing activities	**(425,059)**	**(268,687)**
Total net cash flows	**(319,129)**	**(722,286)**
Cash and cash equivalents at beginning of period	**1,012,355**	**1,376,541**
Effect of exchange rate fluctuations on cash held	857	1,855
Cash and cash equivalents at end of period	**694,083**	**656,110**

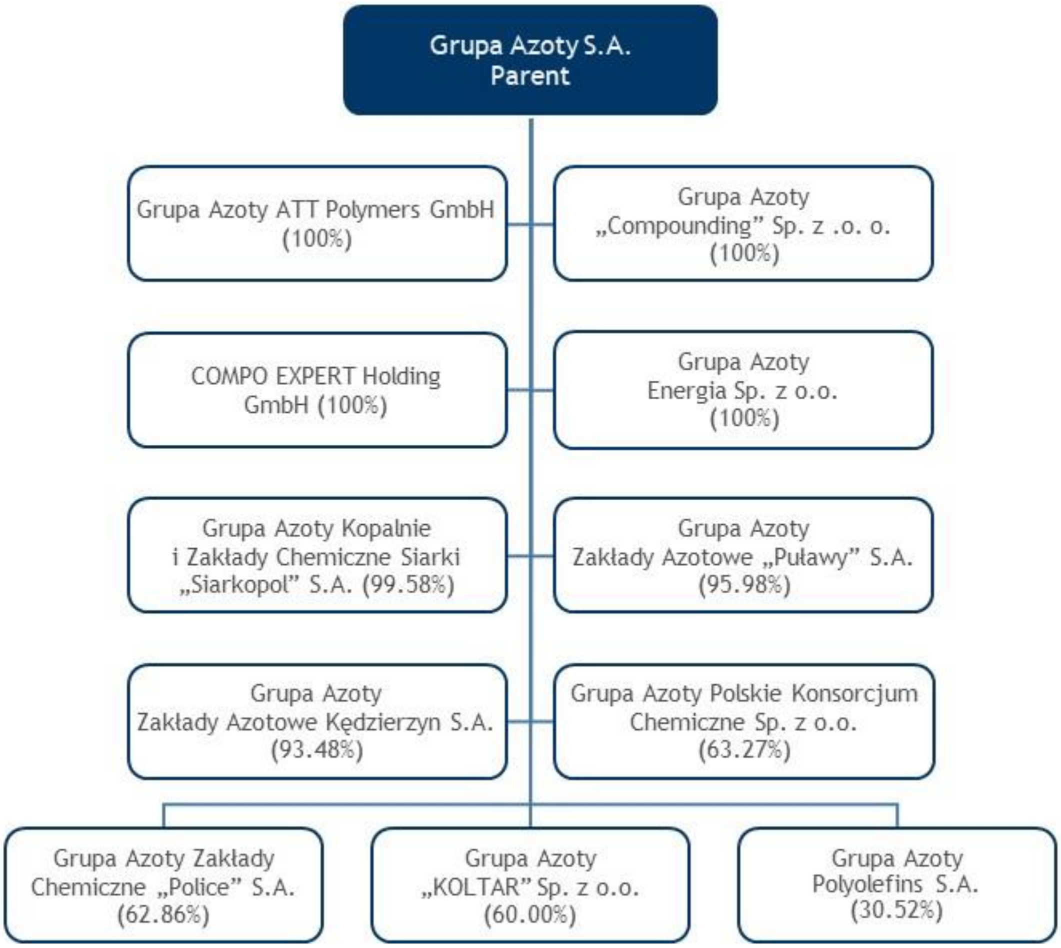
The supplementary information is an integral part of these interim condensed consolidated financial statements.

Supplementary information to the interim condensed consolidated financial statements

1. Description of the Group

1.1. The Group's organisational structure

As at 31 March 2024, the Grupa Azoty Group ("Grupa Azoty", the "Group") comprised: Grupa Azoty Spółka Akcyjna – the Parent (the "Parent", the "Company"), its direct subsidiaries and indirect subsidiaries. The direct subsidiaries are presented in the chart below.



The Group's principal business is in particular the 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 products.
The Parent was entered in the Register of Businesses in the National Court Register (entry No. KRS 0000075450) on 28 December 2001, pursuant to a decision of the District Court for Kraków-Śródmieście in Kraków, 12th Commercial Division of the National Court Register, dated 28 December 2001. The Parent's REGON number for public statistics purposes is 850002268.
As of 22 April 2013, the Parent trades under the name Grupa Azoty Spółka Akcyjna (abbreviated to Grupa Azoty S.A.).
The Parent and the Group companies were incorporated for an indefinite period.

(all amounts in PLN '000 unless indicated otherwise)

	Name	Entity holding shares	Interest held	Share capital	Consolidation method
1.	Grupa Azoty S.A.	Parent		PLN 495,977 thousand	Parent
2.	COMPO EXPERT Holding GmbH (“**COMPO EXPERT**”)	GASA	100%	EUR 25 thousand	Full
3.	Grupa Azoty ATT Polymers GmbH (“**ATT Polymers**”)	GASA	100%	EUR 9,000 thousand	Full
4.	Grupa Azoty „Compounding” Sp. z o.o. (“**Grupa Azoty COMPOUNDING**”)	GASA	100%	PLN 72,008 thousand	Full
5.	Grupa Azoty Energia Sp. z o.o. (“**Grupa Azoty ENERGIA**”)	GASA	100%	PLN 1,000 thousand	Full
6.	Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki „Siarkopol” S.A. (“**Grupa Azoty SIARKOPOL**”)	GASA	99.58%	PLN 60,620 thousand	Full
7.	Grupa Azoty Zakłady Azotowe „Puławy” S.A. (“**Grupa Azoty PUŁAWY**”)	GASA	95.98%	PLN 191,150 thousand	Full
8.	Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. (“**Grupa Azoty KĘDZIERZYN**”)	GASA	93.48%	PLN 285,064 thousand	Full
9.	Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. (“**Grupa Azoty PKCh**”)	GASA	63.27%	PLN 85,631 thousand	Full
		Grupa Azoty KĘDZIERZYN	36.73%		
10.	Grupa Azoty Zakłady Chemiczne „Police” S.A. (“**Grupa Azoty POLICE**”)	GASA	62.86%	PLN 1,241,758 thousand	Full
11.	Grupa Azoty „Koltar” Sp. z o.o. (“**Grupa Azoty KOLTAR**”)	GASA	60.00%	PLN 54,600 thousand	Full
		Grupa Azoty KĘDZIERZYN	20.00%		
		Grupa Azoty PUŁAWY	20.00%		
12.	Grupa Azoty Polyolefins Spółka Akcyjna (“**Grupa Azoty POLYOLEFINS**”)	GASA	30.52%	PLN 922,968 thousand	Full
		Grupa Azoty POLICE	34.41%		
13.	Agrochem Puławy Sp. z o.o.	Grupa Azoty PUŁAWY	100.00%	PLN 68,639 thousand	Full
14.	SCF Natural Sp. z o.o.	Grupa Azoty PUŁAWY	100.00%	PLN 15,001 thousand	Full
15.	Grupa Azoty Zakłady Fosforowe Gdańsk Sp. z o.o.	Grupa Azoty PUŁAWY	99.19%	PLN 59,003 thousand	Full
16.	Grupa Azoty Zakłady Azotowe Chorzów S.A.	Grupa Azoty PUŁAWY	96.48%	PLN 94,700 thousand	Full
17.	STO-ZAP Sp. z o.o.	Grupa Azoty PUŁAWY	96.15%	PLN 1,117 thousand	Not consolidated
18.	Remzap Sp. z o.o.	Grupa Azoty PUŁAWY	97.17%	PLN 3,528 thousand	Full
19.	Prozap Sp. z o.o.	Grupa Azoty PUŁAWY	78.86%	PLN 892 thousand	Full
		Grupa Azoty POLICE	7.35%		
20.	Bałtycka Baza Masowa Sp. z o.o.	Grupa Azoty PUŁAWY	50.00%	PLN 19,500 thousand	Equity method
21.	Grupa Azoty Transtech Sp. z o.o.	Grupa Azoty POLICE	100.00%	PLN 9,783 thousand	Full
22.	Grupa Azoty Police Serwis Sp. z o.o.	Grupa Azoty POLICE	100.00%	PLN 21,426 thousand	Full
23.	Grupa Azoty Africa S.A. w likwidacji (in liquidation)	Grupa Azoty POLICE	99.99%	XOF 132,000 thousand	Full
24.	Zarząd Morskiego Portu Police Sp. z o.o.	Grupa Azoty POLICE	99.91%	PLN 32,642 thousand	Full
25.	Budchem Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy)	Grupa Azoty POLICE	48.96%	PLN 1,201 thousand	Not consolidated

(all amounts in PLN '000 unless indicated otherwise)

	Name	Entity holding shares	Interest held	Share capital	Consolidation method
26.	Kemipol Sp. z o.o.	Grupa Azoty POLICE	33.99%	PLN 3,445 thousand	Equity method
27.	ZAKSA S.A.	Grupa Azoty KĘDZIERZYN	92.45%	PLN 6,000 thousand	Full
28.	Grupa Azoty Jednostka Ratownictwa Chemicznego Sp. z o.o. ("**Grupa Azoty JRCH**")	Grupa Azoty PKCH	100.00%	PLN 21,749 thousand	Full
29.	Grupa Azoty Prorem Sp. z o.o. ("**Grupa Azoty PROREM**")	Grupa Azoty PKCH	100.00%	PLN 11,567 thousand	Full
30.	Grupa Azoty Automatyka Sp. z o.o.	Grupa Azoty PKCH	77.86%	PLN 4,654 thousand	Full
31.	Ekotar Sp. z o.o.	Grupa Azoty JRCH	12.00%	PLN 500 thousand	Not consolidated
		Grupa Azoty PROREM	12.00%		
32.	COMPO EXPERT International GmbH ("**COMPO EXPERT International**")	COMPO EXPERT	100.00%	EUR 25 thousand	Full
33.	COMPO EXPERT GmbH	COMPO EXPERT International	100.00%	EUR 25 thousand	Full
34.	COMPO EXPERT Italia S.r.l.	COMPO EXPERT International	100.00%	EUR 10 thousand	Full
35.	COMPO EXPERT Spain S.L.	COMPO EXPERT International	100.00%	EUR 3 thousand	Full
36.	COMPO EXPERT Portugal, Unipessoal Lda.	COMPO EXPERT International	100.00%	EUR 2 thousand	Full
37.	COMPO EXPERT France SAS	COMPO EXPERT International	100.00%	EUR 524 thousand	Full
38.	COMPO EXPERT Polska Sp. z o.o.	COMPO EXPERT International	100.00%	PLN 6 thousand	Full
39.	COMPO EXPERT Hellas S.A.	COMPO EXPERT International	100.00%	EUR 60 thousand	Full
40.	COMPO EXPERT UK Ltd.	COMPO EXPERT International	100.00%	GBP 1	Full
41.	COMPO EXPERT Techn. (Shenzen) Co. Ltd.	COMPO EXPERT International	100.00%	CNY 2,810 thousand	Full
42.	COMPO EXPERT Asia Pacific Sdn. Bhd.	COMPO EXPERT International	100.00%	MYR 500 thousand	Full
43.	COMPO EXPERT USA&CANADA Inc.	COMPO EXPERT International	100.00%	USD 1	Full
44.	COMPO EXPERT Brasil Fertilizantes Ltda.[1)]	COMPO EXPERT International	99.99%	BRL 26,199 thousand	Full
		COMPO EXPERT GmbH	0.000003%		
45.	COMPO EXPERT Chile Fertilizantes Ltda.[2)]	COMPO EXPERT International	99.99%	CLP 1,528,560 thousand	Full
		COMPO EXPERT GmbH	0.01%		
46.	COMPO EXPERT India Private Limited	COMPO EXPERT International	99.99%	INR 2,500 thousand	Full
47.	COMPO EXPERT Benelux N.V.	COMPO EXPERT International	99.99%	EUR 7,965 thousand	Full
		COMPO EXPERT GmbH	0.0103%		
48.	COMPO EXPERT Mexico S.A. de C.V.	COMPO EXPERT International	99.99%	MXN 100 thousand	Full
		COMPO EXPERT GmbH	0.000311%		
49.	COMPO EXPERT Peru SRL	COMPO EXPERT International	99.99%	PLN 400 thousand	Full
		COMPO EXPERT GmbH	0.01%		

	Name	Entity holding shares	Interest held	Share capital	Consolidation method
50.	COMPO EXPERT Egypt LLC	COMPO EXPERT International	99.90%	EGP 100 thousand	Full
		COMPO EXPERT GmbH	0.1%		
51.	COMPO EXPERT Turkey Tarim Sanai ve Ticaret Ltd. Şirketi[6)]	COMPO EXPERT International	96.17%	TRY 264,375	Full
		COMPO EXPERT GmbH	3.83%		
52.	COMPO EXPERT Argentina SRL	COMPO EXPERT International	89.99%	ARS 41,199 thousand	Full
		COMPO EXPERT GmbH	10.000024%		
53.	COMPO EXPERT South Africa (Pty) Ltd.	COMPO EXPERT GmbH	100.00%	ZAR 100	Full
54.	COMPO EXPERT Austria GmbH	COMPO EXPERT GmbH	100.00%	EUR 35 thousand	Full

1.2. Changes in the Group's structure

Cancellation of PROZAP Sp. z o.o. shares

In the reporting period, following cancellation of 10 shares in PROZAP Sp. z o.o., Grupa Azoty PUŁAWY's share of total voting rights at the General Meeting of PROZAP Sp. z o.o. rose to 83.49% (from 83.44% as at 31 December 2023).

Buyback of Grupa Azoty SIARKOPOL shares

On 11 April 2024, the Extraordinary General Meeting of Grupa Azoty SIARKOPOL passed a resolution to repurchase 63 shares under Art. 418[1] of the Commercial Companies Code and obliged the Parent to buy back the shares.
If all the shares are bought back, the total value of the transaction will be PLN 2,830.59, and the Parent will hold a total of 6,036,458 shares, i.e. 99.58% of the share capital of Grupa Azoty SIARKOPOL.

2. Basis of accounting used in preparing the interim condensed consolidated financial statements

2.1. Statement of compliance and basis of accounting

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 31 March 2024 and contain comparative data for the three months ended 31 March 2023 and as at 31 December 2023.
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 full-year consolidated financial statements of the Grupa Azoty Group for the 12 months ended 31 December 2023, prepared in accordance with International Financial Reporting Standards as endorsed by the European Union. The consolidated financial statements for 2023 were authorised for issue on 29 April 2024.
The Company's interim financial results may not be indicative of its potential full-year financial results.
All amounts in these interim condensed consolidated financial statements are presented in thousands of złoty, unless indicated otherwise.
These interim condensed consolidated financial statements, drawn up in accordance with International Financial Reporting Standards ("IFRS"), as endorsed by the European Union ("EU IFRS"), were authorised for issue by the Parent's Management Board on 28 May 2024.

2.2. Going concern assumption

These interim condensed consolidated financial statements have been prepared on the assumption that the Group will continue as a going concern for the foreseeable future, that is for at least 12 months from the reporting date. Below in this section are presented important matters, including significant uncertainties regarding circumstances that may pose risks to the Group's operations.

Events which, in the Management Board's opinion, contribute to significant uncertainty about the Group's ability to continue as a going concern include, among others:

- persistence of adverse market factors directly impacting the Group's financial position,
- extension of the completion date of the Polimery Police project along with the risk of potential participation in another Support Loan,

- as a consequence of potential breaches of the Financing Agreements, there is a risk of suspension of all or part of the available financing, cancellation of all or part of the financing or final termination of the Grupa Azoty Financing Agreements (the "Financing Agreements") by the Financing Institutions, resulting in acceleration of the credit facilities. The decision to terminate the agreement in the event of a breach of the terms and conditions remains entirely beyond the control of Grupa Azoty.

The performance of the Grupa Azoty Group in the reporting period was determined by adverse global macroeconomic conditions, including the lack of significant recovery in many sectors of both European and global economy, as well as continued high inflation.
As a result, the Group generated negative results, including net loss of PLN (332,829) thousand and EBITDA of PLN (50,438) thousand.

The key market factors that affect the assessment regarding the continuity of operations include the drop in demand for the Group's products and the sustained inflation rate, which in the case of fertilizer markets has a major impact on purchasing power and thus consumer behaviour.

Simultaneously, weaker economic sentiment in Europe is eroding demand from enterprises for the use of plastics in industry.

In view of the challenging market environment, the Grupa Azoty Group is undertaking proactive measures to undergo an energy transition enabling optimal management of production assets while incurring lower manufacturing costs.

On 2 February 2024, the Parent executed, on its own behalf and on behalf of the Grupa Azoty Group companies which are parties to the respective Financing Agreements, an agreement with 13 Financing Institutions (the "Standstill Agreement"): Powszechna Kasa Oszczędności Bank Polski S.A., Bank Gospodarstwa Krajowego, ING Bank Śląski S.A., Santander Bank Polska S.A., Caixabank S.A. Poland Branch, BNP Paribas Faktoring sp. z o.o., ING Commercial Finance Polska S.A., Pekao Faktoring sp. z o.o., BNP Paribas Bank Polska S.A., Santander Factoring sp. z o.o. and Banco Santander S.A., Frankfurt Branch, as well as with the European Bank for Reconstruction and Development and the European Investment Bank.

The Standstill Agreement ensures the continued availability of credit facility limits under the Financing Agreements, prevents the Financing Institutions from taking actions to cancel or reduce the available limits of the Financing Agreements, and prevents the exercise of certain rights under the Financing Agreements in the event of a default or potential default during the term of the Standstill Agreement, which was signed for a period until 27 February 2024, subsequently extended under the Annexes – initially until 25 March 2024, then until 25 April 2024, and subsequently until 28 May 2024.

This will facilitate the development of a long-term restructuring plan for the Grupa Azoty Group. The Agreement may be subject to further extension with the consent of the Financing Institutions.

At the same time, the Parent agreed to provide specific documents to the Financing Institutions, introduce agreed restrictions on dispositions related to planned investments, granting sureties and guarantees, and incurring financial liabilities, and to appoint a financial advisor for the Financing Institutions.

The Grupa Azoty Group fulfils all debt service and repayment obligations under the Financing Agreements in a timely manner, and the available limits thereunder ensure liquidity and secure financing for the Group to meet its own requirements and obligations to suppliers, ensuring the continuity of operations.

During the term of the Standstill Agreement, the Default Suspension mechanism is in force, under which the Financing Institutions have agreed to refrain from exercising any rights or taking any actions that may be vested in them as a result of the suspended defaults. This includes suspending further financing or terminating the Financing Agreements in connection with a breach of the covenants.

Failure to comply with the conditions set out in the Standstill Agreement may give rise to its expiry or termination by the Financing Institutions.

Expiry or termination of the Standstill Agreement also results in termination of suspension of Defaults under the Standstill Agreement.

The Annexes to the Standstill Agreement ensure the continued availability of the credit facilities (with suspension of repayment of principal instalments due and payable during the term of the Standstill Agreement) under the Financing Agreements, prevent the Financing Institutions from taking actions to cancel or reduce the available limits of the Financing Agreements, and prevent the exercise of certain rights under the Financing Agreements in the event of a default or potential default during the term of the Standstill Agreement.

Along with the signed Standstill Agreement, Grupa Azoty POLYOLEFINS is executing similar agreements containing terms and conditions typical for project finance arrangements with respect to the Polimery Police project.

In order to mitigate the effects of the above events, the Parent's Management Board and the Management Boards of the subsidiaries have taken or are planning the following steps:

1. Continuing talks with the Financing Institutions to extend the standstill agreements enabling the Parent and the Group to come up with business initiatives leading to the execution of a long-term debt

restructuring agreement. A restructuring agreement is expected to be signed after the Group's financial situation is stabilised. The agreement will entail the implementation of a recovery plan for the Group, approved by the Management Board and the Financing Institutions. At the same time, long-term analyses that will be submitted will outline a path of improvement over the next five years. Currently, the valuation of non-current assets and businesses is ongoing in order to create potential security for the existing credit facility agreements, aiming to finalise the long-term restructuring agreement.

2. By the end of 2023, the Grupa Azoty Group prepared various measures aimed at achieving rapid financial improvements, with a focus primarily on taking inventory of non-operating assets, their valuation and divestment. Inventory has been taken of all non-operating assets of the Group's Key Companies and their value has been estimated. The assets may be used to repay part of the debt.
3. A business recovery plan is being drawn up, incorporating changes in the individual business lines, often leading to downsizing or closing of permanently unprofitable units. Detailed calculations, prepared with external advisors, are being made in collaboration with the individual business segments, taking into consideration the current market conditions and the prospects for the coming years as outlined in the Group's strategic analysis. Particular emphasis will be placed on reducing costs related to consolidation of processes and management of the Group.
4. Continued further integration and consolidation of the Grupa Azoty Group, in particular through consolidation of processes across shared services, maintenance and logistics services.
5. Renegotiation or execution of new contracts for the supply of key raw materials and energy carriers, including in particular postponement of payment dates/time limits.
6. Introduction of savings programmes for all types of expenditure.
7. Revision of capital expenditure plans for 2024 and beyond, limiting the spending to projects related to the delivery of the Green Azoty strategy in 2021-2030 and projects designed to improve the Group's operational efficiency, especially in the area of energy improvement.
8. Preparation of short- and long-term liquidity analyses for the Key Companies and performance projections covering the period until 31 March 2029, and supplementing these scenarios with measured initiatives for individual business segments.
9. The Group intends to enhance the profitability of product sales by reviewing its current product portfolio, prioritising resources towards those products that generate the highest rates of return.
10. Preparation for the new season, revision of sales targets and product portfolios.

Taking the above into consideration, the Management Board has determined, following an analysis, that there is significant uncertainty regarding the Group's ability to continue as a going concern in a substantially unchanged manner for the foreseeable future, i.e. for at least 12 months from the reporting date.

We also point out that Grupa Azoty is included in the list of companies of major importance to the state economy (Regulation of the Prime Minister of 30 September 2021, item 1782).

Simultaneously, notwithstanding the risks and exceptional circumstances outlined above, based on the analyses and alternative scenarios mentioned earlier, including the execution of standstill agreements with the Financing Institutions, the planned execution of a long-term restructuring agreement and a range of measures taken to optimise cash flows through cost reductions, the Parent's Management Board is of the opinion that adequate preventive measures have been taken or prepared to mitigate these risks and ensure the implementation of the Group's plans. Hence, the accompanying consolidated financial statements have been prepared on a going concern basis.

2.3. 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 31 December 2023.

(all amounts in PLN ‘000 unless indicated otherwise)

a) Amendments to International Financial Reporting Standards

The following standards effective as of 2024 have no material impact on the Group’s business or its financial reporting:

Standard	Description of amendments	Effect on financial statements
IAS 1 *Presentation of Financial Statements*: *Classification of Liabilities as Current or Non-current*	The amendment to IAS 1 was issued on 23 January 2020. It was subsequently modified in July 2020 and finally adopted on 31 October 2022. The amendment is effective for annual periods beginning on 1 January 2024. 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 amendment has no material effect on the financial statements.
IFRS 16 *Leases:* *Lease liability in a sale and leaseback*	The amendment to IFRS 16 was issued on 22 September 2022 and is effective for annual periods beginning on or after 1 January 2024. The amendments require the seller-lessee to determine ‘lease payments’ or ‘revised lease payments’ in such a way that the seller-lessee does not recognise any amount of profit or loss that relates to the right of use retained by the seller-lessee.	The amendment has no material effect on the financial statements.
IAS 7 *Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements*	The amendment to IAS 7 was issued on 25 May 2023. The amendment is effective for annual periods beginning on or after 1 January 2024. The amendment aims to enhance the transparency of supplier finance arrangements and their effects on a company’s liabilities, cash flows and exposure to liquidity risk. The amendment supplements requirements already in the IFRS Accounting Standards and require a company to disclose additional information on contracts, including their effect on liquidity risk.	The amendment has no material effect on the financial statements.

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 European Union or have been endorsed but the Group has not elected to apply them early:

Standard	Description of amendments	Effect on financial statements
IAS 21 *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability*	The amendment to IAS 21 was issued on 15 August 2023. It is effective for annual periods beginning on or after 1 January 2025. The amendment will require entities to apply a consistent approach to assessing whether a currency is exchangeable and how to determine a spot exchange rate if it is not, and to disclose the required information.	The Group is analysing the effect of the amendments on its financial statements.

c) 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 the 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 31 December 2023, subject to measurement revisions resulting from the passage of time or a change of market parameters.

3. Selected notes and supplementary information

3.1. Business segment reporting

Operating segments
The Group identifies operating segments based on internal reports for each line of business. Operating results of each segment are reviewed on a regular basis by the Management Board, which decides about the allocation of resources to different segments and analyses their results. Separate information prepared for each segment is available.

The Group identifies the following operating segments:

Name	Scope
Agro	Manufacture or sale of: • 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: UAN – urea-ammonium nitrate solution, urea solution and ammonium sulfate solution), • Nitrogen fertilizers, • Ammonia, • Technical-grade and concentrated nitric acid, • Industrial gases.
Plastics	Manufacture or sale of: • Caprolactam (an intermediate product used to manufacture polyamide 6 (PA6)), • Natural engineering plastics (PA6), • Modified plastics based on PA6 and other engineering resins (PA66, PPC - polypropylene, PPH, PBT - polybutylene terephthalate), • Plastic products (PA pipes, PE pipes, polyamide casings), • Production of polypropylene by Grupa Azoty POLYOLEFINS.
Chemicals	Manufacture or sale of: • Melamine, • OXO products (OXO alcohols, plasticizers), • Sulfur, • Titanium white, • Iron sulfate, • Solutions based on urea and ammonia.
Energy	Production of energy carriers: • electricity, heat, water, process and instrument air, nitrogen for the purposes of chemical units and, to a lesser extent, for sale to external customers (mainly electricity). As part of its operations, the segment also purchases and distributes natural gas for process needs.
Other Activities	• Research and Development Centre, • Laboratory services, • Catalyst production (iron-chromium catalyst, copper catalysts, iron catalysts), • Rental of real estate, and • Other activities not allocated to any of the segments specified above.

(all amounts in PLN '000 unless indicated otherwise)

Operating segments

Operating segments' income, expenses and financial results for the three months ended 31 March 2024 (*unaudited*)

	Agro	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	2,166,672	419,140	604,293	135,021	73,653	3,398,779
Intersegment revenue	832,107	146,582	301,678	1,117,377	259,160	2,656,904
Total revenue	2,998,779	565,722	905,971	1,252,398	332,813	6,055,683
Operating expenses, including: (-)	(3,079,862)	(633,131)	(1,015,238)	(1,245,250)	(342,749)	(6,316,230)
selling and distribution expenses (-)	*(206,748)*	*(13,896)*	*(34,666)*	*(96)*	*(467)*	*(255,873)*
administrative expenses (-)	*(141,116)*	*(62,263)*	*(37,086)*	*(11,738)*	*(18,275)*	*(270,478)*
Other income	3,275	1,148	1,364	947	16,145	22,879
Other expenses (-)	(1,793)	(3,844)	(187)	(4,173)	(11,973)	(21,970)
Segment's EBIT	**(79,601)**	**(70,105)**	**(108,090)**	**3,922**	**(5,764)**	**(259,638)**
Finance income	-	-	-	-	-	4,102
Finance costs (-)	-	-	-		-	(108,074)
Share of profit of equity-accounted investees	-	-	-	-	-	6,927
Loss before tax	**-**	**-**	**-**	**-**	**-**	**(356,683)**
Income tax	-	-	-		-	23,854
Net loss	**-**	**-**	**-**	**-**	**-**	**(332,829)**
EBIT	(79,601)	(70,105)	(108,090)	3,922	(5,764)	(259,638)
Depreciation and amortisation	107,246	13,980	18,377	32,017	37,060	208,680
Impairment losses	(265)	1	-	-	784	520
EBITDA	**27,380**	**(56,124)**	**(89,713)**	**35,939**	**32,080**	**(50,438)**

(all amounts in PLN '000 unless indicated otherwise)

Operating segments' income, expenses and financial results for the three months ended 31 March 2023 (unaudited)

	Agro	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	2,386,953	353,419	845,970	226,660	82,451	3,895,453
Intersegment revenue	1,602,366	199,567	598,656	2,046,940	231,095	4,678,624
Total revenue	3,989,319	552,986	1,444,626	2,273,600	313,546	8,574,077
Operating expenses, including: (-)	(4,371,704)	(677,817)	(1,604,904)	(2,384,234)	(341,744)	(9,380,403)
selling and distribution expenses (-)	*(197,725)*	*(12,368)*	*(41,862)*	*(152)*	*(174)*	*(252,281)*
administrative expenses (-)	*(102,189)*	*(25,599)*	*(77,038)*	*(22,900)*	*(18,518)*	*(246,244)*
Other income	147,766	10,341	79,859	1,621	11,744	251,331
Other expenses (-)	(1,751)	(487)	(1,341)	(25,494)	(11,958)	(41,031)
Segment's EBIT	**(236,370)**	**(114,977)**	**(81,760)**	**(134,507)**	**(28,412)**	**(596,026)**
Finance income	-	-	-	-	-	90,939
Finance costs (-)	-	-	-		-	(84,242)
Share of profit of equity-accounted investees	-	-	-	-	-	5,929
Loss before tax	**-**	**-**	**-**	**-**	**-**	**(583,400)**
Income tax	-	-	-		-	28,096
Net loss	**-**	**-**	**-**	**-**	**-**	**(555,304)**
EBIT	(236,370)	(114,977)	(81,760)	(134,507)	(28,412)	(596,026)
Depreciation and amortisation	96,289	15,645	20,314	27,673	34,932	194,853
Impairment losses	-	186	-	-	66	252
EBITDA	**(140,081)**	**(99,146)**	**(61,446)**	**(106,834)**	**6,586**	**(400,921)**

(all amounts in PLN '000 unless indicated otherwise)

Segments' assets and liabilities

as at 31 March 2024 (*unaudited*)	Agro	Plastics	Chemicals	Energy	Other Activities	Total
Segment's assets	8,870,067	7,258,922	1,315,915	3,831,368	1,170,572	22,446,844
Unallocated assets	-	-	-	-	-	2,560,482
Investments in associates	-	-	-	-	-	84,310
Total assets	**8,870,067**	**7,258,922**	**1,315,915**	**3,831,368**	**1,170,572**	**25,091,636**
Segment's liabilities	4,049,579	6,255,928	393,166	3,087,257	604,935	14,390,865
Unallocated liabilities	-	-	-		-	4,528,382
Total liabilities	**4,049,579**	**6,255,928**	**393,166**	**3,087,257**	**604,935**	**18,919,247**

as at 31 Dec 2023 (*audited*)	Agro	Plastics	Chemicals	Energy	Other Activities	Total
Segment's assets	8,626,113	6,592,121	1,310,851	3,504,456	1,541,590	21,575,131
Unallocated assets	-	-	-	-	-	2,616,747
Investments in associates	-	-	-	-	-	104,642
Total assets	**8,626,113**	**6,592,121**	**1,310,851**	**3,504,456**	**1,541,590**	**24,296,520**
Segment's liabilities	3,506,975	5,855,096	421,477	3,536,064	582,859	13,902,471
Unallocated liabilities	-	-	-	-	-	3,925,760
Total liabilities	**3,506,975**	**5,855,096**	**421,477**	**3,536,064**	**582,859**	**17,828,231**

(all amounts in PLN '000 unless indicated otherwise)

Geographical areas

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

Revenue

	For period 1 Jan – 31 Mar 2024 *unaudited*	For period 1 Jan – 31 Mar 2023 *unaudited*
Poland	1,771,067	2,088,671
Germany	277,632	298,307
Other EU countries	778,410	805,072
Other European countries	256,214	360,295
Asia	102,299	85,434
South America	80,058	88,358
Other countries	133,099	169,316
Total	**3,398,779**	**3,895,453**

No single customer accounted for more than 10% of revenue in the three months ended 31 March 2024 and 31 March 2023.

3.2. Impairment testing

As at 31 March 2024, indications of impairment referred to in paragraph 12 of IAS 36 *Impairment of Assets* ("IAS 36") were identified: the carrying amount of the Parent's net assets was higher than the Parent's market capitalisation, and during the reporting period there occurred adverse market changes related to a drop in demand for the Grupa Azoty Group products, leading to a deterioration in its financial performance.

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 risk-free interest rate (yield on 10-year Treasury bonds) rose from 5.21% at the end of 2023 to 5.43% at the end of March 2024; This led to an increase in the weighted average cost of capital for the Grupa Azoty Group, reducing the recoverable amount of nearly all of the cash-generating units ("CGUs");
- the adopted strategy and key assumptions remained largely unchanged as at the reporting date;
- as at the reporting date, the definition of the CGUs within the Group companies and the value of assets of each CGU did not change materially relative to the respective amounts as at 31 December 2023;
- EBITDA delivered by the tested CGUs in the three months ended 31 March 2024 showed both positive and negative deviations from EBITDA included in the tests prepared as at 31 December 2023;
- as at the reporting date, no formally approved annual financial plans were available updated relative to those underlying the impairment tests at the end of 2023;
- also, the projected estimated financial results until the end of December 2024 for most of the Group CGUs are lower than the planned results for that period that were used in the impairment tests as at 31 December 2023, but for most of the Group CGUs the negative deviations of the projected amounts from those planned are lower than the excess of recoverable amounts over the carrying amounts of assets obtained in the previous test, adjusted based on the weighted average cost of capital calculated as at the reporting date.

At the same time, work is under way at the Grupa Azoty Group companies to develop a long-term business recovery plan involving, among other things, a significant reduction in capital expenditures relative to long-term plans included in the impairment tests as at 31 December 2023.

Taking into account the above circumstances, as well as the wording of par. 16 b) of IAS 36 *Impairment of Assets*, a decision was made to not prepare a formal estimate of recoverable amounts as at 31 March 2024, considering that the estimates of recoverable amounts determined in previous tests remained valid as at 31 March 2024 and therefore no additional impairment losses were necessary; further, none of the circumstances provided any rationale for reversing impairment losses recognised in prior periods.

For detailed information on the impairment tests and their results, see Note 6 to the consolidated financial statements of the Grupa Azoty Group for the 12 months ended 31 December 2023.

3.3. Execution of Standstill Agreements

On 2 February 2024, the Parent executed, on its own behalf and on behalf of the Grupa Azoty Group companies (the "Group") which are parties to the respective Financing Agreements, an agreement with 13 Financing Institutions (the "Agreement"): Powszechna Kasa Oszczędności Bank Polski S.A., Bank Gospodarstwa Krajowego, ING Bank Śląski S.A., Santander Bank Polska S.A., Caixabank S.A. Poland Branch, BNP Paribas Faktoring sp. z o.o., ING Commercial Finance Polska S.A., Pekao Faktoring sp. z o.o., BNP Paribas Bank Polska S.A., Santander

Factoring sp. z o.o. and Banco Santander S.A., Frankfurt Branch, as well as with the European Bank for Reconstruction and Development and the European Investment Bank.

The Agreement ensures the continued availability of credit limits under the Financing Agreements, prevents the Financing Institutions from taking actions to cancel or reduce the available limits of the Financing Agreements, and prevents the exercise of certain rights under the Financing Agreements in the event of a default or potential default under the Financing Agreements occurring during the term of the agreement, which is effective until 27 February 2024.

This will facilitate the development of a long-term restructuring plan for the Grupa Azoty Group. The Agreement may be subject to further extension with the consent of the Financing Institutions.

At the same time, the Parent agreed to provide specific documents to the Financing Institutions, introduce agreed restrictions on dispositions related to planned investments, granting sureties and guarantees, and incurring financial liabilities, and to appoint a financial advisor for the Financing Institutions.

The Parent fulfils all debt service and repayment obligations under the Financing Agreements in a timely manner, and the available limits thereunder ensure liquidity and secure financing for the Grupa Azoty Group to meet its own requirements and obligations to suppliers, ensuring the continuity of operations.

On 29 February 2024, 27 March 2024 and 25 April 2024, the Parent executed, on its own behalf and on behalf of the Grupa Azoty Group companies which are parties to the relevant financing agreements, annexes to the Agreement of 2 February 2024 (the first annex with an effective date of 28 February 2024, the second annex with an effective date of 26 March 2024, and the third annex with an effective date of 25 April 2024 (the "Annexes")).

The first agreement with the financing institutions was signed by Grupa Azoty on 31 August 2023. Under that agreement, the institutions agreed to waive certain covenants laid down in the agreements on the provision of financing to Grupa Azoty and Grupa Azoty Police. The waiver was granted in response to requests submitted by these entities in June 2023. As a result, consent was given to waive the net debt/EBITDA covenant as at the end of June 2023. The agreement of 2 February 2024 was signed following further talks with the financing institutions.

The Annexes to the Standstill Agreement ensure the continued availability of credit facility limits under the Financing Agreements, prevent the Financing Institutions from taking actions to cancel or reduce the available limits of the Financing Agreements, and prevent the exercise of certain rights under the Financing Agreements in the event of a default or potential default under the Financing Agreements occurring during the term of the Agreement, which has been extended under the Annexes initially until 25 March 2024, then until 25 April 2024, and finally until 28 May 2024.

Further negotiations are being conducted with the Financing Institutions in order to develop, as soon as practicable, a mutually satisfactory solution enabling the Group to operate and fulfil its obligations under the Agreements in accordance with their terms, also in subsequent periods, subject to such changes as the Financing Institutions deem required or desirable considering the change in circumstances under which the Group currently operates and under which it will operate in the coming years, reflecting the resulting change in the risk profile of the Group, the Company and its subsidiaries.

After the reporting date, on 25 April 2024, the Parent executed, on its own behalf and on behalf of the Grupa Azoty Group companies being parties to the respective Financing Agreements, agreements with 13 Financing Institutions. For details of the agreements, see 3.14.

(all amounts in PLN ‘000 unless indicated otherwise)

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

CO_2 emission allowances held (number of units)

	As at 31 Mar 2024 *unaudited*	As at 31 Dec 2023 *audited*
Balance at beginning of period (units held)	**4,231,805**	**5,685,103**
Allocated	-	4,850,464
Purchased	1,690,394	1,558,641
Redeemed (cancelled)	(1,230,212)	(6,015,005)
Surrendered (-)	(11,161)	(1,847,398)
Balance at end of period (units held)	**4,680,826**	**4,231,805**
Receivable	3,383,486	-
Balance at end of period (units held and receivable)	**8,064,312**	**4,231,805**
Emissions in the reporting period	1,417,462	5,013,296

The Grupa Azoty Group sold CO_2 emission allowances purchased on the market in earlier periods. The sale involved excess CO_2 emission allowances resulting from lower production levels and remaining after redeeming CO_2 emission allowances matching actual emissions for 2023.

In the reporting period, the Grupa Azoty Group executed a transaction to sell and repurchase 188,035 CO_2 emission allowances. The transaction value of PLN 48,478 thousand was disclosed under other financial liabilities. As at 31 March 2024, the balance of liabilities reflecting the financing utilisation period and foreign exchange differences was PLN 48,475 thousand.

The PLN 1,297,204 thousand increase in **short-term trade and other receivables** was attributable to the recognition of receivables for CO_2 emission allowances to be received for 2024 in a total amount of PLN 899,318 thousand.

The PLN 318,272 thousand decrease in **cash and cash equivalents** was mainly caused by payments for natural gas and lower demand for the Group’s products.

The PLN 1,005,064 thousand increase in **liabilities under borrowings** resulted mainly from the use of current account funds and disbursement of long-term revolving credit facilities.

The PLN 378,803 thousand decrease in **short-term trade and other payables** was attributable, among other things, to the use of financing in the form of reverse factoring, as reflected in the increase in **other financial liabilities.**

The PLN 634,690 thousand increase in **short-term grants** was mainly attributable to the recognition of free CO_2 emission allowances expected to be received.

In the three months ended 31 March 2024, the Grupa Azoty Group generated consolidated revenue of PLN 3,399 million and negative EBITDA of PLN -50 million, with a negative EBITDA margin of -1.5%.

The first quarter of 2024 saw a persisting macroeconomic downturn across the world. Overall demand for products offered by Grupa Azoty was too low for the Group to regain operating profitability, particularly amid further declines in product selling prices.

During the reporting quarter, the prices of all production inputs also fell significantly year on year. In the case of natural gas, the Group’s key feedstock, the price reduction reached 50% (based on TTF prices). The unit costs of energy carriers, such as electricity and coal, were also down. However, those declines were insufficient to translate into a positive EBITDA margin.

Main factors with a bearing on the Group’s financial performance in the key segments in Q1 2024 compared with Q1 2023:

Agro

In the three months ended 31 March 2024, key drivers of the Agro Segment’s performance compared with the previous year included an uptick in production volumes and sales, with concurrent market-wide price declines, spanning products, raw materials and agricultural crops.

In the first quarter of 2024, increased purchasing activity of customers drove up fertilizer sales year on year, both in the case of nitrogen and compound fertilizers (up by 52% and 37%, respectively). The year-on-year increase in customer activity was weaker, with demand for the segment’s products not picking up until the quarter’s end. The fertilizer market faced challenges due to the prolonged downward trend in crop prices, spanning a number of months, as well as the supply of fertilizer imports from outside the EU, encompassing both pricing and volume aspects, given increased product quantities available on the market.

(all amounts in PLN '000 unless indicated otherwise)

The Agro Segment witnessed a steep year-on-year drop in the price of natural gas, the key feedstock used for manufacturing nitrogen fertilizers, which offset the effects of falling product prices, ultimately delivering a positive EBITDA margin for the segment. In the case of compound fertilizers, the prices of key raw materials (phosphate rock and potassium chloride) also fell significantly year on year.

Consequently, the Agro Segment's EBITDA margin for the three months ended 31 March 2024 came in at 1.2%.

Chemicals

In the three months ended 31 March 2024, the Chemicals Segment saw a year-on-year decline in sales volumes, with the prices of both raw materials and products on a downward trajectory.

The segment's performance was adversely affected by persisting macroeconomic headwinds across the world and continued low structural demand for chemical products. On the other hand, positive factors included logistic disruptions delaying the supply of imported products (extended delivery times, higher transport costs), which stimulated interest in products supplied by European manufacturers, combined with falling prices of raw materials, including propylene. The prices of all segment products were also lower year on year, with the most significant declines recorded for NOXy, Pulnox and technical grade urea.

At Grupa Azoty PUŁAWY, one of the melamine production units was brought back on-stream.

The Chemicals Segment's EBITDA margin for the three months to 31 March 2024 came in at -14.9%.

Plastics

In the three months ended 31 March 2024, the Plastics Segment's production and sales volumes increased year on year, whereas the prices of both feedstock (phenol) and products went down.

The European market experienced an economic downturn amid escalating geopolitical tensions, which adversely affected consumer buying sentiment. Logistic constraints due to attacks on vessels in the Red Sea region translated into reduced and delayed imports of PA6 and its derivatives from Asia, boosting demand for the European products. However, real demand from primary product application sectors across Europe remained subdued, albeit stable, resulting in only a modest year-on-year increase in polyamide sales by the Grupa Azoty Group.

Given the continuing challenges of demand and supply, no decision was made to resume caprolactam production at Grupa Azoty PUŁAWY in the first quarter of 2024.

The Plastics Segment's EBITDA margin for the three months ended 31 March 2024 was -13.4%. The segment's results also encompass the production and sales activity of Grupa Azoty POLYOLEFINS, which is currently at the stage of plant commissioning and test runs.

3.5. Liabilities under borrowings

	As at 31 Mar 2024 *unaudited*	As at 31 Dec 2023 *audited*
Bank borrowings	7,856,317	6,873,006
Non-bank borrowings	643,309	621,556
	8,499,626	**7,494,562**
including		
Non-current	645,987	626,865
Current	7,853,639	6,867,697
	8,499,626	**7,494,562**

As at 31 March 2024, the Group did not change the presentation of bank borrowings which in 2023 were reclassified from non-current to current items.

In the three months ended 31 March 2024, no grounds arose for significant modifications to the agreement as referred to in paragraphs 3.3.2 and B 3.3.6 of IFRS 9 *Financial Instruments*.

In the three months ended 31 March 2024 and up to the date of authorisation of these financial statements for issue, the Group did not default on any of its liabilities or covenants where such default would trigger acceleration of the liabilities except as provided for in the Waiver and Amendment Letters of 31 August 2023 and 25 April 2024, and the Standstill Agreements, in which the Financing Institutions waived certain rights arising under the Financing Agreements due to default.

The Group has access to umbrella limits under PLN, EUR and USD overdraft facilities linked to physical cash pooling arrangements and under a multi-purpose credit facility which may be used as directed by the Parent in accordance with changes in funding requirements of any of the Group's subsidiaries. The Group also has access to bilateral overdraft limits and multi-purpose facilities.

The aggregate amount of the Group's undrawn overdraft and multi-purpose credit facilities as at 31 March 2024 was PLN 39 million. At the same time, the Group had undrawn limits under corporate credit facilities of PLN 42 million, and PLN 3 million 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 Polimery Police project was PLN 1,363 million.

As at 31 March 2024, under the agreements specified above the Group had access to total credit limits of approximately PLN 1,447 million (of which limits under Grupa Azoty POLYOLEFINS special purpose credit facilities for the financing of the Polimery Police project were PLN 1,363 million, and other limits available to the Group amounted to PLN 84 million).

The financial position of the Grupa Azoty Group is stable provided that credit limits under the financing agreements remain available and the standstill agreement signed between the Group and the financing institutions on 2 February 2024 continues in force.

However, an accumulation of negative factors might lead to a deterioration of the Group's financial position.

Security for borrowings

As at 31 March 2024, the Group's Agreements package was secured through harmonised sureties and guarantees granted by key subsidiaries, i.e. Grupa Azoty PUŁAWY, Grupa Azoty POLICE and Grupa Azoty KĘDZIERZYN. Each of the above-mentioned subsidiaries provided sureties/guarantees up to one-third of 120% of the value of each credit facility agreement, including:

- the PLN 3,000 million revolving credit facility and term credit facility (total sureties of up to PLN 3,600 million),
- the PLN 550 million loan facility from the European Investment Bank (total guarantees of up to PLN 660 million),
- the EUR 145 million loan facility from the European Investment Bank (total guarantees of up to EUR 174 million),
- the PLN 150 million loan facility from the European Bank for Reconstruction and Development (total guarantees of up to PLN 180 million),
- the PLN 500 million loan facility from the European Bank for Reconstruction and Development (total guarantees of up to PLN 600 million).

On 31 August 2023, under the Waiver and Amendment Letters, additional security was created with respect to liabilities under the Agreements through the execution by the Company's subsidiary Compo Expert Holding GmbH, acting as the guarantor, of a guarantee agreement with the Financing Parties. The guarantor's potential liability towards the Financing Parties is limited by German law to the value of the guarantor's net assets. As at the date of this Report, the security remained in force.

(all amounts in PLN '000 unless indicated otherwise)

Grupa Azoty's credit facility and loan agreements and maturities as at 31 March 2024

Borrowing	Currency	Reference rate	Amount as at the reporting date in foreign currency	Amount as at the reporting date in PLN	Up to 1 year	1–2 years	2–5 years	Over 5 years	Amount reclassified to current borrowings
Syndicated Credit Facility	PLN	variable	-	1,100,716	716	1,100,000	-	-	1,100,000
Syndicated Credit Facility	EUR	variable	83,217	357,912	171	357,741	-	-	357,741
Syndicated Term Loan Facility	PLN	variable	-	946,315	351,672	594,643	-	-	594,643
Overdraft facility with PKO BP S.A.	PLN	variable	-	1,082,275	1,082,275	-	-	-	-
Reverse lease with PKO BP Leasing	PLN	variable	-	11,034	1,595	1,430	4,980	3,029	-
Term loan facility with EIB	EUR	fixed	36,515	117,462	78,405	39,057	-	-	39,057
Term loan facility with EBRD	PLN	variable	-	35,363	23,825	11,538	-	-	11,538
Term loan facility II with EIB	EUR	fixed	99,942	430,913	126,982	83,151	220,780	-	303,931
Term loan facility II with EBRD	PLN	variable	-	333,375	100,041	66,667	166,667	-	233,334
Brazil Banco Santander	BRL	fixed	23,310	18,533	18,533	-	-	-	-
Brazil Banco Bradesco	BRL	fixed	16,778	13,330	13,330	-	-	-	-
Credit facility from Banco do Brasil	BRL	fixed	7,575	6,021	6,021	-	-	-	-
Spain Loan CDTI	EUR	variable	986	4,207	1,019	212	2,976	-	-
Spain Mortgage loan – BBVA	EUR	variable	1,073	4,378	1,583	1,204	1,591	-	-
Investment credit facility	EUR	variable	386,642	1,731,303	79,174	171,303	320,808	1,160,018	1,652,129
Investment credit facility	USD	variable	458,495	1,625,646	80,930	175,104	327,925	1,041,687	1,544,716
VAT credit facility	PLN	variable	-	16,915	16,915	-	-	-	-
NFOŚiGW – loan	PLN	variable	-	52,510	7,510	7,500	22,500	15,000	-
WFOŚiGW – loan	PLN	variable	-	6,023	5,234	789	-	-	-
KIND loan	USD	variable	71,898	291,276	-	-	-	291,276	-
ORLEN loan	PLN	variable	-	293,500	-	-	-	293,500	-
Overdraft facility with Commerzbank AG	EUR	variable	4,790	20,604	20,604	-	-	-	-
Revolving working capital facility as part of MPCF with PKO BP S.A.	PLN	variable	-	7	7	-	-	-	-
Liability under MPCF agreement	PLN	variable	-	2	2	-	-	-	-
PKO BP S.A. other	PLN	variable	-	6	6	-	-	-	-
				8,499,626	**2,016,550**	**2,610,339**	**1,068,227**	**2,804,510**	**5,837,089**

(all amounts in PLN '000 unless indicated otherwise)

Grupa Azoty's credit facility and loan agreements and maturities as at 31 December 2023

Borrowing	Currency	Reference rate	Amount as at the reporting date in foreign currency	Amount as at the reporting date in PLN	Up to 1 year	1–2 years	2–5 years	Over 5 years	Amount reclassified to current borrowings
Syndicated Credit Facility	PLN	variable	-	1,100,712	712	1,100,000	-	-	1,100,000
Syndicated Credit Facility	EUR	variable	83,217	361,832	173	361,659	-	-	361,659
Syndicated Term Loan Facility	PLN	variable	-	945,604	282,384	663,220	-	-	663,220
Overdraft facility with PKO BP S.A.	PLN	variable	-	360,502	360,502	-	-	-	-
Reverse lease with PKO BP Leasing	PLN	variable	-	11,356	1,328	1,430	4,980	3,618	-
Term loan facility with EIB	EUR	fixed	36,515	158,772	119,292	39,480	-	-	39,480
Term loan facility with EBRD	PLN	variable	-	34,679	23,144	11,535	-	-	11,535
Term loan facility II with EIB	EUR	fixed	99,942	434,408	85,211	84,020	252,133	13,044	349,197
Term loan facility II with EBRD	PLN	variable	-	339,729	73,340	66,545	199,844	-	266,389
Brazil Banco Santander	BRL	fixed	23,469	19,063	19,063	-	-	-	-
Brazil Banco Bradesco	BRL	fixed	13,499	10,961	10,961	-	-	-	-
Credit facility from Banco do Brasil	BRL	fixed	6,801	5,526	5,526	-	-	-	-
Spain Loan CDTI	EUR	variable	986	4,286	1,030	252	3,004	-	-
Spain Mortgage loan - BBVA	EUR	variable	1,073	4,666	1,504	1,553	1,609	-	-
Investment credit facility	EUR	variable	411,498	1,506,964	57,553	52,470	305,254	1,091,687	1,449,411
Investment credit facility	USD	variable	370,315	1,550,265	59,685	54,414	316,564	1,119,602	1,490,580
VAT credit facility	PLN	variable	-	15,828	15,828	-	-	-	-
NFOŚiGW - loan	PLN	variable	-	52,511	5,636	7,500	22,500	16,875	-
WFOŚiGW - loan	PLN	variable	-	6,403	5,501	902	-	-	-
BGK PLN	PLN	variable	-	7,712	7,712	-	-	-	-
KIND loan	USD	variable	67,323	278,712	-	-	-	278,712	-
ORLEN loan	PLN	variable	-	283,930	-	-	-	283,930	-
PKO BP S.A. other	PLN	variable	-	1	1	-	-	-	-
PKO BP S.A.	USD	variable	34	140	140	-	-	-	-
				7,494,562	**1,136,226**	**2,444,980**	**1,105,888**	**2,807,468**	**5,731,471**

(all amounts in PLN '000 unless indicated otherwise)

3.6. Contingent liabilities, contingent assets, sureties and guarantees

Contingent assets

	As at 31 Mar 2024 *unaudited*	As at 31 Dec 2023 *audited*
Contingent receivables	19,163	19,163

The amount of contingent receivables mainly resulted from a claim for payment of PLN 18,864 thousand filed by Grupa Azoty PUŁAWY against Ciech S.A. for breach by Ciech S.A. of warranties under the share purchase agreement and from pending proceedings for property tax refund claimed by Grupa Azoty PUŁAWY for tax overpayment.

Contingent liabilities and guarantees/sureties

	As at 31 Mar 2024 *unaudited*	As at 31 Dec 2023 *audited*
Other contingent liabilities, including guarantees	37,711	29,058

Other contingent liabilities, including guarantees, mainly related to the lawsuit filed by Ciech S.A. on 12 February 2013 with the District Court in Gdańsk for an amount of PLN 18,864 thousand to be awarded from Grupa Azoty Zakłady Fosforowe Gdańsk Sp. z o.o. (a subsidiary of Grupa Azoty PUŁAWY) as compensation for the damage suffered by Ciech S.A. as a result of misrepresentations made by the defendant regarding the legal status and financial position of the defendant and its subsidiaries, together with statutory interest accrued from the claim filing date to the day of payment, and legal costs, including costs of legal representation. As at the reporting date, the amount of the claim was estimated at PLN 34,846 thousand. The case is pending. In the Management Board's opinion, the claim is unjustified, but the Management Board does not rule out an amicable settlement of the dispute.
The balance represented security for a grant awarded to Grupa Azoty ATT Polymers GmbH by Investitionsbank des Landes Brandenburg (ILB) to finance a part of expenditure on the 'Construction of a Logistics Centre' project in Guben (EUR 1,800 thousand), liabilities of PLN 7,195 thousand under security related to the operation of a tax warehouse (the Head of the Customs Office in Lublin released Grupa Azoty PUŁAWY from the obligation to provide an excise bond with respect to excise duty and fuel charge payables arising in connection with the manufacture of products subject to excise duty, by way of excise duty suspension for up to the amount specified above until 30 April 2024), and claims made by other companies in the course of their business relating to mutual settlements and guarantees under commercial contracts.

3.7. 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 31 March 2024, 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 31 March 2024, 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 would be required to provide benefits to the Group companies.

(all amounts in PLN '000 unless indicated otherwise)

3.8. Accounting estimates and assumptions

Changes in impairment losses on property, plant and equipment

	For period 1 Jan – 31 Mar 2024 *unaudited*	For period 1 Jan – 31 Mar 2023 *unaudited*
At beginning of period	**2,795,081**	**1,433,562**
Recognised	936	186
Reversed (-)	(416)	-
Used (-)	-	(1,895)
Presentation change	-	(1,177)
At end of period	**2,795,601**	**1,430,676**

Changes in inventory write-downs

	For period 1 Jan – 31 Mar 2024 *unaudited*	For period 1 Jan – 31 Mar 2023 *unaudited*
At beginning of period	**217,709**	**518,025**
Recognised	67,711	364,643
Reversed (-)	(25,174)	(67,967)
Used (-)	(75,852)	(331,272)
Exchange differences	(329)	258
At end of period	**184,065**	**483,687**

Changes in impairment losses on receivables

	For period 1 Jan – 31 Mar 2024 *unaudited*	For period 1 Jan – 31 Mar 2023 *unaudited*
At beginning of period	**97,378**	**91,942**
Recognised	4,081	1,785
Reversed (-)	(3,128)	(1,976)
Used (-)	(2,551)	(1,199)
Exchange differences	69	190
At end of period	**95,849**	**90,742**

3.9. Dividend

In the three months ended 31 March 2024 and as at the issue date of the financial statements for that period, the Parent did not pay any dividends.

3.10. Seasonality of operations

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

Mineral fertilizers

Demand for fertilizers from the agricultural market is the highest in spring and slightly lower in autumn, reflecting the seasonal nature of agricultural activity. Weather patterns are the key factor in this case as they have a significant effect on demand for fertilizer products considering the nature of agricultural production. In the reporting period, due to a number of geopolitical factors, such as the ongoing war in Ukraine, instability in the Middle East and logistic problems in the Red Sea region, the market had to face further challenges that led to its destabilisation. The typical market cycle was disrupted by volatile and unpredictable conditions prevailing in the energy commodity markets, and the fluctuations in the prices of production inputs, including fertilizers, prompted some customers to change their purchasing decisions (postponing purchases until fertilizer application was just about to begin), leading to smaller or postponed orders.

Titanium white

In the markets for the sale of titanium white (Poland and Europe), peak demand for titanium white occurs during spring and summer (the second and third quarters of a year), driven by increased demand for paints and varnishes in the construction industry. Winter (the fourth and first quarters of a year) is usually a period of declines in titanium white sales. While titanium white remains a seasonal product, demand for the product primarily hinges on general market conditions given its extensive range of applications.

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

3.11. Impact of the war in Ukraine

In the first three months of 2024, there were no new factors, risks or events with material bearing on the Parent's or the Group's operations.

The key identified risks arising from the war in Ukraine that may materially affect future financial results are presented below.

1. Risk of disruption in natural gas supply to Grupa Azoty Group companies
2. Risk associated with the prices and availability of strategic raw materials supplied from the territory of Ukraine, as well as from the Russian Federation and the Republic of Belarus
3. Increased risk of higher financing costs, interest rate hikes and depreciation of the Polish currency against the euro and the US dollar sparked by the current economic turbulence

It should also be noted that the Parent and its subsidiaries do not hold any material assets in Ukraine, Russia and Belarus and sales to these markets before the outbreak of the war in Ukraine were immaterial, accounting for less than 2.5% of total sales. Since the outbreak of the war in Ukraine, sales of products by the Company and its subsidiaries to customers in Russia and Belarus have been suspended.

It should also be noted that the Group's revenue earned in the reporting period from sales of products on the Ukrainian market represents 4.4% of total revenue. The revenue was mainly generated by the Agro Segment.

3.12. Information on sanctions

Sanctions imposed on a minority shareholder of the Parent

On 6 April 2022, Mr Viatcheslav Moshe Kantor, holding a controlling equity interest in the Russian chemical company ACRON, was placed on the United Kingdom sanctions list, on 8 April 2022 – on the European Union sanctions list, and on 25 April 2022, together with the subsidiaries Norica Holding S.à.r.l. of Luxembourg, Opansa Enterprises Limited of Cyprus and Rainbee Holdings Limited of Cyprus, through which he controls 19.82% of Grupa Azoty S.A. shares – on the Polish sanctions list. Mr Kantor is a minority shareholder who has no influence over the activities of Grupa Azoty or the right to nominate members of the Company's governing bodies, and therefore, despite his shareholding, Mr Kantor does not own or control the Company within the meaning of Council Regulation (EU) No. 269/2014 of 17 March 2014 on restrictive measures with regard to actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.

None of the prerequisites for Grupa Azoty S.A. and its subsidiaries to be directly or indirectly subjected to any sanctions are met. Grupa Azoty S.A. and its subsidiaries comply with all sanctions regulations, condemn the Russian aggression and any actions directed against Ukraine and have no relations with the government of the Russian Federation.

On 12 July 2023, Mr Radosław Leszek Kwaśnicki obtained control, including voting rights, of the Company shares following the appointment of Mr Radosław Leszek Kwaśnicki for a period of six months:

1. under Decision No. DNP-VII.491.3.2023 of the Minister of Development and Technology dated 11 July 2023 – as the administrator of Norica Holding Sarl with its registered office at 121 Avenue de la Fraincerie L-1511, Luxembourg ("Norica"), with respect to its shareholding in the Company,
2. under Decision No. DNP-VII.491.4.2023 of the Minister of Development and Technology dated 11 July 2023 – as the administrator of Opansa Enterprises Limited with its registered office at Kastros 2, Nicosia, 1087, Cyprus ("Opansa"), with respect to its shareholding in the Company,
3. under Decision No. DNP-VII.491.5.2023 of the Minister of Development and Technology dated 11 July 2023 – as the administrator of Rainbee Holdings Limited with its registered office at Kastros 2, Nicosia, 1087, Cyprus, entered in the Cyprus Companies Registry under no. HE 309661 ("Rainbee"), with respect to its shareholding in the Company,

in order to take over the title to these entities' shareholdings in the Company.

As the administrator of Norica, Opansa and Rainbee (collectively, the "**Companies under Administration**"), under Art. 6a.11.2 and Art. 6a.11.3 in conjunction with Art. 6b.3 of the Act on Special Measures to Prevent Supporting Aggression against Ukraine and Protect the National Security of 13 April 2022 (the "**Sanctions Act**"), Mr Radosław Leszek Kwaśnicki (the "**Administrator**") has the right to pass resolutions and make decisions on all matters relating to the Company shares held by the Companies under Administration which fall within the remit of the governing bodies of each Company under Administration, including the right to vote the Company shares held by them.

The Companies under Administration hold a total of 19,657,350 shares in the Company, representing approximately 19.82% of the Company's share capital and 19,657,350 voting rights at the Company's General Meeting, accounting for approximately 19.82% of the total voting rights in the Company.

The acquisition of control over the aforementioned Company shares by Radosław Leszek Kwaśnicki effectively took place on 12 July 2023 (the "**Control Acquisition Date**"). According to the Sanctions Act, a decision to appoint an administrator is immediately enforceable and takes effect on the day following the day on which the decision is published in the Public Information Bulletin on the website of the Minister of Development and Technology (Art. 6b.2 in conjunction with Art. 6a.2 and Art. 4.3 of the Sanctions Act). All of the decisions referred to in items 1–3 above were published in the Public Information Bulletin on 11 July 2023 and are enforceable as of 12 July 2023.
In the opinion of the Minister of Development and Technology, the appointment of an administrator for the Companies under Administration with respect to the Company shares held by them is necessary as a means of protecting important public interest and economic interest and ensuring national security.
By decisions of the Minister of Development and Technology of 10 January 2024, the period of temporary administration was extended to 12 months.

3.13. Other information

Discontinuation of proceedings conducted by National Fund for Environmental Protection and Water Management

On 9 January 2024, the Management Board of the Parent received a decision from the National Fund for Environmental Protection and Water Management (NFOŚiGW) to the effect that the administrative proceedings concerning repayment by the Parent of the aid amounting to PLN 52,285 thousand were discontinued as groundless.
The aid amount related to financial support received from NFOŚiGW under the Government Programme 'Aid to energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022' adopted by Resolution No. 1/2023 of the Council of Ministers of 3 January 2023 (the "Aid").
NFOŚiGW stated that the Parent failed to satisfy the criteria or conditions for receiving the Aid, as a result of which the Aid was awarded illegitimately and, as such, must be repaid with interest.
On 3 October 2023, NFOŚIGW initiated administrative proceedings concerning repayment of the state aid.
The discontinuation of the proceedings means that the Parent did satisfy the criteria and conditions for receiving the Aid, and therefore the PLN 52,285 thousand Aid granted to the Parent was awarded legitimately and, as such, is not subject to repayment.

Update on the turnkey contract to construct a coal-fired power generation unit

On 26 January 2024, the Management Board of Grupa Azoty PUŁAWY received an updated work schedule from Polimex-Mostostal S.A., the general contractor for the coal-fired power generation unit project. According to the schedule, the project is expected to be completed in October 2024. Simultaneously, the general contractor requested that the parties engage in mediation proceedings. No mediation proceedings had been initiated by the date of authorisation of this interim Report.

Melamine production resumed

On 30 January 2024, a decision was made to resume melamine production and to commence, as of that date, work on putting the Melamine III unit into operation at Grupa Azoty PUŁAWY. The unit's production volumes are adjusted based on prevailing market conditions. Melamine III unit's maximum daily capacity of 90 tonnes accounts for approximately one-third of the rated capacity of all melamine units at the Group.

The Parent and its subsidiaries are monitoring the market situation. Production volumes are being gradually raised, as regularly announced in current reports on output levels issued by the Parent.

Amendment proposal under Polimery Police contract submitted by General Contractor

On 2 February 2024, Grupa Azoty POLYOLEFINS received from Hyundai Engineering Co., Ltd., the General Contractor for the Polimery Police project, an amendment proposal regarding the turnkey engineering, procurement and construction (EPC) contract of 11 May 2019 to carry out the Polimery Police project (the "EPC Contract").

The amendment proposal sought an extension of the completion date of the Polimery Police project by an additional 95 days (in addition to the 166 days indicated in the notification of the General Contractor's initiation of the Amendment Proposal procedure under the EPC Contract to extend the project completion date, announced in Current Report No. 52/2023 of 13 November 2023) and an increase in the General Contractor's fee by EUR 39,772,455.

The General Contractor cited events occurring in 2023 and 2024 that affected specific parts of the project and, in their opinion, prevented the start-up of the installation to achieve its guaranteed parameters as the reasons for extension of the completion date and increase of the fee.

On 6 February 2024, Grupa Azoty POLYOLEFINS received from the General Contractor for the Polimery Police project another amendment proposal regarding the EPC Contract.

The General Contractor proposed to increase its fee by EUR 5,841,629 representing, according to the General Contractor, the total amount of interest on late payments due for the achievement of the milestones specified in the EPC Contract. As stated in the General Contractor's proposal, should the amendment proposal be rejected, the General Contractor would call on Grupa Azoty POLYOLEFINS to pay EUR 5,841,629 as interest or compensation for breach of the EPC Contract within 14 days of receipt of the letter.

According to the EPC turnkey contract, it is the General Contractor who is responsible for carrying out all the work at each stage of the project, such as obtaining the relevant permits, procurement and delivery of equipment and materials, construction work, commissioning, and start-up.

According to Grupa Azoty POLYOLEFINS, the payment of the General Contractor's fee was withheld:

- based on the provisions of the EPC Contract, according to which Grupa Azoty POLYOLEFINS' acceptance of each milestone for a given subproject is subject to prior acceptance of all milestones for a given subproject which precede the milestone in question,
- due to the General Contractor's failure to timely rectify the defects found in the completed work.

The amendment proposals are being thoroughly reviewed and verified in terms of their validity under the EPC Contract, in accordance with the procedure provided for in the EPC Contract, and under other agreements between the Subsidiary and the General Contractor, as well as in the light of relevant facts.

3.14. Events after the reporting date

Execution of Annex to Standstill Agreements by the Parent

On 25 April 2024, the Parent executed, on its own behalf and on behalf of the Grupa Azoty Group companies which are parties to the relevant financing agreements, a third annex to the Agreement of 2 February 2024 (with an effective date of 25 April 2024) (the "Annex").

The Annex to the Standstill Agreement ensures the continued availability of credit facility limits under the Financing Agreements, prevents the Financing Institutions from taking actions to cancel or reduce the available limits of the Financing Agreements, and prevents the exercise of certain rights under the Financing Agreements in the event of a default or potential default under the Financing Agreements occurring during the term of the Standstill Agreement, which has been extended under the Annex until 28 May 2024.

Further negotiations are being conducted with the Financing Institutions in order to develop, as soon as practicable, a mutually satisfactory solution enabling the Group to operate and fulfil its obligations under the Agreements in accordance with their terms, also in subsequent periods, subject to such changes as the Financing Institutions deem required or desirable considering the change in circumstances under which the Group currently operates and under which it will operate in the coming years, reflecting the resulting change in the risk profile of the Group, the Company and its subsidiaries.

Under the Annex, the Financing Institutions maintained the availability of credit facility limits covered by the Agreement for its extended term, including with:

1. BNP Paribas BP S.A. – to the PLN 240 million to the multi-purpose premium credit facility agreement for opening and servicing guarantees and letters of credit, with the availability period extended until 28 May 2024,
2. CaixaBank S.A. – to the PLN 500 million payment services and financing agreement, with the availability period extended until 28 May 2024,
3. Pekao Faktoring Sp. z o.o. – to the PLN 550 million Supply Financing Agreement and the PLN 250 million Factoring Agreement, with the availability periods extended until 28 May 2024,
4. ING Commercial Finance Polska S.A. – to the PLN 800 million Reverse Factoring Agreement, with the availability period extended until 28 May 2024, to be automatically extended further for the term of the Agreement in the event of its extension.

Execution of a Standstill Agreement by Grupa Azoty POLYOLEFINS

On 29 February 2024, Grupa Azoty POLYOLEFINS and the following financial institutions: Alior Bank S.A., Bank Gospodarstwa Krajowego, Bank Ochrony Środowiska S.A., Bank Polska Kasa Opieki S.A., BNP Paribas Bank Polska S.A., European Bank for Reconstruction and Development, Haitong Bank Polska S.A., ICBC Standard Bank PLC, Industrial and Commercial Bank of China (Europe) S.A. (Joint-Stock Company) Poland Branch, mBank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Powszechny Zakład Ubezpieczeń S.A., Powszechny Zakład Ubezpieczeń na Życie S.A., PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2 and Santander Bank Polska S.A. executed an amendment agreement (the "Amendment Agreement") to a standstill agreement (the "Standstill Agreement") related to the financing of the Polimery Police investment project (the "Project"), linked to the existing agreement for the financing of the Project (the "Credit Facilities Agreement"). In the Amendment Agreement, the parties defined the conditions on which the Financial Institutions will provide financing for the Project for the subsequent term of the Standstill Agreement, that is until 27 March 2024. The parties also agreed that the provision by the Parent and Grupa Azoty POLICE (the "Original Sponsors") of the balance of the support loan of up to EUR 105 million (the upper limit) to the Subsidiary would be made by 27 March 2024 at the latest.

On 27 March 2024, Grupa Azoty POLYOLEFINS and the Financial Institutions signed a second amendment agreement extending the terms of the Standstill Agreement until 26 April 2024, and on 26 April 2024 Grupa Azoty POLYOLEFINS and the Financial Institutions signed a third amendment agreement extending the terms of the Standstill Agreement until 29 May 2024.

Consent to waive selected terms of financing agreements

On 25 April 2024, the Parent, acting on its own behalf and on behalf of the other Grupa Azoty Group companies being parties to the Financing Agreements, executed Waiver and Amendment Letters with the Financing Parties whereby these institutions consented to waive selected covenants under the Grupa Azoty Group's Financing Agreements, including waiver of the covenant regarding the net debt to EBITDA ratio tested as at 31 December 2023.

Management Board recommendation and Supervisory Board resolution on coverage of net loss for 2023

On 17 May 2024, the Management Board of the Parent passed a resolution proposing that the Parent's net loss for the financial year ended 31 December 2023, amounting to PLN 1,600,306,401.62, be fully covered from the Parent's share premium account.
In order to implement the resolution, the Management Board requested the Supervisory Board of the Parent to assess and give its opinion on the proposal, and the Annual General Meeting to resolve on coverage of the net loss for 2023.

On 23 May 2024, the Supervisory Board of the Parent gave a favourable opinion on the Management Board's proposal regarding coverage of the net loss incurred by the Parent for the financial year ended 31 December 2023, addressed to the Annual General Meeting.

A final decision on coverage of the net loss for the financial year 2023 will be made by the Annual General Meeting of the Parent.

Interim condensed financial statements of Grupa Azoty Spółka Akcyjna for the three months ended 31 March 2024, prepared in accordance with IAS 34 *Interim Financial Reporting* as endorsed by the European Union

Financial highlights

	(PLN '000)		(EUR '000)	
	For period 1 Jan – 31 Mar 2024 *unaudited*	For period 1 Jan – 31 Mar 2023 *unaudited*	For period 1 Jan – 31 Mar 2024 *unaudited*	For period 1 Jan – 31 Mar 2023 *unaudited*
Revenue	603,425	651,877	139,646	138,682
Operating loss	(23,067)	(22,026)	(5,338)	(4,686)
Loss before tax	(60,016)	(53,439)	(13,889)	(11,369)
Net loss	(51,784)	(74,388)	(11,984)	(15,826)
Comprehensive income f(tor period	(46,740)	(70,095)	(10,817)	(14,912)
Number of shares	99,195,484	99,195,484	99,195,484	99,195,484
Loss per ordinary share (PLN)	(0.52)	(0.75)	(0.12)	(0.16)
Net cash from operating activities	190,422	28,133	44,068	5,985
Net cash from investing activities	28,060	7,169	6,494	1,525
Net cash from financing activities	132,194	(352,990)	30,593	(75,096)
Total net cash flows	350,676	(317,688)	81,154	(67,586)
Cash and cash equivalents at beginning of period	1,053,441	1,341,688	243,790	285,435
Cash and cash equivalents at end of period	1,407,917	1,023,864	325,824	217,820
	As at 31 Mar 2024 *unaudited*	As at 31 Dec 2023 *audited*	As at 31 Mar 2024 *unaudited*	As at 31 Dec 2023 *audited*
Non-current assets	7,634,937	7,662,003	1,775,195	1,762,190
Current assets	2,639,637	2,086,728	613,741	479,928
Non-current liabilities	354,456	352,913	82,414	81,167
Current liabilities	6,064,660	5,493,620	1,410,091	1,263,482
Equity	3,855,458	3,902,198	896,431	897,470
Share capital	495,977	495,977	115,319	114,070

Selected items of the statement of comprehensive income, statement of financial position and statement of cash flows have been translated into the euro using the generally applicable method described below:

- Items of assets and equity and liabilities in the statement of financial position have been translated at the exchange rate effective for the last day of the reporting period:
  the exchange rate as at 29 March 2024 was EUR 1 = PLN 4.3009 (table No. 64/A/NBP/2024);
  the exchange rate as at 29 December 2023 was EUR 1 = PLN 4.3480 (table No. 251/A/NBP/2023);
- Items of the statement of comprehensive income and statement of cash flows were translated using the arithmetic average of the EUR/PLN rates quoted by the National Bank of Poland as effective for the last day of each month in the reporting period:
  in the period 1 January 2024–31 March 2024, the average exchange rate was EUR 1 = PLN 4.3211;
  in the period 1 January 2023–31 March 2023, the average exchange rate was EUR 1 = PLN 4.7005.

The translation was made using the exchange rates specified above by dividing amounts expressed in thousands of the złoty by the exchange rate.

(all amounts in PLN ‘000 unless indicated otherwise)

Interim condensed statement of comprehensive income

	For period 1 Jan – 31 Mar 2024 *unaudited*	For period 1 Jan – 31 Mar 2023 *unaudited*
Profits and losses		
Revenue	603,425	651,877
Cost of sales	(533,452)	(652,548)
Gross profit/(loss)	**69,973**	**(671)**
Selling and distribution expenses	(33,950)	(27,672)
Administrative expenses	(57,147)	(45,356)
Other income	3,100	55,638
Other expenses	(5,043)	(3,965)
Operating loss	**(23,067)**	**(22,026)**
Finance income	48,082	39,999
Finance costs	(85,031)	(71,412)
Net finance costs	**(36,949)**	**(31,413)**
Loss before tax	**(60,016)**	**(53,439)**
Income tax	8,232	(20,949)
Net loss	**(51,784)**	**(74,388)**
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Cash flow hedges – effective portion of fair-value change	6,228	5,300
Income tax relating to items that are or will be reclassified to profit or loss	(1,184)	(1,007)
Total items that are or will be reclassified to profit or loss	**5,044**	**4,293**
Total other comprehensive income	**5,044**	**4,293**
Comprehensive income for period	**(46,740)**	**(70,095)**
Loss per share:		
Basic (PLN)	(0.52)	(0.75)
Diluted (PLN)	(0.52)	(0.75)

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

(all amounts in PLN ‘000 unless indicated otherwise)

Interim condensed statement of financial position

	As at 31 Mar 2024 *unaudited*	As at 31 Dec 2023 *audited*
Non-current assets		
Property, plant and equipment	1,676,745	1,692,025
Right-of-use assets	74,261	70,302
Investment property	25,386	25,677
Intangible assets	41,528	41,660
Shares	4,794,740	4,794,740
Other financial assets	863,490	893,880
Other receivables	66,365	58,375
Deferred tax assets	92,422	85,344
Total non-current assets	**7,634,937**	**7,662,003**
Current assets		
Inventories	232,493	270,257
Property rights	310,979	234,684
Other financial assets	190,497	201,760
Trade and other receivables	497,751	326,586
Cash and cash equivalents	1,407,917	1,053,441
Total current assets	**2,639,637**	**2,086,728**
Total assets	**10,274,574**	**9,748,731**
Equity		
Share capital	495,977	495,977
Share premium	2,418,270	2,418,270
Hedging reserve	6,740	1,696
Retained earnings	934,471	986,255
Total equity	**3,855,458**	**3,902,198**
Liabilities		
Lease liabilities	68,875	68,199
Other financial liabilities	157,301	155,858
Employee benefit obligations	71,718	71,718
Other obligations	1,500	1,500
Provisions	9,371	9,371
Grants	45,691	46,267
Total non-current liabilities	**354,456**	**352,913**
Borrowings	4,754,436	4,261,671
Lease liabilities	16,418	16,539
Other financial liabilities	387,075	370,019
Employee benefit obligations	6,468	6,468
Current tax liabilities	10	10
Trade and other payables	784,860	812,254
Provisions	19,200	23,995
Grants	96,193	2,664
Total current liabilities	**6,064,660**	**5,493,620**
Total liabilities	**6,419,116**	**5,846,533**
Total equity and liabilities	**10,274,574**	**9,748,731**

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

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed statement of changes in equity

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
As at 1 Jan 2024	**495,977**	**2,418,270**	**1,696**	**986,255**	**3,902,198**
Profit or loss and other comprehensive income					
Net loss	-	-	-	(51,784)	(51,784)
Other comprehensive income	-	-	5,044	-	5,044
Comprehensive income for period	**-**	**-**	**5,044**	**(51,784)**	**(46,740)**
As at 31 Mar 2024 (*unaudited*)	**495,977**	**2,418,270**	**6,740**	**934,471**	**3,855,458**
As at 1 Jan 2023	**495,977**	**2,418,270**	**(43,658)**	**2,597,741**	**5,468,330**
Profit or loss and other comprehensive income					
Net loss	-	-	-	(74,388)	(74,388)
Other comprehensive income	-	-	4,293	-	4,293
Comprehensive income for period	**-**	**-**	**4,293**	**(74,388)**	**(70,095)**
As at 31 Mar 2023 (*unaudited*)	**495,977**	**2,418,270**	**(39,365)**	**2,523,353**	**5,398,235**

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

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed statement of cash flows

	For period 1 Jan – 31 Mar 2024 *unaudited*	For period 1 Jan – 31 Mar 2023 *unaudited*
Cash flows from operating activities		
Loss before tax	**(60,016)**	**(53,439)**
Depreciation and amortisation	38,052	36,000
Recognition of impairment losses	68	186
(Gain)/loss from investing activities	(103)	165
Interest, foreign exchange gains or losses	21,141	45,564
Fair value (loss)/gain on financial assets	5,896	(13,004)
Increase in trade and other receivables	(171,163)	(260,511)
Increase in inventories and property rights	(38,533)	(144,038)
Increase in trade and other payables	305,527	276,015
Decrease in provisions	(4,794)	(10,246)
Increase in grants	92,952	155,198
Other adjustments	1,425	(3,297)
Income tax paid	(30)	(460)
Net cash from operating activities	**190,422**	**28,133**
Cash flows from investing activities		
Proceeds from sale of intangible assets, property, plant and equipment, and investment property	202	164
Acquisition of intangible assets, property, plant and equipment, and investment property	(53,498)	(47,325)
Interest received	26,083	21,690
Repayments of loans	55,290	33,177
Other cash provided by (used in) investing activities	(17)	(537)
Net cash from investing activities	**28,060**	**7,169**
Cash flows from financing activities		
Proceeds from borrowings	719,397	958,564
Repayment of borrowings	(213,034)	(1,052,244)
Interest paid	(78,975)	(71,030)
Commission fees on bank borrowings	(163)	(2,150)
Payment of lease liabilities	(6,145)	(4,658)
Payment of reverse factoring liabilities	(286,766)	(190,022)
Other cash provided by (used in) financing activities	(2,120)	8,550
Net cash from financing activities	**132,194**	**(352,990)**
Total net cash flows	**350,676**	**(317,688)**
Cash and cash equivalents at beginning of period	**1,053,441**	**1,341,688**
Effect of exchange rate fluctuations on cash held	3,800	(136)
Cash and cash equivalents at end of period	**1,407,917**	**1,023,864**

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

Supplementary information to the interim condensed financial statements

1. Basis of accounting used in preparing the interim condensed financial statements

1.1. Statement of compliance and basis of accounting

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 financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These interim condensed financial statements of the Company cover the three months ended 31 March 2024 and contain comparative data for the three months ended 31 March 2023 and as at 31 December 2023.

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 No. KRS 0000075450. The Company's REGON number for public statistics purposes is 850002268.

The Company has been established for an indefinite period.

The Company's business includes in particular:
- manufacture of basic chemicals,
- manufacture of fertilizers and nitrogen compounds,
- manufacture of plastics and synthetic rubber in primary forms,
- manufacture of plastics,
- managing of subsidiaries.

These interim condensed financial statements of the Company for the three months ended 31 March 2024 were authorised for issue by the Management Board on 28 May 2024.

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 full-year financial statements of Grupa Azoty Spółka Akcyjna for the 12 months ended 31 December 2023, prepared in accordance with International Financial Reporting Standards as endorsed by the European Union. The financial statements for 2023 were authorised for issue on 29 April 2024.

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

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

1.2. Going concern assumption

These interim condensed financial statements have been prepared on the assumption that the Company will continue as a going concern for the foreseeable future, that is for at least 12 months from the reporting date. Below in this section are presented important matters, including significant uncertainties regarding circumstances that may pose risks to the Group's operations.

Events which, in the Management Board's opinion, contribute to significant uncertainty about the Company's ability to continue as a going concern include, among others:
- persistence of adverse market factors directly impacting the Company's financial position,
- extension of the completion date of the Polimery Police project along with the risk of potential participation in another Support Loan,
- as a consequence of potential breaches of the Financing Agreements, there is a risk of suspension of all or part of the available financing, cancellation of all or part of the financing or final termination of the Grupa Azoty Financing Agreements (the "Financing Agreements") by the Financing Institutions, resulting in acceleration of the credit facilities. The decision to terminate the agreement in the event of a breach of the terms and conditions remains entirely beyond the control of Grupa Azoty.

The Company's performance in the reporting period was determined by adverse global macroeconomic conditions, including the lack of significant recovery in many sectors of both European and global economy, as well as continued high inflation.
As a result, the Company generated negative results, including net loss of PLN (51,784) thousand and EBITDA of PLN 15,053 thousand.

The key market factors that affect the assessment regarding the continuity of operations include the drop in demand for Grupa Azoty's products and the sustained inflation rate, which in the case of fertilizer markets has a major impact on purchasing power and thus consumer behaviour.

Simultaneously, weaker economic sentiment in Europe is eroding demand from enterprises for the use of plastics in industry.

In view of the challenging market environment, the Company is undertaking proactive measures to undergo an energy transition enabling optimal management of production assets while incurring lower manufacturing costs.

On 2 February 2024, the Company executed, on its own behalf and on behalf of the Grupa Azoty Group companies which are parties to the respective Financing Agreements, an agreement with 13 Financing Institutions (the "Standstill Agreement"): Powszechna Kasa Oszczędności Bank Polski S.A., Bank Gospodarstwa Krajowego, ING Bank Śląski S.A., Santander Bank Polska S.A., Caixabank S.A. Poland Branch, BNP Paribas Faktoring sp. z o.o., ING Commercial Finance Polska S.A., Pekao Faktoring sp. z o.o., BNP Paribas Bank Polska S.A., Santander Factoring sp. z o.o. and Banco Santander S.A., Frankfurt Branch, as well as with the European Bank for Reconstruction and Development and the European Investment Bank.

The Standstill Agreement ensures the continued availability of credit facility limits under the Financing Agreements, prevents the Financing Institutions from taking actions to cancel or reduce the available limits of the Financing Agreements, and prevents the exercise of certain rights under the Financing Agreements in the event of a default or potential default during the term of the Standstill Agreement, which was signed for a period until 27 February 2024, subsequently extended under the Annexes – initially until 25 March 2024, then until 25 April 2024, and subsequently until 28 May 2024.

This will facilitate the development of a long-term restructuring plan for the Company and the Group. The Agreement may be subject to further extension with the consent of the Financing Institutions.

At the same time, the Company agreed to provide specific documents to the Financing Institutions, introduce agreed restrictions on dispositions related to planned investments, granting sureties and guarantees and incurring financial liabilities, and to appoint a financial advisor for the Financing Institutions.

The Company fulfils all debt service and repayment obligations under the Financing Agreements in a timely manner, and the available limits thereunder ensure liquidity and secure financing for the Company to meet its own requirements and obligations to suppliers, ensuring the continuity of operations.

During the term of the Standstill Agreement, the Default Suspension mechanism is in force, under which the Financing Institutions have agreed to refrain from exercising any rights or taking any actions that may be vested in them as a result of the suspended defaults. This includes suspending further financing or terminating the Financing Agreements in connection with a breach of the covenants.

Failure to comply with the conditions set out in the Standstill Agreement may give rise to its expiry or termination by the Financing Institutions.

Expiry or termination of the Standstill Agreement also results in termination of suspension of Defaults under the Standstill Agreement.

The Annexes to the Standstill Agreement ensure the continued availability of the credit facilities (with suspension of repayment of principal instalments due and payable during the term of the Standstill Agreement) under the Financing Agreements, prevent the Financing Institutions from taking actions to cancel or reduce the available limits of the Financing Agreements, and prevent the exercise of certain rights under the Financing Agreements in the event of a default or potential default during the term of the Standstill Agreement.

Along with the signed Standstill Agreement, Grupa Azoty POLYOLEFINS is executing similar agreements containing terms and conditions typical for project finance arrangements with respect to the Polimery Police project.

In order to mitigate the effects of the above events, the Company's Management Board and the Management Boards of the subsidiaries have taken or are planning the following steps:

1. Continuing talks with the Financing Institutions to extend the standstill agreements enabling the Company and the Group to come up with business initiatives leading to the execution of a long-term debt restructuring agreement. A restructuring agreement is expected to be signed after the Group's financial situation is stabilised. The agreement will entail the implementation of a recovery plan for the Group, approved by the Management Board and the Financing Institutions. At the same time, long-term analyses that will be submitted will outline a path of improvement over the next five years. Currently, the valuation of non-current assets and businesses is ongoing in order to create potential security for the existing credit facility agreements, aiming to finalise the long-term restructuring agreement.
2. By the end of 2023, the Grupa Azoty Group prepared various measures aimed at achieving rapid financial improvements, with a focus primarily on taking inventory of non-operating assets, their valuation and divestment. Inventory has been taken of all non-operating assets of the Group's Key Companies and their value has been estimated. The assets may be used to repay part of the debt.
3. A business recovery plan is being drawn up, incorporating changes in the individual business lines, often leading to downsizing or closing of permanently unprofitable units. Detailed calculations, prepared with external advisors, are being made in collaboration with the individual business segments, taking into consideration the current market conditions and the prospects for the coming years as outlined in the Group's strategic analysis. Particular emphasis will be placed on reducing costs related to consolidation of processes and management of the Group.

4. Continued further integration and consolidation of the Grupa Azoty Group, in particular through consolidation of processes across shared services, maintenance and logistics services.
5. Renegotiation or execution of new contracts for the supply of key raw materials and energy carriers, including in particular postponement of payment dates/time limits.
6. Introduction of savings programmes for all types of expenditure.
7. Revision of capital expenditure plans for 2024 and beyond, limiting the spending to projects related to the delivery of the Green Azoty strategy in 2021-2030 and projects designed to improve the Group’s operational efficiency, especially in the area of energy improvement.
8. Preparation of short- and long-term liquidity analyses for the Key Companies and performance projections covering the period until 31 March 2029, and supplementing these scenarios with measured initiatives for individual business segments.
9. The Group intends to enhance the profitability of product sales by reviewing its current product portfolio, prioritising resources towards those products that generate the highest rates of return.
10. Preparation for the new season, revision of sales targets and product portfolios.

Taking the above into consideration, the Management Board has determined, following an analysis, that there is significant uncertainty regarding the Group’s ability to continue as a going concern in a substantially unchanged manner for the foreseeable future, i.e. for at least 12 months from the reporting date.

We also point out that Grupa Azoty is included in the list of companies of major importance to the state economy (Regulation of the Prime Minister of 30 September 2021, item 1782).

Simultaneously, notwithstanding the risks and exceptional circumstances outlined above, based on the analyses and alternative scenarios mentioned earlier, including the execution of standstill agreements with the Financing Institutions, the planned execution of a long-term restructuring agreement and a range of measures taken to optimise cash flows through cost reductions, the Company’s Management Board is of the opinion that adequate preventive measures have been taken or prepared to mitigate these risks and ensure the implementation of the Group’s plans. Hence, the accompanying financial statements have been prepared on a going concern basis.

1.3. Accounting policies and data presentation

The accounting policies applied to prepare these interim condensed financial statements are consistent with those applied to draw up the Company’s full-year financial statements for the year ended 31 December 2023.

(all amounts in PLN '000 unless indicated otherwise)

a) Amendments to International Financial Reporting Standards

The following standards effective as of 2024 have no material impact on the Company's operations or its financial reporting:

Standard	Description of amendments	Effect on financial statements
IAS 1 *Presentation of Financial Statements*: *Classification of Liabilities as Current or Non-current*	The amendment to IAS 1 was issued on 23 January 2020. It was subsequently modified in July 2020 and finally adopted on 31 October 2022. The amendment is effective for annual periods beginning on 1 January 2024. 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 amendment has no material effect on the financial statements.
IFRS 16 *Leases: Lease liability in a sale and leaseback*	The amendment to IFRS 16 was issued on 22 September 2022 and is effective for annual periods beginning on or after 1 January 2024. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' in such a way that the seller-lessee does not recognise any amount of profit or loss that relates to the right of use retained by the seller-lessee.	The amendment has no material effect on the financial statements.
IAS 7 *Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements*	The amendment to IAS 7 was issued on 25 May 2023. The amendment is effective for annual periods beginning on or after 1 January 2024. The amendment aims to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The amendment supplements requirements already in the IFRS Accounting Standards and require a company to disclose additional information on contracts, including their effect on liquidity risk.	The amendment has no material effect on the financial statements.

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 European Union or have been endorsed but the Company has not elected to apply them early:

Standard	Description of amendments	Effect on financial statements
IAS 21 *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability*	The amendment to IAS 21 was issued on 15 August 2023. It is effective for annual periods beginning on or after 1 January 2025. The amendment will require entities to apply a consistent approach to assessing whether a currency is exchangeable and how to determine a spot exchange rate if it is not, and to disclose the required information.	The Company is analysing the effect of the amendment on its financial statements.

2. Supplementary information

2.1. Impairment testing

As at 31 March 2024, indications of impairment referred to in paragraph 12 of IAS 36 *Impairment of Assets* ("IAS 36") were identified: the carrying amount of the Company's net assets was higher than the Company's market capitalisation, and during the reporting period there occurred adverse market changes related to a drop in demand for the Grupa Azoty Group products, leading to a deterioration in its financial performance.

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 risk-free interest rate (yield on 10-year Treasury bonds) rose from 5.21% at the end of 2023 to 5.43% at the end of March 2024; This led to an increase in the weighted average cost of capital for the Grupa Azoty Group, reducing the recoverable amount of the cash-generating units ("CGUs");
- the adopted strategy and key assumptions remained largely unchanged as at the reporting date;
- as at the reporting date, the definition of the CGUs within the Company and the value of assets of each CGU did not change materially relative to the respective amounts as at 31 December 2023;
- EBITDA delivered by the tested CGUs in the three months ended 31 March 2024 showed positive deviations from EBITDA included in the tests prepared as at 31 December 2023;
- as at the reporting date, no formally approved annual financial plans were available updated relative to those underlying the impairment tests at the end of 2023,
- the projected estimated financial results until the end of December 2024 for the Company CGUs are higher than the planned results for that period that were used in the impairment tests as at 31 December 2023.

At the same time, work is under way at the Company to develop a long-term business recovery plan involving, among other things, a significant reduction in capital expenditures relative to long-term plans included in the impairment tests as at 31 December 2023.

Taking into account the above circumstances, as well as the wording of par. 16 b) of IAS 36 *Impairment of Assets*, a decision was made to not prepare a formal estimate of recoverable amounts as at 31 March 2024, considering that the estimates of recoverable amounts determined in previous tests remained valid as at 31 March 2024 and therefore no additional impairment losses were necessary; further, none of the circumstances provided any rationale for reversing impairment losses recognised in prior periods.

For detailed information on the impairment tests and their results, see Note 4 to the financial statements of Grupa Azoty S.A. for the 12 months ended 31 December 2023.

2.2. Execution of Standstill Agreements

On 2 February 2024, the Company executed, on its own behalf and on behalf of the Grupa Azoty Group companies which are parties to the respective Financing Agreements, an agreement with 13 Financing Institutions.

For detailed information on the Standstill Agreements, see Section 3.3of the interim condensed consolidated financial statements of the Grupa Azoty Group for the three months ended 31 March 2024.

2.3. Impact of the war in Ukraine

For information on the effects of the war in Ukraine on the Company and the Group, see Section 3.11 of the interim condensed consolidated financial statements of the Grupa Azoty Group for the three months ended 31 March 2024.

2.4. Information on sanctions

For information on the sanctions imposed on the Company's minority shareholder and the introduction of an embargo on coal import from the Russian Federation, see Section 3.12 of the interim condensed consolidated financial statements of the Grupa Azoty Group for the three months ended 31 March 2024.

2.5. Other information

In the three months ended 31 March 2024, the Company generated revenue of PLN 603 million, a decrease of 7.4% (or PLN 48 million) year on year. The Company reported negative EBIT, due mainly to the negative results of the Agro and Plastics Segments and – to a lesser extent – the Energy Segment.
The Agro Segment's performance was adversely affected by a downward trend in agricultural produce prices that had persisted for many months and the pressure from fertilizer imports originating outside the European Union, stemming both from their prices and supply, given higher quantities of fertilizers available on the market.

(all amounts in PLN ‘000 unless indicated otherwise)

As far as the Plastics Segment is concerned, the European market experienced an economic downturn amid escalating geopolitical tensions, which adversely affected buyers’ sentiment.

The PLN 76,295 thousand increase in **property rights** was mainly an effect of the purchase of CO_2 emission allowances.

The increase in **short-term trade and other receivables** was attributable, among other things, to the recognition of receivables for CO_2 emission allowances to be received for 2024 in a total amount of PLN 128,533 thousand.

The PLN 354,476 thousand increase in **cash and cash equivalents** was largely attributable to the recognition of a positive balance of cash transferred to the Group companies covered by physical cash pooling arrangements.

As at 31 March 2024, **grants** increased following the recognition by the Company of the outstanding grant of CO_2 emission allowances of PLN 93,597 thousand.

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 31 March 2024 was as follows:

Instrument	Total valuation	Company’s interest (47%)	Grupa Azoty POLICE’s interest (53%)
Call option (financial asset)	-	-	-
Put option (financial liability)	215,113	101,103	114,010

The effect of measurement of the financial instruments referred to above on the Company’s profit before tax in the three months ended 31 March 2024 was PLN (612) thousand.

Discontinuation of proceedings conducted by the National Fund for Environmental Protection and Water Management

On 9 January 2024, the Management Board of the Company received a decision from the National Fund for Environmental Protection and Water Management (NFOŚiGW) to the effect that the administrative proceedings concerning repayment by the Company of the aid amounting to PLN 52,285 thousand were discontinued as groundless.

The aid amount related to financial support received from NFOŚiGW under the Government Programme ‘Aid to energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022’ adopted by Resolution No. 1/2023 of the Council of Ministers of 3 January 2023 (the “Aid”).

NFOŚiGW stated that the Company failed to satisfy the criteria or conditions for receiving the Aid, as a result of which the Aid was awarded illegitimately and, as such, must be repaid with interest.

On 3 October 2023, NFOŚIGW initiated administrative proceedings concerning repayment of the state aid.

The discontinuation of the proceedings means that the Company did satisfy the criteria and conditions for receiving the Aid, and therefore the PLN 52,285 thousand Aid granted to the Company was awarded legitimately and, as such, is not subject to repayment.

Management’s discussion and analysis of Grupa Azoty S.A.’s performance in the three months ended 31 March 2024

1. General information on the Grupa Azoty Group

1.1. Organisation and structure

The Group

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 brought together companies with different traditions and complementary business profiles, seeking to leverage their potential to deliver a common strategy. This led to the creation of Poland's largest and a major European chemical group. 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 31 March 2024, the Grupa Azoty Group comprised: The Parent and direct subsidiaries:

- COMPO EXPERT Holding GmbH – wholly-owned,
- Grupa Azoty ATT Polymers GmbH – wholly-owned,
- Grupa Azoty Compounding Sp. z o.o. – wholly-owned,
- Grupa Azoty Energia Sp. z o.o. – wholly-owned,
- Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. – a 99.58% equity interest,
- Grupa Azoty Zakłady Azotowe Puławy S.A. – a 95.98% equity interest,
- Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. – a 93.48% equity interest,
- Grupa Azoty Zakłady Chemiczne Police S.A. – a 62.86% equity interest,
- Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. – a 63.27% equity interest, with Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. holding 36.73% of the shares,
- Grupa Azoty Koltar Sp. z o.o. – a 60% equity interest, with Grupa Azoty Zakłady Azotowe Puławy S.A. and Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. each holding 20% of the shares,

and a jointly-controlled entity:

- Grupa Azoty Polyolefins S.A. – a 30.52% equity interest, with Grupa Azoty Zakłady Chemiczne Police S.A. holding 34.41% of the shares.

The Parent and the Group companies were incorporated for an indefinite period.

Parent's direct subsidiaries

Grupa Azoty Zakłady Azotowe Puławy Spółka Akcyjna

The company's registered office is located in Puławy.

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

Grupa Azoty Zakłady Chemiczne Police Spółka Akcyjna

The company's registered office is located in Police.

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

Grupa Azoty Zakłady Azotowe Kędzierzyn Spółka Akcyjna

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

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

COMPO EXPERT Holding GmbH

The company's registered office is located in Münster, Germany.

COMPO EXPERT Holding GmbH ("COMPO EXPERT") 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.

Grupa Azoty ATT Polymers GmbH ("Grupa Azoty ATT POLYMERS") manufactures polyamide 6 (PA6).

Grupa Azoty Polskie Konsorcjum Chemiczne Spółka z ograniczoną odpowiedzialnością

The company's registered office is located in Tarnów.

The services of Grupa Azoty Polskie Konsorcjum Chemiczne Spółka z ograniczoną odpowiedzialnością ("Grupa Azoty PKCh") 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 Spółka z ograniczoną odpowiedzialnością

The company's registered office is located in Tarnów.

Grupa Azoty Koltar Spółka z ograniczoną odpowiedzialnością ("Grupa Azoty KOLTAR") is a nationwide provider of railway services. It is one of the few organisations in Poland to hold licences required to perform comprehensive repairs of rail car chassis and tank cars used in the transport of dangerous materials (according to RID).

Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol Spółka Akcyjna

The company's registered office is located in Grzybów.

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

Grupa Azoty Compounding Spółka z ograniczoną odpowiedzialnością

The company's registered office is located in Tarnów.

The business model of Grupa Azoty Compounding Spółka z ograniczoną odpowiedzialnością ("Grupa Azoty COMPOUNDING") is based on a portfolio of specialised engineering plastics manufactured through the compounding of plastics, with the use of innovative technological solutions. The company manufactures and sells modified plastics.

Grupa Azoty Energia Spółka z ograniczoną odpowiedzialnością

The company's registered office is located in Tarnów.

Grupa Azoty Energia Spółka z ograniczoną odpowiedzialnością ("Grupa Azoty ENERGIA") was set up to support the Group in delivering its Strategy for 2021–2030 in the area of energy transition and lower emissions from production processes. In particular, the company is to implement renewable energy projects on land owned and used by the Group companies, and to participate in acquisition and development projects in the energy sector, including nuclear energy projects (modular nuclear reactors).

(all amounts in PLN '000 unless indicated otherwise)

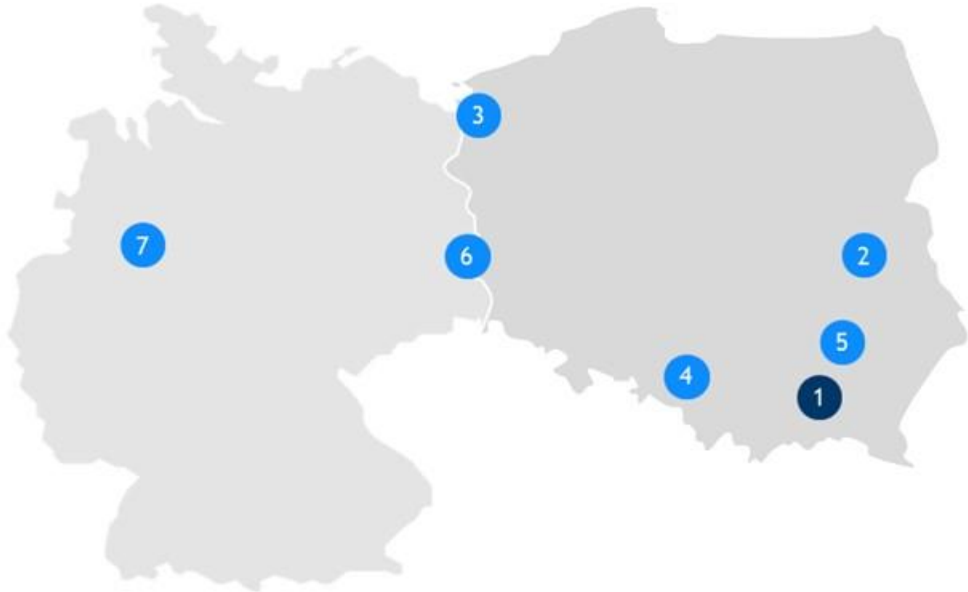
Parent's equity interests in subsidiaries and jointly-controlled entities as at 31 March 2024

(in relevant currency)

Company	Registered office/address	Share capital	% of shares held directly
COMPO EXPERT	Krögerweg 1048155, Münster, Germany	EUR 25,000	100.00
Grupa Azoty ATT POLYMERS	Forster Straße 72 03172 Guben, Germany	EUR 9,000,000	100.00
Grupa Azoty COMPOUNDING	ul. Chemiczna 118, 33-101 Tarnów, Poland	PLN 72,007,700	100.00
Grupa Azoty ENERGIA	ul. Kwiatkowskiego 8, 33-101 Tarnów, Poland	PLN 1,000,000	100.00
Grupa Azoty SIARKOPOL	Grzybów, 28-200 Staszów, Poland	PLN 60,620,090	99.58
Grupa Azoty PUŁAWY	al. Tysiąclecia Państwa Polskiego 1324-110 Puławy, Poland	PLN 191,150,000	95.98
Grupa Azoty KĘDZIERZYN	ul. Mostowa 30 A P.O. Box 163, 47-220 Kędzierzyn-Koźle, Poland	PLN 285,064,300	93.48
Grupa Azoty PKCH	ul. Kwiatkowskiego 7, 33-101 Tarnów, Poland	PLN 85,630,550	63.27
Grupa Azoty POLICE	ul. Kuźnicka 1, 72-010 Police, Poland	PLN 1,241,757,680	62.86
Grupa Azoty KOLTAR	ul. Kwiatkowskiego 8, 33-101 Tarnów, Poland	PLN 54,600,000	60.00
Grupa Azoty POLYOLEFINS*	ul. Kuźnicka 1 72-010 Police, Poland	PLN 922,968,300	30.52

* Jointly-controlled entity.

The Parent and its subsidiaries as at 31 March 2024



1 **Parent**
- Grupa Azoty COMPOUNDING **100%**
- Grupa Azoty ENERGIA **100%**
- Grupa Azoty PKCh **63.27%**
- Grupa Azoty KOLTAR **60%**

2 Grupa Azoty PUŁAWY **95.98%**

3
- Grupa Azoty POLICE **62.86%**
- Grupa Azoty POLYOLEFINS **30.52%**

4 Grupa Azoty KĘDZIERZYN **93.48%**

5 Grupa Azoty SIARKOPOL **99.58%**

6 Grupa Azoty ATT POLYMERS **100%**

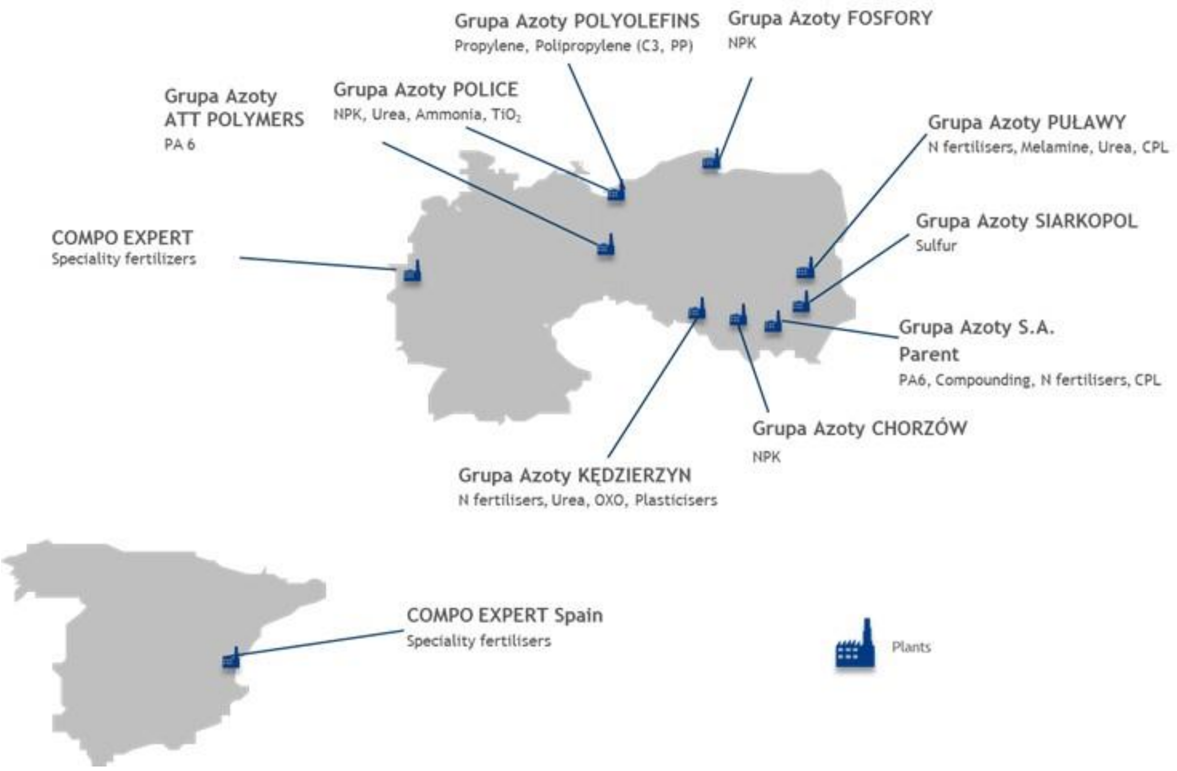
7 COMPO EXPERT **100%**

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
- Plastics
- Chemicals
- Energy
- Other Activities

Agro

Mineral fertilizers are the key area of the Group's business. The Agro 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 products are engineering plastics (polyamide 6 (PA6) and modified plastics), polypropylene (PP homopolymers and copolymers) from propylene produced in a propane dehydrogenation (PDH) process, and auxiliary products, such as caprolactam, as well as other chemicals.

They are manufactured by four companies – in Tarnów, Police, 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. The Grupa Azoty POLYOLEFINS project is set to become the largest propylene and polypropylene plant in Central and Eastern Europe.

Chemicals

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

They are manufactured in Kędzierzyn, Puławy, Police, and Grzybów. The Grupa Azoty Group is Poland's only and EU's third largest manufacturer of melamine. It is Poland's only producer of OXO alcohols and one of the two plasticizer manufacturers. In the EU, it ranks fourth in OXO alcohols and fifth in plasticizers. The Group is also Poland's only producer of titanium white.

Energy

The segment supplies energy mainly for the Group's production plants. Part of the electricity and heat produced by the Energy Segment is sold locally, to customers in the immediate vicinity of the Group's plants.

The Group companies operate their own energy and energy carrier distribution networks, through which they supply their local customers.

The segment is also involved in various operations in such areas as environmental protection, plant maintenance supervision, administration and research.

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 infrastructure management operations.

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, liquid nitrogen fertilizers (UAN–RSM®) and 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 main feedstock in manufacturing nitrogen fertilizers.

Urea

Urea is a nitrogen fertilizer with a 46% nitrogen content. It is produced in Puławy, Police 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, which is urea with an addition of urease inhibitor (NBPT), which increases the absorption of nitrogen from the fertilizer. The fertilizer 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 wood-based panel industry. It 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% of nitrogen. The Group offers this product in a wide variety of granule forms and sizes, such as mechanically granulated ZAKsan®, with excellent sowing properties, and the PULAN® beaded ammonium nitrate.
- Calcium ammonium nitrate (CAN) is a nitrogen fertilizer with a nitrogen content of up to 27%. 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, 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: 36% nitrogen/21% sulfur and 40% nitrogen/14% 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 product may also include small amounts of iron and magnesium – Saletrosan® 30 has different proportions of main components: 30% nitrogen and 7% sulfur. Saletromag® contains 25% nitrogen, 7% sulfur and 6% total magnesium oxide. The product contains small amounts of iron which increase the fertilizer's resistance to high temperatures.
- Polifoska® 21 is a nitrogen fertilizer with sulfur, a mixture of ammonium sulfate-urea containing 21% nitrogen and 14% 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.

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 Grupa Azoty Group's current offering includes more than 40 grades of compound fertilizers, marketed under the following trade names: Polifoska®, Polidap®, 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 Azoplon Nutri, Azoplon Opti, Fertiplon, Blaukorn®, NovaTec®, Hakaphos®, Basfoliar®, Easygreen®, DuraTec®, Basacote®, 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., manufacture 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 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 and modified plastics (with admixtures affecting the physical and chemical properties of the final plastics) based on polyamide 6 and other engineering plastics (PP, PBT, PA6.6). It also offers modified plastics, custom-made to meet the requirements of individual customers.

Polyamide 6 (PA6)

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

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

Polyolefins

The polypropylene manufactured under the Gryfilen® brand will ultimately comprise a portfolio of more than 30 products, including homopolymers, impact copolymers and random copolymers, which find application in such industries as the automotive, packaging, and home appliance sector. Gryfilen® has a very low volatile substance content and is free of phthalates and bisphenol A (BPA). It is also characterised by a minimal absorption of flavours or odours, which is vital in food industry applications. Polypropylene is a very easily and fully recyclable plastic, which makes it perfectly compatible with the EU's Circular Economy objectives.

CHEMICALS

OXO products

OXO alcohols manufactured by the Grupa Azoty Group: OXO alcohols – 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. 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 coverings and wall cladding as well as toys for children. The Group's DEHT/DOTP is marketed under the Oxoviflex® brand.
- DEHA/DOA. It is a plasticizer 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. DOA 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, Oxofine™ DOA is also recommended as a solvent for the cosmetics industry, for use in nitrocellulose and synthetic rubber plasticisation, and in the manufacturing of lacquers. The Group's DEHA/DOA is marketed under the Oxofine™ DOA brand.
- TOTM. A plasticizer suitable for use as the primary plasticizer or in combination with other plasticizers. It is recommended for applications where its superior quality parameters prove useful. Thanks to a low migration rate, it facilitates the preservation of the finished product's properties for a very long time. It stands out for its exceptional chemical resistance and ability to withstand high temperatures. It is primarily used for the production of specialised cables and medical products. The Group's TOTM is marketed under the Oxofine™ TOTM brand.

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.

Technical grade urea

Outside agriculture, urea is used for technical purposes, mainly for manufacturing of adhesive resins, which find application in the wood-based panel industry. It may also be further processed into urea-ammonium nitrate solution (UAN – RSM®), a liquid fertilizer, or into melamine.

Melamine

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 grades (R-001, R-003, R-210) and speciality grades (R-002, R-211, R- 213, RD-5, RS, R-310).

Grupa Azoty Group’s production volume by product group (‘000 tonnes)

	Q1 2024	Q1 2023	change	% change
Agro				
Nitrogen fertilizers	753	682	71	10%
Compound fertilizers	156	149	7	5%
Speciality fertilizers	83	70	13	19%
Chemicals				
Pigments	5	5	0	0%
Urea	235	217	18	8%
OXO products	39	23	16	70%
Plastics				
Polyamide	25	27	(2)	(7%)

Source: Company data.

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, propane) are purchased from non-EU suppliers. Raw materials supplied by the Group companies, i.e. ammonia and to some extent sulfur, account for a significant share of the total raw materials procured by the Group.

Ammonia

The procurement strategy is based primarily on the optimisation of intragroup supplies. Intragroup supplies are transacted on arm’s length terms. The Grupa Azoty Group is the largest ammonia manufacturer in Poland and CEE, operating several ammonia units. It is also one of the largest consumers of ammonia in the region, with a significant potential in logistics. In addition to satisfying its own demand, the Group sells a surplus on the market or purchases ammonia on the market if price relations are favourable, using for this purpose its own marine terminal in Police (deliveries by sea).

Benzene

Benzene is mainly delivered under one-year contracts, with supplementary purchases made on the spot market. Benzene is sourced chiefly from domestic and EU suppliers. The benzene market is largely driven by the situation on the crude oil market and the demand–supply relationship on global markets.

Electricity

The Group purchases electricity from major Polish suppliers trading with large accounts. Following a number of contract award procedures for 2024, 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 the Grupa Azoty Group companies’ electricity needs as well as the changing European and national legal framework, the Group’s electricity purchase policy is based on a diversified portfolio of exchange products available 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 any deficit. The Group secures phenol supplies for its own needs under long-term contracts concluded directly with Europe’s largest producers.

Phosphate rock

Phosphate rock is purchased under one-year, quarterly or spot 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 Grupa Azoty FOSFORY.

Natural gas

High-methane gas and gas from local sources was supplied by Orlen S.A. under long-term contracts. Natural gas was purchased under the contract with Orlen S.A. at spot prices and in forward transactions, in accordance with the gas price hedging policy.

As at the date of authorisation of this Report for issue, there were no interruptions in the supply of natural gas to the Group. The Group monitors the situation around gas supplies on an ongoing basis. Contingency scenarios have also been developed in case manufacturing operations have to be curtailed in the event of a reduction in natural gas supplies, including in particular a reduction of the load on production units and acceleration of planned maintenance shutdowns.

Propylene

Propylene supply to Grupa Azoty KĘDZIERZYN is secured under contracts with suppliers, which are supplemented by spot purchases as needed. To a large extent, propylene prices are driven by prices of oil and petroleum distillates as well as the supply and demand balance on the propylene market. The Group pursued a diversified procurement strategy based on supplies from EU countries. As Russia's aggression against Ukraine caused disruptions in the propylene supply chain from the east, the Group switched to alternative supply sources with the most favourable commercial terms, all while prioritising supply security. Propylene for polypropylene production at Grupa Azoty POLYOLEFINS will be produced by an in-house PDH unit.

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. 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

Having access to substantial natural resources and offering competitive commercial terms, producers from Canada, Germany and the Middle East are the primary suppliers of potassium chloride. The Group's procurement strategy is chiefly based on quarterly framework agreements. The Group pursues a centralised procurement strategy by making joint purchases for Grupa Azoty POLICE and Grupa Azoty FOSFORY.

Coal

Coal was supplied to the Grupa Azoty Group by domestic suppliers. Coal is purchased by way of procurement procedures on the basis of internal regulations. As a result of joint procurement procedures (i.e. leveraging economies of procurement scale) and with logistics handled by the dedicated logistics company Grupa Azoty KOLTAR, the Grupa Azoty Group secures competitive pricing conditions.

In response to the challenges of the current commodity market, which include the necessity of ensuring supply security, competitive commercial terms and flexible volumes, the Group companies' strategy in this area aims to develop a diversified supply portfolio across various supply directions, suppliers, and contracting timeframes, and a streamlined procurement process to expedite the organisation of new deliveries. The Grupa Azoty Group has implemented internal regulations to secure minimum coal stocks as required by the Energy Law.

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

Below are presented one-off items affecting the assets, equity and liabilities, capital, net profit/loss or cash flows. In the three months ended 31 March 2024 and after the reporting date, the Grupa Azoty Group companies sold CO_2 emission allowances purchased on the market in earlier periods. The sale involved excess CO_2 emission allowances resulting from lower production levels and remaining after redeeming CO_2 emission allowances matching actual emissions for 2023. For detailed information on the sale of CO_2 emission allowances, see the interim condensed consolidated financial statements of the Grupa Azoty Group for the three months ended 31 March 2024.

Exchange rates

During the three months ended 31 March 2024, the Polish currency maintained its strength, hovering around its highest level in two years, achieved at the end of the previous year. The EUR/PLN exchange rate fluctuated between 4.25 and 4.40, while the USD/PLN exchange rate – between 3.90 and 4.05. Entering the second quarter, the złoty experienced a slight depreciation, but remained within the range observed during the first three months of the year.

The resilience of the Polish currency can be attributed to several factors: the continuation of favourable global sentiment with a high risk appetite, the prospects of stable NBP interest rates for an extended period, which – combined with a faster-than-anticipated decrease in CPI inflation – led to an increase in real PLN interest rates to 2-3 percentage points, the anticipated inflow of EU funds following the decision to unblock funds under the National Recovery Plan, an improved current account balance, and sustained high liquidity across global financial markets despite central banks' interventions.

In the first quarter of 2024, interest rates in Poland stayed flat. Given the anticipated rapid decline in CPI inflation, real interest rates in Poland (that is, nominal interest rate minus inflation rate) are expected to remain well in positive territory in the first half of this year. As CPI inflation in Poland is falling faster than in the eurozone and the United States, and given the beginning of a rate cutting cycle by the ECB expected in June 2024, the złoty may remain relatively strong in the first half of 2024. However, in the following months, conditions for its further appreciation are expected to weaken. Consequently, the Polish currency may face increased risks of depreciation in the latter part of the year.

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 Group used natural hedging, factoring, currency forwards and swaps as its primary currency risk hedging tools.

The Group has in place a physical PLN, EUR and USD cash pooling arrangement enabling its companies to use the Group’s global liquidity limit, which further reduces exposure to the currency risk in the euro and the US dollar by adjusting potential mismatches in revenue and expenses over time.

In 2024, the Group settled FX forward contracts to sell EUR and USD and to buy EUR and, to a limited extent, entered into new transactions hedging its currency exposure in connection with increased volatility during the period.

The net result on hedging transactions settled by the Group (excluding Grupa Azoty POLYOLEFINS) in the three months ended 31 March 2024 was negative at PLN -4,431 thousand, with the net result on remeasurement of hedging instruments positive at PLN 6,073 thousand.

The overall net result of the Group (excluding Grupa Azoty POLYOLEFINS) on the settlement of currency hedging transactions and remeasurement of hedging instruments in the three months ended 31 March 2024 was a gain of PLN 1,642 thousand.

Grupa Azoty POLYOLEFINS’s exposure to currency risk

In the three months ended 31 March 2024, Grupa Azoty POLYOLEFINS held FX forward contracts to purchase EUR for USD, hedging the expected expenditure in EUR.

As at 31 March 2024, Grupa Azoty POLYOLEFINS was party to FX forward contracts to buy EUR 38,539 thousand for USD, hedging the expenditure planned to be financed with proceeds from the term facility made available under the Credit Facilities Agreement in USD. The FX forward contracts to purchase EUR for USD were not designated for hedge accounting.

As at 31 March 2024, the total result on the measurement of the company’s currency hedges was PLN -14,663 thousand.

Interest rate risk

In the six months ended 31 March 2024, Grupa Azoty POLYOLEFINS held IRSs with a zero floor whereby positive values of floating interest rates on debt denominated in EUR and USD 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 31 March 2024, Grupa Azoty POLYOLEFINS had the following open contracts:

- IRS with a zero floor on EURIBOR for a notional amount of EUR 358,264 thousand (the notional amounts of the transaction are amortised in line with the notional amounts resulting from the term facility under the Credit Facilities Agreement in EUR);
- IRS with a zero floor on USD LIBOR (SOFR from June 2023) for a notional amount of USD 394,886 thousand (the notional amounts are amortised in line with the notional amounts resulting from the term facility under the Credit Facilities Agreement in USD).

In 2023, the Company executed annexes amending the Credit Facilities Agreement, which modified certain financing terms, particularly those related to the interest rate on the USD-denominated tranche to be applied following cessation of the USD LIBOR rate. As of June 2023, the USD-denominated tranche bears interest at the SOFR rate.

As at 31 March 2024, the transactions hedging interest rate risk were fully designated for cash flow hedge accounting.

As at 31 March 2024, the company’s portfolio included open IRS contracts with a zero floor measured at PLN 345,798 thousand.

Foreign currency derivatives and hedge accounting

Grupa Azoty POLYOLEFINS applies cash flow hedge accounting with respect to interest rate risk hedges, where the hedged item are future highly probable cash flows from interest on the term loan denominated in EUR and USD.

As at 31 March 2024, PLN 345,798 thousand on the measurement of interest rate risk hedging transactions were recognised in Grupa Azoty POLYOLEFINS's hedge reserve.

2.2. Market overview

AGRO FERTILIZERS

Economic conditions in agriculture

In the first quarter of 2024, the agriculture confidence index (IRGAGR) fell by 1.7 points quarter on quarter, settling at -24 points. The worsening economic climate at this time of year can be explained by the agricultural sector's inherent seasonality. While the confidence index has remained at low levels for several quarters now, surveys conducted in January and February signal its potential improvement in the next quarter.

Based on data from the Ministry of Agriculture and Rural Development, the prices of basic agricultural outputs in Poland in the first quarter of 2024 declined relative to the previous quarter, with average prices recorded at PLN 860 for milling wheat (-10% quarter on quarter), PLN 604 for milling rye (-6% quarter on quarter), PLN 761 for maize (-9% quarter on quarter), and PLN 1,964 for rapeseed (-3% quarter on quarter). Compared with the same period last year, the average price of milling wheat fell by 35%, of milling rye – by 42%, of maize – by 40%, and of rapeseed – by 27%.

The grain market operates on a global scale, with world prices affecting agricultural produce prices within the European Union and on local markets. The ongoing armed aggression by Russia against Ukraine has disrupted the sector, its impact felt particularly acutely by the frontier countries. Since the beginning of 2024, there have been heightened concerns among representatives of the European agricultural sector. Fearing that their competitive position might be impaired, they have staged numerous protests, calling for a relaxation of the EU's climate policy requirements and restrictions on agricultural imports from Ukraine. As a result, the EU has proposed introducing import caps on selected products from Ukraine, effective from 5 June 2024. Until then, Poland has banned the import of certain agricultural products from Ukraine, allowing only transit.

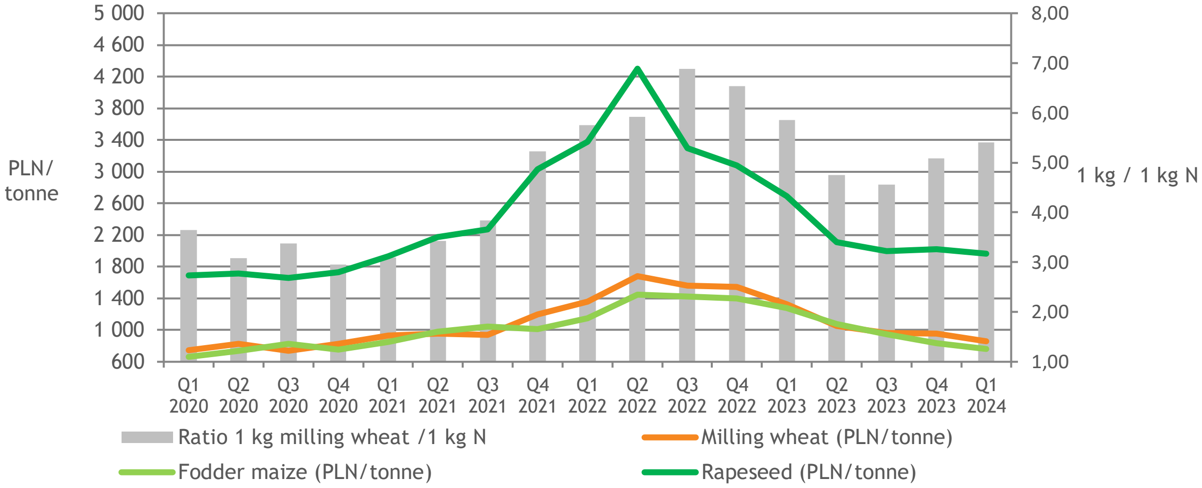
Direct and area payments will be distributed to farmers until 30 June 2024 as part of the 2023 campaign. The disbursement rate is markedly slower than the year before, directly affecting the purchasing power of agricultural producers. From 15 March 2024, farmers can apply for direct and area payments as part of the next campaign. In addition, maize producers facing financial liquidity issues due to Russia's armed aggression against Ukraine can receive location-based support funds. Farmers who suffered losses from drought and other adverse weather events last year are also eligible for financial aid. At the end of April this year, the Polish Council of Ministers adopted a regulation granting subsidies for grains sold from 1 January to 31 May 2024.

According to the EC (data published in late March 2024), grain harvest forecasts for Poland in the 2023/2024 season predict that output may increase to 9.2 million tonnes in the case of maize (up by 7.6% season on season) and 2.9 million tonnes in the case of rye (up by 2.5% season on season). Conversely, wheat production is forecast to decrease to 13.2 million tonnes, down by 2.0%. In the 2024/2025 season, maize, barley and wheat outputs are expected to decrease, by 6.0%, 1.8% and 0.8%, respectively. Consequently, the total volume of all grains would be approximately 1 million tonnes (3%) lower than the current season's production and 0.4 million tonnes (1.0%) below the five-year average.

According to the same source, the EU grain harvest estimates for the 2023/2024 season suggest a slight reduction in wheat production by 0.2% to 126.6 million tonnes, with a 7.6% decrease in barley production to 47.9 million tonnes season on season. As for maize output, it is forecast to increase by 17.3%, to 62.5 million tonnes. In the 2024/2025 season, wheat production is projected to decline, with a rise in both maize and barley production, by 3.9%, 10.8% and 13.0%, respectively. The total volume of all grains would then be 3.4% higher than the current season's production but 1.0% lower than the five-year average.

Primary determinants of the agricultural sector's operating conditions include weather and macroeconomic factors, as well as the situation prevailing in major grain-producing and exporting countries, shaping market supply. Factors affecting global logistics will also play a crucial role, influencing the availability and pricing of grains.

Prices of wheat, maize and rapeseed



Source: Company data.

Market of nitrogen fertilizers

In Europe, following the Christmas break, farmers began their field work. However, market activity remained subdued due to sufficient stock levels and low reported demand, particularly for ammonium nitrate, a trend that persisted throughout the first quarter of 2024. There was greater interest in nitrate fertilizers, with increased purchases in several European countries, including Germany, Italy, Turkey, and Belgium. In February, heavy rains significantly hindered farmers' ability to enter the fields, delaying fertilizer application and eroding demand. Despite price reductions, nitrate fertilizers were still considered too expensive, their affordability affected by the low grain prices. In March, weather conditions improved across most regions of Europe, allowing farmers to resume field work, which raised hopes for a rebound in fertilizer purchases. However, demand remained soft. In Poland and the Baltic countries, the market was virtually inactive, despite the first quarter typically being the peak season for nitrogen fertilizers. Conversely, interest in calcium ammonium nitrate remained stable in Germany, Turkey, and Italy. In Poland, some demand was seen towards the end of the period under review, although it was noticeably lower than in previous years. Strikes in the transport and agricultural sectors in parts of Europe further dampened market sentiment.

Export activity in the Baltic Sea ceased due to Russia's temporary suspension of ammonium nitrate exports from Saint Petersburg, following drone attacks by Ukraine. As Russia has extended the export ban from Saint Petersburg port for security reasons, manufacturers are exploring the possibility of shipping through alternative ports like Ust-Luga, although it may take several months to secure the necessary permits.

In Brazil, ammonium nitrate prices remained stable. There was an increase in AN and CAN supplies to meet demand from tobacco growers in the south and some direct demand from coffee growers for application starting in April. AN imports to Brazil surged by 61% year on year in 2023, nearly all of the imported volumes arriving from Russia. In 2023, Russian AN exports to Brazil reached 1.1 million tonnes, up from 708 thousand tonnes in 2022. At the end of the quarter, no trading activity was recorded due to the ending AN and CAN season.

Manufacturers in Hungary, Romania and Italy resumed fertilizer production after several months of downtime, while one of them announced plans to close its AN production facility in France, intending to transform it into an import terminal in response to dynamic changes in the fertilizer markets.

For the better part of the quarter, the European UAN market saw low demand in most countries. In France, an anticipated demand improvement from mid-February, when the application period officially begins, was delayed by weather conditions. Rainfall prevented farmers from resuming field work, and their existing stocks obviated the need for replenishment. Similar conditions were observed in the US market, where adverse weather led to poor activity, With only minor improvement in subsequent months.

In the first quarter of 2024, the prices of nitrate fertilizers were much lower than in the previous year. In France, the average price of ammonium nitrate (AN 33.5% N) was EUR 365 per tonne, having decreased by 31% year on year and 9% quarter on quarter. The price of calcium ammonium nitrate (CAN 27% N) in Germany went down by 37% year on year and 9% quarter on quarter. The largest declines were seen in UAN (32% N), with FOB Black Sea prices down by 46% year on year and 7% quarter on quarter, and FCA Rouen prices down by 40% year on year and 9% quarter on quarter.

Urea

The average price of urea (FOB Baltic) in the first quarter of 2024 was USD 288 per tonne, down by 12% year on year and 7% quarter on quarter.

At the start of the year, urea prices on global markets saw an uptick, led by a number of factors, primarily the Chinese government's suspension of urea exports to international markets. Producers from the Baltic Sea region placed a significant portion of their February cargoes in India following a local importer's tender held in January, reducing the urgency to find additional sales markets. Mid-quarter, prices in the US market rose driven by the spring season demand and production issues at some US plants. In Europe, pricing was a challenge due to low demand. Adverse weather conditions slowed demand, and there were concerns that the season might be brief, although most market participants anticipated continued purchases. By the end of February, improved weather conditions in some parts of Europe triggered expectations that farmers would resume urea application once the fields dried. Despite these expectations, prolonged rainy weather in several European regions eroded urea demand in March, by up to 20% in some cases, pushing down the product's prices. The global price decline was further influenced by the government of India's decision to cut orders by more than 50% versus initial plans.

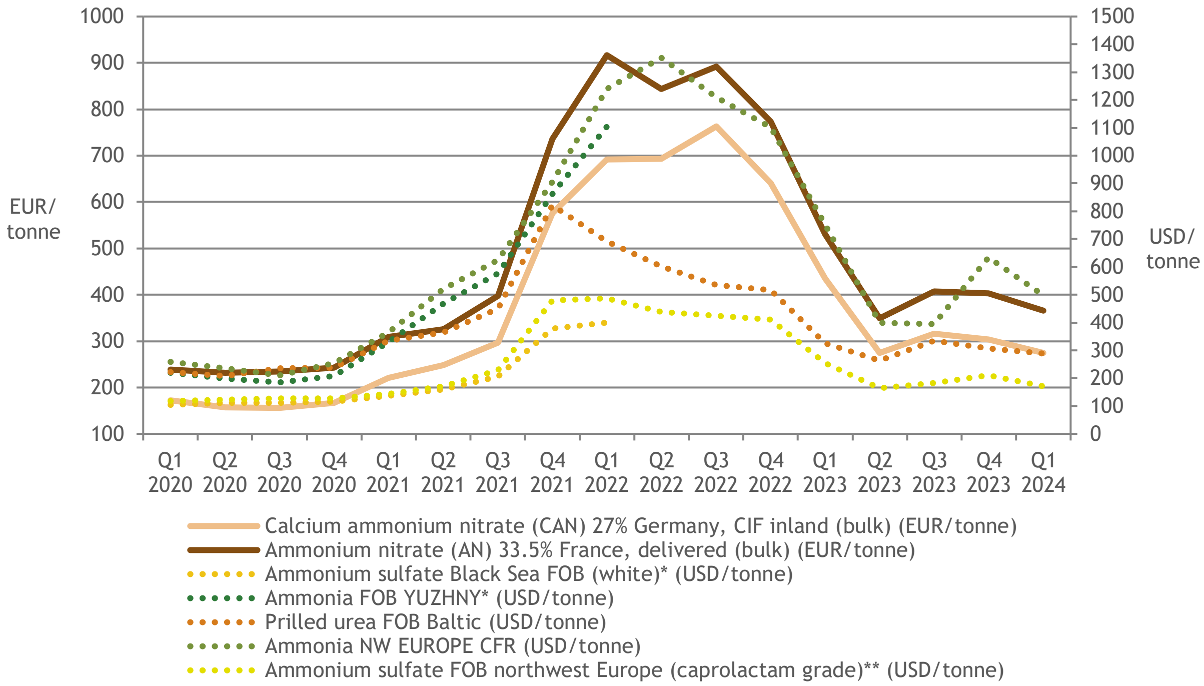
Ammonia

In the first quarter of 2024, the prices of ammonia were much lower than a year earlier. The average price of ammonia (NW Europe) fell to USD 498 per tonne, down by 34% year on year and 22% quarter on quarter.

In January, demand for ammonia was subdued globally. The only notable activity occurred in Asia, where sales from Indonesia to China showed some momentum. However, elsewhere in Asia, demand remained limited with no interest from industrial and chemical sector buyers. Three major US facilities faced unexpected issues necessitating prolonged shutdowns at the end of January and in February. These closures coincided with picking up demand on the US domestic market as preparations for the spring application season began in mid-March. Within a few weeks, buyers shifted from the comfort of selecting suppliers to the need to compete for spot ammonia, significantly tightening the local market and stabilising the prices against declines anticipated earlier. The crisis in the Red Sea and shipping disruptions further constrained ammonia availability in Europe. The continuing low prices of natural gas in Europe during the first quarter of 2024 allowed manufacturers to ramp up production, leading to greater availability of locally produced ammonia. With low demand in the European market, some production was redirected to exports, providing additional quantities to regions with higher spot demand, such as North Africa, without a notable impact on the prices.

By the end of the first quarter, stark disparities in market sentiment between the eastern and western sides of the Suez Canal became pronounced. Markets to the west experienced constraints and price increases, while those to the east remained well-stocked despite some issues affecting production facilities in the Middle East and Southeast Asia. A key driver of the March price movement to the west of the Suez Canal was the second month running of strong fertilizer demand in the US during the spring sowing season, compounded by regional plant shutdowns that limited supply. Looking ahead, forecasts for the coming months hinge significantly on India's timing and volume of demand. As of April and early May, activity in the ammonia market remained suppressed by non-existent demand in major regions, contributing to relative price stability on global markets. Global benchmarks are projected to reach their lowest levels in July or August, coinciding with peak seasonal demand for fertilizers. This outlook considers especially the scheduled launch of new production capacities in the Gulf of Mexico and resumption of certain Russian fertilizer exports from the Black Sea starting in July.

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



* Ammonia FOB YUZHNY in connection with the situation in Ukraine – average for the quarter based on two months of 2022, no price quotations in March.

** Ammonium sulfate FOB Black Sea in connection with the situation in Ukraine – average for the quarter based on two months of 2022.

Source: Company data.

Market of compound fertilizers

In the first quarter of 2024, the average NPK 3x16 price benchmark was USD 362 per tonne FOB Baltic/Black Sea, down by 33% year on year and 3% quarter on quarter.

The reported quarter was marked predominantly by anticipation of an upswing in demand. However, many markets saw little interest in NKP fertilizers, particularly when compared to simple nitrogen products. In early January, signs of growing demand for fertilizers ahead of spring applications were seen in Europe, but subsequent strikes, unfavourable weather conditions, and relatively low prices of agricultural produce have dampened trading activity. Despite these challenges, some price uptrends were observed in European markets from February onwards, At the same time, news of widespread availability of imported products with various formulations appeared on the market.

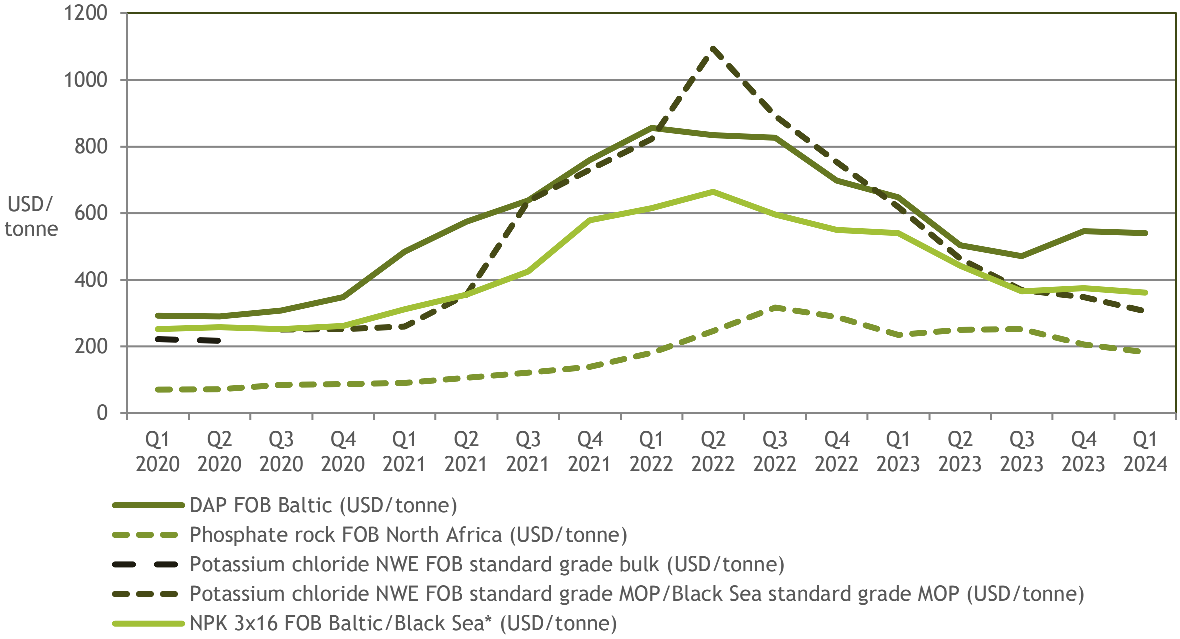
In the first quarter of 2024, the average biammonium phosphate (DAP) price benchmark was USD 540 per tonne FOB Baltic, down by 17% year on year and 1% quarter on quarter.

For the better part of the quarter, the international market for MAP and DAP phosphate fertilizers saw only moderate price movements. It was only in March that Asian markets recorded significant price declines, driven by reduced government subsidies in India and growing availability of Chinese products.

In January 2024, the European phosphate market remained subdued with minimal price fluctuations. Early into February, suppliers hoped to see an uptick in demand, which would support price levels. However, trading activity was hampered by continued strikes, adverse weather conditions, and relatively low prices of agricultural produce. Nonetheless, some price increases were reported across European markets in the latter half of the quarter.

The decision of China, one of the key players in the global phosphate fertilizer market, to ease its restrictive export policy for phosphates later on in the quarter under review was especially relevant in terms of foreign supply constraints, with Chinese MAP and DAP suppliers given a green light to resume shipments.

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



* NPK 3x16 – since January 2022, change of the source of quotations and delivery basis to FOB Baltic/Black Sea.

Source: Company data.

Phosphate rock

In the first quarter of 2024, the benchmark price of phosphate rock (FOB North Africa) was down by 22% year on year and 11% quarter on quarter, while the benchmark price of phosphoric acid supplied to Western Europe dropped by 14% year on year and 2% quarter on quarter.

For the better part of the quarter, the international market for MAP and DAP phosphate fertilizers saw only moderate price movements. It was only in March that Asian markets recorded significant price declines, driven by reduced government subsidies in India and growing availability of Chinese products.

In the first quarter of 2024, movements in the prices of phosphate rock from North Africa and the Middle East were varied and sometimes divergent, depending on the country of origin. Moroccan phosphate rock maintained a positive price differential compared to alternative, geographically proximate sources, relative to historically reported levels.

Potassium chloride

The European FOB potassium chloride benchmark fell in the first quarter of 2024 by 51% year on year and 12% quarter on quarter.

In the first half of the reporting quarter, the price of potassium chloride in Brazil, the world's largest importer of the product, continued to trend downwards to its lowest level last seen in February 2021, which was driven by insufficient demand. The negative market sentiment then began to subside, and a revival in the Brazilian market's activity eventually spurred higher demand for imported products. This led to a rebound from the downward trend, followed by a gradual rise in potassium chloride prices in Brazil. By the end of the quarter, the prices had almost returned to their initial levels.

Despite a persisting downtrend, European prices of potassium chloride remained the world's highest throughout the first quarter of 2024, making Europe the preferred market for suppliers. Nonetheless, market liquidity was still relatively low. Additionally, adverse weather conditions in March hindered fieldwork across the region, further stifling demand for the product.

Belarus successfully adapted its potassium chloride exports using Russian infrastructure. Meanwhile, Canada continues to be a leading supplier of potassium chloride to Europe following the imposition of sanctions on Russia and Belarus, which had historically been the major product exporters to the region, including Poland.

PLASTICS

Polyamide 6 chain

In the first quarter of 2024, the European market experienced an economic downturn amid escalating geopolitical tensions, which affected consumer buying sentiment. In the period, average European contract prices of benzene (CIF NWE) rose by 15% year on year and 9% quarter on quarter.

During the reporting quarter, benzene contract prices in Europe consistently trended upwards, with triple-digit increases. In March, the prices rose to levels not seen since July 2022, driven by low local supply and some improvement in demand following resumption of operations by significant benzene consumers and a decline in imports of derivative products, and, to a lesser extent, fluctuations in crude oil prices. By the end of the period, the European market tightened more than expected due to benzene shipments to the US, production constraints, and maintenance shutdowns at refineries and steam crackers. In March, Europe was the region with the highest benzene prices.

The average quarterly price of phenol in the European market (DEL WE) in the first quarter of 2024 dropped by 4% year on year while rising by 5% quarter on quarter. Phenol price trends during the period mirrored those of benzene, with phenol additives contributing to the end product prices (as a premium over the benzene price).

Demand for phenol from European processors was somewhat bolstered during the quarter, not only by the need to replenish stocks at the beginning of the year, but also on limited imports of derivatives caused by logistic disruptions in the Red Sea. This allowed local producers to maximise their positions during the period. Phenol supply was constrained. Two significant phenol producers declared force majeure on phenol deliveries during the quarter, and a key European manufacturer did not resume phenol and acetone production at one location after a maintenance shutdown between the third and fourth quarters of 2022.

The PA6 product chain market is strongly correlated with economic cycles. After the downtrends seen in the first three quarters of the previous year, in the first quarter of 2024 CPL and PA6 prices continued to trend upwards. However, this was primarily due to sharp increases in the prices of key feedstocks, mainly benzene, during the period of higher trading activity related to seasonal restocking and growing local consumption, while the market grappled with CPL availability issues. Surging feedstock prices affect production costs, putting Europe at a competitive disadvantage relative to other regions.

In the first quarter of 2024, the average quarterly contract prices for liquid caprolactam in the European market (DEL WE) fell by 14.9% year on year while rising by 7.4% on the fourth quarter of 2023.

The average quarterly contract prices of polyamide 6 in the European market (DEL WE) in the first quarter of 2024 were down by 15% year on year and up by 6% quarter on quarter.

The well-balanced CPL and PA6 market seen at the beginning of the quarter turned into a tight market over that period due to a shortage of CPL. As a result, the European supply of PA6 varied depending on the product grade, supplier, and region, due to issues with the supply of sulfur, cyclohexane (CX), and phenol among some Western European producers. This led to a disruption in the supply-and-demand balance.

Logistic constraints, caused by attacks in the Red Sea and routing changes, spurred higher regional demand. Reduced and delayed imports of PA6 and derivative products from Asia, rising demand for polyamide from markets traditionally sourcing the product from Asia, the need to replenish depleted stocks after extensive year-end sales, as well as speculative buying in response to current upward price pressures, were the key drivers behind rising demand. Still, real demand from application sectors remained low, albeit stable. The slowdown in inflation did not translate into higher consumer spending.

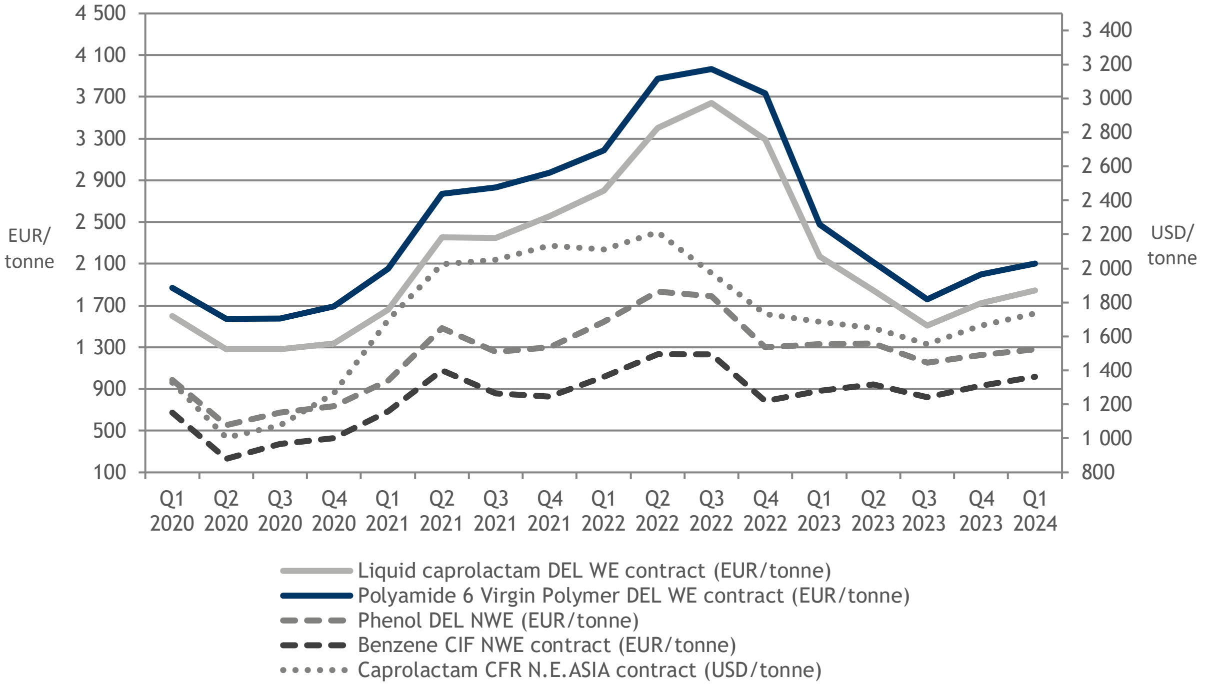
The average quarterly contract prices for caprolactam in Asian markets (CFR NWE Asia) in the first quarter of 2024 rose by 3% year on year and 4% quarter on quarter.

In the broader Asian market, with the exception of China, demand for CPL remained weak. In China, demand for polyamide was strong, particularly from the textile sector.

The outlook for the coming months is mixed, given the rather sluggish economic recovery. Just as in previous periods, the main price and demand drivers will include the supply-and-demand dynamics in the PA6 application markets, which still depends on the macroeconomic and geopolitical climate, as well as production costs. Over the short term, market players do not expect any significant shifts in demand trends on the PA6 application market.

Geopolitical tensions, including logistic disruptions, between Europe and Asia, may continue to support demand for PA6 derivatives made in Europe, thereby boosting regional consumption of PA6 and CPL. However, rising feedstock and product prices may encourage higher risk appetite for imports from regions outside Europe. In April, some European buyers were exploring the possibility of purchasing polyamide and derivatives from Asia.

Prices of PA6, caprolactam, benzene and phenol



Source: Company data.

Polypropylene

In the first quarter of 2024, the contract prices of PP homopolymers and copolymers in the European market declined on average by 6% year on year and rose by 2% quarter on quarter, while spot prices fell by 21% year on year and 13% quarter on quarter. A major driver behind this change were lower contract prices of the main feedstock, propylene, which declined by 6% year on year. At the same time, the 1% quarter-on-quarter drop in the average feedstock price in the first quarter of 2024 did not affect polypropylene prices, which strengthened throughout the reporting period.

The initial weak dynamics of PP price adjustments in January was caused by delays in trade negotiations in the post-Christmas period and by sluggish demand. Later into the month, after supply had tightened significantly, forward delivery prices were adjusted by triple-digit amounts. Factors such as suspension of new offers by some producers, continuing shipping disruptions in the Red Sea resulting in major delays, cancellations or significant restrictions on PP imports from Asia and the Middle East, as well as a number of shutdowns of European units, kept the market under pressure. Nevertheless, market participants noted that baseline demand did not go beyond traditional restocking at the beginning of the year, and remained below expectations. However, fearing future availability issues, some processors made purchases in excess of their current needs. In February, demand for PP significantly outstripped supply in the region. European producers maintained low operating rates due, among other things, to limited feedstock availability, while the persisting shipping difficulties effectively hampered the availability of imports. The disruption in the supply-and-demand balance spurred further increases in transaction prices. Processors noted that the situation forced them to make hurried purchases, fearing further price upswings and low availability, which created major challenges stifling production rates and eroding margins in the supply chain. Significant PP price adjustments could not be fully passed on to downstream products. By the end of the first quarter, spot prices stabilised and even declined in both minimum and maximum ranges. Despite rising feedstock prices, buyers refused to accept further price increases. European product supply remained low, but due to limited orders, the availability picked up slightly later into the quarter. Buyer sentiment also changed, anticipating further improvements in supply. European producers offered forward deliveries, and an influx of products imported from Asia and the Middle East is expected in the coming months. According to processors, current demand was stifled by high polymer prices, low and unstable supply, and the persistently weak demand for end products in various processing sectors.

Anticipating a shift in the supply-and-demand balance, some processors were willing to deplete their stocks. Both supply and demand are expected to pick up in the coming months, which should ease tensions and concerns about the future condition of the market. Contract prices are likely to strengthen, mirroring the uptrend in major feedstock prices.

CHEMICALS

OXO product chain

In the first quarter of 2024, the contract prices for OXO alcohols on the European market declined by 9% year on year but rose by 10% quarter on quarter. A major driver behind this change were the lower contract prices of the main feedstock, propylene, which saw a 6% fall year on year. At the same time, the 1% quarter-on-quarter drop in the average feedstock price in the first quarter of 2024 did not affect the prices of OXO alcohols, which were strengthening for the better part of the reporting period.

The initial minor downward adjustment in OXO alcohol prices in January was primarily attributable to low buying activity and the uninterrupted product availability in the European market. The disruption of supplies to Europe due to the hindered Red Sea shipping initially impacted mainly the processing chain which used imported speciality products and other lower-priced imported raw materials. Given the higher costs and uncertain delivery times for imported materials, buyers prudently planned the replenishment of other feedstocks. Later in the month, the prices of OXO alcohols stabilised, but their short-term availability was limited. Some European units were temporarily stopped due to technical issues in the feedstock supply chain or decisions to redirect raw materials to the manufacture of other products offering higher margins. The market faced a problem of constrained supply throughout the entire first quarter of 2024, especially after the announcement of force majeure event by one of the leading producers of OXO alcohols. These unexpected supply constraints led to a sharp upswing in prices, particularly for n-Butanol. By the end of the quarter, spot prices surged by over 50% compared to January.

The entire reporting period witnessed rising interest in 2-EH from the Turkish market, driven by higher operating rates of plasticizer producers, coupled with reduced and higher-priced imports of this raw material from Asian countries. Logistic challenges in the Red Sea also contributed to a rise in demand for downstream products in Europe, as buyers sought to secure volumes from European manufacturers. Buyer activity remained strong, even though structural demand at the end of the quarter was limited and driven primarily by the need to secure sufficient stock levels in anticipation of further supply constraints. Key sectors, such as paints, solvents, and varnishes, noted a weak uptrend due to the weakness of the construction sector in Europe, despite the seasonal peak demand period in that business. Additionally, many processors were unable to secure raw materials to meet their ongoing production needs due to very tight supply, which led to reduced operating rates. Others curtailed production on purpose, in view of high raw material prices and in anticipation of a rebound in supply.

Market participants expect the supply-and-demand balance to improve in the coming months, given the higher activity from distributors importing OXO alcohols from Asia, the Middle East, and South Africa, as well as the anticipated production resumption at an OXO alcohol unit in Germany and higher operating rates of other facilities. The second quarter is traditionally the strongest period of a year in terms of demand for OXO alcohols.

Plasticizers

In the first quarter of 2024, the prices for plasticizers on the European market dropped by 10% year on year but rose by 8% quarter on quarter. DOTP/Oxoviflex™ saw the smallest year-on-year decline of 4% and the highest quarter-on-quarter growth of 13%. The main drivers behind the rising prices of all plasticizers included the limited availability of imported DOTP and higher prices of raw materials.

The effects of the Red Sea shipping disruptions were already evident in late 2023, With worsening issues such as delays, higher delivery costs, and reduced import volumes significantly impacting the DOTP market, which relies heavily on imported goods to meet European demand. Despite no major technical disruptions in production, European DOTP manufacturers faced supply constraints throughout most of the first quarter of 2024. Turkish producers faced similar problems, as most of the raw materials used by them for plasticizer production typically came from Asia. Despite some recovery seen early into the year driven by restocking efforts, demand for end products in which plasticizers are used was initially considered only moderate by some processors, later turning more optimistic towards the period's end due to a seasonal rise in demand. However, this did not negatively impact demand for DOTP plasticizers, as it was driven by concerns over the future availability throughout most of the reporting period, accelerating price uptrends that outpaced those for other plasticizers. Baseline demand for plasticizers such as DINP, DINCH, and DPHP remained moderate, reflecting the market's actual state. Facing low DOTP supply, European producers of other plasticizers raised their operating rates, increasing stock levels and attempting to regain some part of the DOTP market, which was looking for cheaper alternatives amid surging prices. The latter part of the first quarter brought no significant improvement in the DOTP supply situation, contributing to price rises for all plasticizers, albeit with varying dynamics. The constrained supply somewhat eased towards the end of the quarter with Korean DOTP entering the market and distributors anticipating a higher influx of imports to Europe in the coming months.

Market participants expect the unfavourable supply-and-demand balance to persist, with logistic challenges continuing to cause delivery delays to Europe and keeping costs high. At the same time, lower availability of OXO alcohols in Europe and smaller imports to Turkey from other countries will likely reduce both plasticizer production rates and their availability. In the months to come, the situation will depend on buyer sentiment, the perceived supply security, and the need to reduce raw material costs, which processors believe cannot in many cases be passed on to end products.

Propylene

Contract prices for propylene on the European market in the first quarter of 2024 decreased by 6% year on year and 1% quarter on quarter. However, throughout the quarter, the prices strengthened due to an 8% quarter-on-quarter increase in kerosene prices. Average spot prices for polymer-grade propylene exhibited an opposite trend, rising by 3% year on year and 17% quarter on quarter, being more sensitive to limited availability.

The supply of raw materials was constrained by reduced import volumes from foreign producers and limited availability of propylene feedstocks on the European market. Additionally, at the beginning of the reporting quarter, several assets were either shut down or experienced unplanned outages. These constraints were also driven by production economics, which forced cracker and refinery operators to ramp up production of fuels and lighter products at the expense of ethylene and propylene. The ethylene output was also limited by demand levels. Demand for propylene increased at the beginning of the year following supply constraints and short-term delivery limitations in the previous period. Market actors resumed their activities, aiming to secure short-term deliveries as well as supplies for rebuilding and increasing stocks in the medium term. Increased buyer activity was also driven by changes in contract structures for 2024 and an increased share of spot deliveries in contractual quantities. However, some market players believed that the pick-up in demand for final products was lower than in previous years, although even this level entailed difficulties in finding raw material supplies. Some downstream sectors saw increased demand due to the Red Sea shipping challenges and a shift in purchasing structure in favour of local production. Despite shutdowns and constraints in the alcohols sector, overall demand remained stable later in the quarter.

Market participants are expecting a slight stabilisation and improvement in the demand-supply balance over the coming months. The level of price discounts for forward deliveries of propylene and rising number of bids serve as a provisional indicator of improvement. However, the supply of propylene from steam crackers may remain limited in the near future due to sluggish demand for ethylene caused by increasing polyethylene imports. Additionally, the seasonal rise in gasoline prices will not encourage operators to maximise propylene output. Improvement in supply may be driven by a potential resumption of propylene production by US facilities, which reduced capacity utilisation levels or were shut down for technical reasons early in the year.

Terephthalic acid

In the first quarter of 2024, terephthalic acid (PTA) contract prices on the European market fell by 15% year on year and 5% quarter on quarter.

Market participants attributed the initial decline in the PTA contract prices relative to paraxylene (PX) price movements to the need to remain competitive in light of cheaper raw material imports and to regain lost demand from 2023. However, significant buying activity, PTA shortages due to reduced utilisation and unexpected shutdowns of European units, as well as delayed deliveries from Asia via the Middle East, fuelled significant spot price rises. For most of the reporting quarter, supply was deemed insufficient, despite no clear initial rise in baseline demand for final products. The previously shut down European PTA and polyethylene terephthalate (PET) production units did not resume operations, keeping the market tight. Later in the reporting period, baseline demand grew as the market prepared for seasonal peaks, and logistic challenges drove additional demand from the Turkish market. Eventually, rising spot prices once again weakened the competitive position of European producers as compared to PTA and PET imported from Asia. A narrowing gap between import and local prices usually encourages buyers to place more orders with Asian suppliers. Against the backdrop of a certain stabilisation in the Red Sea shipping challenges and a halt in logistics cost increases, the prices of imported raw materials came close to local prices by the end of the quarter.

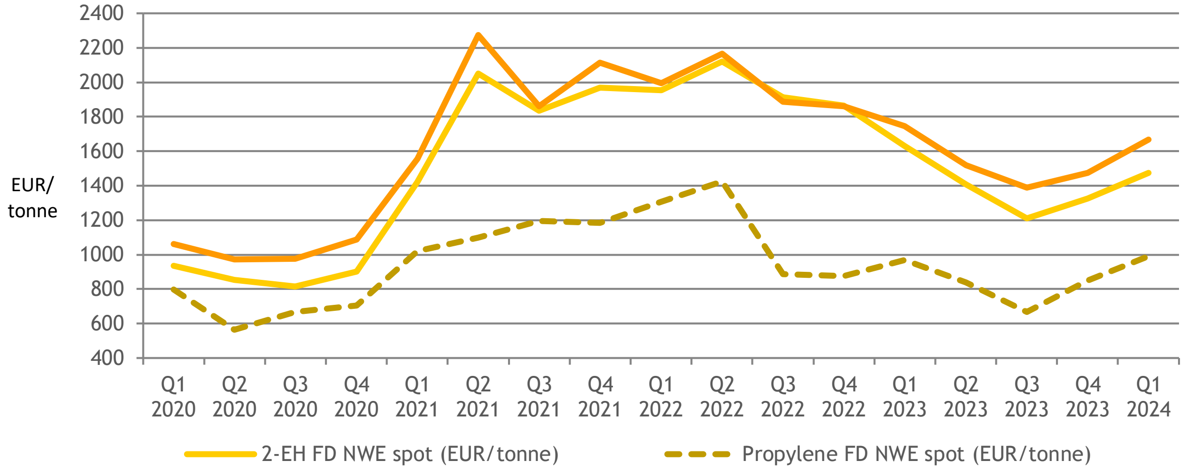
Producers expect the PTA market to remain tight in the coming months, but buyers are beginning to point to better availability of imported goods, which could eventually contribute to an improved demand-supply balance. Demand for PTA should remain strong, and the approaching peak seasonal demand for bottled beverages will continue to fuel consumption growth.

Crude oil

At the end of the first quarter of 2024, the price of crude oil was up by approximately 15% year on year. The drivers behind this growth were both macroeconomic and geopolitical, the latter primarily including situation in the Middle East. The Houthi attacks on vessels forced shipowners to avoid the Red Sea and take the longer route around the Cape of Good Hope, delaying planned deliveries and increasing transport costs. US efforts to broker negotiations between Israel and Hamas have been futile so far. If Iran decides to block the Strait of Hormuz, around 30% of the world's oil shipments could be disrupted. Prices were additionally supported by Ukrainian attacks on Russian installations, which led to shutdowns of approximately 15% of Russia's total production capacity. Macroeconomic factors were also at play. The extension of voluntary oil production cuts by OPEC+ members into the second quarter supported oil prices. The inflation rate was another relevant factor. Lower inflation could encourage central banks (the FED and ECB) to lower interest rates, which would stimulate economic growth and drive up oil demand. However, neither authority has made the move so far. At the beginning of the period, China's economy had to face the news of bankruptcy of China Evergrande Group, a real estate giant. The Chinese government implemented stimulus measures, cutting the reserve requirement ratio for banks. This could drive an economic recovery, leading to increased demand for petroleum products. The reduced supply due to OPEC+ cuts was partially offset by production from non-OPEC countries, particularly the US.

According to the EIA report, the average spot price of Brent crude oil in 2024 will be USD 87 per barrel. The agency also forecasts that global oil demand will increase by 1.43 million barrels per day year on year in 2024, and by 1.38 million in 2025. Morgan Stanley raised its Brent oil prices forecast for the third quarter of 2024 by USD 4 to USD 94 per barrel, pointing to geopolitical risk as the main reason.

Prices of 2-EH, DOTP and propylene



Source: Company data.

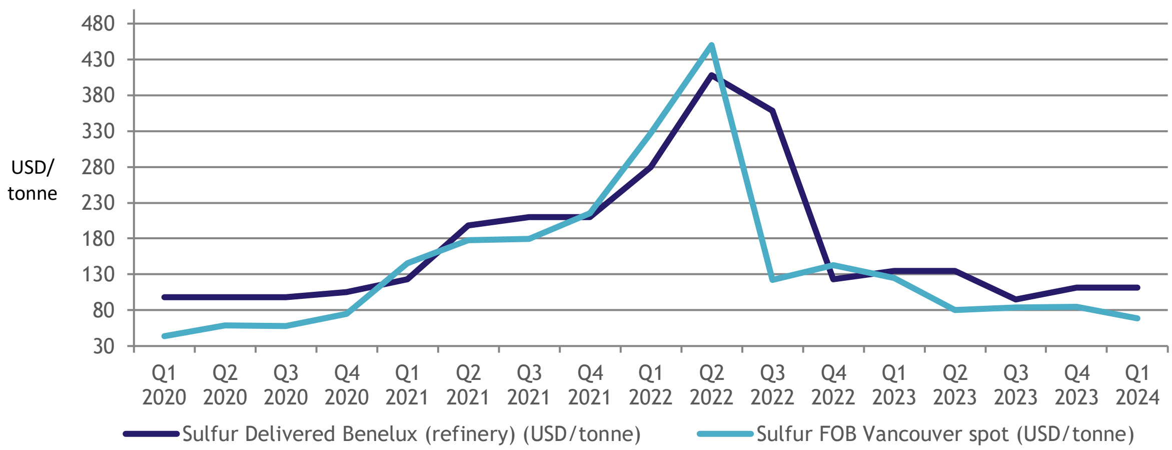
Sulfur

In the first quarter of 2024, the average sulfur price benchmark was USD 69 per tonne FOB Vancouver, representing a decrease of 45% year on year and 19% quarter on quarter. The benchmark for Benelux liquid sulfur settled under quarterly contracts was USD 112 per tonne CFR, representing a 17% year-on-year decrease and no change quarter on quarter.

In the first half of the reporting quarter, spot prices for sulfur went down. Traders reduced prices to dispose of their volumes. A significant portion of quantities for February was sold in advance due to an anticipated decline in global trading activity, which is usually seen during the Lunar New Year period. The return of market participants in the second half of the quarter and reports of imminent resumption of phosphate fertilizer exports from China helped reverse the trend and triggered a global strengthening of sulfur prices as a key commodity. Ultimately, the average price for prilled sulfur imported by China at the end of the reporting quarter was USD 106 per tonne CFR. The price of Vancouver sulfur was strongly correlated with the Chinese benchmark, reaching USD 74 per tonne FOB.

The European sulfur market remained tight, with local refinery production constrained by shutdowns, maintenance work, use of low-sulfur feedstock, and shortages of sour high-sulfur crude due to delayed deliveries via the Red Sea and the ban on oil imports from Russia. Liquid sulfur contracts in Europe for the first quarter of 2024 remained at the levels from the fourth quarter of 2023. This contrasted with declines in contract prices in other regions of the world and was due to tightening supply on the European market.

Sulfur prices



Source: Company data.

Pigment chain

Titanium white

In the first quarter of 2024, the average price of titanium white in Europe (FD NWE) was EUR 3,125 per tonne, representing a decrease of 9% year on year and 1% quarter on quarter.

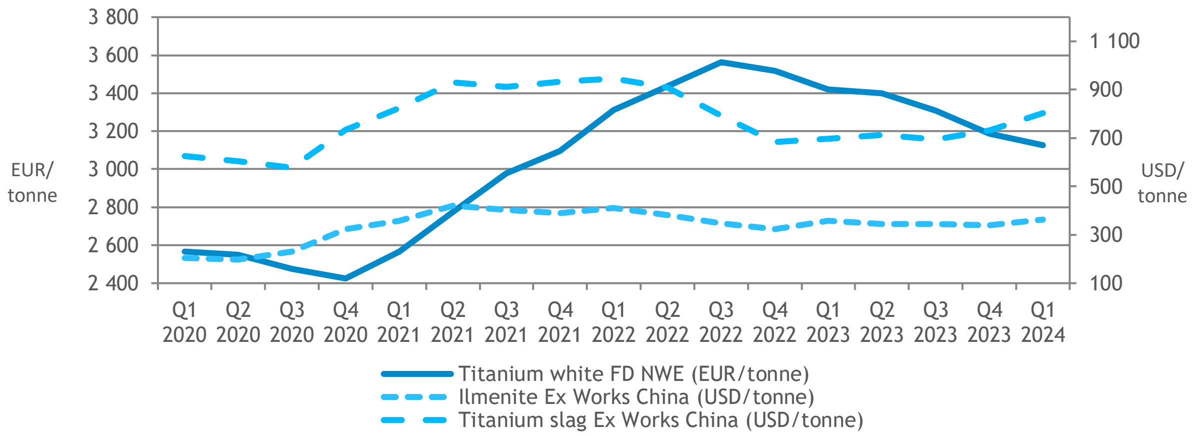
In the first quarter of 2024, the titanium white market saw an increase in demand. According to market participants across all major markets, i.e. Europe, Asia, and the US, this was primarily due to stock replenishment and build-up ahead of the peak season. The announcement of the Duisburg plant closure did not cause any significant market turbulence. Buyers still cannot see any clear signs of a substantial pick-up in baseline demand. In Europe and the US, demand is being squeezed by the same factor: interest rates. Despite declining inflation, neither the FED nor the ECB have decided to make any cuts, which would boost demand in the construction sector, the main product consumer. The ECB appears closer to making such decision. Statements from the bank's representatives suggest that a rate reduction is likely by the end of this year. Nevertheless, it may take some time for consumer confidence and spending to recover.

Better signals are coming from the US economy, where – despite elevated interest rates – sentiment in the key real estate market has significantly improved. In response, leading producers are increasing capacity utilisation rates and raising price and sales growth forecasts. In Europe, the advancement of anti-dumping proceedings against imports of Chinese products continues as the most important price driver. At present, no specific information is available as regards the tariff levels and their start dates; provisional tariffs may be implemented by July 2024. Other factors affecting both the European and Chinese markets were logistics problems and increased freight rates due to attacks on ships in the Red Sea. Along with rising spot prices in China, partly due to higher feedstock prices, this stimulated interest in sourcing from domestic producers. Meanwhile, China must face the insolvency of Evergrande. The Chinese government has lowered its five-year reference rates in an attempt to revive the real estate market. Since the coatings and paints industry is closely linked to the construction sector, improved sentiment in the real estate market could significantly boost domestic demand for titanium white. In early April, anti-dumping proceedings against Chinese products were also launched by India.

Other products

Iron sulfate is a by-product of titanium white and steel production. Price pressure from European and Chinese competitors contributed to a decline in prices in early 2024. This trend was somewhat inhibited by the situation in the Suez Canal. Nevertheless, the Chinese product remains highly competitive compared to European counterparts. The anticipated pick-up in demand in the second quarter of 2024 is not materialising due to the still weak performance of the construction industry.

Prices of titanium white, ilmenite and titanium slag



Source: Company data.

Ilmenite and titanium slag

Prices for slag and ilmenite in the reporting quarter showed an upward trend. The market experienced a shortage of ilmenite, and producers took this opportunity to raise prices. Mines focused on fulfilling existing orders. The price of slag increased on rising ilmenite and energy prices. This trend is expected to continue in subsequent periods.

Melamine

The beginning of the year saw a gradual return of market participants after the Christmas break. Logistic challenges with rising costs of transport and insurance continued to be observed due to security concerns in the Suez Canal. Demand improved slightly, driven mainly by stock replenishment efforts, but its overall prospects remained uncertain. Consumer spending in Europe was supressed by high interest rates and the cost-of-living crisis, particularly last year. The construction sector, crucial for melamine demand, continued to struggle with challenges.

The primary concern was limited European supply coupled with diminished imports and anticipated further declines in available product volumes resulting from maintenance shutdowns scheduled for the first half of 2024. In March, one producer shut down a plant in Austria for three months to carry out scheduled maintenance work (50 thousand tonnes annually), with another maintenance shutdown planned for June at its second facility in Germany (80 thousand tonnes annually). Despite news of a relaunch of one line in Poland, concerns over supply levels in Europe persisted, especially as constrained imports led consumers to turn to local suppliers. The tight supply situation in Europe was the main driver of an increase in both spot and contract prices during the reporting period.

On 14 February 2024, a US melamine producer filed an antidumping (AD) and countervailing duty (CVD) petition against melamine imports into the US from Germany, India, Japan, the Netherlands, Qatar, and Trinidad and Tobago, alleging that those imports were being sold at unfair prices. The investigation is set to continue, and European sources are analysing the news. A wait-and-see approach prevails pending analyses to determine the resulting impact on the market and changes in trade flows. On 29 March 2024, as part of the ongoing proceedings, the United States International Trade Commission (USITC) voted to continue the investigation into melamine imports from the aforementioned countries. The USITC determined there was a reasonable indication that the US industry may be materially harmed or threatened with material injury by imports of melamine from those countries, which are allegedly sold in the United States at less than fair value and subsidised by the governments of Germany, India, Qatar, and Trinidad and Tobago. According to the announcement, preliminary countervailing duty and antidumping duty (ADD) determinations were due in May 2024 and late July 2024, respectively.

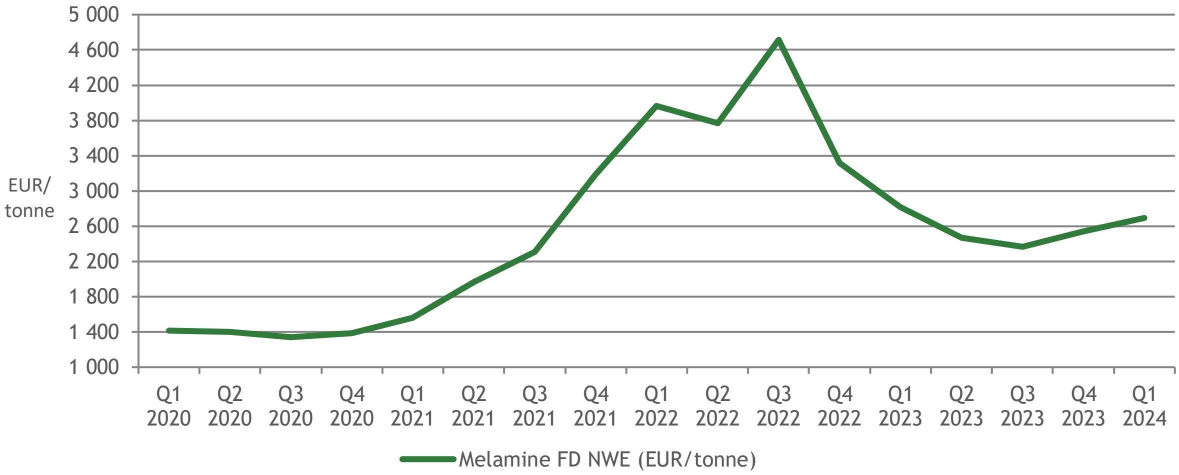
Plans to build a new melamine plant were announced in Egypt, The facility is scheduled to be operational by 2027, with a nominal production capacity of 60 thousand tonnes per year. to be located near the Helwan district, south of Cairo.

In view of the unstable macroeconomic and market situation, contract prices were set by market participants on a monthly basis throughout the reporting period. At the end of the first quarter of 2024, they were set retrospectively, reflecting a three-month accumulation of changes in contracts that could be confirmed.

Eventually, the contract price for melamine in the first quarter of 2024 was set at an average level of EUR 2,690 per tonne (FD NWE), which represented a decrease of EUR 125 per tonne year on year (4%) and an increase of EUR 150 per tonne quarter on quarter (6%).

Spot prices in the reporting quarter went down by 27% year on year and up by 13% quarter on quarter.

Prices of melamine



Source: Company data.

ENERGY

Natural gas

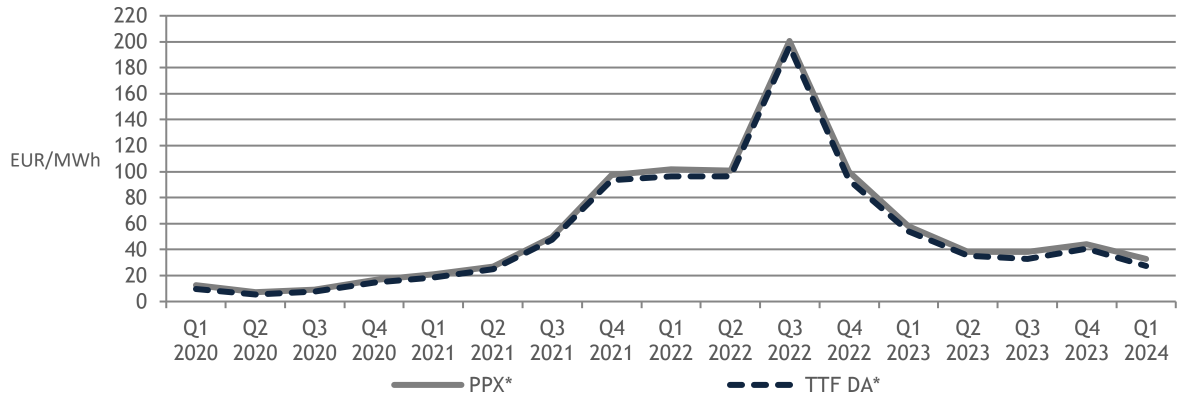
Since the share of LNG in Europe's natural gas consumption grew at the expense of Russian gas, prices in the EU market have been subject to significant fluctuations, which depend largely on the global supply and demand balance. The reporting quarter was no exception. Early in the year, the EU spot markets saw prices around EUR 35 per MWh. The weather was the main factor affecting prices in the first half of the quarter. With stable supply of gas to Europe, warm and windy weather resulted in weak demand and record-high stock levels. Suppressed demand for LNG in Asia encouraged further price declines in Europe. Prices of coal (ARA) and CO_2 emission allowances went down as well, intensifying the pressure on forward contract prices. On 24 February 2024, the prices fell below EUR 23 per MWh, reaching levels unseen since last summer's lows. The gas prices declined despite extended LNG delivery times from Qatar to Europe as a result of attacks on commercial ships in the Red Sea region and decisions to choose the longer delivery route around Africa. At the same time, shipping disruptions in the Panama Canal caused by low water levels made Europe more attractive as a destination for US LNG cargoes.

During the last week of February, the prices hiked in response to forecasts of low temperatures combined with wind levels below seasonal norms. At the same time, there were outages at Norwegian fields, and the shutdown of the Freeport LNG terminal in the US was extended. The prices were additionally supported by the energy complex, where tariffs imposed on Russian coal drove up prices of coal and CO_2 emission allowances, boosting the profitability of gas-fired power generation.

Geopolitical conditions also played a significant role in the gas price increase. The conflict in the Red Sea region triggered an increase in the prices of oil, and consequently of LNG under contracts priced against an oil index. Ukrainian attacks on Russian refineries and Russian attacks on gas storage infrastructure in Ukraine resulted in an additional risk premium. The European Commission approved a plan to maintain a 15% reduction in EU demand below the 2017–2022 average, though this is recommended rather than mandated. The solid European gas market fundamentals caused prices at EU hubs to stabilise at EUR 27-28 per MWh at the end of March.

Europe ended the winter season with a record amount of gas in storage, which calmed the market and will continue to exert a downward pressure on prices. As at 31 March, storage levels were at 58.4%, the highest ever recorded at this time of year. Meanwhile, competition with Asia in the LNG market is likely to intensify due to Asia's awakening demand to replenish stocks ahead of the summer season.

Prices of natural gas



* Excluding transmission.

Source: Company data.

Electricity

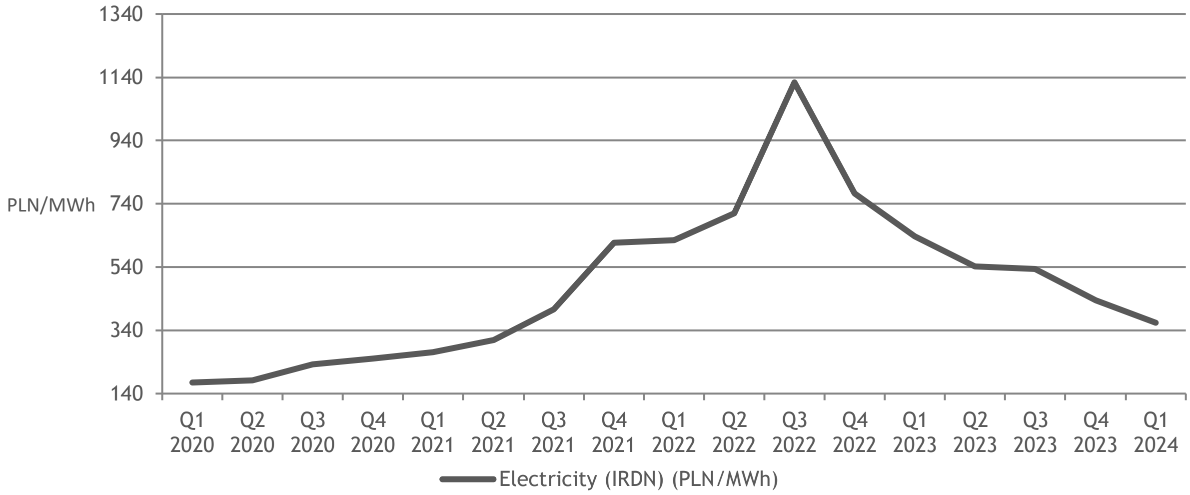
In the first quarter of 2024, the average price of electricity settled between producers and entities of their own groups continued to decrease. The average price of electricity in the first quarter of 2024 was PLN 596.59 per MWh, which was 31% lower year on year and 18.9% quarter on quarter, according to data provided by producers covering total electricity deliveries of 28.8 TWh.

The electricity price on the wholesale market in Poland over the reporting quarter went down by 49% year on year. Production increased by 1%, while demand fell by 3%. Coal-based generation represented a 64% share during the period (a decrease of 5% year on year), while renewables accounted for 11% (an increase of 2% year on year). EUA prices also decreased on account of the EU issuing more allowances for sale this year and due to reduced demand for EUAs resulting from lower coal-based generation output. Coal-based generation is being displaced by gas, nuclear, and renewable sources because of lower purchase costs, along with reduced electricity consumption. Rising temperatures were the main driver behind the decline in demand for electricity. Poland is still one of the most expensive energy markets in the EU, but the differences between the EU average and benchmark German market in relation to the Polish market were not as pronounced as in previous months. Growing photovoltaic capacities meant that from January to March, PSE (Polskie Sieci Elektroenergetyczne) had to repeatedly curtail renewable generation. From 26 March to 1 April 2024, 36 GWh of photovoltaic energy was curtailed.

In the first quarter of 2024, photovoltaic output increased across all major EU electricity markets. Wind energy production rose year on year in most major electricity markets across Europe, with increases ranging from 8% in the German market to 19% in Portugal. The exception was the Spanish market, which saw a 1% decline. Quarter on quarter, average prices fell in almost all European electricity markets. The Nordic market, which recorded a 2% increase, was the exception. On the other hand, the Spanish and Portuguese markets recorded the steepest declines, of 40% and 41%, respectively. The German government decided to shut down 15 power plants with a combined capacity of 4.4 GW to further climate neutrality, as a result of its previous commitments, a drop in electricity prices, and increased generation from renewable sources. At the end of the first quarter of 2024, coal-based electricity generation in Germany fell by 26%, to 28 TWh.

In the coming periods, in view of a renewable energy surplus, storage methods will have to be developed to achieve stability in the energy system. The greatest curtailments of PV generation are traditionally expected in April and May. One solution for the spring heating season, when homes still require occasional heating, is the Power-To-Heat technology, which stores excess electricity as heat. If electricity production from European solar and wind sources continues to grow at the rate observed in recent years, total output from these sources may soon surpass nuclear production as the main source of clean energy on the continent.

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: Company data.

Coal

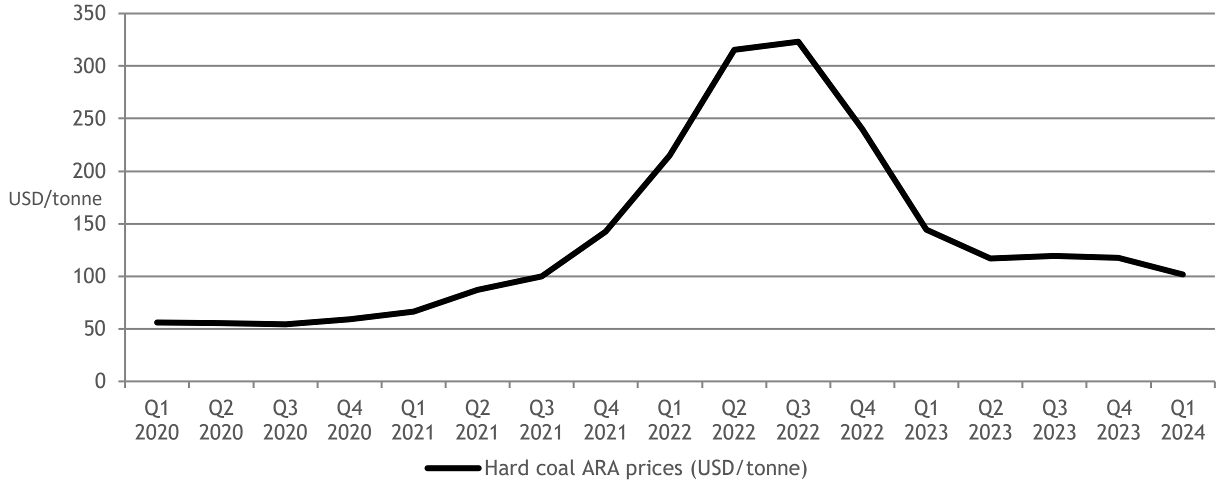
In the first quarter of 2024, the average price of coal in Poland was down by 30% year on year and 14% quarter on quarter. In the first two months of the year, coal production increased by 1% year on year, while sales fell by 13%. The price decline was mostly attributable to high stocks. Weather was also an important factor. High temperatures in January and one of the warmest Februarys on record squeezed demand for coal for heating purposes, while strong winds boosted production from renewable energy sources. Importantly, individual EU economies reported minimal growth rates, which resulted in lower energy demand. A price increase in March was mainly due to the US government's decision to impose sanctions on Russian companies. Additionally, the bridge collapse in Baltimore in the US on 26 March 2024 blocked coal exports from the Consol and Curtis Bay Pier terminals. Germany decided to shut down 15 hard coal- and lignite-fired power plants with a total capacity of 4.4 GW. Early in the year, China imposed tariffs ranging from 3% to 20% on coal imports from certain countries. At the end of February, the coal market in China was supported by a cold wave, which disrupted mining and logistics operations in the country, while demand surged.

According to a report by the International Energy Agency (IEA), coal is expected to lose its position as the primary source of electricity production globally in favour of renewables, whose share along with nuclear will grow from 40% in 2023 to approximately 50% in 2026. The same agency forecasts that in 2024 the US will retire 2.3 GW of its coal-fired capacity. Coal retirements are scheduled to increase to 10.9 GW in 2025.

The Indian Ministry of Coal reports that the total production of hard coal and lignite in India in the current tax year, i.e. from April 2023 to March 2024, exceeded 1 billion tonnes. The country is set to continue developing its coal-based energy sector, just like China. According to a forecast published in March 2024 by the China Coal Transport and Distribution Association (CCTD), coal production in China will reach approximately 4.7 billion tonnes in 2024, an increase of 0.8% compared with the all-time high production level recorded last year. Imports of all types of coal by sea to China in the first quarter of 2024 totalled 97.4 million tonnes, an increase of 17% year on year. China has already revealed its plans to build an additional 70 GW of coal-fired capacity this year, while it has only retired 3.7 GW of its existing capacity.

(all amounts in PLN '000 unless indicated otherwise)

Prices of hard coal



Source: Company data.

2.3. Key financial and economic data

2.3.1. Consolidated financial information

Consolidated data

Item	Q1 2024	Q1 2023	change	% change
Revenue	3,398,779	3,895,453	(496,674)	(12.8)
Cost of sales	(3,132,975)	(4,203,254)	1,070,279	(25.5)
Gross profit/(loss)	**265,804**	**(307,801)**	**573,605**	**186.4**
Selling and distribution expenses	(255,873)	(252,281)	(3,592)	1.4
Administrative expenses	(270,478)	(246,244)	(24,234)	9.8
Profit/(loss) on sales	**(260,547)**	**(806,326)**	**545,779**	**67.7**
Net other income/(expenses)	909	210,300	(209,391)	(99.6)
Operating profit/(loss)	**(259,638)**	**(596,026)**	**336,388**	**56.4**
Net finance income/(costs)	(103,972)	6,697	(110,669)	(1,652.5)
Share of profit of equity-accounted investees	6,927	5,929	998	16.8
Profit/(loss) before tax	**(356,683)**	**(583,400)**	**226,717**	**38.9**
Income tax	23,854	28,096	(4,242)	(15.1)
Net profit/(loss)	**(332,829)**	**(555,304)**	**222,475**	**40.1**
EBIT	**(259,638)**	**(596,026)**	**336,388**	**56.4**
Depreciation and amortisation	208,680	194,853	13,827	7.1
Impairment losses	520	252	268	106.3
EBITDA	**(50,438)**	**(400,921)**	**350,483**	**87.4**

Source: Company data.

(all amounts in PLN '000 unless indicated otherwise)

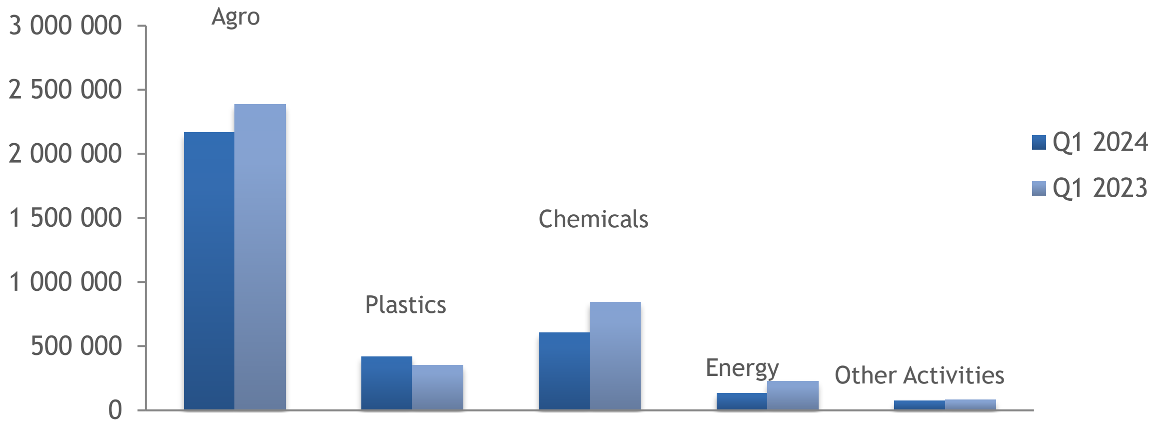
2.3.2. Segment results

EBIT by segment

	Agro	Plastics	Chemicals	Energy	Other Activities
External revenue	2,166,672	419,140	604,293	135,021	73,653
EBIT	(79,601)	(70,105)	(108,090)	3,922	(5,764)
EBITDA	27,380	(56,124)	(89,713)	35,939	32,080

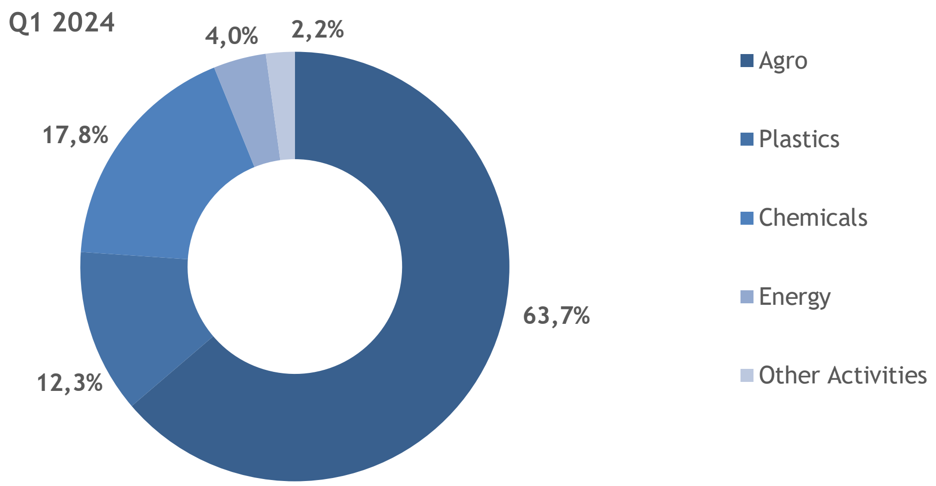
Source: Company data.

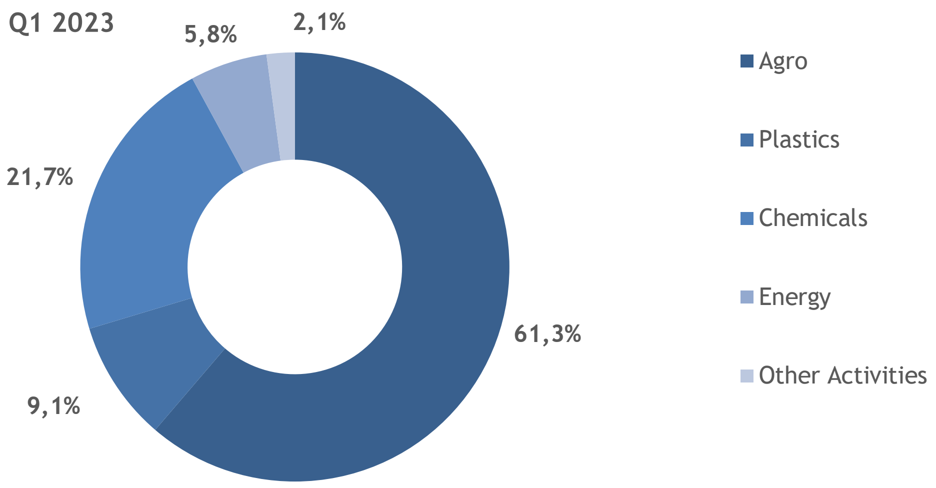
Revenue by segment



Source: Company data.

Revenue by segment





Source: Company data.

Agro

In the three months ended 31 March 2024, revenue in the Agro Segment came in at PLN 2,166,672 thousand and accounted for 63.7% of the Group's total revenue. The segment's revenue went down by 9.2% year on year, while its share in the Group's total revenue increased by 2.4pp.
The Agro Segment reported negative EBIT of PLN 79,601 thousand and a positive EBITDA.

The domestic market accounted for 55% of the segment's total sales.

Plastics

In the three months ended 31 March 2024, revenue in the Plastics Segment was PLN 419,140 thousand and accounted for 12.3% of the Group's total revenue. Year on year, the segment's revenue increased by 18.6%. Plastics delivered an operating loss of PLN 70,105 thousand and a negative EBITDA.

Foreign markets accounted for 74% of the segment's total revenue.

Chemicals

In the three months to 31 March 2024, revenue in the Chemicals Segment amounted to PLN 604,293 thousand, having decreased by 28.6% year on year. The segment's revenue accounted for 17.8% of the Group's total revenue. The segment delivered an operating loss of PLN 108,090 thousand and a negative EBITDA.

Foreign markets accounted for 57% of the segment's total sales.

Energy

In the three months ended 31 March 2024, revenue in the Energy Segment was PLN 135,021 thousand and accounted for approximately 4.0% of the Group's total revenue. Year on year, the segment's revenue decreased by 40.4%. EBIT was positive, at PLN 3,922 thousand.

Other Activities

In the three months ended 31 March 2024, the Other Activities Segment reported revenue of PLN 73,653 thousand, representing a year-on-year decrease of 10.7% and accounting for 2.2% of the total revenue. The segment's operations generated a loss on sales and negative EBIT of PLN 5,764 thousand.

(all amounts in PLN '000 unless indicated otherwise)

Structure of operating expenses

Operating expenses by nature of expense

	Q1 2024	Q1 2023	y/y change	% change
Depreciation and amortisation	207,745	193,781	13,964	7.2
Raw materials and consumables used	2,317,392	3,639,773	(1,322,381)	(36.3)
Services	349,358	339,031	10,327	3.0
Salaries and wages, including surcharges, and other benefits	541,113	545,856	(4,743)	(0.9)
Taxes and charges	201,276	155,745	45,531	29.2
Other	34,392	50,328	(15,936)	(31.7)
Total	**3,651,276**	**4,924,514**	**(1,273,238)**	**(25.9)**

Source: Company data.

Structure of operating expenses [%]

	Q1 2024	Q1 2023
Depreciation and amortisation	5.7	3.9
Raw materials and consumables used	63.5	73.9
Services	9.6	6.9
Salaries and wages, including surcharges, and other benefits	14.8	11.1
Taxes and charges	5.5	3.2
Other	0.9	1.0
Total	**100.0**	**100.0**

Source: Company data.

2.3.3. Assets, equity and liabilities

Structure of assets

	Q1 2024	Q1 2023	y/y change	% change
Non-current assets, including:	**17,456,169**	**17,122,614**	**333,555**	**1.9**
Property, plant and equipment	13,674,928	13,508,310	166,618	1.2
Intangible assets	886,520	961,618	(75,098)	(7.8)
Right-of-use assets	789,019	766,685	22,334	2.9
Other receivables	729,752	686,429	43,323	6.3
Goodwill	279,795	304,083	(24,288)	(8.0)
Current assets, including:	**7,635,467**	**10,314,348**	**(2,678,881)**	**(26.0)**
Trade and other receivables	2,729,903	4,160,731	(1,430,828)	(34.4)
Inventories	2,224,483	3,442,348	(1,217,865)	(35.4)
Property rights	1,925,457	1,991,359	(65,902)	(3.3)
Cash and cash equivalents	694,083	656,110	37,973	5.8
Total assets	**25,091,636**	**27,436,962**	**(2,345,326)**	**(8.5)**

Source: Company data.

Structure of equity and liabilities

	Q1 2024	Q1 2023	y/y change	% change
Equity	**6,172,389**	**9,376,299**	**(3,203,910)**	**(34.2)**
Non-current liabilities, including:	**3,119,518**	**7,984,824**	**(4,865,306)**	**(60.9)**
Other financial liabilities	871,914	681,293	190,621	28.0
Borrowings	645,987	5,669,585	(5,023,598)	(88.6)

(all amounts in PLN '000 unless indicated otherwise)

	Q1 2024	Q1 2023	y/y change	% change
Employee benefit obligations	476,109	437,282	38,827	8.9
Lease liabilities	402,681	362,300	40,381	11.1
Deferred tax liabilities	294,425	384,541	(90,116)	(23.4)
Provisions	235,570	237,589	(2,019)	(0.8)
Grants	182,846	191,309	(8,463)	(4.4)
Current liabilities, including:	**15,799,729**	**10,075,839**	5,723,890	**56.8**
Borrowings	7,853,639	1,043,864	6,809,775	652.4
Trade and other payables	5,009,436	4,747,783	261,653	5.5
Other financial liabilities	1,935,814	2,297,305	(361,491)	(15.7)
Provisions	118,447	105,529	12,918	12.2
Grants	738,272	1,548,175	(809,903)	(52.3)
Total equity and liabilities	**25,091,636**	**27,436,962**	**(2,345,326)**	**(8.5)**

Source: Company data.

2.3.4. Financial ratios

Profitability ratios [%]

	Q1 2024	Q1 2023
Gross profit margin	7.8	(7.9)
EBIT margin	(7.6)	(15.3)
EBITDA margin	(1.5)	(10.3)
Net profit margin	(9.8)	(14.3)
ROA	(1.3)	(2.0)
ROCE	(2.8)	(3.4)
ROE	(5.4)	(5.9)
Return on non-current assets	(1.9)	(3.2)

Source: Company data.

Ratio formulas:
Gross profit margin = gross profit (loss) / revenue (statement of comprehensive income by function)
EBIT margin = EBIT / revenue
EBITDA margin = EBITDA / net revenue
Net 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 2024	Q1 2023
Current ratio	0.5	1.0
Quick ratio	0.3	0.7
Cash ratio	0.0	0.1

Source: Company data.

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

(all amounts in PLN '000 unless indicated otherwise)

Efficiency ratios [days]

	Q1 2024	Q1 2023
Inventory turnover	64	74
Average collection period	44	48
Average payment period	144	102
Cash conversion cycle	(36)	20

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 [%]

	Q1 2024	Q1 2023
Total debt ratio	75.4	65.8
Long-term debt ratio	12.4	29.1
Short-term debt ratio	63.0	36.7
Equity-to-debt ratio	32.6	51.9
Interest cover ratio	(453.3)	(607.5)

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

Considering the financial position of the Parent and the Group's other leading companies, there is a risk to their solvency and credit standing. However, all liabilities under borrowings and other financial liabilities were met when due. No restructuring plan had yet been developed by the end of the first quarter of 2024, but work on such plan is currently under way. Without such plan in place, the Group may become unable to continue regular servicing of its debt with credit availability under the financing agreements maintained and the standstill agreement signed between the Group and financing institutions on 2 February 2024, as well as subsequent amending agreements extending its term until 28 May 2024, remaining in effect.

The Group manages liquidity by maintaining surplus cash and available credit facilities as well as limits under the Intragroup Financing Agreement, one purpose of which is to effectively redistribute funds within the Group.

As at 31 March 2024, the Group's cash totalled PLN 747 million.

The Group may also defer payment of amounts due to suppliers and service providers under reverse factoring agreements for up to PLN 2,374 million, of which PLN 543 million has not been utilised. Additionally, the Group is able to finance its receivables from trading partners under factoring agreements signed together with the Group companies, for up to PLN 965 million, of which PLN 665 million has not been utilised.

The Group keeps monitoring the impact of the war in Ukraine and the resulting price levels of natural gas and other energy commodities on the Group and the Group's economic environment.

In view of the risk of exceeding, as at 30 June 2023, the Net Debt to EBITDA ratio cap permitted under the Grupa Azoty Group financing agreements, the Company's Management Board held negotiations with the institutions providing financing to the Grupa Azoty Group. As a result of the negotiations conducted to obtain consent for the waiver of some of the lending terms, including in particular waiver of the covenant specified above and waiver by the financing parties of the rights arising from a potential breach of the required ratio cap, on 1 June 2023 the Grupa Azoty Management Board provided the financing parties with Waiver and Amendment Letters containing a proposal of the provisions agreed upon by the parties.

The Waiver and Amendment Letters were signed by the Financing Parties, the Parent (also acting for the other Grupa Azoty Group companies that were parties to the agreements) and Grupa Azoty POLICE (as a party to bilateral credit facility agreements with Bank Gospodarstwa Krajowego) on 31 August 2023, and their effective date was set at 30 June 2023.

In accordance with the requirements of the Waiver and Amendment Letters, on 31 August 2023 additional security was created with respect to liabilities under the Grupa Azoty Group's Financing Agreements pursuant to a guarantee agreement entered into by the Company's subsidiary Compo Expert Holding GmbH, acting as the Guarantor, with the Financing Parties. The Guarantor's potential liability towards the Financing Parties is limited by German law to the value of the Guarantor's net assets.

On 15 December 2023, Grupa Azoty POLYOLEFINS signed a standstill agreement with the Financing Institutions. The agreement outlines the terms and conditions for the provision of financing by the Financing Institutions to support the implementation of the Polimery Police project. The agreement, related to the existing Senior Credit Facilities Agreement, was initially signed for a period until 28 February 2024 and subsequently extended until 29 May 2024.

On 2 February 2024, the Parent and the other Grupa Azoty Group companies who are parties to the relevant financing agreements (the "Financing Agreements") signed an agreement with the Financing Institutions which ensures the continued availability of credit limits under the Financing Agreements, prevents the Financing Institutions from taking actions to cancel or reduce the credit facilities available under the Financing Agreements, and prevents the exercise of certain rights under the Financing Agreements in the event of a default or potential default under the Financing Agreements occurring during the term of the agreement, which was initially signed for a period until 27 February 2024 and finally extended until 28 May 2024.

At the same time, the Parent agreed to provide specific documents to the Financing Institutions, introduce agreed restrictions on dispositions related to planned investments, granting sureties and guarantees, and incurring financial liabilities, and to appoint a financial advisor for the Financing Institutions.

Furthermore, on 25 April 2024, the Parent, acting on its own behalf and on behalf of the other Grupa Azoty Group companies being parties to the Financing Agreements, executed Waiver and Amendment Letters with the Financing Parties whereby these institutions consented to waive selected covenants under the Grupa Azoty Group's Financing Agreements, including waiver of the covenant regarding the net debt to EBITDA ratio tested as at 31 December 2023.

2.5. Borrowings

In the three months ended 31 March 2024 and up to the date of authorisation of these financial statements for issue, the Group did not default on any of its liabilities or covenants where such default would trigger acceleration of the liabilities except as provided for in the Waiver and Amendment Letters of 31 August 2023 and 25 April 2024, and the Standstill Agreements, in which the Financing Institutions waived certain rights arising under the Financing Agreements due to default.

The Group has access to umbrella limits under PLN, EUR and USD overdraft facilities linked to physical cash pooling arrangements and under a multi-purpose credit facility which may be used as directed by the Parent in accordance with changes in funding requirements of any of the Group's subsidiaries. The Group also has access to bilateral overdraft limits and multi-purpose facilities.

The aggregate amount of the Group's undrawn overdraft and multi-purpose credit facilities as at 31 March 2024 was PLN 39 million. At the same time, the Group had undrawn limits under corporate credit facilities of PLN 42 million, and PLN 3 million 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 Polimery Police project was PLN 1,363 million.

As at 31 March 2024, under the agreements specified above the Group had access to total credit limits of approximately PLN 1,447 million (of which limits under Grupa Azoty POLYOLEFINS special purpose credit facilities for the financing of the Polimery Police project were PLN 1,363 million, and other limits available to the Group amounted to PLN 84 million).

The financial position of the Grupa Azoty Group is stable provided that credit limits under the financing agreements remain available and the standstill agreement signed between the Group and the financing institutions on 2 February 2024 continues in force.

However, an accumulation of negative factors might lead to a deterioration of the Group's financial position.

(all amounts in PLN '000 unless indicated otherwise)

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

In the three months ended 31 March 2024, there were no other one-off items that would materially impact the Group's assets, equity and liabilities, capital, net profit/loss or cash flows.

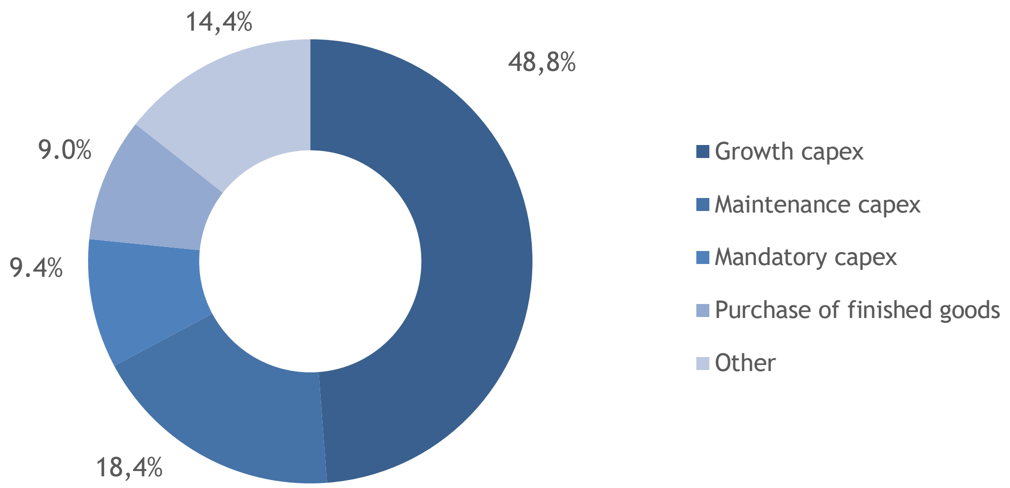
2.7. Key investment projects

In the three months ended 31 March 2024, the Group incurred expenditure of PLN 216,268 thousand to purchase intangible assets and property, plant and equipment.

Structure of capital expenditure:

• Growth capex	PLN 105,559 thousand
• Maintenance capex	PLN 39,813 thousand
• Mandatory capex	PLN 20,337 thousand
• Purchase of finished goods	PLN 19,424 thousand
• Other (major overhauls, components, catalysts, etc.)	PLN 31,135 thousand

Structure of Grupa Azoty Group's capital expenditure in the three months ended 31 March 2024



Source: Company data.

Below is presented Grupa Azoty Group's capital expenditure in the three months ended 31 March 2024:

• Parent	PLN 17,299 thousand
• Grupa Azoty POLYOLEFINS	PLN 83,977 thousand
• Grupa Azoty PUŁAWY Group	PLN 49,577 thousand
• Grupa Azoty KĘDZIERZYN Group	PLN 22,711 thousand
• Grupa Azoty POLICE Group	PLN 28,167 thousand
• COMPO EXPERT	PLN 5,006 thousand
• Grupa Azoty KOLTAR	PLN 3,306 thousand
• Grupa Azoty SIARKOPOL	PLN 4,033 thousand
• Grupa Azoty PKCh	PLN 847 thousand
• Grupa Azoty COMPOUNDING	PLN 1,341 thousand

- Grupa Azoty ATT POLYMERS PLN 4 thousand

Key investment projects implemented by the Group as at 31 March 2024 (PLN '000)

Project name	Project budget	Expenditure incurred	Expenditure in the first quarter of 2024	Project purpose	Scheduled completion date
Parent					
Neutralisation unit (for ammonium nitrate)	210,000	11,067	1,829	The purpose of the project is to construct a new unit for the production of concentrated ammonium nitrate solution (neutralisation unit). The objective of the project is to ensure continuity and improve the efficiency of production of nitrate fertilizers. The project will help reduce heat consumption and contain the environmental impact of the production process, also improving cost competitiveness.	2025
Construction of a neutralisation and precipitation unit	141,000	19,956	3,388	The purpose of the project is to construct a new neutralisation and precipitation unit and upgrade the caprolactam and ammonium sulfate manufacturing process to reduce heat consumption through better use of the heat generated by neutralisation of caprolactam ester. Reduction of steam consumption will help to lower the cost of caprolactam and ammonium sulfate production and improve cost competitiveness.	2026
Grupa Azoty POLYOLEFINS					
Polimery Police	7,210,957*	5,973,644	83,977	The project is to build an on-purpose propylene dehydrogenation plant (PDH) and a polypropylene production plant with associated infrastructure, including expansion of the Police Sea Port to include a propane and ethylene handling and storage terminal.	2024
Grupa Azoty PUŁAWY					
Construction of coal-fired power generation unit	1,230,000	1,067,030	1,002	Increasing the share of the autoproducer CHP plant in the electricity volumes consumed by the production units, and ensuring uninterrupted supplies of energy (process steam and heating water).	2024
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	469,454	7,758	Increase in the efficiency of nitric acid production and the economics of production of nitric acid-based fertilizers. Any nitric acid surplus will be processed on the new line for the production of speciality fertilizers: magnesium nitrate, calcium nitrate and potassium nitrate.	2028
Upgrade of Urea Unit 2 to reduce ammonia	139,396	434	0	Improvement of the energy intensity of urea production, reducing the carbon footprint of	2026

(all amounts in PLN '000 unless indicated otherwise)

Project name	Project budget	Expenditure incurred	Expenditure in the first quarter of 2024	Project purpose	Scheduled completion date
and process steam consumption				urea from Urea 2 unit and improving the competitiveness of urea by reducing the unit cost of raw materials.	
Adaptation of FGD unit to BAT conclusions	75,000	68,670	7,243	The project is to upgrade the scrubber, part of the FGD unit. Once completed, the project will ensure compliance with the emission thresholds for gaseous pollutants released into the atmosphere.	2024
Grupa Azoty KĘDZIERZYN					
Upgrade of the synthesis gas compression unit supplying the ammonia plant	180,000	170,893	9,056	Rebuilding the synthesis gas compression capacities for the ammonia plant through the installation of new compressors. The project will reduce maintenance expenditure and the energy intensity of the ammonia production process and significantly lower department overheads.	2024
Peak-load/reserve boilers	134,000	114,380	976	The peak-load/reserve boiler house functioning as a peak-load source will interoperate with steam generators at the existing CHP plant. 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
2-ethylhexanoic acid unit	156,000	4,720	1,224	Enabling the production of 20,000 tonnes of 2-EHA per year.	2027
Upgrade of the urea production line	172,447	6,454	0	Improving consumption rates for utilities and raw materials/feedstocks, improving environmental performance of the unit and increasing daily production capacity to 780 tonnes, which will step up the production of technical-grade urea and significantly improve the overall balance of liquid ammonia and carbon dioxide.	2026

* The project budget translated into PLN at the PLN/USD mid exchange rate assumed in the project financial model. The project budget approved by the governing bodies is USD 1,837,998 thousand.

Source: Company data.

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

The growth outlook for the global economy is more favourable than in the previous year. In January 2024, the International Monetary Fund raised its forecast for global GDP growth in 2024 to 3.1%, up from the previous 2.9% projected in October. The forecast for 2025 remains unchanged at 3.2%. Growth projections for this year have been revised upwards for the United States (from 1.5% to 2.1%), China (from 4.2% to 4.6%), and India (from 6.3% to 6.5%). However, the IMF expects slower growth in the euro area (down from 1.2% to 0.9%) and Japan (from 1.0% to 0.9%).

Current and leading indicators suggest a reduced risk of recession in the United States, while the euro area continues to experience economic weakness. China has been grappling with a significant economic slowdown since last year. According to preliminary data of Statistics Poland (GUS), the Polish economy is expected to rebound to a 2.5–3.0% GDP growth rate in 2024, compared to 0.2% recorded in 2023.

Exchange rates

Financial markets are still expecting a soft landing for the US economy, that is avoiding recession caused by fighting inflation through monetary tightening. Simultaneously, inflation is expected to fall towards the central bank's target of 2%, despite the main CPI indicator lingering at 3.0–3.5%. The labour market remains strong, but is starting to show signs of a weakening, and the economic growth rate is moderate. High risk appetite is prevailing in the financial markets, with potential threats being discounted to a limited extent. Market sentiments are optimistic, stabilising stock indices at high levels and pushing up the prices of riskier assets.

In response to falling inflation, central banks in our region have been cutting rates for several months. The European Central Bank is preparing for cuts, with the first reduction of 25 basis points likely in June this year. The US Federal Reserve maintains a relatively restrictive monetary policy. The financial market expects a rate cut in the US no earlier than September, with a maximum of two cuts of 25 basis points each by the end of the year, while cuts of 75 to 100 basis points are being discounted in the eurozone.

A significantly better current economic situation and economic prospects for the upcoming months are contributing to the relatively high US dollar to euro rates. The EUR/USD exchange rate has remained below 1.10 since the beginning of 2024. The position of the złoty is supported by the falling inflation and stable nominal interest rates.

However, there are several risk factors that could potentially impact the stability and strength of the Polish currency. These include intensified geopolitical tensions, the ongoing war in Ukraine, the armed conflict that commenced in October in the Middle East, weakening of the banking sector due to unfavourable rulings by the CJEU against lenders, uncertainties surrounding future economic policy decisions of the new government, as well as potential difficulties with meeting budgetary objectives due to lower than expected CPI inflation and GDP growth rates this year. Factors that may undermine the appreciation trend include continued economic weakness in the eurozone, the risk of a downturn in the United States, the risk of escalation of the armed conflict across Poland's eastern border to the disadvantage of Ukraine, as well as the risk of potential shifts in foreign policy directions until mid-decade following the US presidential election.

The Grupa Azoty Group expects the złoty to stabilise later in the year or to weaken slightly amidst continuing high volatility. A slight depreciation of the złoty against the euro or the US dollar should not have a significant impact on the results in terms of the Group's planned currency exposure.

Interest rates in Poland

Since October 2023, interest rates in Poland have remained steady at 5.75%. In early September, the National Bank of Poland made an unexpected rate cut of 0.75 percentage points, to 6.00%. In October, the Monetary Policy Council continued the cycle and cut the rates by another 25 basis points. Financial markets anticipated further reductions by the end of 2023, ranging between 0.25 to 0.50 basis points. In forward rate contracts in Poland, the 3M WIBOR rate was estimated at 5.50% until December 2023, 5% in the second quarter of 2024, and 4.75% until mid-2024. However, since November, there was a shift towards a more hawkish stance by the Monetary Policy Council. Given uncertainties surrounding the economic policies of the new government and an expected rise in inflation later in the year, the National Bank of Poland announced that rates would remain unchanged at least until June 2024. Currently, the markets anticipate a modest decline in interest rates in Poland by the end of the year, not exceeding 50 basis points.

The Grupa Azoty Group expects a decline in interest rates in Poland, expecting similar trends for EUR and USD interest rates until the end of 2024 for the currencies used to finance its operations, with interest rate reductions anticipated in 2024. This will stabilise or reduce the Group's financing costs, while ensuring further safe debt servicing, also taking into account the planned financing of investment activities. Going forward, the debt service costs will stabilise at a relatively lower level in PLN, EUR and USD.

In the United States, rate cuts by 25 to 50 basis points are highly probable in the months leading up to the end of 2024.

In the eurozone, the cycle of interest rate reductions is expected to commence in April with a 0.25pp cut of the refinance rate, to 4.25%. This could be followed by further quarterly reductions of 0.25pp until the end of the year.

The CPI evolution and economic growth rate in the United States will remain the key global economic developments in the near future, followed by the US presidential election due in autumn. A lot depends on whether economies will manage to avoid a recession and whether there will be a second wave of high inflation within the next two years. Poland is experiencing a slow increase in GDP growth after the weak 2023, when the economy expanded by merely 0.2%.

Prices of CO_2 emission allowances

Prices of CO_2 emission allowances remained on a downward trend until mid-February 2024, when they reached approximately EUR 50 per tonne, their lowest level since mid-2021. This decline can be attributed to deteriorating condition of the European economy and expected continuation of this trend in the upcoming months. Since then, the prices have been on the rise, approaching EUR 75 per tonne in early May. If the eurozone economy experiences an upturn in the second half of the year, a slight increase in the prices of emission allowances can be expected to continue, with a potential rebound to EUR 90–100 per tonne.

The Group companies proactively manage their purchases of CO_2 emission allowances. Due to significant cyclical changes with resulting revisions to the companies' production plans, including CO_2 emissions, there is a strong need to adjust the volume of allowances to redeem the CO_2 emissions for 2024. The companies are also selling their existing allowances repurchasing predefined volumes to secure additional financing for day-to-day operations.

According to Refinitiv's forecasts of 30 April 2024, the average price of CO_2 emission allowances is predicted to be EUR 64 in 2024, rising to EUR 74 the following year, and exceeding EUR 90 from 2026 onwards. The emission allowance market remains a regulated market and the regulator's intention is to achieve a sustainable increase in EUA prices in line with the growing climate ambitions of the Fit for 55 package. However, the economic recession at the end of 2023 and beginning of 2024 in the euro area and the effects of high energy prices should stabilise the EUA prices in the medium term due to a decline in industrial demand. Transitory price declines may be brought about by the REPowerEU plan (energy savings, diversification of energy supplies, and accelerated roll-out of renewable energy) and lower production of electricity from coal. The ETS market may consolidate in the price range of EUR 60-80.

European Union Regulatory Area

Climate target for 2040

On 6 February 2024, the European Commission put forward a recommendation to cut emissions by 90% by 2040 compared to 1990 levels as an interim goal, meant to achieve the climate neutrality target in 2050. This target is expected to set a signal on how to invest and plan effectively for the longer term, minimising the risks of stranded assets. While it is not binding at this stage, it will require a review of the necessary regulatory changes. This work will be carried out by the new European Commission.

Antwerp Declaration for a European Industrial Deal

In February 2024, representatives of European industry sectors put forward a declaration on the European Industrial Deal, presenting 10 essential actions, which include putting the Industrial Deal at the core of the new European Strategic Agenda for 2024–2029 with concurrent harmonisation and simplification of the regulatory environment. It was stated that Europe should become a globally competitive provider of energy, and that the next European Commission needs to prioritise projects for affordable low-carbon energy from renewable and nuclear sources. Europe needs a comprehensive energy strategy with concrete actions, such as grid expansion for hydrogen and other renewable and low-carbon technologies, as well as partnerships with countries rich in resources and technologies critical to the energy transition.

Energy market reform

In 2023, the European Commission proposed an electricity market reform (amendments to Regulation (EU) 2019/943 and Directive (EU) 2019/942). The main objective of the amendments is to enhance the resilience of the electricity market and to protect it against price surges in the event of a significant rise in the prices of energy commodities. Following the completion of tripartite negotiations, the proposed regulation is pending approval by the European Parliament and the Council.

Circular economy

In March 2024, a provisional political agreement was reached regarding a proposed regulation on packaging and packaging waste. The provisional agreement maintains most of the sustainability requirements for all packaging placed on the market and the headline targets proposed by the Commission. Compostable plastic packaging and packaging whose plastic component represents less than 5% of the total weight have been exempted from the target for minimum recycled content in plastic packaging. The Regulation is now awaiting formal adoption.

In January 2024, the European Parliament's Committee on Environment, Public Health and Food Safety (ENVI) approved the text agreed during interinstitutional negotiations on new ecodesign principles. The new regulation will establish a framework to set ecodesign requirements for defined product groups. Certain product groups, such as chemicals, are to be prioritised in the development of relevant guidance. The text is yet to be approved by the European Parliament.

In the first quarter of 2024, the European Parliament's committees (ENVI, the Committee on Industry, Research and Energy (ITRE)) also worked on a proposal for a regulation to prevent plastic pellet loss with a view to reducing microplastics pollution. The definition of plastic pellets has been extended. The European Parliament's legislative resolution on the proposal was adopted on 23 April 2024.

AGRO

In the first quarter of 2024, the EC launched an evaluation of Directive of 12 December 1991 concerning the protection of waters against pollution caused by nitrates from agricultural sources (Nitrates Directive) and

Directive of 14 December 2016 on the reduction of national emissions of certain atmospheric pollutants (NEC directive).

The evaluation of the Nitrates Directive will assess if it remains fit for the purpose, aligns with EU environmental and climate goals, and contributes to a sustainable and resilient agriculture and food security. A key objective will be to investigate the potential for simplification, burden reductions, and developments in farm practices and technologies.

The evaluation of the NEC Directive will assess if the legislation has been successful in achieving its objectives. It will investigate, among other things, the extent to which the Directive has achieved its objective of protecting human health and the environment by reducing national emissions of five main air pollutants (ammonia (NH_3), sulfur dioxide (SO_2), nitrogen oxides (NO_x), non-metallic volatile organic compounds (NVOC), fine particulate matter (PM2.5)), and if the objectives are still relevant in view of changing circumstances.

Polish Regulatory Area

- Between February and March 2024, the Ministry of Climate and Environment submitted a draft update of the National Energy and Climate Plan for 2021–2030 to the European Commission. The document presents one of the two required analytical scenarios, reflecting Poland's current contribution to achieving the EU climate target. The final document is also expected to include a more ambitious scenario in which Poland is to achieve a 55% reduction in GHG emissions by 2030. The complete final document is scheduled for publication at the end of the second or beginning of the third quarter of 2024.
- In the first quarter of 2024, consultations took place on the 'Development Plan for Satisfying Current and Future Electricity Demand in 2025–2034' project. The document outlines scenarios for the development of transmission networks and assesses their adequacy in light of planned changes in the size and type of generation capacities. The analysis also considers the electrification of both production and transport planned for that period. One key element of the plan is the construction of a high-voltage direct current (HVDC) connection, which would enable the transmission of power from new generation units in the north of the country, including offshore wind farms and a nuclear power plant, to the south.
- During the first quarter of 2024, work continued on the draft regulation of the Minister of Agriculture and Rural Development published in 2023 on the implementation of certain provisions of the Act on Fertilizers and Fertilization. The draft specifies the competent organisations for testing fertilizers and plant growth enhancers, the detailed scope of testing and documentation for fertilizers and plant growth enhancers, as well as a range of other requirements, including contaminant levels in fertilizers, plant growth enhancers, and digestate products.

International trade policy

- On 24 January 2024, the US Department of Commerce, following a ruling by the US Court of International Trade, announced the amended final determination of countervailing duties on Russian phosphate fertilizers. The countervailing subsidy rates were set at 14.30% for JSC Apatit, 23.77% for EuroChem, and 16.3% for other Russian producers.
- In the EU, suspended import duties on Ukrainian goods, initially introduced in 2022, are in effect until 4 June 2024, after which trade liberalisation will be extended for another year (with certain restrictions).
- On 8 February 2024, the United Kingdom extended duty-free trade for Ukrainian goods, initially introduced by a decision of the UK Department of Business and Trade in 2022. Trade liberalisation will remain in effect until 2029.
- On 29 February 2024, the Court of Justice of the European Union dismissed Methanol Holdings's appeal to maintain anti-dumping duties on UAN imports, initially imposed by Commission Implementing Regulation (EU) 2019/1688 of 8 October 2019.
- The proceedings are pending concerning an appeal filed by EuroChem Group against the decision of the General Court of the European Union whereby it dismissed EuroChem's claim challenging the Commission's decision to impose anti-dumping duties on UAN imports from Russia, Trinidad and Tobago, and the United States.
- On 5 March 2024, the US Department of Commerce launched, on petition filed by Cornerstone Chemical Company, an anti-dumping duty (AD) investigation into imports of melamine from Germany, India, Japan, the Netherlands, Qatar, Trinidad and Tobago, as well as a countervailing duty (CVD) investigation into imports of melamine from Germany, India, Qatar, and Trinidad Tobago.
- On 10 March 2024, the European Free Trade Association (EFTA), which includes Switzerland, Norway, Iceland, and Liechtenstein, signed a free trade agreement with India (TEPA – Trade and Economic Partnership Agreement).
- On 14 March 2024, the United Kingdom launched talks with Turkey on a new, modernised trade deal.
- On 18 March 2024, the Council of the European Union gave final endorsement to the EU Interim Agreement on Trade with Chile, marking the end of the internal ratification process within the EU.
- On 25 March 2024, New Zealand ratified a free trade agreement with the EU.
- On 26 March 2024, the US International Trade Commission (USITC) launched an anti-dumping investigation

into imports of DOTP from Taiwan, Turkey, Malaysia, and Poland, on petition filed by Eastman Chemical Company.

- On 16 April 2024, the US Department of Commerce initiated an anti-dumping duty investigation into imports of DOTP from Malaysia, Poland, Taiwan and Turkey.
- In the EU, proceedings are pending regarding the European Commission's and Fertilizers Europe's appeal against the judgment of the General Court in Luxemburg to annul Commission Implementing Regulation (EU) 2020/2100 imposing definitive anti-dumping duties on ammonium nitrate imports from Russia.
- In the EU, anti-dumping proceedings concerning imports of titanium dioxide originating in China is ongoing, initiated by the European Commission on 13 November 2023 following a complaint lodged by the European Titanium Dioxide Ad Hoc Coalition.
- In the EU, a review proceeding is under way concerning anti-dumping duties on melamine imports from China, initiated by the European Commission on 20 December 2023 at the request of three EU producers.
- Russia will continue to apply export quotas on nitrogen and compound fertilizers until 31 May 2024.
- In Russia, export duties on mineral fertilizers (excluding exports to the Eurasian Economic Union), within the 7–10% range, are in effect until the end of 2024. Their rate is linked to the ruble exchange rate.
- The EU continues to negotiate its trade agreements with third countries, including India, Australia and Indonesia. Negotiations on a free trade agreement with Thailand and the Philippines have resumed.
- No significant progress has been made so far in ratifying the trade agreement with MERCOSUR countries.

Sanctions imposed on Russia and Belarus in connection with Russia's aggression against Ukraine

- On 29 January 2024, the Council of the European Union renewed economic sanctions in response to Russia's military aggression against Ukraine for a further six months, until 31 July 2024.
- In its conclusions of 19 February 2024, the Council of the European Union confirmed the validity of the conclusions of 12 October 2020 and reaffirmed its unwavering support for the Belarusian people's quest for a free, democratic, sovereign and independent Belarus as part of a peaceful and prosperous Europe.
- On 23 February 2024, the EU introduced the 13th package of sanctions, which includes additional asset freeze listings. The Council of the European Union decided to impose restrictive measures on an additional 106 individuals and 88 entities. The sanctions target primarily the military and defence sectors and associated individuals, including those involved in DPRK armament supply to Russia, as well as members of the judiciary, local politicians and people responsible for the illegal deportation and military re-education of Ukrainian children. The sanctions entered into force on 24 February 2024.
- On 26 February 2024, the Council of the European Union decided to extend for another year, until 28 February 2025, the restrictive measures in connection with internal repressions in Belarus and support for Vladimir Putin's regime. The decision was made based on an annual review of the restrictive measures and considering the ongoing repressions and the drastically deteriorating human rights situation in Belarus, as well as the country's continuing involvement in Russia's illegal military aggression against Ukraine. The restrictive measures include asset freezes and prohibition on making funds available. Individuals are also subject to a travel ban. Currently, 233 individuals (including Alexander Lukashenka) and 37 entities are listed.
- Belarus also remains subject to targeted economic sanctions, including restrictions in the financial, trade, dual-use goods, technology and telecommunications, energy, and transport sectors.
- On 15 March 2024, the EU prolonged individual sanctions targeting those responsible for undermining or threatening the territorial integrity, sovereignty and independence of Ukraine for a further six months, until 15 September 2024. Currently, over 2,000 individuals and entities are subject to the restrictive measures; they cannot enter the EU or transit through its territory, and their assets have been frozen.
- On 12 April 2024, the US Office of Foreign Assets Control and the US Department of the Treasury issued a decision introducing, from 1 May 2024, a requirement to report to their competent authority on a quarterly basis any transfer of funds exceeding EUR 100,000 out of the EU for any entities established in the EU which are directly or indirectly owned more than 40% by:
  - a legal person, entity or body established in Russia,
  - a Russian national, or
  - a natural person residing in Russia.

  From 1 July 2024, EU financial institutions must report to their competent authority on a quarterly basis any transfer of funds exceeding EUR 100,000 out of the EU initiated on behalf of any person or entity listed above.

3. Other information

3.1. Other significant events

Implementation of the Polimery Police project

In the three months to 31 March 2024, Grupa Azoty POLYOLEFINS continued the implementation of the Polimery Police investment project, comprising a propylene production unit (429 thousand tonnes per year), a polypropylene production unit (437 thousand tonnes per year) together with auxiliary installations and associated infrastructure, as well as a port terminal with feedstock storage facilities (the "Project").

The General Contractor for the Project is Hyundai Engineering Co., Ltd. (the "General Contractor" or "Hyundai"), in accordance with the contract for turnkey execution of the Project of 11 May 2019 (the "EPC Contract").

The extension of the project completion date is due to delays reported by the General Contractor. In the first quarter of 2024, the Amendment Proposals submitted by Hyundai were being thoroughly reviewed and verified in terms of their validity under the EPC Contract, in accordance with the procedure provided for in the EPC Contract, and under other agreements between the Company and the General Contractor, as well as in the light of relevant facts.

Impact of the war in Ukraine on the Project

To mitigate the risk of reduced supply of strategic raw materials, the company has diversified its supply sources, entering into contracts for the supply of propane and ethylene by sea, which do not involve any imports of these raw materials from Russia.

Market environment

Early into the first quarter of 2024, the prices of propane rose, driven by increased demand from the petrochemical industry, seasonal requirement, and more intensive competition from Asian economies for propane sourced in the United States. At the end of January 2023, propane prices reached USD 650 per tonne, but halfway through the year stable supplies from the US brought the prices further down to around USD 420 per tonne. Towards the end of the reporting period, the propane market in Europe reached an equilibrium: the product was available and demand picked up in line with the trend typical of the season, with prices at around USD 500 per tonne.

In the first quarter of 2024, the contract prices of PP homopolymers and copolymers in the European market declined on average by 6% year on year and rose by 2% quarter on quarter, while spot prices fell by 2% year on year and increased by 13% quarter on quarter. A major driver behind this change were lower contract prices of the main feedstock, propylene, which saw a 6% fall year on year. At the same time, a 1% quarter-on-quarter drop in the average feedstock price in the first quarter of 2024 did not affect polypropylene prices, which strengthened throughout the reporting period.

The initial weak dynamics of PP price adjustments in January was caused by delays in trade negotiations in the post-Christmas period and by sluggish demand. Later into the month, after supply had tightened significantly, forward delivery prices were adjusted by triple-digit amounts. Factors such as suspension of new offers by some producers, continuing shipping disruptions in the Red Sea resulting in major delays, cancellations or significant restrictions on PP imports from Asia and the Middle East, as well as a number of shutdowns of European units, kept the market under pressure. Nevertheless, market participants noted that baseline demand did not go beyond traditional restocking at the beginning of the year, and remained below expectations. However, fearing future availability issues, some processors made purchases in excess of their current needs. In February, demand for PP significantly outstripped supply in the region. European producers maintained low operating rates due, among other things, to limited feedstock availability, while the persisting shipping difficulties effectively hampered the availability of imports. The disruption in the supply-and-demand balance spurred further increases in transaction prices. Processors noted that the market situation forced them to make hurried purchases, fearing further price upswings and low availability, which created major challenges stifling production rates and eroding margins in the supply chain. Significant PP price adjustments could not be fully passed on to downstream products.

By the end of the first quarter of 2024, spot prices stabilised and even declined in both minimum and maximum ranges despite rising feedstock costs, as buyers refused to accept further price increases. European product supply remained low, but due to limited orders, the availability picked up slightly later into the quarter. Buyer sentiment also changed, anticipating further improvements in supply. European producers offered forward deliveries, and an influx of products imported from Asia and the Middle East is expected in the coming months. According to processors, current demand was stifled by high polymer prices, low and unstable supply, and the persistently weak demand for end products in various processing sectors.

Anticipating a shift in the supply-and-demand balance, some processors were willing to deplete their stocks. Supply and demand are expected to pick up in the coming periods, which should ease current tensions and concerns about the future condition of the market. Contract prices are likely to strengthen, mirroring the uptrend in major feedstock prices.

Risks

By the end of the first quarter of 2024, Hyundai had not removed all category C defects, had conducted 24 out of the 37 required Guaranteed Parameters tests, of which eight were accepted, and thus had not yet completed the Integrity Test. Grupa Azoty POLYOLEFINS attributed the commissioning delays to technical issues encountered during the start-up of individual pieces of machinery and equipment, which hindered the entire plant's commissioning. Any failure of critical systems and equipment could halt production altogether. Therefore, there is a risk that the commissioning phase may be prolonged, causing further delays in signing the Provisional Acceptance Reports for the respective sub-projects and completion of the Integrity Test.

Additionally, stopping the plant's operation carries the risk of inability to restart and operate the PP unit due to a lack of hydrogen. To address this, the company launched tender procedures for the purchase and installation of both stationary and mobile hydrogen unloading facilities and for hydrogen supplies.

Although the production processes need to be stabilised and adjusted, since 19 January 2024 the company has been producing both propylene and polypropylene. In the first quarter of 2024, 60.4 thousand tonnes of propylene and 55.6 thousand tonnes of polypropylene were produced.

The delayed completion of the commissioning phase and resulting delay in the plant's operational launch within the planned timeframe had an impact on the company's sales targets and financial condition. Grupa Azoty POLYOLEFINS' market entry plans assume expansion of its portfolio to include high quality products. Accordingly, one of the major challenges facing the company in the coming months will be to ensure the availability of polypropylene of the quality sought by customers. In March, the company recorded an increase in margins relative to previous months. A challenge for the coming periods will be to effectively place the products on the market while ensuring appropriate sales profitability. In this context, the use of the spot market and distribution channels will be particularly important.

Administrative decisions

In the three months ended 31 March 2024, Grupa Azoty POLYOLEFINS submitted applications for the following administrative decisions:

- On 1 February 2024, an application was submitted to the State Water Management Agency (PGW Wody Polskie) and the Regional Water Management Authority of Szczecin for a water-law permit for special use of water (discharge of industrial wastewater into the sewage system owned by Grupa Azoty POLICE).
- On 29 February 2024, an application for an occupancy permit was submitted to the County Building Inspection Office in Police regarding the building structures constructed under the building permit dated 8 September 2020, as amended (AUX-8).
- On 28 March 2024, an application was submitted to the Provincial Building Inspection Office in Szczecin for the building structures constructed under the building permit dated 20 December 2019, as amended (HST-1).
- On 28 March 2024, an application was submitted to the Provincial Building Inspection Office in Szczecin for the building structures constructed under the building permit dated 21 April 2020, as amended (HST-2).

Simultaneously, the General Contractor is in the process of completing the necessary documentation to submit the respective applications for occupancy permits under the remaining building permits. The company is also preparing an application to the Marshal of the Szczecin Province for an amendment to the Integrated Permit Decision dated 15 December 2022.

Stage of completion

As at 31 March 2024, the overall stage of completion under the EPC Contract was 99.90%. The overall stage of completion is understood as obtaining the required permits, procurement and delivery of equipment and materials, construction work, completion testing and commissioning.

At the Project site, work was carried out to remove defects identified during the construction phase, the Mechanical Completion phase and the RFSU phase, accompanied by work to achieve Interim Acceptance, comprising in particular: Adjustment Runs and Test Runs, including tests of Guaranteed Parameters, for the following Sub-projects:

- Handling and Storage Terminal (HST, Marine Gas Terminal),
- Propane dehydrogenation (PDH) unit,
- Polypropylene (PP) unit,
- Auxiliary and Interconnection (AUX) Facilities.

The AUX facilities provided necessary process media for the operation of the PDH and PP units. They included a high-pressure steam boiler together with boiler water preparation and surface blowdowns discharge systems, a raw and cooling water preparation system, and a compressed air and nitrogen plant. Additionally, industrial wastewater treatment units were launched, including an oily wastewater treatment unit and soda lye treatment unit. The PDH and PP units are operating at stable rates. The Handling and Storage Terminal receives regular deliveries of propane and ethylene. In the reporting quarter, three deliveries of propane were received by the company.

During the first quarter of 2024, finishing work was ongoing within the Polypropylene (PPL) Logistics Infrastructure area designated as sheltered storage yard. In the period, the General Contractor submitted technical documentation for the LPG station for review by the Employer, and delivered the required spare parts for the Sub-project.

Claims submitted

Despite the General Contractor's attempts to invoke force majeure on 10 July 2023, the company stated that the explanations in the General Contractor's notifications did not contain the required details of the force majeure event and, as such, did not meet the condition set out in Section 25.1 of the Contract, i.e. the event was not one that the party involved (and especially a professional entity such as the Contractor) could not have foreseen acting with due professional care, or that was beyond the party's control.

At present, the Company is assessing the Amendment Proposals received from the General Contractor (their validity extended until 30 June 2024):

- Amendment Proposal – monetary claim and EOT (Extension of Time) – CHP-83, submitted on 2 February 2024. Primary claim: Extension of Time by another 95 days and payment of EUR 39,772 thousand to compensate the General Contractor for additional costs incurred in connection with Project delays. Refers to: delays in the Project acceptance, which, as claimed by Hyundai, were attributable to the Company or FM events. Work status: final stage of an internal review. Assessment by the Company: pending. It is also necessary to analyse how the supplements to CHP-83 submitted by Hyundai on 3 April 2024 will affect the assessment of the claim.
- Amendment Proposal – monetary claim – CHP-84, submitted on 6 February 2024. Primary claim: increase in the Contract price payable to the General Contractor by EUR 5,842 thousand, equalling the sum of interest for late payments. Refers to: dates of signing the Milestone Acceptance Reports and thus of Milestone payments made to the General Contractor. Work status: final stage of an internal review. Assessment by the Company: pending.
- Amendment Proposals – Technical Changes. During the first quarter of 2024, the Company held discussions with the General Contractor concerning amendments to certain technical aspects of the scope of work. In January 2024, discussions were held to clarify the Technical Change Proposals concerning the contents of the Technical Change Proposals submitted by the General Contractor and technical change requests submitted to the General Contractor by the Employer. As at 31 March 2024, the Company was still reviewing 39 Technical Changes.

Melamine production resumed at Grupa Azoty PUŁAWY

On 30 January 2024, the Management Board of Grupa Azoty PUŁAWY decided to resume production and to commence, as of that date, work on putting the Melamine III plant into operation. At the same time, the company announced that the output would be adjusted to prevailing market conditions. The Melamine III unit's maximum daily capacity of 90 tonnes accounts for approximately one-third of the rated capacity of all melamine units operated by the company.

Discontinuation of proceedings conducted by National Fund for Environmental Protection and Water Management

On 9 January 2024, the Parent received a decision from the National Fund for Environmental Protection and Water Management (NFOŚiGW) to the effect that the administrative proceedings concerning repayment by the Company of the received aid were discontinued as groundless. This means that the Company did satisfy the criteria and conditions for receiving state aid dedicated to supporting energy-intensive sectors in connection with sudden increases in natural gas and electricity prices, and therefore the PLN 52.3 million aid granted to the Company was awarded legitimately and, as such, is not subject to repayment.

Termination of negotiations and agreement to negotiate acquisition of shares in Solarfarm Brzezinka sp. z o.o.

On 28 March 2024, the Parent's Management Board passed a resolution to terminate negotiations with the shareholders of Solarfarm Brzezinka sp. z o.o. of Wrocław ("Solarfarm"), namely with VSB Holding GmbH of Dresden, Germany, and Mr Janusz Franciszek Siemieniec, and to terminate the agreement to hold negotiations, on an exclusive basis, regarding the potential acquisition of 100% of the share capital of Solarfarm, the company established to implement a minimum 270 MWp solar PV power plant project located in Brzezinka and Syców in the Province of Wrocław.

The reason for the termination of negotiations is the negative opinion of the Company's Supervisory Board regarding the proposed acquisition of Solarfarm, which was submitted by the Management Board for approval by the Extraordinary General Meeting, and failure by the Extraordinary General Meeting (held on 14 February 2024 and resumed after adjournment on 13 March 2024) to adopt the relevant resolution. Approval from the Extraordinary General Meeting was a necessary condition for the execution of the agreement to acquire 100% of shares in Solarfarm.

Other material events

For information on other material events in the reporting period and subsequent to the reporting date which have not been listed above, see the interim condensed consolidated financial statements of the Grupa Azoty Group for the three months ended 31 March 2024.

3.2. Significant agreements

Financing agreements

Annexes to the overdraft facility agreement executed by Grupa Azoty POLICE with Bank Gospodarstwa Krajowego

In the three months ended 31 March 2024, Grupa Azoty POLICE signed the following annexes to the PLN 100,000 thousand overdraft facility agreement with Bank Gospodarstwa Krajowego:

- on 23 February 2024 – annex 3 extending the agreement until 27 January 2024,
- on 27 February 2024 – annex 4 extending the agreement until 25 March 2024,
- on 6 March 2024 – annex 5 changing the availability period of the facility until 26 March 2024,
- on 22 March 2024 – annex 6 extending the availability period of the facility until 26 April 2024,
- on 25 April 2024 – annex 7 extending the availability period of the facility until 28 May 2024.

The facility bears interest at 1M WIBOR plus bank margin.

Annex to the Payments Servicing Agreement of 14 December 2018 with Banco Santander S.A. and Santander Factoring Sp. z o.o., as amended by the Agreement of 23 September 2019 Amending and Superseding the Payments Servicing Agreement, as amended

On 12 January 2024, the Parent and its subsidiaries Grupa Azoty PUŁAWY, Grupa Azoty POLICE, Grupa Azoty KĘDZIERZYN and COMPO EXPERT GmbH signed Annex 5 to the Payments Servicing Agreement of 14 December 2018, as amended by the Agreement of 23 September 2019 Amending and Superseding the Payments Servicing Agreement, as amended, capped at EUR 122 million (the "Payments Servicing Agreement"), with Banco Santander S.A. and Santander Factoring Sp. z o.o., changing the price conditions.

Amendment to the Multi-Purpose Premium Credit Facility Agreement with BNP Paribas Bank Polski S.A.

On 26 March 2024, the Parent, together with the key and other Group companies, signed with BNP Paribas BP S.A. Amendment 4 to the PLN 240 million Multi-Purpose Premium Credit Facility Agreement. The facility is used for opening and servicing guarantees and letters of credit. The Amendment extended the availability period of the credit facility until 26 April 2024.

Annexes to the Payment Services and Financing Agreement with CaixaBank S.A.

On 26 March 2024, the Parent and its subsidiaries Grupa Azoty PUŁAWY, Grupa Azoty POLICE, Grupa Azoty KĘDZIERZYN, COMPO EXPERT GmbH and COMPO EXPERT Hellas S.A. on the one side and CaixaBank S.A. Poland Branch on the other side signed Annex 5 to the Payment Services And Financing Agreement (reverse factoring agreement) of 29 April 2021, as amended. The Annex extended the availability period of the reverse factoring limit until 26 April 2024.

Annexes to the Supply Financing Agreement with Pekao Faktoring Sp. z o.o.

On 27 March 2024, the Parent and its subsidiaries Grupa Azoty PUŁAWY, Grupa Azoty POLICE and Grupa Azoty KĘDZIERZYN signed an Annex to the Supply Financing Agreement of 31 May 2021, as amended, with Pekao Faktoring Sp. z o.o. The Annex amended the agreement term to run to 25 April 2024.

Annexes to the Factoring Agreement with Pekao Faktoring Sp. z o.o.

On 27 March 2024, the Parent and its subsidiaries Grupa Azoty PUŁAWY, Grupa Azoty POLICE and Grupa Azoty KĘDZIERZYN signed an Annex to the Factoring Agreement of 31 May 2021, as amended, with Pekao Faktoring Sp. z o.o. The Annex amended the agreement term to run to 25 April 2024.

COMPO EXPERT’s borrowings

On 5 February 2024, Compo Expert GmbH was notified by Banco Santander S.A. Frankfurt Branch of the termination of the EUR 7,500 thousand Overdraft Facility Agreement of 17 November 2020.

On 29 February 2024, Banco Santander BR reduced the internal credit line for Compo Expert Brasil from EUR 5,300 thousand to EUR 4,100 thousand.

Execution of Standstill Agreements by the Parent

On 2 February 2024, the Parent executed, on its own behalf and on behalf of the Grupa Azoty Group companies (the “Group”) which are parties to the respective Financing Agreements, an agreement with 13 Financing Institutions (the “Agreement”): Powszechna Kasa Oszczędności Bank Polski S.A., Bank Gospodarstwa Krajowego, ING Bank Śląski S.A., Santander Bank Polska S.A., Caixabank S.A. Poland Branch, BNP Paribas Faktoring sp. z o.o., ING Commercial Finance Polska S.A., Pekao Faktoring sp. z o.o., BNP Paribas Bank Polska S.A., Santander Factoring sp. z o.o. and Banco Santander S.A., Frankfurt Branch, as well as with the European Bank for Reconstruction and Development and the European Investment Bank.

The Agreement ensures the continued availability of credit limits under the Financing Agreements, prevents the Financing Institutions from taking actions to cancel or reduce the available limits of the Financing Agreements, and prevents the exercise of certain rights under the Financing Agreements in the event of a default or potential default under the Financing Agreements occurring during the term of the agreement, which is effective until 27 February 2024.

This will facilitate the development of a long-term restructuring plan for the Grupa Azoty Group. The Agreement may be subject to further extension with the consent of the Financing Institutions.

At the same time, the Parent agreed to provide specific documents to the Financing Institutions, introduce agreed restrictions on dispositions related to planned investments, granting sureties and guarantees, and incurring financial liabilities, and to appoint a financial advisor for the Financing Institutions.

The first agreement with the Financing Institutions was signed by Grupa Azoty on 31 August 2023. Under that agreement, the institutions agreed to waive certain covenants laid down in the agreements on the provision of financing to Grupa Azoty and Grupa Azoty Police. The waiver was granted in response to requests submitted by these entities in June 2023. As a result, consent was given to waive the net debt/EBITDA covenant as at the end of June 2023. The agreement of 2 February 2024 was signed following further talks with the financing institutions.

The Parent fulfils all debt service and repayment obligations under the Financing Agreements in a timely manner, and the available limits thereunder ensure liquidity and secure financing for the Grupa Azoty Group to meet its own requirements and obligations to suppliers, ensuring the continuity of operations.

On 29 February 2024, 27 March 2024 and 25 April 2024, the Parent executed, on its own behalf and on behalf of the Grupa Azoty Group companies which are parties to the relevant financing agreements, annexes to the Agreement of 2 February 2024 (the first annex with an effective date of 28 February 2024, the second annex with an effective date of 26 March 2024, and the third annex with an effective date of 25 April 2024 (the “Annexes”)).

The Annexes to the Agreement ensure the continued availability of credit facility limits under the Financing Agreements, prevent the Financing Institutions from taking actions to cancel or reduce the available limits of the Financing Agreements, and prevent the exercise of certain rights under the Financing Agreements in the event of a default or potential default under the Financing Agreements occurring during the term of the Agreement, which has been extended under the Annexes initially until 25 March 2024, then until 25 April 2024, and finally until 28 May 2024.

Further negotiations are being conducted with the Financing Institutions in order to develop, as soon as practicable, a mutually satisfactory solution enabling the Group to operate and fulfil its obligations under the Agreements in accordance with their terms, also in subsequent periods, subject to such changes as the Financing Institutions deem required or desirable considering the change in circumstances under which the Group currently operates and under which it will operate in the coming years, reflecting the resulting change in the risk profile of the Group, the Company and its subsidiaries.

After the reporting date, on 25 April 2024, the Parent executed, on its own behalf and on behalf of selected other Grupa Azoty Group companies which are parties to the Financing Agreements, annexes providing for, inter alia, maintenance by the institutions of the availability of the credit facility limits covered by the Agreement for its extended term, including an annex with:

- BNP Paribas BP S.A. – to the PLN 240 million to the Multi-Purpose Premium Credit Facility Agreement for opening and servicing guarantees and letters of credit, with the availability period extended until 28 May 2024,
- CaixaBank S.A. – to the PLN 500 million Payment Services And Financing Agreement, with the availability period extended until 28 May 2024,
- Pekao Faktoring Sp. z o.o. – to the PLN 550 million Supply Financing Agreement and the PLN 250 million Factoring Agreement, with the availability periods extended until 28 May 2024,
- ING Commercial Finance Polska S.A. – to the PLN 800 million Reverse Factoring Agreement, with the availability period extended until 28 May 2024, to be automatically extended further for the term of the Agreement in the event of its extension.

Execution of a Standstill Agreement by Grupa Azoty POLYOLEFINS

On 29 February 2024, Grupa Azoty POLYOLEFINS and the following financial institutions: Alior Bank S.A., Bank Gospodarstwa Krajowego, Bank Ochrony Środowiska S.A., Bank Polska Kasa Opieki S.A., BNP Paribas Bank Polska S.A., European Bank for Reconstruction and Development, Haitong Bank Polska S.A., ICBC Standard Bank PLC, Industrial and Commercial Bank of China (Europe) S.A. (Joint-Stock Company) Poland Branch, mBank S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Powszechny Zakład Ubezpieczeń S.A., Powszechny Zakład Ubezpieczeń na Życie S.A., PZU Fundusz Inwestycyjny Zamknięty Aktywów Niepublicznych BIS 2 and Santander Bank Polska S.A. (the "Financial Institutions") executed an amendment agreement (the "Amendment Agreement") to a standstill agreement (the "Standstill Agreement") related to the financing of the Polimery Police investment project (the "Project"), linked to the existing agreement for the financing of the Project (the "Credit Facilities Agreement"). In the Amendment Agreement, the parties defined the conditions on which the Financial Institutions will provide financing for the Project for the subsequent term of the Standstill Agreement, that is until 27 March 2024. The parties also agreed that the provision by the Parent and Grupa Azoty POLICE (the "Original Sponsors") of the balance of the support loan of up to EUR 105 million (the upper limit) to the Subsidiary would be made by 27 March 2024 at the latest.

On 27 March 2024, Grupa Azoty POLYOLEFINS and the Financial Institutions signed an amendment agreement extending the term of the Standstill Agreement until 26 April 2024, and on 26 April 2024 Grupa Azoty POLYOLEFINS and the Financial Institutions signed an amendment agreement extending the term of the Standstill Agreement until 29 May 2024.

Consent to waive selected terms of financing agreements

On 25 April 2024, the Parent, acting on its own behalf and on behalf of the other Grupa Azoty Group companies being parties to the Financing Agreements, executed Waiver and Amendment Letters with the Financing Parties whereby these institutions consented to waive selected covenants under the Grupa Azoty Group's Financing Agreements, including waiver of the covenant regarding the net debt to EBITDA ratio tested as at 31 December 2023.

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 (GA MIU) operating within TUW PZUW for a period of three years, i.e. from 1 March 2022 to 28 February 2025, policies were issued for the third year, i.e. from 1 March 2024 to 28 February 2025, covering the following lines of insurance:

- all-risk property insurance (PD/ALLR),
- all-risk electronic equipment insurance (EEI),
- loss of profit insurance (PD/ALLR (BI)),
- all-risk machinery insurance (MB).

Project co-financing agreements

In the three months ended 31 March 2024, the Grupa Azoty Group companies did not enter into any project co-financing agreements of a material value.

3.3. Sureties and guarantees

Guarantees

Guarantees provided

In the three months ended 31 March 2024, the total amount of all guarantees issued at the request of the Group companies was PLN 12,513 thousand. The highest-value guarantees were provided at the request of:

- Grupa Azoty KĘDZIERZYN to Raffinerie Heide Gmbh, for a total amount of PLN 7,638 thousand,
- Grupa Azoty POLICE to GAZ-SYSTEM S.A., for an amount of PLN 3,235 thousand.

Letters of credit

In the three months ended 31 March 2024, no material letters of credit were issued at the request of Grupa Azoty Group companies.

Intragroup loans

Annexes to agreements of 31 May 2020 for loans granted to Grupa Azoty POLYOLEFINS by the Parent and Grupa Azoty POLICE

Grupa Azoty POLYOLEFINS signed annexes to the loan agreements of 31 May 2020:

- On 31 January 2024, with the Parent – Annex 7 in connection with compounding of interest for the next interest period. In accordance with the Annex, as a result of the compounding the loan principal as of 15 January 2024 was PLN 510,630 thousand;
- On 25 January 2024, with Grupa Azoty POLICE – Annex 7 in connection with compounding of interest for the next interest period. In accordance with the Annex, as a result of the compounding the loan principal as of 15 January 2024 was PLN 575,817 thousand.

In the case of ORLEN S.A. (formerly Grupa LOTOS S.A.) and Korea Overseas Infrastructure & Urban Development Corporation, annexes concerning compounding of interest for the interest period ending 15 January 2024 were signed in January 2024.

Loans granted by Grupa Azoty PUŁAWY

In the three months ended 31 March 2024, Grupa Azoty PUŁAWY had loans in a total amount of PLN 53.6 million advanced to its subsidiaries, including:

- a PLN 52.0 million loan to Grupa Azoty CHORZÓW, and
- a PLN 1.6 million loan to SCF Natural Sp. z o.o.

On 4 January 2024, annexes were signed with Grupa Azoty CHORZÓW amending the interest rates and repayment schedule of the loans. On 8 January 2024, similar annexes were signed amending the interest rates and repayment schedule of the loans advanced to SCF Natural Sp. z o.o.

3.4. Shareholding structure

Number and par value of shares as at the issue date 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.

(all amounts in PLN '000 unless indicated otherwise)

Shareholding structure as at 29 April 2024 (in accordance with the information provided in the interim report for 2023)

Shareholder	Number of shares	Ownership interest (%)	Number of voting rights held	% of total voting rights
State Treasury	32,734,509	33.00	32,734,509	33.00
Nationale-Nederlanden OFE	9,883,323	9.96	9,883,323	9.96
Radosław Leszek Kwaśnicki, the temporary administrator with respect to the shares held by Norica Holding S.à r.l. (19.82% held indirectly)	406,998	0.41	406,998	0.41
Radosław Leszek Kwaśnicki, the temporary administrator with respect to the shares held by Rainbee Holdings Limited	9,820,352	9.90	9,820,352	9.90
Radosław Leszek Kwaśnicki, the temporary administrator with respect to the shares held by 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**

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 information.

In the period from 29 April 2024 to the issue date of this Report, the Parent was not officially notified of any changes in major holdings of its shares.

3.5. Parent shares held by management and supervisory personnel

As at 31 March 2024, none of the members of the Parent's Management or Supervisory Boards held any shares in the Parent's share capital, and none of the members of the Parent's management and supervisory staff held shares in any companies related to the Parent.

Total number and par value of the Parent shares, holdings of the shares by the Parent's supervisory and management personnel as at the date of this Report.

	Number of shares	
	as at 31 Mar 2024	as at 27 May 2024
Andrzej Dawidowski	2,845	2,845

3.6. Composition of the management and supervisory bodies

As at 1 January 2024, the Management Board was composed of:

- Tomasz Hinc – President of the Management Board,
- Mariusz Grab – Vice President of the Management Board,
- Filip Grzegorczyk, Dr. Habil. – Vice President of the Management Board,
- Grzegorz Kądzielawski – Vice President of the Management Board,
- Marcin Kowalczyk – Vice President of the Management,
- Marek Wadowski − Vice President of the Management Board,
- Zbigniew Paprocki – Member of the Management Board.

On 19 February 2024, the Supervisory Board removed Tomasz Hinc, Mariusz Grab, Filip Grzegorczyk, Grzegorz Kądzielawski and Marcin Kowalczyk from the Management Board, and delegated the Supervisory Board Member Krzysztof Kołodziejczyk to temporarily perform the duties of President of the Management Board. Consequently, from 19 February 2024 to 19 March 2024, the composition of the Management Board was as follows:

- Krzysztof Kołodziejczyk – Member of the Supervisory Board delegated to temporarily perform the duties of President of the Management Board,

- Marek Wadowski – Vice President of the Management Board,
- Zbigniew Paprocki – Member of the Management Board.

On 19 March 2024, following completion of the recruitment procedure to appoint members of the Management Board of the 12th term of office, the Supervisory Board:

- removed Marek Wadowski from the Management Board with effect from the end of day on 19 March 2024,
- following a recruitment procedure, appointed Adam Leszkiewicz, Andrzej Skolmowski, Krzysztof Kołodziejczyk, Andrzej Dawidowski and Paweł Bielski to the Management Board, with effect from 20 March 2024,
- delegated Hubert Kamola, Chair of the Supervisory Board, to temporarily perform the duties of Vice President of the Management Board, with effect from 20 March 2024.

Consequently, from 20 March 2024, the composition of the Management Board was as follows:

- Adam Leszkiewicz – President of the Management Board,
- Paweł Bielski, Eng.D. – Vice President of the Management Board,
- Andrzej Dawidowski – Vice President of the Management Board,
- Hubert Kamola – Chair of the Supervisory Board delegated to temporarily perform the duties of Vice President of the Management Board,
- Krzysztof Kołodziejczyk – Vice President of the Management Board,
- Andrzej Skolmowski – Vice President of the Management Board,
- Zbigniew Paprocki – Member of the Management Board.

On 12 April 2024, Hubert Kamola, Chair of the Supervisory Board, delegated to temporarily perform the duties of Vice President of the Company's Management Board, resigned from the Supervisory Board with effect from the end of day on 12 April 2024. The Company's Supervisory Board appointed Hubert Kamola as Vice President of the Management Board of the 12th term of office, with effect from 13 April 2024.

Consequently, as at the issue date of this Report, the composition of the Management Board was as follows:

- Adam Leszkiewicz – President of the Management Board,
- Paweł Bielski, Eng.D. – Vice President of the Management Board,
- Andrzej Dawidowski – Vice President of the Management Board,
- Hubert Kamola – Vice President of the Management Board,
- Krzysztof Kołodziejczyk – Vice President of the Management Board,
- Andrzej Skolmowski – Vice President of the Management Board,
- Zbigniew Paprocki – Member of the Management Board.

Remits of the Company's Management Board and Supervisory Board members

As at 1 January 2024, the overall division of responsibilities between the Management Board members was as follows:

- **Tomasz Hinc** – President of the Management Board, responsible for managing the operation of the Parent's Management Board and for corporate governance, corporate supervision, legal services, communication and marketing, human resources management, sponsorship activities, internal audit, compliance management, CSR, representing the Parent in relations with its stakeholders, including shareholders, governing bodies, central and local government authorities, integration and coordination of the areas and processes under his supervision within the Group;
- **Mariusz Grab** – Vice President of the Management Board, responsible for management of procurement processes (excluding gas, coal, electricity and emission allowances), ICT process management, security and cybersecurity management, raw material and semi-finished product integration, production and sale of polypropylene, data protection, integration and coordination of the areas and processes under his supervision within the Group;
- **Filip Grzegorczyk, Dr. Habil.** – Vice President of the Management Board, responsible for strategic management of energy transition projects, logistics process management, corporate risk management, market regulations and protection, market analyses, integration and coordination of supervised areas and processes within the Group, coordination of efforts designed to meet the requirements of the Green New Deal in the area of energy;
- **Grzegorz Kądzielawski, Ph.D.** – Vice President of the Management Board, responsible for research and development, protection of intellectual and industrial property, technology transfer and cooperation with universities and institutions in the area of innovation, preparation and implementation of investment projects at the Parent, monitoring of the implementation of investment projects at the Group, social dialogue, strategic planning and monitoring of strategy implementation, strategic management of projects with the exception of energy transition, management of sales and customer service standards in the area of plastics

excluding polypropylene, product portfolio management in the plastics area excluding polypropylene, management of integration and coordination of catalyst production processes at the Parent, integration and coordination of the areas and processes under his supervision within the Group, coordination of the Group's efforts designed to meet the requirements of the New Green Deal (excluding the energy area) and Circular Economy;

- **Marcin Kowalczyk** – Vice President of the Management Board, responsible for management of sales and customer service standards in the Agro area, management of the product portfolio in the Agro area, management of the energy area, including natural gas, coal and electricity, management of natural gas, coal and electricity procurement processes, integration and coordination of the areas and processes under his supervision within the Group;
- **Marek Wadowski** – Vice President of the Management Board, responsible for finance and accounting policy management, monitoring of the implementation of plans, planning, budgeting and controlling, mergers and acquisitions, ESG, integration and coordination of the areas and processes under his supervision within the Group;
- **Zbigniew Paprocki** – Member of the Management Board, Chief Executive Officer of the Parent, responsible for management of integration and coordination of production processes at the Parent, excluding catalysts, management of maintenance of production assets, shutdowns, repair and overhauls, critical infrastructure management, technical safety, fire and environmental safety, the production area of the Plastics Business Segment, integration and coordination of the areas and processes under his supervision within the Group.

Following the changes in the composition of the Management Board made on 19 February 2024, the overall division of responsibilities between the Management Board members was as follows:

- **Krzysztof Kołodziejczyk** – Member of the Supervisory Board delegated to temporarily perform the duties of President of the Management Board, responsible for managing the operation of the Parent's Management Board and for corporate governance, corporate supervision, legal services, communication and marketing, human capital management, sponsorship activities, internal audit, compliance management, corporate social responsibility, management of ICT processes, management of security and cybersecurity, market regulation and protection, market analyses, social dialogue, data protection, representing the Parent in relations with its stakeholders, including shareholders, governing bodies, central and local government authorities, as well as integration and coordination of the processes under his supervision within the Group,
- **Marek Wadowski** – Vice President of the Management Board, responsible for management of finance and accounting policies, monitoring of budget implementation, planning, budgeting and controlling, mergers and acquisitions, ESG, enterprise risk management, research and development, protection of intellectual and industrial property, technology transfer, cooperation with universities and other institutions on innovations, strategic planning and monitoring of strategy implementation, strategic project management excluding energy transition projects, management of sales and customer service standards in the plastics area (including polypropylene), product portfolio management in the plastics area (including polypropylene), management of sales and customer service standards in the agro area, product portfolio management in the agro area, management of the energy area, including natural gas, coal and electricity, management of natural gas, coal and electricity procurement processes, as well as integration and coordination of the processes under his supervision within the Grupa Azoty Group;
- **Zbigniew Paprocki** – Member of the Management Board, Director General of the Parent, responsible for management of the integration and coordination of production processes at the Company, excluding polypropylene, management of production asset maintenance, shutdowns, repairs and overhauls, management of critical infrastructure, technical, fire and environmental safety, management of procurement processes excluding natural gas, coal, electricity and CO_2 emission allowances, raw material and semi-finished product integration, strategic management of energy transition projects, management of logistics processes, development and implementation of investment projects at the Parent, monitoring of investment project implementation across the Grupa Azoty Group, the Plastics Business Segment – in the production area, management of integration and coordination of the Company's catalyst production processes, as well as integration and coordination of the processes under his supervision within the Group.

Following the changes made in the composition of the Management Board on 19 March 2024, effective as of 20 March 2024, the overall division of responsibilities between the Management Board members is currently as follows:

- **Adam Leszkiewicz** – President of the Management Board, directing the work of the Management Board of the Company, responsible for organisation of the Company and consolidation processes within the Group, process supervision, corporate and ownership supervision, communication, marketing and sponsorship, corporate social responsibility, internal control and audit, environment and external relations, social dialogue, legal services, human capital management, regulations, compliance management, data protection;
- **Paweł Bielski, Eng.D.** – Vice President of the Management Board, responsible for strategy, research, development and innovation, investments, energy and technological transition, ESG, National Recovery Plan, Green Azoty;
- **Andrzej Dawidowski** – Vice President of the Management Board, responsible for production and sales management of polymers, plastics, pigments and Oxoplast, marketing of polymers, plastics, pigments and Oxoplast, logistics;

- **Hubert Kamola** – Chair of the Supervisory Board delegated to temporarily perform the duties of Vice President of the Management Board (Vice President of the Management Board from 13 April 2024), responsible for production and sales management of Agro and Chemicals (including organic and inorganic chemicals), Agro and Chemicals marketing, market protection, purchase of strategic raw materials, procurement;
- **Krzysztof Kołodziejczyk** – Vice President of the Management Board, responsible for restructuring processes at the Company and the Group, coordination of preparation and supervision of the implementation of the Group’s Restructuring Plan, supervision of projects and processes improving the Group’s operations, and Azoty Pro – operational excellence;
- **Andrzej Skolmowski** – Vice President of the Management Board, responsible for finance and accounting policy management, liquidity management, enterprise risk management, investor relations, IT and cybersecurity, controlling, mergers and acquisitions;
- **Zbigniew Paprocki** – Member of the Management Board, responsible for management of integration and coordination of production processes at the Company, excluding polypropylene, management of production asset maintenance, shutdowns and overhauls, technical safety, fire safety, environmental safety, process safety and occupational health and safety, laboratories, infrastructure, production in the Plastics Business Segment, Catalysts Business Unit.

Division of responsibilities between the Company's Management Board members as at 31 March 2024

Adam Leszkiewicz
President of the Management Board

Competences in Company:
- Company organisation and consolidation processes within the Group
- Process oversight
- Ownership and corporate supervision
- Communications, marketing and sponsorship
- Corporate social responsibility
- Internal control and audit
- Environment and external relations
- Social dialogue
- Legal support
- Human capital management
- Regulations
- Compliance management

Paweł Bielski Eng.D
Vice President of the Management Board

Competences in Company:
- Strategy
- Research, development and innovation
- Capex projects
- Energy and technology transition
- ESG
- National Recovery Plan
- Green Azoty

Andrzej Dawidowski
Vice President of the Management Board

Competences in Company:
- Production and sales management of polymers, plastics, pigments and oxoplasts
- Marketing of polymers, plastics, pigments and oxoplasts
- Logistics

Hubert Kamola
Vice President of the Management Board

Competences in Company:
- Production and sales management of Agro and Chemicals (including organic and inorganic chemicals)
- Marketing of Agro and Chemicals
- Market protection
- Purchases of strategic raw materials
- Procurement

Krzysztof Kołodziejczyk
Vice President of the Management Board

Competences in Company:
- Restructuring processes at the Company and the Group
- Coordination of the planning and oversight of the implementation of the Group Restructuring Plan
- Oversight of projects and processes enhancing operational areas within the Group
- Azoty Pro – operational excellence

Andrzej Skolmowski
Vice President of the Management Board

Competences in Company:
- Management of finance and accounting policies
- Liquidity management
- Enterprise risk management
- IR
- IT and cyber-security
- Controlling
- Mergers and acquisitions

Zbigniew Paprocki
Member of the Management Board, Director General

Competences in Company:
- Management of integration and coordination of the Company's production processes excluding polypropylene
- Management of production asset maintenance, shutdowns, repairs and overhauls
- Ensuring technical, fire, environmental and process safety, and OHS
- Laboratories
- Infrastructure

Source: Company data.

Supervisory Board

As at 1 January 2024, the Supervisory Board was composed of:

- Magdalena Butrymowicz, LLD – Chair of the Supervisory Board,
- Wojciech Krysztofik – Deputy Chair of the Supervisory Board,
- Robert Kapka – Secretary of the Supervisory Board,
- Monika Fill, PhD – Member of the Supervisory Board;
- Bartłomiej Litwińczuk – Member of the Supervisory Board,
- Michał Maziarka – Member of the Supervisory Board,
- Janusz Podsiadło – Member of the Supervisory Board,
- Roman Romaniszyn – Member of the Supervisory Board.

On 31 January 2024, in the exercise of its right as a shareholder, the State Treasury appointed Krzysztof Kołodziejczyk to the Company's Supervisory Board based on a written statement from the Undersecretary of State at the Ministry of State Assets, authorised by the Minister of State Assets, effective 31 January 2024.

On 11 February 2024, Wojciech Krysztofik resigned from his position as Member and Deputy Chair of the Supervisory Board. On 13 February 2024, Krzysztof Kołodziejczyk resigned from the position of Member of the Supervisory Board. On 14 February 2024, the Company's General Meeting removed Magdalena Butrymowicz, Monika Fill, Bartłomiej Litwińczuk and Michał Maziarka from the Supervisory Board and appointed Hubert Kamola, Krzysztof Kołodziejczyk, Artur Kucharski, Piotr Marciniak and Mirosław Sobczyk. Hubert Kamola was appointed Chair of the Company's Supervisory Board. As a result, the composition of the Supervisory Board from 14 February 2024 was as follows:

- Hubert Kamola – Chair of the Supervisory Board,
- Robert Kapka – Secretary of the Supervisory Board,
- Krzysztof Kołodziejczyk – Member of the Supervisory Board,
- Artur Kucharski – Member of the Supervisory Board,
- Piotr Marciniak – Member of the Supervisory Board,
- Janusz Podsiadło – Member of the Supervisory Board,
- Roman Romaniszyn – Member of the Supervisory Board,
- Mirosław Sobczyk – Member of the Supervisory Board.

During the first meeting of the newly appointed Supervisory Board held on 19 February 2024, the Supervisory Board:

- appointed Artur Kucharski as Deputy Chair of the Supervisory Board,
- accepted Robert Kapka's resignation as Secretary of the Supervisory Board,
- appointed Mirosław Sobczyk as Secretary of the Supervisory Board,
- delegated Krzysztof Kołodziejczyk, Member of the Supervisory Board, to temporarily perform the duties of President of the Management Board.

As a result, the composition of the Supervisory Board from 19 February 2024 was as follows:

- Hubert Kamola – Chair of the Supervisory Board,
- Artur Kucharski – Deputy Chair of the Supervisory Board,
- Mirosław Sobczyk – Secretary of the Supervisory Board,
- Robert Kapka – Member of the Supervisory Board,
- Piotr Marciniak – Member of the Supervisory Board,
- Janusz Podsiadło – Member of the Supervisory Board,
- Roman Romaniszyn – Member of the Supervisory Board,
- Krzysztof Kołodziejczyk – Member of the Supervisory Board delegated to temporarily perform the duties of President of the Management Board.

On 19 March 2024, Krzysztof Kołodziejczyk resigned as Member of the Supervisory Board. Subsequently, with effect from 20 March 2024, the Supervisory Board delegated Hubert Kamola, Chair of the Supervisory Board, to temporarily perform the duties of Vice President of the Management Board. From that date, the composition of the Supervisory Board was as follows:

- Artur Kucharski – Deputy Chair of the Supervisory Board,
- Mirosław Sobczyk – Secretary of the Supervisory Board,
- Robert Kapka – Member of the Supervisory Board,
- Piotr Marciniak – Member of the Supervisory Board,

- Janusz Podsiadło – Member of the Supervisory Board,
- Roman Romaniszyn – Member of the Supervisory Board,
- Hubert Kamola – Chair of the Supervisory Board delegated to temporarily perform the duties of Vice President of the Management Board.

On 21 March 2024, in the exercise of its right as a shareholder, the State Treasury appointed Artur Rzempała to the Company's Supervisory Board based on a written statement from the Undersecretary of State at the Ministry of State Assets, authorised by the Minister of State Assets.

On 12 April 2024, Hubert Kamola resigned as Chair of the Supervisory Board. Consequently, from that date, the composition of the Supervisory Board was as follows:

- Artur Kucharski – Deputy Chair of the Supervisory Board,
- Mirosław Sobczyk – Secretary of the Supervisory Board,
- Robert Kapka – Member of the Supervisory Board,
- Piotr Marciniak – Member of the Supervisory Board,
- Janusz Podsiadło – Member of the Supervisory Board,
- Roman Romaniszyn – Member of the Supervisory Board,
- Artur Rzempała – Member of the Supervisory Board.

On 26 April 2024, the Supervisory Board changed the positions held by certain Supervisory Board members. Artur Kucharski was removed from the position of Deputy Chair and appointed as Secretary of the Supervisory Board, while Mirosław Sobczyk was removed from the position of Secretary of the Supervisory Board and appointed as Deputy Chair. As a result, the composition of the Supervisory Board from 26 April 2024 to the issue date of this Report has been as follows:

- Mirosław Sobczyk – Deputy Chair of the Supervisory Board,
- Artur Kucharski – Secretary of the Supervisory Board,
- Robert Kapka – Member of the Supervisory Board,
- Piotr Marciniak – Member of the Supervisory Board,
- Janusz Podsiadło – Member of the Supervisory Board,
- Roman Romaniszyn – Member of the Supervisory Board,
- Artur Rzempała – Member of the Supervisory Board.

Powers and responsibilities of the Supervisory Board

The Supervisory Board operates on the basis of:

- The Commercial Companies Code of 15 September 2000 (consolidated text: Dz.U. of 2024, item 18, as amended);
- The Act on Commercialisation and Certain Employee Rights of 30 August 1996 (consolidated text: Dz.U. of 2023, item 343, as amended);
- The Accounting Act of 29 September 1994 (consolidated text: Dz.U. of 2023, item 120, as amended);
- The Company's Articles of Association;
- The Rules of Procedure for the Company's Supervisory Board.

Pursuant to Art. 32 of the Company's Articles of Association, the key powers and responsibilities of the Supervisory Board include:

- appointing and removing from office Management Board members;
- assessing the Management Board's proposals on distribution of profit or coverage of loss;
- assessing the Directors' Report on the operations of Grupa Azoty S.A. and the Grupa Azoty Group, as well as of the separate financial statements of the Company and the consolidated financial statements of the Grupa Azoty Group for their consistency with the accounting records and supporting documents and their accuracy;
- appointing an audit firm to review and audit the financial statements of the Company and the consolidated financial statements of the Group;
- approving the Company's long-term strategic plans;
- approving annual budgets including capital expenditure budgets;
- issuing opinions on all matters submitted by the Management Board for consideration to the General Meeting;
- granting consent for the Management Board to execute material legal transactions.

In three months ended 31 March 2024, the Supervisory Board had the following committees:

- the Audit Committee;

- the Strategy and Development Committee;
- Corporate Governance Committee.

Audit Committee

The composition of the Audit Committee as at 1 January 2024 was as follows:

- Michał Maziarka – Chair,
- Wojciech Krysztofik – Member,
- Janusz Podsiadło – Member.

Following the changes in the composition of the Supervisory Board, the composition of the Committee was supplemented and from 19 February 2024 consisted of:

- Artur Kucharski – Chair,
- Piotr Marciniak – Member,
- Janusz Podsiadło – Member.

On 22 March 2024, the Supervisory Board changed the composition of the Audit Committee by removing Artur Kucharski from the position of Chair of the Committee and appointing Piotr Marciniak in his place. The decision was made in connection with change of the person actually managing the work of the Supervisory Board. As Hubert Kamola, Chair of the Supervisory Board, was delegated to temporarily perform the duties of Vice President of the Company's Management Board as of 20 March 2024, Artur Kucharski, Deputy Chair of the Supervisory Board, also serving as Chair of the Audit Committee, took over his duties. However, since serving simultaneously as Chair of the Supervisory Board and Chair of the Audit Committee would be in breach of Principle 2.9 of Best Practice for WSE Listed Companies 2021, the Supervisory Board decided to change the composition of the Audit Committee. Consequently, the composition of the Audit Committee from 22 March 2024 to the date of issue of this Report has been as follows:

- Piotr Marciniak – Chair,
- Artur Kucharski – Member,
- Janusz Podsiadło – Member.

In the three months ended 31 March 2024, the Rules of Procedure for the Audit Committee approved by the Supervisory Board's resolution of 8 March 2021 were in effect.

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

Strategy and Development Committee

As at 1 January 2024, the Strategy and Development Committee consisted of:

- Wojciech Krysztofik – Chair,
- Monika Fill, PhD – Member,
- Robert Kapka – Member,
- Bartłomiej Litwińczuk – Member.

Following the changes in the composition of the Supervisory Board made in 2024, the composition of the Strategy and Development Committee was supplemented and from 19 February 2024 the Committee consisted of:

- Hubert Kamola – Chair,
- Robert Kapka – Member,
- Krzysztof Kołodziejczyk – Member of the Committee – Member of the Supervisory Board delegated to temporarily perform the duties of President of the Management Board.

Following Krzysztof Kołodziejczyk's resignation from the Supervisory Board, from 19 March 2024 to 12 April 2024 the composition of the Strategy and Development Committee was as follows:

- Hubert Kamola – Chair of the Committee – Chair of the Supervisory Board delegated to temporarily perform the duties of Vice President of the Management Board,
- Robert Kapka – Member.

Following Hubert Kamola's resignation from serving on the Supervisory Board on 12 April 2024, the Supervisory Board changed the composition of the Strategy and Development Committee, appointing Artur Rzempała as Chair of the Committee. From that date to the issue date of this Report, the composition of the Strategy and Development Committee has been as follows:

- Artur Rzempała – Chair,
- Robert Kapka – Member.

In the three months ended 31 March 2024, the Rules of Procedure for the Strategy and Development Committee approved by the Supervisory Board's resolution of 8 March 2021 were in effect.

Corporate Governance Committee

The composition of the Corporate Governance Committee as at 1 January 2024 was as follows:

- Michał Maziarka – Chair,
- Magdalena Butrymowicz – Member,
- Roman Romaniszyn – Member.

Following the changes in the composition of the Supervisory Board made in 2024, the composition of the Corporate Governance Committee was supplemented and from 19 February 2024 the Committee consisted of:

- Mirosław Sobczyk – Chair,
- Artur Kucharski – Member,
- Roman Romaniszyn – Member.

On 28 March 2024, Artur Kucharski resigned from the Corporate Governance Committee. On the same day, the Supervisory Board appointed Artur Rzempała to the Corporate Governance Committee. As a result, the composition of the Committee from that date to the date of issue of this Report has been as follows:

- Mirosław Sobczyk – Chair,
- Artur Rzempała – Member,
- Roman Romaniszyn – Member.

In the three months ended 31 March 2024, the Rules of Procedure for the Corporate Governance Committee approved by the Supervisory Board's resolution of 23 August 2022 were in effect.

4. Additional information

Management Board's position on the achievement of forecasts

As no forecasts for 2024 were published, the position of the Parent's Management Board concerning achievement of forecasts is not presented.

Litigation

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

- The case brought by the Parent against Cenzin Sp. z o.o. for payment of PLN 79,821 thousand (value of litigation) in connection with claims relating to:
  - payment of liquidated damages for delay, extension of CAR/EAR insurance by the Company, repayment of an outstanding advance;
  - loss of co-financing under the Norwegian Financial Mechanism;
  - cost of work in progress inventory taking following withdrawal from the Contract for the construction of an FGD unit;
  - cost of completion of the FGD project, compensation for the purchase of more expensive coal, compensation for lost benefits from sale of magnesium sulfate;
  - compensation for purchase of magnesium oxide;
  - determination of the defendant's liability for losses which may arise in the future.

  The claim was filed by the Parent with the Regional Court of Kraków on 7 May 2021. On 27 October 2021, a payment order was issued for Cenzin Sp. z o.o. to pay the Parent PLN 79,821 thousand. PLN 207 thousand of costs of proceedings was awarded in favour of the Parent. On 29 November 2021, the Parent filed a request to supplement the payment order by issuing a ruling on interest relating to one of the claims covered by the lawsuit. On 20 April 2022, the Parent received an objection against the payment order from Cenzin Sp. z o.o., to which it replied on 4 May 2022. The Company submitted a reply to the objection. Mediation proceedings concerning the case were ongoing but were concluded due to the inability to reach an agreement on a potential settlement. The proceedings are pending.

- Action by the Parent against Polska Grupa Górnicza S.A. for the determination and payment of a claim – brought on 22 December 2023. The value of the claim was PLN 176,108 thousand. The case concerned a comprehensive determination of the validity of coal sale contracts and award of PLN 130,133 thousand from Polska Grupa Górnicza S.A. to the Parent, together with statutory interest for late payment from the date of service of process, as a remedy of the damage caused by failure to perform the obligation to supply coal under a coal sale contract. On 21 February 2024, the Parent received the respondent's statement of defence. On 7 March 2024, the Parent filed a statement of withdrawal of the claim and reimbursement of the court fee. On 3 April 2024, the Regional Court of Tarnów issued a decision to discontinue the proceedings and to award reimbursement of their costs to Polska Grupa Górnicza S.A.

Coverage of the Company's 2023 loss

On 17 May 2024, the Management Board of the Parent passed a resolution proposing that the Company's net loss for the financial year ended 31 December 2023, amounting to PLN 1,600,306,401.62, be fully covered from the Company's share premium account. In order to implement the resolution, the Management Board requested the Supervisory Board of the Company to assess the proposal and the General Meeting to decide on coverage of the net loss for 2023. The final decision on coverage of the 2023 net loss will be made by the General Meeting.

Parent's branches

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

Shares, share issues

In the three months ended 31 March 2024, the Parent did not issue, redeem or repay any debt or equity securities. The Parent 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 Parent which may cause future changes in the percentages of shares held by the existing shareholders and bondholders.

The Parent does not operate any employee stock option schemes.

Signatures of members of the Management Board

Adam Leszkiewicz
President of the Management Board

Paweł Bielski
Vice President of the Management Board

Andrzej Dawidowski
Vice President of the Management Board

Hubert Kamola
Vice President of the Management Board

Krzysztof Kołodziejczyk
Vice President of the Management Board

Andrzej Skolmowski
Vice President of the Management Board

Zbigniew Paprocki
Member of the Management Board Director General

Person responsible for maintaining accounting records

Marek Michalski
Head of the Corporate Finance Department

Tarnów, 27 May 2024