



Consolidated interim report of the Grupa Azoty Group for Q3 2023



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Condensed interim consolidated financial statements of the
Grupa Azoty Group for the three and nine months ended
September 30th 2023, prepared in accordance with IAS 34
Interim Financial Reporting as endorsed by the European
Union

Consolidated financial highlights

	(PLN '000)		(EUR '000)	
	For period Jan 1 – Sep 30 2023 <i>unaudited</i>	For period Jan 1 – Sep 30 2022 <i>unaudited</i>	For period Jan 1 – Sep 30 2023 <i>unaudited</i>	For period Jan 1 – Sep 30 2022 <i>unaudited</i>
Revenue	10,461,679	19,550,684	2,285,557	4,170,368
Operating (loss)/profit	(1,953,609)	2,296,295	(426,804)	489,824
(Loss)/profit before tax	(2,105,113)	1,985,744	(459,903)	423,580
Net (loss)/profit	(1,841,801)	1,602,607	(402,377)	341,853
Comprehensive income for period	(1,832,608)	2,029,532	(400,369)	432,921
Number of shares	99,195,484	99,195,484	99,195,484	99,195,484
Earnings/(loss) per ordinary share (PLN)	(17.38)	15.29	(3.80)	3.26
Net cash from operating activities	3,815,802	3,623,697	833,636	772,973
Net cash from investing activities	(1,961,179)	(1,844,797)	(428,458)	(393,515)
Net cash from financing activities	(2,624,349)	(2,273,337)	(573,340)	(484,927)
Total net cash flows	(769,726)	(494,437)	(168,162)	(105,469)
Cash and cash equivalents at beginning of period	1,376,541	2,362,193	300,732	503,881
Cash and cash equivalents at end of period	612,022	1,885,390	133,708	402,174
	As at Sep 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>	As at Sep 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Non-current assets	18,612,500	16,948,753	4,015,122	3,613,884
Current assets	6,480,501	8,916,891	1,397,985	1,901,297
Non-current liabilities	6,188,984	7,294,419	1,335,099	1,555,346
Current liabilities	10,793,447	8,614,858	2,328,382	1,836,896
Equity	8,110,570	9,956,367	1,749,627	2,122,938
Share capital	495,977	495,977	106,993	105,754
Non-controlling interests	895,047	1,021,718	193,081	217,855

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 September 30th 2023 was EUR 1 = PLN 4.6356 (table No. 189/A/NBP/2023);
the exchange rate as at December 30th 2022 was EUR 1 = PLN 4.6899 (table No. 252/A/NBP/2022);
- Items of the statement of comprehensive income and statement of cash flows have been 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 January 1st-September 30th 2023, the average exchange rate was EUR 1 = PLN 4.5773;
in the period January 1st-September 30th 2022, the average exchange rate was EUR 1 = PLN 4.6880.

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

Condensed interim consolidated statement of comprehensive income

	For period Jan 1 – Sep 30 2023 <i>unaudited</i>	For period Jan 1 – Sep 30 2022 <i>unaudited</i>	For period Jul 1 – Sep 30 2023 <i>unaudited</i>	For period Jul 1 – Sep 30 2022 <i>unaudited</i>
Profits and losses				
Revenue	10,461,679	19,550,684	3,075,380	6,313,752
Cost of sales	(11,180,379)	(15,681,407)	(3,121,074)	(5,747,447)
Gross (loss)/profit	(718,700)	3,869,277	(45,694)	566,305
Selling and distribution expenses	(726,527)	(883,843)	(252,416)	(271,564)
Administrative expenses	(743,185)	(685,394)	(256,120)	(219,685)
Other income	350,447	69,464	43,247	26,747
Other expenses	(115,644)	(73,209)	(39,443)	(19,840)
Operating (loss)/profit	(1,953,609)	2,296,295	(550,426)	81,963
Finance income	153,820	94,253	(161,963)	77,924
Finance costs	(326,156)	(417,983)	(117,555)	(214,048)
Net finance income/(costs)	(172,336)	(323,730)	(279,518)	(136,124)
Share of profit of equity-accounted investees	20,832	13,179	7,702	5,318
(Loss)/profit before tax	(2,105,113)	1,985,744	(822,242)	(48,843)
Income tax	263,312	(383,137)	78,862	(30,510)
Net (loss)/profit	(1,841,801)	1,602,607	(743,380)	(79,353)
Other comprehensive income				
Actuarial (losses)/gains from defined benefit plans	(24,040)	19,699	-	327
Losses on remeasurement of equity instruments at fair value through other comprehensive income	-	(2,569)	-	-
Tax on items that will not be reclassified to profit or loss	4,463	(3,196)	-	(62)
Items that will not be reclassified to profit or loss	(19,577)	13,934	-	265
Cash flow hedges - effective portion of fair-value change	43,970	306,211	11,427	35,125
Exchange differences on translating foreign operations	(12,527)	99,183	42,251	64,566
Income tax relating to items that are or will be reclassified to profit or loss	(2,673)	7,597	5,128	5,670
Items that are or may be reclassified to profit or loss	28,770	412,991	58,806	105,361
Total other comprehensive income	9,193	426,925	58,806	105,626
Comprehensive income for period	(1,832,608)	2,029,532	(684,574)	26,273
Net (loss)/profit attributable to:				
Owners of the parent	(1,724,205)	1,516,638	(658,495)	(52,761)
Non-controlling interests	(117,596)	85,969	(84,885)	(26,592)
Comprehensive income for period attributable to:				
Owners of the parent	(1,719,126)	1,875,072	(607,256)	40,068
Non-controlling interests	(113,482)	154,460	(77,318)	(13,795)
(Loss)/earnings per share:				
Basic (PLN)	(17.38)	15.29	(6.64)	(0.53)
Diluted (PLN)	(17.38)	15.29	(6.64)	(0.53)

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

Condensed interim consolidated statement of financial position

	As at Sep 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
NON-CURRENT ASSETS		
Property, plant and equipment	14,682,801	13,392,162
Right-of-use assets	773,640	758,713
Investment property	66,892	66,613
Intangible assets	954,585	971,484
Goodwill	301,496	305,016
Shares	10,172	10,172
Equity-accounted investees	97,913	95,436
Other financial assets	2,861	3,961
Derivative financial instruments	422,062	383,800
Other receivables	764,906	629,999
Deferred tax assets	534,654	330,889
Other non-current assets	518	508
Total non-current assets	18,612,500	16,948,753
CURRENT ASSETS		
Inventories	2,060,024	3,444,385
Property rights	2,056,848	2,009,349
Derivative financial instruments	1,069	3,122
Other financial assets	1,998	1,998
Current tax assets	44,780	33,719
Trade and other receivables	1,683,653	2,026,024
Cash and cash equivalents	612,022	1,376,541
Other current assets	20,107	21,753
Total current assets	6,480,501	8,916,891
TOTAL ASSETS	25,093,001	25,865,644

Condensed interim consolidated statement of financial position (continued)

	As at Sep 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
EQUITY		
Share capital	495,977	495,977
Share premium	2,418,270	2,418,270
Hedging reserve	320,550	285,136
Translation reserve	74,927	87,421
Other capital reserves	(17,700)	(17,700)
Retained earnings	3,923,499	5,665,545
Equity attributable to owners of the parent	7,215,523	8,934,649
Non-controlling interests	895,047	1,021,718
Total equity	8,110,570	9,956,367
LIABILITIES		
Borrowings	3,875,245	4,971,706
Lease liabilities	382,770	360,957
Other financial liabilities	704,466	682,818
Employee benefit obligations	469,372	439,656
Trade and other payables	18,730	17,887
Provisions	240,586	241,007
Grants	184,188	193,896
Deferred tax liabilities	313,627	386,492
Total non-current liabilities	6,188,984	7,294,419
Borrowings	4,020,380	689,738
Lease liabilities	72,671	71,629
Other financial liabilities	1,671,910	1,290,942
Employee benefit obligations	44,476	54,801
Current tax liabilities	37,355	243,545
Trade and other payables	4,101,401	6,141,011
Provisions	112,139	94,345
Grants	733,115	28,847
Total current liabilities	10,793,447	8,614,858
Total liabilities	16,982,431	15,909,277
TOTAL EQUITY AND LIABILITIES	25,093,001	25,865,644

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

Condensed interim 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 Jan 1 2023	495,977	2,418,270	285,136	87,421	(17,700)	5,665,545	8,934,649	1,021,718	9,956,367
<i>Profit or loss and other comprehensive income</i>									
Net loss	-	-	-	-	-	(1,724,205)	(1,724,205)	(117,596)	(1,841,801)
Other comprehensive income	-	-	35,414	(12,494)	-	(17,841)	5,079	4,114	9,193
Comprehensive income for period	-	-	35,414	(12,494)	-	(1,742,046)	(1,719,126)	(113,482)	(1,832,608)
Dividends	-	-	-	-	-	-	-	(13,189)	(13,189)
As at Sep 30 2023 (unaudited)	495,977	2,418,270	320,550	74,927	(17,700)	3,923,499	7,215,523	895,047	8,110,570
As at Jan 1 2022	495,977	2,418,270	(58,403)	54,936	(17,700)	5,048,783	7,941,863	990,304	8,932,167
<i>Profit or loss and other comprehensive income</i>									
Net profit	-	-	-	-	-	1,516,638	1,516,638	85,969	1,602,607
Other comprehensive income	-	-	245,677	99,214	-	13,543	358,434	68,491	426,925
Comprehensive income for period	-	-	245,677	99,214	-	1,530,181	1,875,072	154,460	2,029,532
Dividends	-	-	-	-	-	-	-	(16,482)	(16,482)
Changes in the Group	-	-	-	-	-	116	116	(116)	-
As at Sep 30 2022 (unaudited)	495,977	2,418,270	187,274	154,150	(17,700)	6,579,080	9,817,051	1,128,166	10,945,217

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

Condensed interim consolidated statement of cash flows

	For period Jan 1 – Sep 30 2023 <i>unaudited</i>	For period Jan 1 – Sep 30 2022 <i>unaudited</i>
Cash flows from operating activities		
(Loss)/profit before tax	(2,105,113)	1,985,744
Depreciation and amortisation	601,991	547,946
Reversal of impairment losses	(13,773)	(2,818)
Gain on investing activities	(1,862)	(2,232)
Gain on disposal of financial assets	-	(47)
Share of profit of equity-accounted investees	(20,817)	(13,188)
Interest, foreign exchange gains or losses	238,511	130,734
Dividends	(35)	(11)
Fair value gain on financial assets	(37,733)	(211,784)
Decrease in trade and other receivables	248,310	207,323
Decrease/(increase) in inventories and property rights	1,326,722	(1,136,903)
Increase in trade and other payables	3,126,368	1,836,290
Increase in provisions	12,608	5,767
Increase/(decrease) in employee benefit obligations	7,636	(18,163)
Increase in grants	684,666	479,771
Other adjustments	(19,004)	(2,787)
Income tax paid	(232,673)	(181,945)
Net cash from operating activities	3,815,802	3,623,697
Cash flows from investing activities		
Proceeds from sale of intangible assets, property, plant and equipment, and investment property	2,223	18,875
Purchase of intangible assets, property, plant and equipment, and investment property	(1,962,156)	(1,858,362)
Dividend received	35	(2,588)
Acquisition of other financial assets	(1,997)	(1,997)
Proceeds from sale of other financial assets	1,997	1,997
Interest received	-	2,590
Other cash provided by (used in) investing activities	(1,281)	(5,312)
Net cash from investing activities	(1,961,179)	(1,844,797)
Cash flows from financing activities		
Dividends paid	(13,189)	(16,482)
Proceeds from borrowings	3,067,299	1,360,881
Repayment of borrowings	(751,907)	(655,914)
Interest paid	(314,346)	(127,063)
Payment of lease liabilities	(60,000)	(51,183)
Payment of reverse factoring liabilities	(4,555,930)	(2,789,932)
Other cash provided by (used in) financing activities	3,724	6,356
Net cash from financing activities	(2,624,349)	(2,273,337)
Total net cash flows	(769,726)	(494,437)
Cash and cash equivalents at beginning of period	1,376,541	2,362,193
Effect of exchange rate fluctuations on cash held	5,207	17,634
Cash and cash equivalents at end of period	612,022	1,885,390

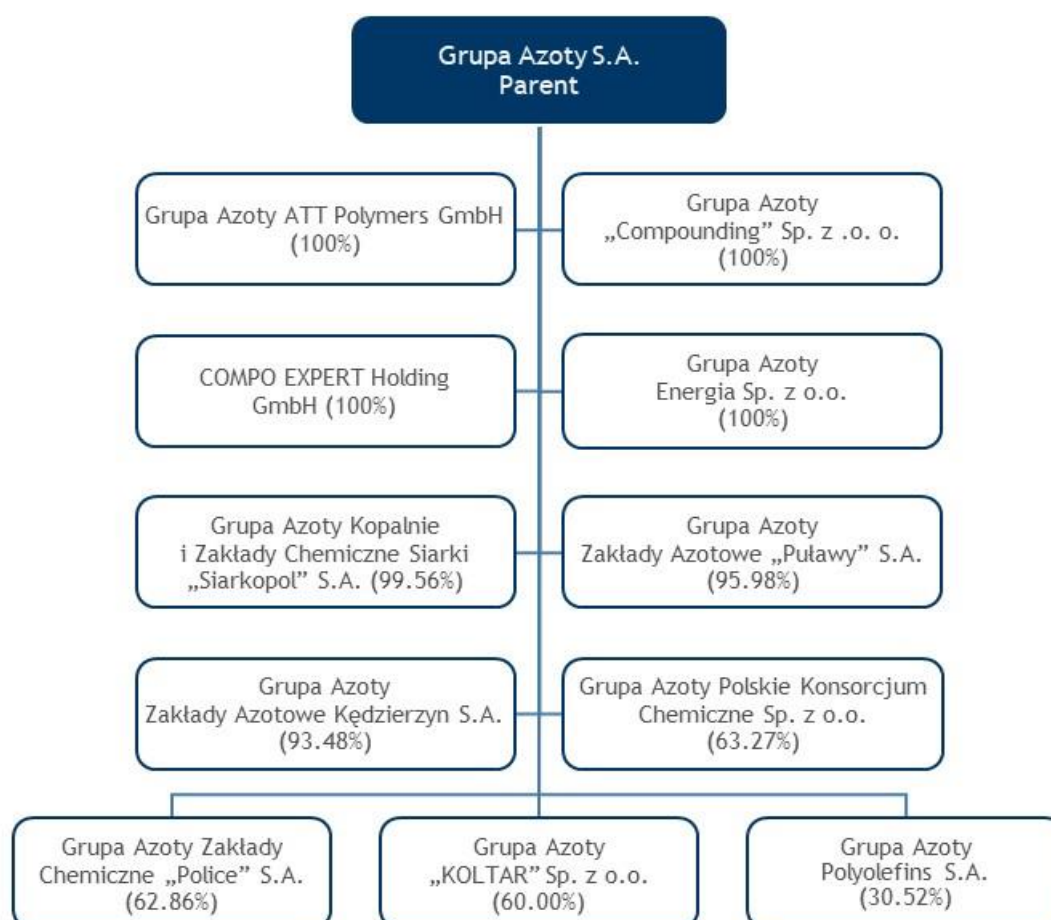
The supplementary information is an integral part of these condensed interim consolidated financial statements.

Supplementary information to the condensed interim consolidated financial statements

1. Description of the Group

1.1. The Group's organisational structure

As at September 30th 2023, the Grupa Azoty Group (the “Grupa Azoty Group”, the “Group”) comprised Grupa Azoty Spółka Akcyjna as the Parent (the “Parent”, the “Company”) and its direct 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 December 28th 2001, pursuant to a decision of the District Court for Kraków-Śródmieście in Kraków, 12th Commercial Division of the National Court Register, dated December 28th 2001. The Parent's REGON number for public statistics purposes is 850002268.

As of April 22nd 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.

	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	99.56%	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 Grupa Azoty KĘDZIERZYN	63.27% 36.73%	PLN 85,631 thousand	Full
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 Grupa Azoty KĘDZIERZYN Grupa Azoty PUŁAWY	60.00% 20.00% 20.00%	PLN 54,600 thousand	Full
12.	Grupa Azoty Polyolefins Spółka Akcyjna ("Grupa Azoty POLYOLEFINS")	GASA Grupa Azoty POLICE	30.52% 34.41%	PLN 922,968 thousand	Full
13.	Agrochem Puławy Sp. z o.o.	Grupa Azoty PUŁAWY	100%	PLN 68,639 thousand	Full
14.	SCF Natural Sp. z o.o.	Grupa Azoty PUŁAWY	100%	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 Grupa Azoty POLICE	78.86% 7.35%	PLN 892 thousand	Full
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%	PLN 18,102 thousand	Full
22.	Grupa Azoty Police Serwis Sp. z o.o.	Grupa Azoty POLICE	100%	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 bankructcy)	Grupa Azoty POLICE	48.96%	PLN 1,201 thousand	Not consolidated
26.	Kemipol Sp. z o.o.	Grupa Azoty POLICE	33.99%	PLN 3,445 thousand	Equity method

	Name	Entity holding shares	Interest held	Share capital	Consolidation 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%	PLN 21,749 thousand	Full
29.	Grupa Azoty Prorem Sp. z o.o. ("Grupa Azoty PROREM")	Grupa Azoty PKCH	100%	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%	EUR 25 thousand	Full
33.	COMPO EXPERT GmbH	COMPO EXPERT International	100%	EUR 25 thousand	Full
34.	COMPO EXPERT Italia S.r.l.	COMPO EXPERT International	100%	EUR 10 thousand	Full
35.	COMPO EXPERT Spain S.L.	COMPO EXPERT International	100%	EUR 3 thousand	Full
36.	COMPO EXPERT Portugal, Unipessoal Lda.	COMPO EXPERT International	100%	EUR 2 thousand	Full
37.	COMPO EXPERT France SAS	COMPO EXPERT International	100%	EUR 524 thousand	Full
38.	COMPO EXPERT Polska Sp. z o.o.	COMPO EXPERT International	100%	PLN 6 thousand	Full
39.	COMPO EXPERT Hellas S.A.	COMPO EXPERT International	100%	EUR 60 thousand	Full
40.	COMPO EXPERT UK Ltd.	COMPO EXPERT International	100%	GBP 1	Full
41.	COMPO EXPERT Techn. (Shenzen) Co. Ltd.	COMPO EXPERT International	100%	CNY 2,810 thousand	Full
42.	COMPO EXPERT Asia Pacific Sdn. Bhd.	COMPO EXPERT International	100%	MYR 500 thousand	Full
43.	COMPO EXPERT USA&CANADA Inc.	COMPO EXPERT International	100%	USD 1	Full
44.	COMPO EXPERT Brasil Fertilizantes Ltda.	COMPO EXPERT International	99.99%	BRL 26,199 thousand	Full
		COMPO EXPERT GmbH	0.000003%		
45.	COMPO EXPERT Chile Fertilizantes Ltda.	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%		
50.	COMPO EXPERT Egypt LLC	COMPO EXPERT International	99.90%	EGP 100 thousand	Full
		COMPO EXPERT GmbH	0.10%		

	Name	Entity holding shares	Interest held	Share capital	Consolidation method
51.	COMPO EXPERT Turkey Tarım Sanayi ve Ticaret Ltd. Şirketi ⁶⁾	COMPO EXPERT International	96.17%	264,375 TRY	Full
		COMPO EXPERT GmbH	3.83%		
52.	COMPO EXPERT Argentina SRL	COMPO EXPERT International	90.00%	ARS 41,199 thousand	Full
		COMPO EXPERT GmbH	10.00%		
53.	COMPO EXPERT South Africa (Pty) Ltd.	COMPO EXPERT GmbH	100%	ZAR 100	Full
54.	COMPO EXPERT Austria GmbH	COMPO EXPERT GmbH	100%	EUR 35 thousand	Full

1.2. Changes in the Group's structure

Changes in the structure of Group companies in the period July 1st-September 30th 2023:

Share capital increase at Grupa Azoty Police Serwis Sp. z o.o.

On August 22nd 2023, the Extraordinary General Meeting resolved to increase the share capital of Grupa Azoty Police Serwis Sp. z o.o. from PLN 9,618 thousand to PLN 21,426 thousand, through the issue of 23,615 new shares with a par value of PLN 500 per share.

Following the increase, the share capital of Grupa Azoty Police Serwis Sp. z o.o. will amount to PLN 21,426 thousand and will be divided into 42,852 shares with a par value of PLN 500 per share.

The new shares in the increased share capital will be subscribed for by the existing shareholder Grupa Azoty POLICE.

Share capital increase at Grupa Azoty Transtech Sp. z o.o.

On August 22nd 2023, the Extraordinary General Meeting resolved to increase the share capital of Grupa Azoty Transtech Sp. z o.o. from PLN 9,783 thousand to PLN 18,102 thousand through the issue of 166,380 new shares with a par value of PLN 50 per share.

Following the increase, the share capital of Grupa Azoty Transtech Sp. z o.o. will amount to PLN 18,102 thousand and will be divided into 362,041 shares with a par value of PLN 50 per share.

The new shares in the increased share capital will be subscribed for by the existing shareholder Grupa Azoty POLICE.

Cancellation of Prozap Sp. z o.o. shares

On August 30th 2023, the Management Board of PROZAP Sp. z o.o. purchased 9 PROZAP Sp. z o.o. shares from a former employee of the company, to have the shares cancelled by the Shareholders Meeting. As a result, the percentage of voting rights held by Grupa Azoty PUŁAWY at the General Meeting of PROZAP Sp. z o.o. rose from 83.00% to 83.44%.

Cancellation of REMZAP Sp. z o.o. shares

On October 31st 2023, 43 REMZAP Sp. z o.o. shares purchased from the company's employees were cancelled. As a result, the percentage of voting rights held by Grupa Azoty PUŁAWY at the General Meeting of REMZAP Sp. z o.o. rose from 97.28% to 97.45%.

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

2.1. Statement of compliance and basis of accounting

These condensed interim consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These condensed interim consolidated financial statements of the Group cover the three and nine months ended September 30th 2023 and contain comparative data for the three and nine months ended September 30th 2022 and as at December 31st 2022.

The condensed interim 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 December 31st 2022, prepared in accordance with International Financial Reporting Standards as endorsed by the European Union. The consolidated financial statements for 2022 were authorised for issue on March 30th 2023.

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

All amounts in these condensed interim consolidated financial statements are presented in thousands of złoty, unless indicated otherwise.

These condensed interim 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 November 8th 2023.

These condensed interim consolidated financial statements of the Group have been prepared on the assumption that the Group will continue as a going concern for the foreseeable future.

As at the date of authorisation of these condensed interim consolidated financial statements, the Parent’s Management Board did not identify any circumstances which could indicate any uncertainty as to the Group’s ability to continue as a going concern in a substantially unchanged manner in the foreseeable future, i.e., for a period of at least 12 months from the date of these financial statements.

The factors considered by the Parent’s Management Board when assessing circumstances that could indicate a threat to the Group companies continuing as going concerns included the effects of the war on Ukraine, the executed waiver and amendment letters (the “**Waiver and Amendment Letters**”), and the reclassification of a portion of liabilities under borrowings to current liabilities; see Notes [3.3](#) and [3.9](#).

For information on the impact of the war in Ukraine on the Group’s situation, see Note [3.10](#) and the discussion of the individual areas of the Group’s business contained in the management’s discussion and analysis of Grupa Azoty S.A.’s performance in the three months ended September 30th 2023.

Furthermore, the Parent and the other Grupa Azoty Group companies have implemented various measures to uphold their market position and ensure the necessary level of sales and financial performance. These measures include in particular:

1. Execution of a new trade agreement with COMPO EXPERT, whereby the range of Grupa Azoty fertilizers which will be distributed by COMPO EXPERT in foreign markets will be significantly increased and the portfolio of offered products will include all nitrogen and compound fertilizers. As part of the expanded cooperation, COMPO EXPERT will market Grupa Azoty products internationally, ultimately via its extensive sales network, comprising offices in 22 countries and sales operations spanning over 100 countries, primarily in Europe, but also in South and North America, Africa, and Asia.
2. Execution of contracts with domestic distributors for the new fertilizer application season.
3. Renegotiation or execution of new contracts for the supply of key raw materials and feedstocks.
4. Implementation of savings schemes - the Group has significantly revised its capital expenditure plans until the end of 2023 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.

2.2. Accounting policies and data presentation

The accounting policies applied to prepare these condensed interim consolidated financial statements are consistent with those applied to draw up the Grupa Azoty Group’s full-year consolidated financial statements for the year ended December 31st 2022.

a) Amendments to International Financial Reporting Standards

The following standards effective as of 2023 have no material impact on the Group's business or its financial reporting:

Standard	Description of amendments	Effect on financial statements
IFRS 17 Insurance Contracts	The new standard was issued on May 18th 2017 and subsequently amended on June 25th 2020, and is effective for annual periods beginning on or after January 1st 2023. Early application is permitted as long as IFRS 15 and IFRS 9 are also applied. The standard supersedes earlier regulations on insurance contracts (IFRS 4). On June 25th 2020, IFRS 4 was also amended to defer the effective date of IFRS 9 <i>Financial Instruments</i> for insurers until January 1st 2023.	The amendment has no material effect on the financial statements.
IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	Amendment to IAS 1 was issued on January 23rd 2020. After its effective date was subsequently modified in July 2020, it is effective for annual periods beginning on or after January 1st 2023. The amendment redefines the criteria for classifying liabilities as current. The amendment may affect the presentation of liabilities and their reclassification between current and non-current.	The amendment has no material effect on the financial statements.
IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	The amendments were issued on February 12th 2021, and are effective for annual periods beginning on or after January 1st 2023. The purpose of the amendments is to place greater emphasis on the disclosure of material accounting policies and to clarify how companies should distinguish between changes in accounting policies and changes in accounting estimates.	The amendments have no material effect on the financial statements.
IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendment to IAS 12 was issued on May 7th 2021 and is effective for annual periods beginning on or after April 1st 2023. The amendment clarifies that the exemption relating to initial recognition of deferred tax does not apply to transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences and entities are required to recognise deferred tax on such transactions. The amendment thus addressed the emerging doubts as to whether the exemption applies to transactions such as leases and decommissioning obligations.	The amendment has no material effect on the financial statements.
IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Financial Instruments Comparative Information	The amendment to IFRS 17 was issued on December 9th 2021 and is effective for annual periods beginning on or after April 1st 2023. It provides a transition option for comparative information on financial assets presented on initial application of IFRS 17. The amendment is intended to help entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities.	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 EU or have been endorsed but the Group has not elected to apply them early:

Standard	Description of amendments	Effect on financial statements
IFRS 16 Leases: <i>Lease liability in a sale and leaseback</i>	The amendments to IFRS 16 were issued on September 22nd 2022 and are effective for annual periods beginning on or after January 1st 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 Group is analysing the effect of the amendments on its financial statements.

c) Presentation changes

Since January 1st 2023, the Group has applied hedge accounting in accordance with IFRS 9 *Financial Instruments* ("IFRS 9"). Before that date, the Group applied hedge accounting in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39").

The transitional provisions of IFRS 9 allow entities to choose their accounting policies and continue to apply hedge accounting requirements of IAS 39 instead of IFRS 9 until the International Accounting Standards Board has completed work on the project concerning fair value hedges of the interest rate exposure of a portfolio of financial assets or financial liabilities (macro hedging).

As at the date of implementation of IFRS 9, the Group decided to continue applying the principles of hedge accounting set out in IAS 39. As of January 1st 2023, the Group designated IFRS 9 to be applied to hedge accounting in accordance with its requirements. The Group expects that the changes introduced by IFRS 9 with respect to hedge accounting will better align hedge accounting with the entity's risk management activities.

IFRS 9 for hedge accounting has been implemented prospectively. As at the date of transition to IFRS 9, the Group had updated documentation for all existing hedging relationships under IAS 39 that continue to qualify for hedge accounting under the new standard, in order to comply with the IFRS 9 documentation requirements. The update involved mainly the inclusion in the documentation of the hedge ratio and expected sources of ineffectiveness (not required by IAS 39) as well as the removal of the retrospective effectiveness test (no longer required under IFRS 9). The introduction of IFRS 9 had no significant effect on the classification of hedging instruments, hedged items and hedge relationships designated before January 1st 2023.

d) Accounting estimates and judgments

The preparation of these condensed interim 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 condensed interim consolidated financial statements were the same as those made in preparing the consolidated financial statements for the financial year ended December 31st 2022, subject to measurement revisions resulting from the passage of time or a change of market parameters.


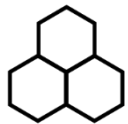

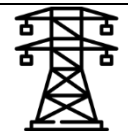

3. Selected notes and supplementary information

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 identified operating segments are presented in the table below.

Name	Scope
 Agro	Manufacture or sale of: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • Melamine, • OXO products (OXO alcohols, plasticizers), • Sulfur, • Titanium white, • Iron sulfate, • Solutions based on urea and ammonia.
 Energy	Production of energy carriers: <ul style="list-style-type: none"> • (electricity, heat, water, process and instrument air, nitrogen) for the purposes of chemical units and, to a lesser extent, for resale to external customers (mainly electricity). As part of its operations, the segment also purchases and distributes natural gas for process needs.
 Other Activities	<ul style="list-style-type: none"> • 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.

Operating segments

Operating segments' income, expenses and financial results for the nine months ended September 30th 2023 (unaudited)

	Agro	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	6,259,375	877,789	1,986,711	934,080	403,724	10,461,679
Intersegment revenue	3,180,316	398,073	1,175,984	4,275,685	751,935	9,781,993
Total revenue	9,439,691	1,275,862	3,162,695	5,209,765	1,155,659	20,243,672
Operating expenses, including: (-)	(10,697,761)	(1,637,042)	(3,779,994)	(5,232,450)	(1,084,837)	(22,432,084)
<i>selling and distribution expenses (-)</i>	<i>(565,808)</i>	<i>(31,346)</i>	<i>(127,531)</i>	<i>(277)</i>	<i>(1,565)</i>	<i>(726,527)</i>
<i>administrative expenses (-)</i>	<i>(315,921)</i>	<i>(110,714)</i>	<i>(224,462)</i>	<i>(40,807)</i>	<i>(51,281)</i>	<i>(743,185)</i>
Other income	151,852	12,182	88,853	56,858	40,702	350,447
Other expenses (-)	(10,008)	(13,295)	(12,180)	(47,233)	(32,928)	(115,644)
Segment's EBIT	(1,116,226)	(362,293)	(540,626)	(13,060)	78,596	(1,953,609)
Finance income	-	-	-	-	-	153,820
Finance costs (-)	-	-	-	-	-	(326,156)
Share of profit of equity-accounted investees	-	-	-	-	-	20,832
Loss before tax	-	-	-	-	-	(2,105,113)
Income tax	-	-	-	-	-	263,312
Net loss	-	-	-	-	-	(1,841,801)
EBIT	(1,116,226)	(362,293)	(540,626)	(13,060)	78,596	(1,953,609)
Depreciation and amortisation	298,364	45,526	67,159	83,850	107,092	601,991
Impairment losses	-	194	(822)	-	(4,394)	(5,022)
EBITDA	(817,862)	(316,573)	(474,289)	70,790	181,294	(1,356,640)

Operating segments' income, expenses and financial results for the nine months ended September 30th 2022 (unaudited)

	Agro	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	11,811,340	1,735,104	5,197,722	561,810	244,708	19,550,684
Intersegment revenue	6,464,788	660,518	1,848,344	6,698,095	767,427	16,439,172
Total revenue	18,276,128	2,395,622	7,046,066	7,259,905	1,012,135	35,989,856
Operating expenses, including: (-)	(16,998,117)	(2,339,335)	(6,295,306)	(7,114,259)	(942,799)	(33,689,816)
<i>selling and distribution expenses (-)</i>	<i>(667,505)</i>	<i>(53,220)</i>	<i>(161,846)</i>	<i>(141)</i>	<i>(1,131)</i>	<i>(883,843)</i>
<i>administrative expenses (-)</i>	<i>(349,008)</i>	<i>(95,196)</i>	<i>(166,418)</i>	<i>(21,551)</i>	<i>(53,221)</i>	<i>(685,394)</i>
Other income	7,273	6,056	6,453	5,548	44,134	69,464
Other expenses (-)	(5,251)	(4,458)	(6,058)	(10,976)	(46,466)	(73,209)
Segment's EBIT	1,280,033	57,885	751,155	140,218	67,004	2,296,295
Finance income	-	-	-	-	-	94,253
Finance costs (-)	-	-	-	-	-	(417,983)
Share of profit of equity-accounted investees	-	-	-	-	-	13,179
Profit before tax	-	-	-	-	-	1,985,744
Income tax	-	-	-	-	-	(383,137)
Net profit	-	-	-	-	-	1,602,607
EBIT	1,280,033	57,885	751,155	140,218	67,004	2,296,295
Depreciation and amortisation	253,762	47,087	67,526	84,677	94,894	547,946
Impairment losses	101	92	711	10	(3,558)	(2,644)
EBITDA	1,533,896	105,064	819,392	224,905	158,340	2,841,597

Operating segments' income, expenses and financial results for the three months ended September 30th 2023 (unaudited)

	Agro	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	2,069,603	243,870	559,072	128,214	74,621	3,075,380
Intersegment revenue	813,848	97,166	289,090	1,169,899	249,739	2,619,742
Total revenue	2,883,451	341,036	848,162	1,298,113	324,360	5,695,122
Operating expenses, including: (-)	(3,142,678)	(432,482)	(1,023,470)	(1,317,915)	(332,807)	(6,249,352)
<i>selling and distribution expenses (-)</i>	<i>(197,309)</i>	<i>(9,936)</i>	<i>(44,268)</i>	<i>(317)</i>	<i>(586)</i>	<i>(252,416)</i>
<i>administrative expenses (-)</i>	<i>(144,103)</i>	<i>(42,151)</i>	<i>(49,454)</i>	<i>(63)</i>	<i>(20,349)</i>	<i>(256,120)</i>
Other income	5,518	229	1,522	21,867	14,111	43,247
Other expenses (-)	(6,396)	(7,140)	(9,406)	(4,586)	(11,915)	(39,443)
Segment's EBIT	(260,105)	(98,357)	(183,192)	(2,521)	(6,251)	(550,426)
Finance income	-	-	-	-	-	(161,963)
Finance costs (-)	-	-	-	-	-	(117,555)
Share of profit of equity-accounted investees	-	-	-	-	-	7,702
Loss before tax	-	-	-	-	-	(822,242)
Income tax	-	-	-	-	-	78,862
Net loss	-	-	-	-	-	(743,380)
EBIT	(260,105)	(98,357)	(183,192)	(2,521)	(6,251)	(550,426)
Depreciation and amortisation	102,330	15,183	22,734	27,918	36,311	204,476
Impairment losses	-	7	-	-	(2,022)	(2,015)
EBITDA	(157,775)	(83,167)	(160,458)	25,397	28,038	(347,965)

Operating segments' income, expenses and financial results for the three months ended September 30th 2022 (unaudited)

	Agro	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	3,944,971	510,313	1,453,826	299,132	105,510	6,313,752
Intersegment revenue	2,080,619	255,651	554,054	2,240,560	262,000	5,392,884
Total revenue	6,025,590	765,964	2,007,880	2,539,692	367,510	11,706,636
Operating expenses, including: (-)	(6,052,648)	(798,415)	(2,017,328)	(2,424,189)	(339,000)	(11,631,580)
<i>selling and distribution expenses (-)</i>	<i>(203,084)</i>	<i>(15,123)</i>	<i>(53,690)</i>	<i>(2)</i>	<i>335</i>	<i>(271,564)</i>
<i>administrative expenses (-)</i>	<i>(102,368)</i>	<i>(35,724)</i>	<i>(50,169)</i>	<i>(14,041)</i>	<i>(17,383)</i>	<i>(219,685)</i>
Other income	1,965	3,194	(792)	1,482	20,898	26,747
Other expenses (-)	(726)	(780)	(1,437)	(1,731)	(15,166)	(19,840)
Segment's EBIT	(25,819)	(30,037)	(11,677)	115,254	34,242	81,963
Finance income	-	-	-	-	-	77,924
Finance costs (-)	-	-	-	-	-	(214,048)
Share of profit of equity-accounted investees	-	-	-	-	-	5,318
Loss before tax	-	-	-	-	-	(48,843)
Income tax	-	-	-	-	-	(30,510)
Net loss	-	-	-	-	-	(79,353)
EBIT	(25,819)	(30,037)	(11,677)	115,254	34,242	81,963
Depreciation and amortisation	87,977	15,881	23,202	29,534	32,216	188,810
Impairment losses	66	23	(58)	-	(4,186)	(4,155)
EBITDA	62,224	(14,133)	11,467	144,788	62,272	266,618

Segments' assets and liabilities

As at September 30th 2023 (<i>unaudited</i>)	Agro	Plastics	Chemicals	Energy	Other Activities	Total
Segment's assets	8,845,450	7,842,467	1,466,401	3,065,040	1,479,811	22,699,169
Unallocated assets	-	-	-	-	-	2,295,919
Investments in associates	-	-	-	-	-	97,913
Total assets	8,845,450	7,842,467	1,466,401	3,065,040	1,479,811	25,093,001
Segment's liabilities	3,637,285	5,754,497	366,036	2,510,995	493,484	12,762,297
Unallocated liabilities	-	-	-	-	-	4,220,134
Total liabilities	3,637,285	5,754,497	366,036	2,510,995	493,484	16,982,431

As at December 31st 2022 (<i>audited</i>)	Agro	Plastics	Chemicals	Energy	Other Activities	Total
Segment's assets	10,000,971	6,741,446	1,713,988	3,258,025	1,526,579	23,241,009
Unallocated assets	-	-	-	-	-	2,529,199
Investments in associates	-	-	-	-	-	95,436
Total assets	10,000,971	6,741,446	1,713,988	3,258,025	1,526,579	25,865,644
Segment's liabilities	5,291,913	4,350,844	370,195	2,892,483	468,711	13,374,146
Unallocated liabilities	-	-	-	-	-	2,535,131
Total liabilities	5,291,913	4,350,844	370,195	2,892,483	468,711	15,909,277

Geographical areas

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

Revenue

	For period Jan 1 – Sep 30 2023 <i>unaudited</i>	For period Jan 1 – Sep 30 2022 <i>unaudited</i>	For period Jul 1 – Sep 30 2023 <i>unaudited</i>	For period Jul 1 – Sep 30 2022 <i>unaudited</i>
Poland	6,038,418	10,974,551	1,769,617	3,972,871
Germany	779,389	1,711,456	168,571	468,905
Other EU countries	1,785,830	4,337,524	475,818	1,164,891
Asia	222,903	265,497	50,732	82,116
South America	256,744	410,488	113,837	112,407
Other countries	1,378,395	1,851,168	496,805	512,562
	10,461,679	19,550,684	3,075,380	6,313,752

No single trading partner accounted for more than 10% of revenue in the three months ended September 30th 2023 and in the three months ended September 30th 2022.

3.2. Impairment testing

As at September 30th 2023, 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) fell from 6.85% at the end of 2022 to 5.76% at the end of June 2023, and then rose to 5.90% at the end of September 2023. This changed the weighted average cost of capital for the Grupa Azoty Group as at the end of June and September 2023 relative to December 2022, increasing the recoverable amounts of nearly most 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 December 31st 2023 and June 30th 2023;
- EBITDA delivered by the majority of the CGUs in the three months ended September 30th 2023 is lower than EBITDA included in the tests made as at December 31st 2023 and June 30th 2023;
- also, the projected financial results until the end of December 2023 for most of the Group CGUs are lower than the planned results for that period that were used in the impairment tests as at December 31st 2022 and June 30th 2023, but for almost all 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 previous tests, adjusted based on the weighted average cost of capital calculated as at the reporting date.

In view of the above circumstances and considering the provisions of par. 16(b) of IAS 36 *Impairment of Assets*, a decision was made not to prepare a formal estimate of recoverable amounts as at September 30th 2023, considering that the estimates of recoverable amounts determined in previous tests remained valid as at September 30th 2023 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 December 31st 2022 and the condensed interim consolidated financial statements of the of the Grupa Azoty Group for the six months ended June 30th 2023.

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

The PLN 1,290,639 thousand increase in **property, plant and equipment** was chiefly attributable to higher expenditure on non-current assets as part of the Polimery Police strategic project implemented by Grupa Azoty POLYOLEFINS.

The PLN 134,907 thousand increase in **other receivables** mainly comprised borrowing costs, i.e. bank commission fees and interest expense on loans.

The PLN 1,384,361 thousand decrease in **inventories** followed from the sale of inventories, mainly finished products, as well as semi-finished products, materials and merchandise.

CO₂ emission allowances held (number of units)

	As at Sep 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Balance at beginning of period (units held)	5,685,103	5,277,013
Allocated	4,850,464	4,872,272
Purchased	1,558,641	2,799,553
Sold/Returned	(1,839,216)	-
Redeemed	(6,015,005)	(7,263,735)
Balance at end of period (units held)	4,239,987	5,685,103
Emissions in the reporting period	3,566,797	6,026,437

In 2023, 4,850,464 free CO₂ emission allowances were credited to the accounts of the Group companies' installations participating in the EU ETS, with a portion of this amount to be returned. As at the date of issue of these consolidated financial statements, 12,192 units remained to be returned.

As at September 30th 2023, the Group had a sufficient surplus of CO₂ emission allowances to meet the redemption requirement for 2023.

The decrease in current and simultaneous increase in non-current **liabilities under borrowings** was related to the reclassification of **some** of the Group's borrowings, of PLN 3,075,382 thousand, as at June 30th 2023 from non-current liabilities to current liabilities, which has an adverse effect on the liquidity ratios.

In the three months ended September 30th 2023, the Group paid all of its borrowing-related liabilities when due, and there is no threat to its ability to continue servicing its debt as scheduled. 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 September 30th 2023 was PLN 812m. At the same time, the Group had undrawn limits under corporate credit facilities of PLN 14m, and PLN 10m 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 2,058m.

As at September 30th 2023, under the agreements specified above the Group had access to total credit limits of approximately PLN 2,894m (of which limits under Grupa Azoty POLYOLEFINS special purpose credit facilities for the financing of the Polimery Police project were PLN 2,058m, and other limits available to the Group amounted to PLN 836m).

The PLN 380,968 thousand rise in current **other financial liabilities** was mainly attributable to a higher amount of reverse factoring liabilities and increased scale of use of this financing mechanism as at September 30th 2023.

The PLN 2,039,610 thousand decrease in **trade and other payables** was chiefly caused by the payment of trade and other payables to other entities and accruals related to settlement of CO₂ emission allowances.

For the three months ended September 30th 2023, the Grupa Azoty Group reported consolidated revenue of PLN 3,075m, EBITDA of PLN -348m, and an EBITDA margin of -11.3%.

The period saw improved demand, notably in the Agro segment and, to some extent, in the Chemicals segment, especially relative to the prior quarter. This led to an increase in production volumes and a decrease in fertilizer inventories. However, most Grupa Azoty products were offered at significantly lower prices than in the previous year, down 52% on average. The costs of energy utilities, such as electricity and coal, rose year on year. While considerably higher than in other markets, natural gas prices in Europe remained stable for most of the period. This stabilisation, which contrasted the volatility witnessed in the previous year, was primarily attributable to a record surge in renewable energy production, abundant gas stocks in European storage facilities, and above-average temperatures. The decline in product prices in the third quarter of 2023 was not accompanied by an offsetting drop in feedstock prices, which had an adverse effect on margins.

3.4. Contingent liabilities, contingent assets, sureties and guarantees

Contingent assets

	As at Sep 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Contingent receivables	20,486	132,952

The amount of contingent receivables 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 Sep 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Other contingent liabilities, including guarantees	37,287	28,072

Other contingent liabilities, including guarantees, mainly related to the lawsuit filed by Ciech S.A. on February 12th 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 34,317 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 is attributable to security for a grant awarded to Grupa Azoty ATT Polymers GmbH by Investitionsbank des Landes Brandenburg (ILB) to finance a part of the expenditure on the construction of a logistics centre in Guben (EUR 1,800 thousand), and claims made by other companies in connection with the Group's operations, relating to mutual settlements and guarantees under commercial contracts.

At the same time, in accordance with the requirements of the Waiver and Amendment Letters, on August 31st 2023 additional security was provided with respect to liabilities under financing agreements through the execution by the Company's subsidiary COMPO EXPERT, acting as the guarantor, of a guarantee agreement with the Financing Parties (including Powszechna Kasa Oszczędności Bank Polski S.A., Bank Gospodarstwa Krajowego, ING Bank Śląski S.A., Santander Bank Polska S.A., Caixabank S.A. (Spółka Akcyjna) Branch in Poland, 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 Faktoring Sp. z o.o. and Banco Santander S.A., as well as the European Bank for Reconstruction and Development and the European Investment Bank). The guarantor's potential liability towards the Financing Parties is limited by German law to the value of its net assets.

3.5. Related-party transactions

Significant related-party transactions

a) Material related-party transactions executed by the Group on non-arm's length terms

In the three and nine months ended September 30th 2023, 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 and nine months ended September 30th 2023, the Grupa Azoty Group did not grant any advances, loans, guarantees or sureties to members of its management or supervisory personnel or persons closely related to them, nor did it enter into any agreements whereby such persons are required to provide benefits to the Group companies.

3.6. Accounting estimates and assumptions

Changes in impairment losses on property, plant and equipment

	For period Jan 1 – Sep 30 2023 <i>unaudited</i>	For period Jan 1 – Sep 30 2022 <i>unaudited</i>	For period Jul 1 – Sep 30 2023 <i>unaudited</i>	For period Jul 1 – Sep 30 2022 <i>unaudited</i>
At beginning of period	1,433,562	620,956	1,427,099	622,270
Recognised	347	1,910	11	486
Reversed (-)	-	(3,785)	-	(3,782)
Used (-)	(5,912)	(987)	(2,026)	(880)
Presentation change	(8,116)	-	(5,203)	-
At end of period	1,419,881	618,094	1,419,881	618,094

Changes in inventory write-downs

	For period Jan 1 – Sep 30 2023 <i>unaudited</i>	For period Jan 1 – Sep 30 2022 <i>unaudited</i>	For period Jul 1 – Sep 30 2023 <i>unaudited</i>	For period Jul 1 – Sep 30 2022 <i>unaudited</i>
At beginning of period	518,025	89,217	525,520	89,226
Recognised	1,072,727	68,084	151,275	47,230
Reversed (-)	(349,231)	(18,697)	(97,944)	(12,258)
Used (-)	(965,027)	(24,802)	(304,249)	(9,565)
Exchange differences	1,776	1,385	3,668	554
At end of period	278,270	115,187	278,270	115,187

Changes in impairment losses on receivables

	For period Jan 1 – Sep 30 2023 <i>unaudited</i>	For period Jan 1 – Sep 30 2022 <i>unaudited</i>	For period Jul 1 – Sep 30 2023 <i>unaudited</i>	For period Jul 1 – Sep 30 2022 <i>unaudited</i>
At beginning of period	91,942	87,907	87,821	89,058
Recognised	20,205	6,486	14,960	1,634
Reversed (-)	(7,051)	(10,664)	(1,675)	(7,977)
Used (-)	(5,670)	(2,708)	(1,650)	(647)
Exchange differences	597	830	567	(217)
At end of period	100,023	81,851	100,023	81,851

3.7. Dividend

In the third quarter of 2023 and as at the issue date of the financial statements for that period, the Parent did not pay any dividends. On June 29th 2023, the Parent's Annual General Meeting resolved to allocate the entire amount of the Parent's net profit for the financial year 2022, of PLN 356,059,831.38, to the Parent's reserve funds.

3.8. Seasonality of operations

Mineral fertilizers

Demand for compound fertilizers grew in the three months ended September 30th 2023 in connection with the application season for this type of products, which were used by farmers mainly for rapeseed and winter grains. From mid-August, there was also increased interest in nitrogen fertilizers as their prices grew in Europe and on global markets. Heightened activity in the nitrogen fertilizer market was seen both in Poland and in export markets. The market in Poland continues to face large volumes of imported urea. Its prices affected buyers' readiness to buy nitrate fertilizers, which had an effect on margins earned on these products.

Titanium white market

In the key markets for the sale of titanium white (Poland and Europe), the peak demand for titanium white occurs during spring and summer (the second and third quarters), driven by increased demand for paints and varnishes in the construction industry. Winter (the fourth and first quarter of the 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.

3.9. Execution of Waiver and Amendment Letters

In view of the risk of exceeding the Net Debt to EBITDA ratio cap permitted under the Grupa Azoty Group financing agreements (the “**Agreements**”), as reported in Current Report No. 18/2023 of May 15th 2023, the Parent’s Management Board entered into negotiations with the institutions providing financing to the Grupa Azoty Group, namely: Powszechna Kasa Oszczędności Bank Polski S.A., Bank Gospodarstwa Krajowego, ING Bank Śląski S.A., Santander Bank Polska S.A., Caixabank S.A. (Spółka Akcyjna) Branch in Poland, 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 Faktoring Sp. z o.o. and Banco Santander S.A., as well as the European Bank for Reconstruction and Development and the European Investment Bank (the “**Financing Parties**”).

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 ratio specified above and waiver by the financing parties of the rights arising from the possible breach of the required ratio cap, on June 1st 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 August 31st 2023, and their effective date was set at June 30th 2023.

Further negotiations are being conducted with the Financing Parties 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 Parties 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 Parent and its subsidiaries.

For detailed information on the Waiver and Amendment letters, see Section 3.5 of the condensed interim consolidated financial statements for the six months ended June 30th 2023 and Current Reports Nos 23/2023 and 41/2023.

3.10. Impact of the war in Ukraine

For information on the impact of the war in Ukraine on the Parent’s and the Group’s operations, see Note 34, presented both in Grupa Azoty Spółka Akcyjna’s financial statements for the 12 months ended December 31st 2022 and in the Grupa Azoty Group’s consolidated financial statements for the 12 months ended December 31st 2022, published on March 30th 2023.

In the three months ended September 30th 2023, there were no new factors, risks or events with material bearing on the Company’s or the Group’s operations.

The key identified risks arising from the war in Ukraine that may materially affect future financial results, together with an assessment of their potential impact on the situation of the Company and Grupa Azoty Group subsidiaries did not change materially relative to the risks presented in the report for the six months ended June 30th 2023.

It should also be noted that the Group’s revenue earned in the reporting period from sales of products on the Ukrainian market represents 6.1% of total revenue. The revenue was mainly generated by the Agro segment.

3.11. Information on sanctions

Sanctions imposed on a minority shareholder of the Parent

On April 6th 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 April 8th 2022 - on the European Union sanctions list, and on April 25th 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 the Parent shares - on the Polish sanctions list. Mr Kantor is a minority shareholder who has no influence over the operations of the Grupa Azoty Group or the right to nominate members of the Parent’s governing bodies, and therefore, despite his shareholding, Mr Kantor does not own or control the Parent 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 sanction regulations, condemn the Russian aggression and any actions directed against Ukraine, and have no relations with the government of the Russian Federation.

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

1. under Decision No. DNP-VII.491.3.2023 of the Minister of Development and Technology dated July 11th 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 Parent;
 - 2. under Decision No. DNP-VII.491.4.2023 of the Minister of Development and Technology dated July 11th 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 Parent;
 - 3. under Decision No. DNP-VII.491.5.2023 of the Minister of Development and Technology dated July 11th 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 Parent,
- in order to take over the title to these entities' shareholdings in the Parent.

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 April 13th 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 Parent 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 Parent shares held by them.

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

The acquisition of control over the aforementioned Parent shares by Radosław Leszek Kwaśnicki effectively took place on July 12th 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 July 11th 2023 and are enforceable as of July 12th 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 Parent shares held by them is necessary as a means of protecting important public interest and economic interest and ensuring national security.

3.12. Other information

Update on aid received under the Act on the Rules of Implementation of Business Support Programmes in View of the Situation on the Energy Market in 2022-2024

In the third quarter of 2023, further steps were taken to resolve the issue relating to the notice of June 30th 2023 received by the Parent from the National Fund for Environmental Protection and Water Management (**"NFOŚiGW"**), requesting return of public aid granted to the Parent based on the governmental programme 'Aid to energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022'.

NFOŚiGW stated that the Parent failed to satisfy the criteria or conditions for receiving state aid dedicated to supporting energy-intensive sectors in connection with sudden increases in natural gas and electricity prices.

In the Parent's opinion, the Parent's business activities, i.e., manufacture of basic chemicals, fertilizers and nitrogen compounds, plastics and synthetic rubber in primary forms, clearly satisfy, and satisfied on the date of submission of the application for public aid, the prerequisites for receiving financial support under the state aid programme dedicated to supporting energy-intensive sectors in connection with sudden increases in natural gas and electricity price.

On October 3rd 2023, NFOŚiGW commenced administrative proceedings concerning return of the public aid.

In response, the Parent submitted its position to NFOŚiGW, in which the Parent's Management Board maintained that there were no grounds for the repayment of the received aid.

Temporary production suspension at a subsidiary due to plant failure

On September 5th 2023, the Parent's Management Board was notified by Grupa Azoty KĘDZIERZYN of a failure at the ammonia unit. As a result of the failure, production processes at the subsidiary's key units, which include the production of fertilizers, nitric acid, UAN, urea, and OXO alcohols, have been temporarily suspended.

Grupa Azoty KĘDZIERZYN resumed the production of nitric acid in the last week of September 2023, and then the production of mineral fertilizers at minimum loads.

In the second half of October 2023, the units that had been temporarily shut down resumed operation.

The financial impact of the plant failure at the operating level was provisionally estimated at about PLN 20m. The amount includes lost profits on sales of products (fertilizers, nitric acid, UAN, urea and OXO alcohols) that would have likely been earned had the units operated at normal rates. The cost of repairing the ammonia plant is estimated at approximately PLN 1.4m.

Increase in the Group's production volumes

Following previous decisions of the Parent and key subsidiaries to scale down the utilisation of their production capacities in order to match the market demand, in the three months ended September 30th 2023 there was a steady increase in production at the Group companies. Production volumes of compound fertilizers and speciality

fertilizers have been growing. The month-on-month drop in nitrogen fertilizer production volumes in September was attributable to a temporary shutdown at Grupa Azoty KĘDZIERZYN as a result of failure of the ammonia unit. The rising production volumes should have a positive effect on the production of nitrogen fertilizers in the coming months.

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

In the Management Board's opinion, the current situation is temporary and the optimisation measures being taken and planned will enable the Group to maintain production potential and return to full capacity utilisation if the market conditions change.

3.13. Events after the reporting date

Agreement on the terms of purchase of shares in Solarfarm Brzezinka sp. z o.o.

On October 19th 2023, the Parent agreed with VSB Holding GmbH and Mr Janusz Franciszek Siemienieć (collectively the "Sellers") on a revised term sheet (the "Term Sheet") for the purchase of 100% of shares in the share capital of Solarfarm Brzezinka sp. z o.o. of Wrocław ("Solarfarm"), the entity established to implement a solar PV power plant project with a capacity of at least 270 MWp (the "Transaction").

The turnkey construction of the power plant is to be completed under an EPC contract concluded between the Parent and a general contractor, to be selected through a competitive tender process once the Transaction is finalised.

Pursuant to the Term Sheet, the Transaction is to be carried out through the conclusion, by mid-December 2023, of a preliminary conditional agreement for the future acquisition of 100% of shares in Solarfarm, and subsequent acquisition by the Parent or another company of its group, by the end of the third quarter of 2024, of the Solarfarm shares under a share purchase agreement, provided that the project achieves a 'ready to build' (RTB) status, as confirmed by a due diligence study conducted by the Parent, and provided that satisfactory general contractor tenders to build the solar PV farm under an EPC contract are received.

Execution of the preliminary conditional share purchase agreement is subject to approval from the General Meeting.

The acquisition value of Solarfarm shares will amount to EUR 37.8m, assuming that the power plant achieves a capacity of 270 MWp. The amount does not include expenses associated with the performance of the future EPC contract. If the capacity of the 270 MWp power plant is expanded to 300 MWp within five years of its launch, the acquisition value of the shares will be increased by EUR 2.1m.

The execution of the Term Sheet does not give rise to any obligation to enter into the contemplated Transaction, or any share purchase agreement, and is not binding on the parties. However, the parties undertook to negotiate the share purchase and the contemplated transaction in good faith, in accordance with the Term Sheet.

Risk of a subsidiary using a support loan provision guarantee

On October 27th 2023, the Parent's Management Board received information from Grupa Azoty POLYOLEFINS that the subsidiary may request a subordinated loan from the Parent and Grupa Azoty Police. The basis for the potential loan is the joint and several liability of the Parent and Grupa Azoty POLICE under the support loan provision guarantee agreement, whereby a subordinated loan of up to EUR 105m may be provided within the framework of the credit facilities agreement for the Polimery Police project of May 31st 2020 (the "Credit Facilities Agreement"). In connection with the Polimery Police Project completion, the potential loan amount is up to EUR 105m. However, Grupa Azoty POLYOLEFINS provisionally estimated that the loan amount required in 2023 might be approximately EUR 45-55m. At the same time, Grupa Azoty POLYOLEFINS pointed out that the assumptions underlying the estimates were subject to further modifications and updates, which will have an effect on the actual amount of the potential support loan.

The potential loan was requested by Grupa Azoty POLYOLEFINS in connection with the extension of the Polimery Police Project duration as a result of delays on the part of the General Contractor and the risk that the company may face shortage of funds for the project completion under the Credit Facilities Agreement.



Condensed interim financial statements of Grupa Azoty Spółka Akcyjna for the three and nine months ended September 30th 2023, prepared in accordance with IAS 34 *Interim Financial Reporting* as endorsed by the European Union

Financial highlights

	(PLN '000)		(EUR '000)	
	For period Jan 1 – Sep 30 2023 <i>unaudited</i>	For period Jan 1 – Sep 30 2022 <i>unaudited</i>	For period Jan 1 – Sep 30 2023 <i>unaudited</i>	For period Jan 1 – Sep 30 2022 <i>unaudited</i>
Revenue	1,735,365	3,164,844	379,124	675,095
Operating (loss)/profit	(362,880)	265,869	(79,278)	56,713
(Loss)/profit before tax	(242,743)	597,304	(53,032)	127,411
Net (loss)/profit	(194,044)	555,570	(42,393)	118,509
Comprehensive income for period	(191,419)	529,622	(41,819)	112,974
Number of shares	99,195,484	99,195,484	99,195,484	99,195,484
Earnings/(loss) per ordinary share (PLN)	(1.96)	5.60	(0.43)	1.19
Net cash from operating activities	801,702	611,156	175,147	130,366
Net cash from investing activities	257,881	310,857	56,339	66,309
Net cash from financing activities	(1,317,913)	(922,499)	(287,924)	(196,779)
Total net cash flows	(258,330)	(486)	(56,437)	(104)
Cash and cash equivalents at beginning of period	1,341,688	1,816,416	293,118	387,461
Cash and cash equivalents at end of period	1,083,478	1,815,462	236,707	387,257
	As at Sep 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>	As at Sep 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Non-current assets	8,754,345	8,752,737	1,888,503	1,866,295
Current assets	2,118,199	2,606,300	456,942	555,726
Non-current liabilities	228,403	2,487,605	49,272	530,417
Current liabilities	5,367,230	3,403,102	1,157,829	725,624
Equity	5,276,911	5,468,330	1,138,345	1,165,980
Share capital	495,977	495,977	106,993	105,754

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 September 30th 2023 was EUR 1 = PLN 4.6356 (table No. 189/A/NBP/2023);
the exchange rate as at December 30th 2022 was EUR 1 = PLN 4.6899 (table No. 252/A/NBP/2022);
- Items of the statement of comprehensive income and statement of cash flows have been 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 January 1st-September 30th 2023, the average exchange rate was EUR 1 = PLN 4.5773;
in the period January 1st-September 30th 2022, the average exchange rate was EUR 1 = PLN 4.6880.

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

Condensed interim statement of comprehensive income

	For period Jan 1 – Sep 30 2023 <i>unaudited</i>	For period Jan 1 – Sep 30 2022 <i>unaudited</i>	For period Jul 1 – Sep 30 2023 <i>unaudited</i>	For period Jul 1 – Sep 30 2022 <i>unaudited</i>
Profits and losses				
Revenue	1,735,365	3,164,844	574,000	1,091,647
Cost of sales	(1,919,964)	(2,626,661)	(598,857)	(1,025,376)
Gross (loss)/profit	(184,599)	538,183	(24,857)	66,271
Selling and distribution expenses	(87,701)	(106,940)	(34,450)	(34,440)
Administrative expenses	(141,833)	(157,082)	(44,709)	(49,684)
Other income	67,092	16,407	7,486	9,630
Other expenses	(15,839)	(24,699)	(4,679)	(5,665)
Operating (loss)/profit	(362,880)	265,869	(101,209)	(13,888)
Finance income	362,368	477,430	84,614	114,943
Finance costs	(242,231)	(145,995)	(81,110)	(64,551)
Net finance income/(costs)	120,137	331,435	3,504	50,392
(Loss)/profit before tax	(242,743)	597,304	(97,705)	36,504
Income tax	48,699	(41,734)	8,907	6,089
Net (loss)/profit	(194,044)	555,570	(88,798)	42,593
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial (losses)/gains from defined benefit plans	(11,095)	10,518	-	-
Losses on remeasurement of equity instruments at fair value through other comprehensive income	-	(2,569)	-	-
Tax on items that will not be reclassified to profit or loss	2,108	(1,510)	-	-
Total items that will not be reclassified to profit or loss	(8,987)	6,439	-	-
Items that are or may be reclassified to profit or loss				
Cash flow hedges - effective portion of fair-value change	14,336	(39,984)	(26,989)	(29,841)
Income tax relating to items that are or will be reclassified to profit or loss	(2,724)	7,597	5,128	5,670
Total items that are or will be reclassified to profit or loss	11,612	(32,387)	(21,861)	(24,171)
Total other comprehensive income	2,625	(25,948)	(21,861)	(24,171)
Comprehensive income for period	(191,419)	529,622	(110,659)	18,422
(Loss)/earnings per share:				
Basic (PLN)	(1.96)	5.60	(0.90)	0.43
Diluted (PLN)	(1.96)	5.60	(0.90)	0.43

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

Condensed interim statement of financial position

	As at Sep 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Non-current assets		
Property, plant and equipment	1,725,826	1,715,567
Right-of-use assets	72,008	47,445
Investment property	25,971	19,688
Intangible assets	41,515	44,122
Shares	5,719,622	5,719,622
Other financial assets	1,056,001	1,155,408
Other receivables	40,840	29,189
Deferred tax assets	72,562	21,696
Total non-current assets	8,754,345	8,752,737
Current assets		
Inventories	241,997	497,333
Property rights	238,137	225,725
Derivative financial instruments	458	981
Other financial assets	186,864	141,405
Trade and other receivables	367,265	399,168
Cash and cash equivalents	1,083,478	1,341,688
Total current assets	2,118,199	2,606,300
Total assets	10,872,544	11,359,037
Equity		
Share capital	495,977	495,977
Share premium	2,418,270	2,418,270
Hedging reserve	(32,046)	(43,658)
Retained earnings	2,394,710	2,597,741
Total equity	5,276,911	5,468,330
Liabilities		
Borrowings	-	2,291,834
Lease liabilities	68,963	39,308
Other financial liabilities	15,467	23,340
Employee benefit obligations	68,743	55,930
Provisions	28,359	28,358
Grants	46,871	48,835
Total non-current liabilities	228,403	2,487,605
Borrowings	4,317,775	2,245,834
Lease liabilities	16,499	14,677
Other financial liabilities	281,908	192,339
Employee benefit obligations	6,157	5,987
Current tax liabilities	10	19,532
Trade and other payables	668,939	898,085
Provisions	13,971	24,127
Grants	61,971	2,521
Total current liabilities	5,367,230	3,403,102
Total liabilities	5,595,633	5,890,707
Total equity and liabilities	10,872,544	11,359,037

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

Condensed interim statement of changes in equity

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
As at Jan 1 2023	495,977	2,418,270	(43,658)	2,597,741	5,468,330
<i>Profit or loss and other comprehensive income</i>					
Net loss	-	-	-	(194,044)	(194,044)
Other comprehensive income	-	-	11,612	(8,987)	2,625
Comprehensive income for period	-	-	11,612	(203,031)	(191,419)
As at Sep 30 2023 (<i>unaudited</i>)	495,977	2,418,270	(32,046)	2,394,710	5,276,911
As at Jan 1 2022	495,977	2,418,270	(39,268)	2,246,437	5,121,416
<i>Profit or loss and other comprehensive income</i>					
Net profit	-	-	-	555,570	555,570
Other comprehensive income	-	-	(32,387)	6,439	(25,948)
Comprehensive income for period	-	-	(32,387)	562,009	529,622
As at Sep 30 2022 (<i>unaudited</i>)	495,977	2,418,270	(71,655)	2,808,446	5,651,038

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

Condensed interim statement of cash flows

	For period Jan 1 – Sep 30 2023 <i>unaudited</i>	For period Jan 1 – Sep 30 2022 <i>unaudited</i>
Cash flows from operating activities		
Profit before tax	(242,743)	597,304
Depreciation and amortisation	111,381	104,808
Impairment losses	205	502
Loss on investing activities	203	1,047
Interest, foreign exchange gains or losses	98,209	89,202
Dividends	(219,614)	(340,542)
Fair value loss/(gain) on financial assets	7,199	(51,796)
Decrease/(increase) in trade and other receivables	31,901	(39,131)
Decrease/(increase) in inventories and property rights	242,925	(44,887)
Increase in trade and other payables	746,473	261,485
Increase/(decrease) in provisions	(10,156)	3,396
Increase/(decrease) in employee benefit obligations	1,888	(408)
Increase in grants	57,334	51,459
Other adjustments	(1,198)	(2,599)
Income tax paid	(22,305)	(18,684)
Net cash from operating activities	801,702	611,156
Cash flows from investing activities		
Proceeds from sale of intangible assets, property, plant and equipment, and investment property	912	1,384
Acquisition of intangible assets, property, plant and equipment, and investment property	(130,868)	(128,452)
Dividend received	219,614	340,344
Acquisition of other financial assets	-	(12,005)
Interest received	78,725	34,667
Loans	-	(50,000)
Repayments of loans	90,605	126,840
Other cash provided by (used in) investing activities	(1,107)	(1,921)
Net cash from investing activities	257,881	310,857
Cash flows from financing activities		
Proceeds from borrowings	1,470,365	247,264
Repayment of borrowings	(1,672,535)	(424,353)
Interest paid	(235,791)	(122,508)
Commission fees on bank borrowings	(3,382)	(2,798)
Payment of lease liabilities	(9,261)	(9,188)
Payment of reverse factoring liabilities	(866,159)	(611,533)
Other cash provided by (used in) financing activities	(1,150)	617
Net cash from financing activities	(1,317,913)	(922,499)
Total net cash flows	(258,330)	(486)
Cash and cash equivalents at beginning of period	1,341,688	1,816,416
Effect of exchange rate fluctuations on cash held	120	(468)
Cash and cash equivalents at end of period	1,083,478	1,815,462

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

Supplementary information to the condensed interim financial statements

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

1.1. Statement of compliance and basis of accounting

Grupa Azoty Spółka Akcyjna is a joint stock company with its registered office in Tarnów, Poland. The Company shares are publicly traded on the Warsaw Stock Exchange.

These condensed interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These condensed interim financial statements of the Company cover the three and nine months ended September 30th 2023 and contain comparative data for the three and nine months ended September 30th 2022 and as at December 31st 2022.

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.

Grupa Azoty'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 condensed interim financial statements of the Company for the three and nine months ended September 30th 2023 were authorised for issue by the Management Board on November 8th 2023.

The condensed interim 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 December 31st 2022, prepared in accordance with International Financial Reporting Standards as endorsed by the European Union and authorised for issue on March 30th 2023.

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

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

These condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern for the foreseeable future.

As at the date of authorisation of these condensed interim financial statements, the Company's Management Board did not identify any circumstances which could indicate any uncertainty as to the ability of the Company and the Grupa Azoty Group to continue as a going concern in a substantially unchanged manner in the foreseeable future, i.e., for a period of at least 12 months from the date of these financial statements.

The factors considered by the Company's Management Board when assessing circumstances that could indicate a threat to the Group companies continuing as going concerns included the effects of the war on Ukraine, the executed waiver and amendment letters (the "**Waiver and Amendment Letters**"), and the reclassification of a portion of liabilities under borrowings to current liabilities; see Note [3.9](#) to the condensed interim consolidated financial statements of the Grupa Azoty Group for the three and nine months ended September 30th 2023 and Section [2.5](#) of these financial statements.

For information on the impact of the war in Ukraine on the Group's situation, see Note [3.10](#) to the condensed interim consolidated financial statements of the Grupa Azoty Group for the three and nine months ended September 30th 2023 and the discussion of the individual areas of the Group's business contained in the management's discussion and analysis of Grupa Azoty S.A.'s performance in the three months ended September 30th 2023.

Furthermore, the Company and the other Group companies have implemented various measures to uphold their market position and ensure the necessary level of sales and financial performance. These measures include in particular:

1. Execution of a new trade agreement with COMPO EXPERT ("**COMPO EXPERT**"), whereby the range of Grupa Azoty fertilizers which will be distributed by COMPO EXPERT in foreign markets will be significantly increased and the portfolio of offered products will include all nitrogen and compound fertilizers. As part of the expanded cooperation, COMPO EXPERT will market Grupa Azoty products internationally, ultimately via its

extensive sales network, comprising offices in 22 countries and sales operations spanning over 100 countries, primarily in Europe, but also in South and North America, Africa, and Asia.

2. Execution of contracts with domestic distributors for the new fertilizer application season.
3. Renegotiation or execution of new contracts for the supply of key raw materials and feedstocks.
4. Implementation of savings schemes - the Group has significantly revised its capital expenditure plans until the end of 2023 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.

1.2. Accounting policies and data presentation

The accounting policies applied to prepare these condensed interim financial statements are consistent with those applied to draw up the Company's full-year financial statements for the year ended December 31st 2022.

a) Amendments to International Financial Reporting Standards

The following standards effective as of 2023 have no material impact on the Company's operations or its financial reporting:

Standard	Description of amendments	Effect on financial statements
IFRS 17 Insurance Contracts	The new standard was issued on May 18th 2017 and subsequently amended on June 25th 2020, and is effective for annual periods beginning on or after January 1st 2023. Early application is permitted as long as IFRS 15 and IFRS 9 are also applied. The standard supersedes earlier regulations on insurance contracts (IFRS 4). On June 25th 2020, IFRS 4 was also amended to defer the effective date of IFRS 9 <i>Financial Instruments</i> for insurers until January 1st 2023.	The amendment has no material effect on the financial statements.
IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	Amendment to IAS 1 was issued on January 23rd 2020. After its effective date was subsequently modified in July 2020, it is effective for annual periods beginning on or after January 1st 2023. The amendment redefines the criteria for classifying liabilities as current. The amendment may affect the presentation of liabilities and their reclassification between current and non-current.	The amendment has no material effect on the financial statements.
IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	The amendments were issued on February 12th 2021, and are effective for annual periods beginning on or after January 1st 2023. The purpose of the amendments is to place greater emphasis on the disclosure of material accounting policies and to clarify how companies should distinguish between changes in accounting policies and changes in accounting estimates.	The amendments have no material effect on the financial statements.
IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendment to IAS 12 was issued on May 7th 2021 and is effective for annual periods beginning on or after April 1st 2023. The amendments clarify that the exemption relating to initial recognition of deferred tax does not apply to transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences and entities are required to recognise deferred tax on such transactions. The amendments thus address the emerging doubts as to whether the exemption applies to transactions such as leases and decommissioning obligations.	The amendments have no material effect on the financial statements.
IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Financial Instruments Comparative Information	The amendment to IFRS 17 was issued on December 9th 2021 and is effective for annual periods beginning on or after April 1st 2023. It provides a transition option for comparative information on financial assets presented on initial application of IFRS 17. The amendment is intended to help entities avoid temporary accounting	The amendment has no material effect on the financial statements.

mismatches between financial assets and insurance contract liabilities.

b) New standards and interpretations

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

Standard	Description of amendments	Effect on financial statements
IFRS 16 Leases: <i>Lease liability in a sale and leaseback</i>	The amendments to IFRS 16 was issued on September 22nd 2022 and are effective for annual periods beginning on or after January 1st 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 Company is analysing the effect of the amendment on its financial statements.

2. Supplementary information

2.1. Impairment testing

As at September 30th 2023, 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) fell from 6.85% at the end of 2022 to 5.76% at the end of June 2023, and then rose to 5.90% at the end of September 2023. This changed the weighted average cost of capital for the Grupa Azoty Group as at the end of June and September 2023 relative to December 2022, increasing the recoverable amounts of 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 and the value of assets of each CGU of the Company did not change materially relative to the respective amounts as at December 31st 2022 and June 30th 2023;
- EBITDA delivered in the three months ended September 30th 2023 is lower in the case of the Fertilizers CGU and higher in the case of the Plastics CGU than the respective EBITDA figures included in the tests made as at December 31st 2022 and June 30th 2023;
- also, the projected financial results until the end of December 2023 are lower in the case of the Fertilizers CGU and higher in the case of the Plastics CGU than the planned results for that period that were used in the impairment tests as at December 31st 2022 and June 30th 2023, but for the Fertilizers CGU the negative deviation of the projected amount from that planned is lower than the excess of the recoverable amount over the carrying amount of assets obtained in the previous test, adjusted based on the weighted average cost of capital calculated as at the reporting date.

In view of the above circumstances and considering the provisions of par. 16(b) of IAS 36 *Impairment of Assets*, a decision was made not to prepare a formal estimate of recoverable amounts as at September 30th 2023, considering that the estimates of recoverable amounts determined in previous tests remained valid as at September 30th 2023 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 Spółka Akcyjna for the 12 months ended December 31st 2022 and the condensed interim financial statements of Grupa Azoty Spółka Akcyjna for the six months ended June 30th 2023.

2.2. Execution of Waiver and Amendment Letters

For information relating to the execution of Waiver and Amendment Letters, see Note 0 to the condensed interim consolidated financial statements of the Grupa Azoty Group for the three and nine months ended September 30th 2023.

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 Note 3.9 to the interim condensed consolidated financial statements of the Grupa Azoty Group for the three and nine months ended September 30th 2023.

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 Note 0 to the condensed interim consolidated financial statements of the Grupa Azoty Group for the three and nine months ended September 30th 2023.

2.5. Additional information

In the three months ended September 30th 2023, the Company generated revenue of PLN 574m, a decrease of PLN 518m year on year, driven mainly by a decline in demand having a direct effect on the sales volumes and, as a consequence, lower price levels. Significant product price corrections were also a consequence of a downward trend in the prices of key raw materials.

The PLN 99,407 thousand change in non-current **other financial assets** was mainly attributable to repayment of loans advanced by the Company to subsidiaries.

The change in **liabilities under borrowings** resulted from the reclassification of borrowings of PLN 3,075,382 thousand from non-current liabilities to current liabilities, which will have a material effect on the calculation of the liquidity ratios. The reclassification is related to the Waiver and Amendment Letters signed on August 31st 2023, described in Note [3.9](#) to the condensed interim consolidated financial statements of the Grupa Azoty Group for the three and nine months ended September 30th 2023.

The PLN 89,569 thousand increase in current **other financial liabilities** was mainly attributable to reverse factoring liabilities.

The PLN 229,146 thousand decrease in **trade and other payables** followed from the repayment of liabilities to domestic suppliers.

As at September 30th 2023, the amount of **grants** increased following the recognition by the Company of the outstanding grant of CO₂ emission allowances of PLN 59,250 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 September 30th 2023 was as follows:

Instrument	Total valuation	Company's interest (47%)	Grupa Azoty POLICE's interest (53%)
Call option (financial asset)	115,266	54,175	61,091
Put option (financial liability)	20,164	9,477	10,687

The effect of measurement of the financial instruments referred to above on the Company's profit before tax in the three months ended September 30th 2023 was PLN 774 thousand (PLN (10,058) from the beginning of 2023).



Management's discussion and analysis of Grupa Azoty S.A.'s performance in the three months ended September 30th 2023

1. General information on the Grupa Azoty Group

1.1. Organisation and structure

The Grupa Azoty Group is one of Central Europe's major chemical groups with a strong presence on the market of mineral fertilizers, engineering plastics, OXO products, and other chemicals.

The Grupa Azoty Group has brought together companies with different traditions and complementary business profiles, seeking to leverage their potential to implement a common strategy. This has 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 September 30th 2023, the Grupa Azoty Group (the "Group") comprised Grupa Azoty S.A. (the Parent) and ten direct subsidiaries together with companies included in their respective groups.

Parent

Grupa Azoty S.A. (the "Parent" or the "Company") is the Parent of the Grupa Azoty Group. Its principal business activities include manufacturing, trading in and service activities related to nitrogen fertilizers, engineering plastics and intermediates.

The Company operates its own research facilities, concentrating both on research into new products and technologies, and on advancing existing products.

The Company's registered office is located at ul. Eugeniusza Kwiatkowskiego 8, Tarnów, Poland. Since April 22nd 2013, the Company has been trading under the name Grupa Azoty Spółka Akcyjna. Its history goes back to 1927, when Państwowa Fabryka Związków Azotowych was established in Mościce, a township later incorporated into Tarnów. The plant's construction was one of the largest investment projects undertaken in the Republic of Poland after it regained independence in 1918.

Parent's direct subsidiaries

Grupa Azoty 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.

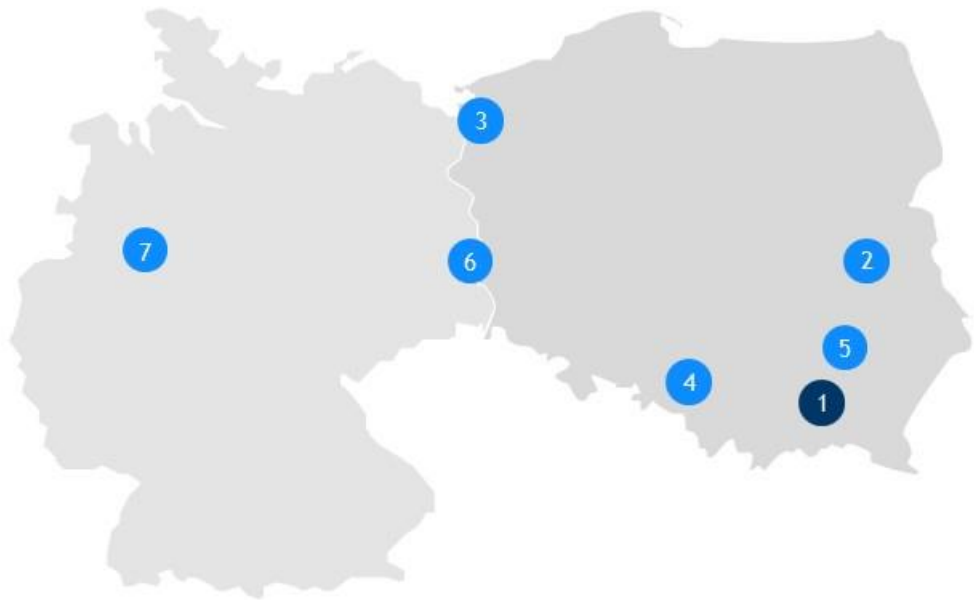
Grupa Azoty Energia Spółka z ograniczoną odpowiedzialnością ("Grupa Azoty ENERGIA") was set up to support the Group in delivering its Strategy for 2021-2030 in the area of energy transition and lower emissions from production processes. In particular, the company is to implement renewable energy projects 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).

Parent's shareholdings in subsidiaries and jointly controlled entities as at September 30th 2023

<i>(in relevant currency)</i>			
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	99.56
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 September 30th 2023



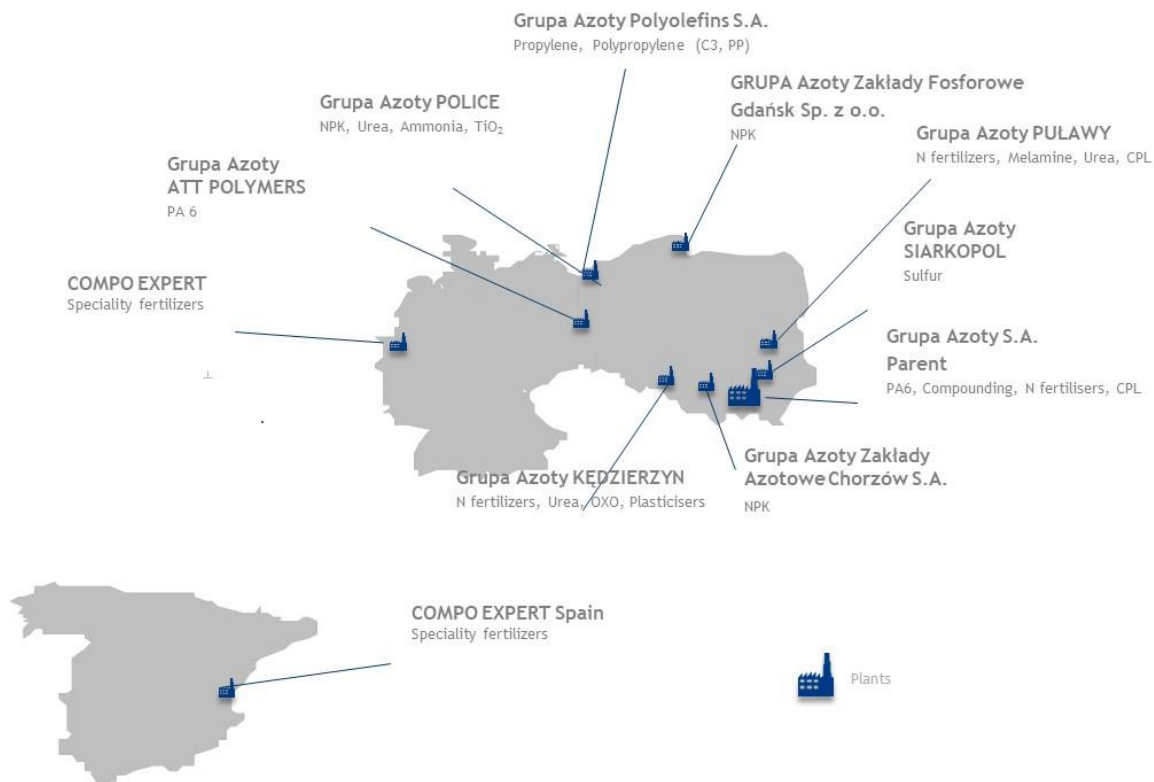
1	Parent			
	Grupa Azoty COMPOUNDING		2	Grupa Azoty PUŁAWY 95.98%
	Grupa Azoty ENERGIA		3	Grupa Azoty POLICE 62.86%
	Grupa Azoty PKCh		4	Grupa Azoty KĘDZIERZYN 93.48%
	Grupa Azoty KOLTAR		5	Grupa Azoty SIARKOPOL 99.56%
			6	Grupa Azoty ATT POLYMERS 100%
			7	COMPO EXPERT 100%

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 polypropylene, 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. Grupa Azoty POLYOLEFINS' project is 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. The Group is Poland's only producer of OXO alcohols and plasticizers. 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 generates energy mostly for the needs of 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

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

Product with a 46% nitrogen content, manufactured 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 includes Pulrea® +INu, that 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.

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® and PULAN® Macro, 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, such as the granulated Salmag® fertilizers (including varieties with a sulfur or boron content) CAN 27N, and bead fertilizers, such as Saletrzak 27 standard, Saletrzak 27 standard with boron and Saletrzak 27 standard plus.
- 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: 37% nitrogen/21% sulfur and 33% nitrogen/31% sulfur.
- Saletrosan®, or ammonium sulfate nitrate, is a nitrogen fertilizer with sulfur, obtained by blending ammonium nitrate and ammonium sulfate. Saletrosan® 26 contains 26% nitrogen and 13% sulfur. The product may also include small amounts of iron and magnesium - Saletrosan® 26 Plus, and boron - Saletrosan® 26 with boron. Saletrosan® 30 has different proportions of main components: 30% nitrogen and 6% 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.
- Saletromag® 25 is a nitrogen and sulfur fertilizer made by combining ammonium nitrate and ammonium sulfate. Containing 25% nitrogen, 7% sulfur and 3.9% magnesium, it is a universal fertilizer that can be used during spring fertilization of all crops.
- Polifoska® 21 is a nitrogen fertilizer with sulfur, a mixture of ammonium sulfate-urea containing 21% nitrogen and 33% sulfur.
- Ammonium sulfate, marketed under the trade names AS 21 and Pulsar®, is a simple nitrogen fertilizer with sulfur, containing 21% nitrogen and 24% sulfur. It is a by-product in the manufacture of caprolactam and in flue gas desulfurisation. The Group manufactures a wide range of ammonium sulfate in various granule forms and sizes: selection, macro, standard, and crystalline.
- PULASKA® is a liquid nitrogen fertilizer with sulfur, obtained by blending urea and ammonium sulfate, and has a 20% nitrogen and a 6% sulfur content.

Compound fertilizers (NPK, NP)

NPK and NP compound fertilizers are universal fertilizers which, depending on composition, can be applied to various types of crops and soil. Aside from the primary components – nitrogen (N), phosphorous (P) and potassium (K), these fertilizers contain secondary nutrients such as magnesium, sulfur or calcium, and may contain microelements such as boron or zinc.

Compound fertilizers may be used to provide nutrients to all types of arable crops. The 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 the negative environmental impact of the elements.

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 Azoplón Nutri, Azoplón Opti, Fertioplón, 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 the plastics' beneficial properties makes them a product of choice for many industries, including automotive, construction, electrical engineering, household appliances, and the food and textile industries.

The Group manufactures polyamide 6 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).

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 (propane, phosphate rock, slag, potassium chloride) are also 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.

Having satisfied its own needs, the Group sells a surplus on the market or purchases ammonia on the market if price relations are favourable.

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 2023, 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 forward 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 oil prices 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 and Germany 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 mainly under long-term contracts with 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 assumes the development of 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.

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

	Q3 2023	Q3 2022	change	% change
Agro				
Nitrogen fertilizers	630	542	88	16%
Compound fertilizers	165	210	(45)	(21%)
Speciality fertilizers	45	38	7	18%
Chemicals				
Pigments	5	8	(3)	(38%)
Urea	244	177	67	38%
OXO products	10	24	(14)	(58%)
Plastics				
Polyamide	21	29	(8)	(28%)

Source: Company data.

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.

Exchange rates

The Polish złoty stabilised at the beginning of the three months ended September 30th 2023, before starting to slightly depreciate in August. The trend markedly accelerated after the Monetary Policy Council's larger-than-expected interest rate cut of 0.75 basis points. The exchange rates of key currencies increased compared with the end of July by several tens of grosz (one hundredth of a złoty), from around 4.00 to 4.45 in the case of the USD/PLN pair and from 4.40 to 4.68 for the EUR/PLN pair. At the end of the third quarter and in October, the Polish currency recovered these losses.

The weakening of the złoty seen in September was due to investors' concerns that the NBP would continue its quick series of interest rate cuts, without sharing the determination declared by major central banks (FED, ECB)

to bring inflation down to the target of 2.5% +/-1 percentage point, as well as sentiment deterioration coupled with lower risk appetite on global financial markets. Over time, especially following another interest rate cut of 0.25 basis points implemented by the Monetary Policy Council in October, which was slightly lower than what the market had anticipated, the zloty stabilised and then strongly appreciated in the second half of the month.

The market expects that interest rates will go down by another 0.25-0.50 basis points by the end of the year, resulting in a further narrowing of the disparity between the domestic interest rates and the rates in the euro area and the US, which may adversely affect the PLN exchange rate. At the same time, by the end of the year interest rates are anticipated to stabilise in the US (with the likelihood of one more 0.25 basis point increase at around 30%) and in Europe (following the latest 25 bp interest rate hike by the European Central Bank at the beginning of September 2023 for the euro area). Real interest rates in PLN will likely persist in the negative territory due to elevated domestic inflation, which remains high despite recent falls, and the interest rate cuts by the central bank.

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 structure 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 the three months to September 30th 2023, the Group settled FX forward contracts for the sale of EUR and USD 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 September 30th 2023 was positive at PLN 3,619 thousand, with the net result on remeasurement of hedging instruments negative at PLN 2,507 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 September 30th 2023 was a gain of PLN 1,112 thousand.

Grupa Azoty POLYOLEFINS's exposure to currency risk

In the three months ended September 30th 2023, Grupa Azoty POLYOLEFINS held and entered into FX forward contracts to buy EUR for USD and to sell USD and EUR for PLN and USD to hedge the expected expenditure in EUR, USD and PLN.

As at September 30th 2023, Grupa Azoty POLYOLEFINS had the following open contracts:

- FX forward to buy EUR 38,539 thousand for USD (hedging expenditure planned to be financed with proceeds from the term facility made available under the Credit Facilities Agreement in USD);
- FX forward to sell USD 4,600 thousand for PLN (hedging expenditure planned to be financed with proceeds from the term facility made available under the Credit Facilities Agreement in USD);
- FX forward to sell EUR 4,000 thousand for USD (hedging expenditure related to the first repayment of the term facility made available under the Credit Facilities Agreement in USD), which falls due in the fourth quarter of 2023.

The FX forwards to purchase PLN for USD were designated for cash flow hedge accounting purposes.

As at September 30th 2023, the total result on the measurement of the company's currency hedges was PLN -16,734 thousand, including PLN 88 thousand attributable to the measurement of transactions designated for hedge accounting purposes.

Interest rate risk

In the period ended September 30th 2023, 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 September 30th 2023, Grupa Azoty POLYOLEFINS had the following open contracts:

- IRS with a zero floor on EURIBOR for a maximum notional amount of EUR 370,299 thousand (the notional amounts increase and then are amortised in accordance with the company's expectations regarding the notional amounts resulting from the term facility under the Credit Facilities Agreement in EUR);
- IRS with a zero floor on USD LIBOR (SOFR from June 2023) for a maximum notional amount of USD 408,151 thousand (the notional amounts increase and then are amortised in accordance with the company's expectations regarding the notional amounts resulting from the term facility under the Credit Facilities Agreement in USD).

In the three months ended September 30th 2023, the company executed annexes amending the Credit Facilities Agreement, which modified some of the lending terms, in particular 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.

The transactions hedging interest rate risk were designated for cash flow hedge accounting purposes. As at the end of September 2023, the notional amount of the transactions hedging interest rate risk was higher than the actual amount of debt outstanding under the term facility. The hedge relationship for that part of the hedging instrument's notional amount which was not covered by the hedged item was de-designated. A part of the fair value measurement of IRS and floor contracts was reclassified to profit or loss. Only the measurement amount corresponding to the portion of the hedge for which the hedged item is still expected to occur was charged to equity.

As at September 30th 2023, the total result on the measurement of open IRSs with a zero floor held by the company was PLN 438,796 thousand, including PLN 438,594 thousand attributable to the measurement of transactions designated for hedge accounting purposes.

Commodity risk - natural gas prices

A period of soaring natural gas prices, which peaked in September 2022 having reached an unprecedented level of EUR 345 per MWh, was followed by a steady downtrend from the fourth quarter to the end of May 2023. At Europe's largest hub TTF (Title Transfer Facility) the prices fell to EUR 25 per MWh. The savings plans put in place by the European Commission, fears of an upcoming recession and high average temperatures led to a decline in demand for natural gas, pushing its prices down to the lowest level in over two years. Given increased LNG imports into Europe, prices at the largest European gas hubs are expected to remain relatively low, with a risk of rising again in late autumn and winter. The Group constantly monitors the prices of all commodities, especially natural gas, as the prices are the key factor driving the profitability of production, and stabilises future cash flows by signing contracts providing for some of the gas supplies to be made at a specific time and for a specific price.

In the period under review, Grupa Azoty POLYOLEFINS did not carry any commodity risk hedges.

Foreign currency derivatives and hedge accounting

As at September 30th 2023, the notional amount of Grupa Azoty Group's open FX forwards, with maturities falling in 2023, was EUR 3.5m.

As regards the US dollar, as at September 30th 2023 the Group had no outstanding derivative instruments in that currency.

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

The Group applies cash flow hedge accounting. The hedged item is highly probable future proceeds from sale transactions in the euro which will be recognised in profit or loss in the period from October 2023 to March 2029. The hedging covers currency risk. The hedging instruments are two EUR-denominated credit facilities, which as at September 30th 2023 amounted to:

- EUR 36,324 thousand, repayable in the period from December 2018 to June 2025 in 14 equal half-yearly instalments of EUR 9,081 thousand each;
- EUR 109,333 thousand, repayable in the period from September 2021 to March 2029 in 16 half-yearly instalments, including the first instalment of EUR 6,666 thousand, 14 instalments of EUR 9,667 thousand each, and the last instalment of EUR 3,000 thousand.

As at September 30th 2023, the carrying amount of the two credit facilities was PLN 675,019 thousand. The hedging reserve includes the effect of measurement as at September 30th 2023 of PLN -39,564 thousand, which represents the effective hedge.

In the nine months ended September 30th 2023, the Parent offset a hedging relationship with respect to foreign currency credit facility repayments against proceeds from sales in the euro for the amount PLN 5,817 thousand.

Grupa Azoty POLYOLEFINS applies cash flow hedge accounting with respect to currency risk and interest rate risk. In currency risk hedges, the hedged item is future highly probable cash flows related to PLN-denominated costs attributable to the project, financed with drawdowns under the USD-denominated credit facility. In interest rate risk hedges, the hedged item is future highly probable cash flows from interest on the term loan denominated in EUR and USD.

As at September 30th 2023, the following amounts were recognised in Grupa Azoty POLYOLEFINS's hedging reserve: PLN -88 thousand on the measurement of currency hedging transactions and PLN 438,594 thousand on the measurement of interest rate risk hedging transactions.

2.2. Market overview

AGRO FERTILIZERS

Economic conditions in agriculture

After the first three quarters of the year, the economic situation in Polish agriculture showed signs of improvement. In the three months ended September 30th 2023, the IRGAGR agricultural confidence index rose 4.7 points quarter on quarter, to -21.6 points. This is still 4.7 points lower than a year ago. The increase in the index mainly reflects improved sentiment among farmers, as well as the growth of equalised farm income, and results from the annual agricultural production cycle. The current quarterly improvement in agricultural confidence is weaker than the average in previous years, the main reason being that the increase in farm incomes was significantly lower than typically seen in this part of the year, owing to the persisting adverse economic conditions for agricultural production.

In addition to production costs, the key driver of the economic situation of farms, influencing production profitability, is prices of primary agricultural produce in Poland. The prices of agricultural produce on the domestic market mirror global trends and depend on the developments on global markets. In the three months ended September 30th 2023, the prices in Poland went down year on year. They fell quarter on quarter as well, but the rate of decline was lower, mainly as a result of price hikes in September. The average prices of wheat, rye, maize and rapeseed in the third quarter of 2023 were as follows: PLN 962 per tonne, down 38% y/y, PLN 674 per tonne, down 46% y/y, PLN 949 per tonne, down 33% y/y, and PLN 1,997 per tonne, down 40% y/y. Similar price relationships were seen on global markets, with grain prices much lower than the year before and down quarter on quarter.

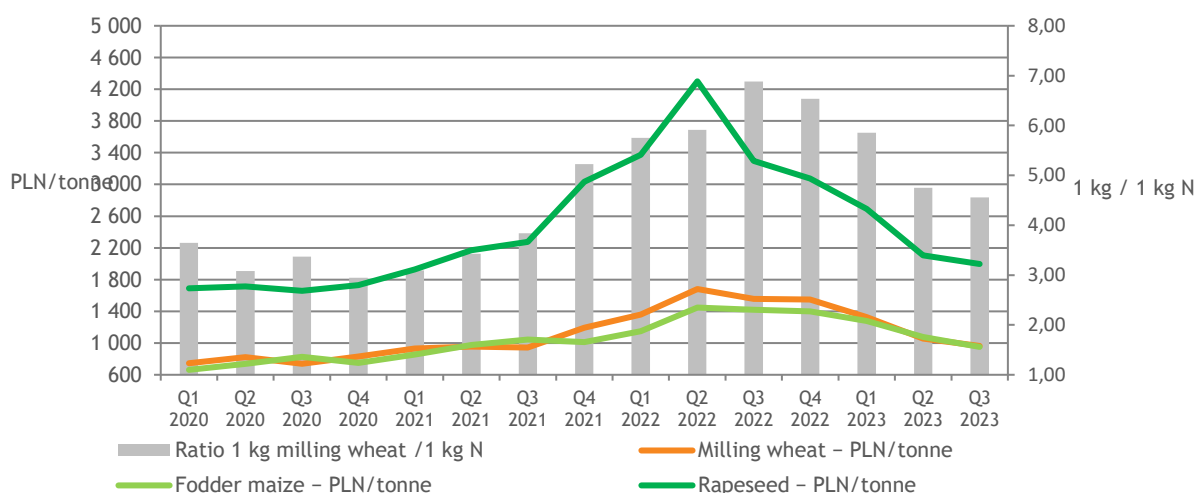
Although the weather in Poland improved relative to the second quarter of the year, agricultural drought persisted in a number of provinces, leading to lower yields. Furthermore, in many regions of Poland harvest was disrupted by rain, negatively impacting grain quality. According to the Polish Grain and Feed Chamber, most wheat harvested this year is feed-grade grain. Many farmers chose to store grains of higher quality in expectation of price rises.

The reasons behind the persistently low prices of agricultural produce in Poland include favourable projections for grain production in 2023/2024, both domestically and globally. According to the European Commission's report issued in September, wheat and maize production in Poland will be above the five-year average, at 12.8 million tonnes (a 4.7% season-on-season decline) and 9.3 million tonnes (a 12.2% season-on-season increase), respectively. Barley production was estimated to be below that level, at 2.8 million tonnes (down 0.1% season on season). Poland's total grain harvest in 2023/2024 is to reach 35.4 million tonnes, 0.3% above the previous season's figure.

According to the information provided by the Agency for Restructuring and Modernisation of Agriculture, direct payments for 2023 will be translated at the exchange rate of PLN 4.6283 per EUR 1, and the envelope for direct payments and transitional national aid will total PLN 16.97bn. The single area payment in 2023 will be PLN 502.35 per hectare, compared with PLN 518.01 per hectare the year before. Advances for direct payments have been paid since mid-October and final payments will be made from the beginning of December to the end of June 2024.

Aside from macroeconomic conditions and weather, the key factor influencing the agricultural sector's condition remains the prospect of continued supply of agricultural products to global markets from Ukraine, which will significantly impact both the global and domestic balance and prices of grains, as well as the purchasing power of farmers in Poland and abroad.

Prices of wheat, maize and rapeseed



Source: Company data.

Market of nitrogen fertilizers

In the three months ended September 30th 2023, the prices of nitrate fertilizers were notably higher quarter on quarter, with the exception of UAN, whose prices declined. The average price of ammonium nitrate (AN 33.5% N) on the French market stood at EUR 407 per tonne, an increase of more than 16% quarter on quarter and a decrease of 54% year on year. A comparable rise in prices was recorded for calcium ammonium nitrate (CAN 27% N) in Germany: the prices went up 15% quarter on quarter, but were considerably lower year on year (down 59%). UAN (32% N) prices on a FOB Black Sea basis went down, both quarter on quarter (6%) and year on year (71%).

Thanks to favourable weather conditions, the beginning of the reporting period saw increased purchasing activity among European farmers. Due to improved weather, there was an uptick in demand for CAN in both Germany and Ireland, as well as for UAN, which was mainly purchased for autumn application. There was also additional purchasing activity from other markets, including Brazil, with the bulk of this demand met by volumes from Russia. The prices of nitrate fertilizers followed the price trend of urea. From mid-August to the end of the third quarter, there was a noticeable slowdown as markets transitioned into the off-season. In September, market participants closely monitored the situation on the related urea market, mainly because of the price growth driven by export constraints in China and India's earlier-than-expected announcement of an import tender. Sentiment was also affected by developments on the gas market.

The European nitrate fertilizer market remained relatively subdued throughout the period, with a single surge in demand. The pressure on production costs will continue to be a significant factor shaping the situation on the market.

The key news from Europe was the General Court of the European Union's decision to lift the anti-dumping duties on Russian ammonium nitrate. The decision is not final and is expected to be appealed against by local producers. The duty of EUR 28.78-EUR 32.71 per tonne had been levied in December 2020 for a five-year period. Russian producers appealed against this decision in February 2021.

Lower urea prices in earlier periods made imports more attractive than sourcing urea from European producers. However, since the difference between the prices of urea and Western European prices of CAN as pure N equivalent is still in favour of CAN, buyers have little incentive to switch to urea. Over the next quarter, the prices of nitrate fertilizers should continue on a modest upward trend quarter on quarter.

Urea

The average price of urea (FOB Baltic) in the third quarter of 2023 was USD 334 per tonne, down 37% year on year and up 27% quarter on quarter.

After the first half of 2023, marked by low demand, oversupplied market and delayed urea purchases, sentiment improved at the beginning of the third quarter, and prices started to grow. The factors with a significant bearing on the market situation included announcement of an import tender by India, recovery in demand in Brazil, stable demand levels in Australia, new RFPs from Argentina, and limited supply in China, Southeast Asia and Egypt. In the middle of the third quarter of 2023, urea market activity was dominated by India, which purchased almost 1.8 million tonnes of urea, and China, which resumed exports, supplying 1.1 million tonnes of the product to India. Egyptian producers were holding off on offering urea as they had been operating at reduced capacity for some time as a result of a 30% production cut imposed for several weeks in connection with heat waves. Although the general sentiment in the urea market was pessimistic, prices outside the Persian Gulf seemed relatively stable in the second half of the reporting period due to the summer slowdown in a number of regions. There was some increase in demand as India announced a tender to replenish its stocks. However, of the 3.6

million tonnes of urea tendered for sale India purchased only 0.5 million tonnes. Producers from the Persian Gulf and Russia opted to sell their volumes in the tender given a lack of demand in other regions of the world. China, which curtailed its exports in September, focusing on building its own stocks and containing domestic price growth, did not offer the product in that tender. The unexpected developments in India and China changed sentiment on the urea market, with prices rising in certain regions by 10%-25% in just a few days.

In Europe and the US, the reporting period saw a summer slowdown, with farmers focusing on the harvest. In Europe, prices followed the trends seen on the international market, but demand remained relatively low. Purchasing activity was limited to small volumes with short lead times. Buyers continue to adopt a cautious approach, closely monitoring the price trends. Urea production in Europe remained limited and is expected to be reduced further in winter. Developments on the market will chiefly depend on the demand and the situation on the gas market.

India's procurement needs continue to support prices in the short term. Based on estimates, approximately 2.5-3.0 million tonnes of urea will have to be delivered by mid-January 2024, which implies the announcement of further tenders, with the next one likely by the end of December. On the supply side, there is uncertainty about the availability of urea from China as the market seems reluctant to trade larger volumes. Chinese exports are expected to increase slightly in November and December as a result of a widening gap between rising international prices and falling domestic prices. Over the next few months, urea prices should stabilise at a slightly higher level than the levels seen today.

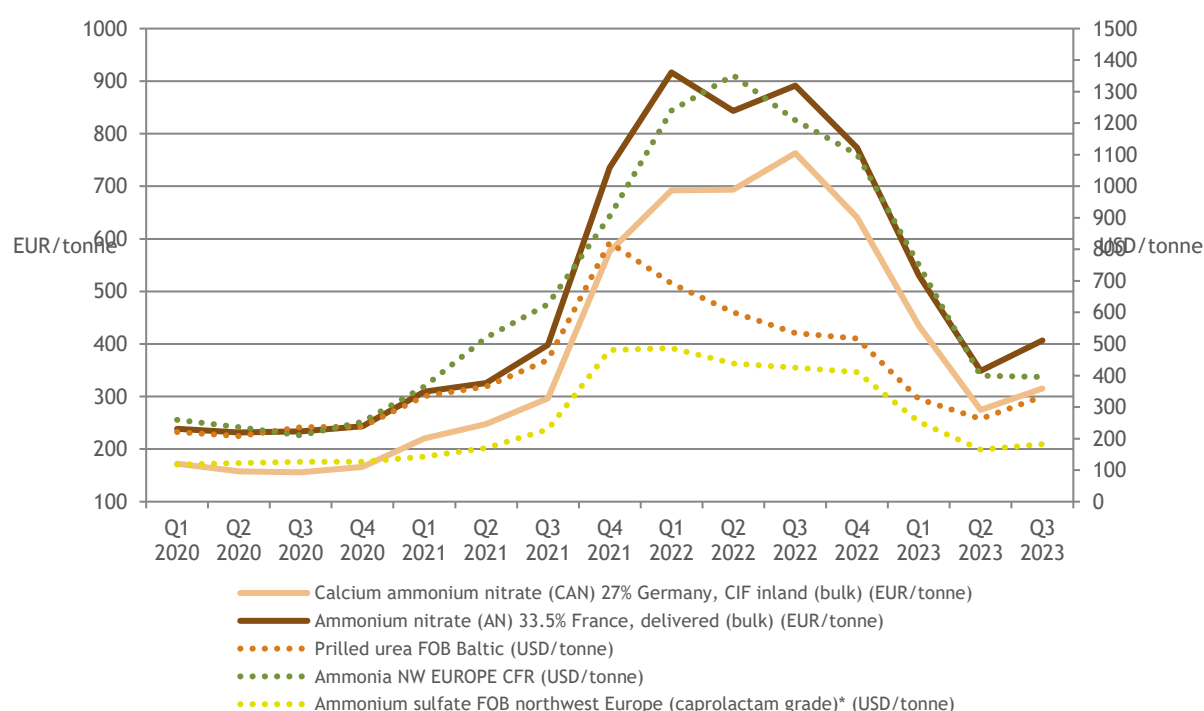
Ammonia

In the third quarter of 2023, the prices of ammonia were much lower than a year earlier. The average price of ammonia (NW Europe) reached USD 395 per tonne, down 67% year on year and 1% quarter on quarter.

The sustained price decline from the beginning of 2023 did not slow down until the beginning of the third quarter, after which the prices rebounded in the middle of the reporting period. Market activity was weak in most regions, mainly because of the seasonal summer slowdown. Global ammonia supply shortages due to maintenance shutdowns, particularly in Asia, spurred a price increase. Most producers, especially in the Middle East, focused on contracted supplies in July and August and scarce availability on the spot market. Demand from related chemical markets was down globally. In the latter part of the third quarter, Algeria and Saudi Arabia entered into a transaction at considerably higher contract prices, driving up the prices on global markets. The European market remained subdued in the reporting period because of low demand. In addition, the European market took a wait-and-see stance given the uncertain situation on the gas market. The number of transactions in north-western Europe declined owing to growing import prices, in contrast to stabilising gas commodity prices in Western Europe. In the US, there was little activity in the ammonia market in late summer as buyers focused on the harvest. In the last week of September, the market was affected by the news of a Tampa contract price settlement for October, showing a substantial rise from the previous month and leading to further price hikes across all regions.

The problems with ammonia production should be resolved in the coming months, which will result in a surplus of ammonia on the market. The prices are expected to peak across all major benchmarks in December, coinciding with the moment when demand from the main centres starts to decline. China is expected to enter the export market again, in the same way as in the fourth quarter of 2022, increasing supply and helping to partially counteract further delays in the launch of Gulf Coast Ammonia (1.3 million tonnes per year). In the first half of 2024, the prices should undergo a correction, with a more significant decline in the second half of the year when demand falls and the market enters a period characterised by oversupply.

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



Source: Company data.

Market of compound fertilizers

In the third quarter of 2023, the average benchmark price of NPK 3x16 (FOB Baltic/Black Sea) was USD 366 per tonne, down 39% year on year and 16% quarter on quarter.

After the first half of 2023, marked by a declining price trend, sluggish demand, and low liquidity on the NPK compound fertilizer market, the beginning of the third quarter showed stability, albeit with still relatively moderate purchasing activity. Demand for products was gradually on the rise. Developments on the related commodity and fertilizer markets, including in particular growing urea prices and a temporary tightening of potassium chloride supply in Canada due to strikes at local ports, supported the prices of NPK during that period.

August ushered in a positive sentiment on global markets, with improving demand enabling price growth. The market stabilised again at the end of the reporting period. In Europe, there was some demand from market participants, but they maintained a cautious approach as regards the volumes procured. Concurrently, the fast-growing prices of ammonia encouraged NPK producers and suppliers to increase their asked prices.

On global markets for NPK compound fertilizers, importers and other buyers are refraining from activity given uncertainty as to the future direction of price development. This is particularly visible in Europe. Sellers competing to place their product on the market, buyers' resistance to price rises, and the readiness of some suppliers to sell at lower prices will likely contribute to a market stabilisation in the coming weeks. However, as demand rises in some key markets, including in Europe, sellers are poised to resume their efforts to raise prices. These efforts will be supported by limited product availability, therefore a price increase is forecast for November, followed by a stabilisation in December.

In the third quarter of 2023, the average benchmark price of diammonium phosphate (DAP) was USD 472 per tonne (FOB Baltic), down 43% year on year and 6% quarter on quarter.

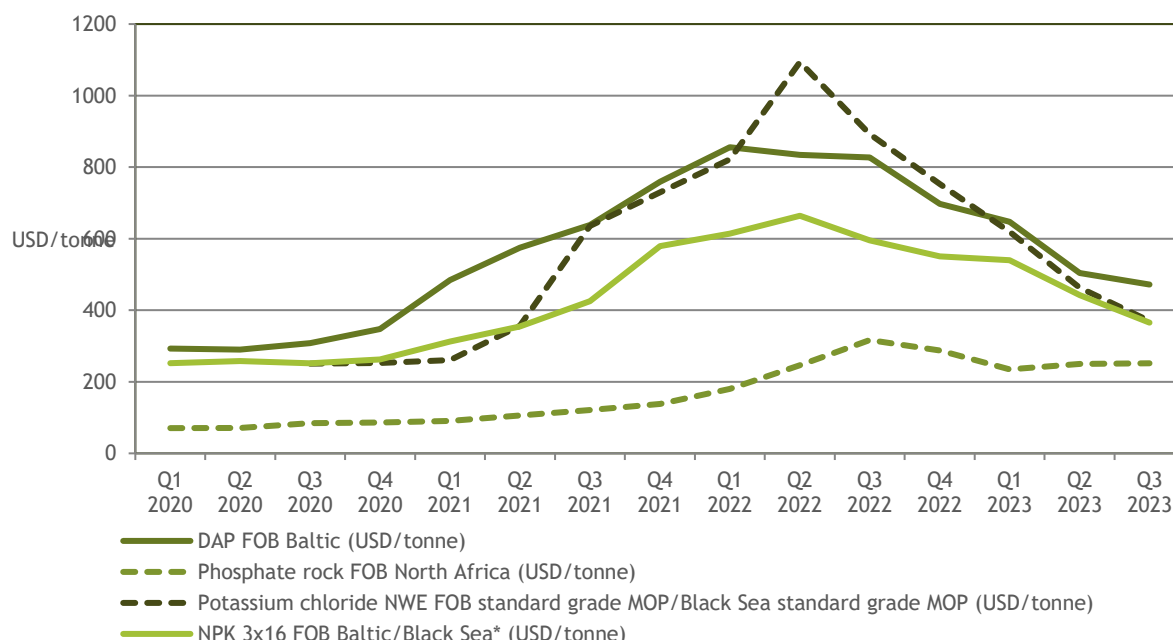
After substantial increases of phosphate fertilizer prices in the first half of 2022, there was a major decline in demand accompanied by a fall in prices. This trend continued into the first half of 2023. July was marked by tightening supply and sustained demand. The downward trend was then reversed and prices began to rise, a trend that persisted until the end of the third quarter.

Fundamental support was provided by the demand for phosphate fertilizers from Brazil and robust buying activity in Asia. Higher prices of phosphate fertilizers in other regions of the world, with a concurrent improvement of local demand, pushed up the prices in Europe. September saw an additional upward pressure on prices from a rapidly strengthening ammonia market and quarter-on-quarter growth in the value of contracts for the supply of phosphoric acid to some destinations.

The prices of phosphate fertilizers are projected to rise globally up until and including November, supported by purchases from Asian buyers. India, currently sourcing final volumes for the winter crop period, is playing a key role here. In December, after the requirements of the Eastern markets are satisfied and the demand goes down again, the prices are expected to fall sharply and approximate the levels seen in September 2023. Reports have

emerged recently of an increased activity of European importers, which, in combination with the limited supply, will keep DAP prices at current levels or will support their moderate growth up until and inclusive of November. However, the prices in Europe are likely to fall in December in response to the weakening of global demand and the resulting improved availability of the product.

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 third quarter of 2023, the average benchmark price of phosphate rock (FOB North Africa) was down 21% year on year and up 1% quarter on quarter. The prices of phosphoric acid in Western Europe fell by 43% year on year and 10% quarter on quarter.

After substantial increases of phosphate fertilizer prices in the first half of 2022, there was a major decline in demand accompanied by a fall in prices. This trend continued into the first half of 2023. Despite a further quarter-on-quarter decrease in the average benchmark price of DAP (FOB Baltic), July brought a reversal of the downward price trend. Subsequently, the prices began to rise, a trend that persisted until the end of the third quarter.

As regards raw materials used in the production of phosphate fertilizers, the second half of 2022 witnessed a steep decline in the benchmark prices of phosphoric acid, historically at an all-time high since 2008. During that period, the correction in phosphate rock prices was minimal, significantly reducing the profitability of production. In the past, the change of phosphate rock and phosphoric acid prices was typically somewhat delayed relative to movements in DAP and MAP product prices, with the relationship between the costs of raw materials and product prices tending to stabilise over time. But the situation has changed now. The benchmark price of phosphate rock (FOB North Africa) has been above the level considered adequate market price for many months.

In the third quarter of 2023, the price of phosphate rock from Morocco fell quarter on quarter, while the price of phosphate rock procured from other sources remained roughly unchanged. In the past, the price of Moroccan phosphate rock was higher than that from other countries in North Africa: Algeria, Tunisia and Egypt. Albeit narrower, the price difference continues to be much larger than ever before. This same situation occurred in the market of phosphoric acid, where Morocco, its leading exporter, ceased to officially publish contract prices for India, which started to diversify its sources of supply in response to extremely high prices of Moroccan phosphoric acid.

Due to the decline in prices of Moroccan phosphate rock at the end of the third quarter, the cost relationship between raw materials and final products improved slightly. In global markets, the season is slowly nearing an end and there is no significant interest in purchasing phosphate fertilizers. In Western Europe, demand for DAP and NPK fertilizers is minimal, with no major recovery to be expected until the next year. The prices of phosphate fertilizers have strengthened recently, supported by the limited supply. In the case of raw materials for the production of phosphate fertilizers, i.e. phosphoric acid and phosphate rock, the prices should remain stable

until the end of the year, without any sharp movements up or down. No larger charges are anticipated until the first quarter of 2024.

Potassium chloride

In the third quarter of 2023, the average benchmark price of potassium chloride for Europe fell 59% year on year and 20% quarter on quarter.

Since mid-2022, the global potassium chloride markets have been on a downturn due to a significant drop in demand for compound fertilizers.

At the beginning of the third quarter of 2023, the attention of market participants was mainly focused on Canada, where the port strike continued, resulting in several days of halted or restricted flow of certain goods, including potassium chloride. Vancouver, the largest port in the country, was the most severely affected by the labour action. The strike led to a temporary tightening of supply from Canada. Canada is now among the key suppliers of potassium chloride to Europe following the imposition of sanctions against Russia and Belarus, which in previous years were the main exporters of this raw material to Poland and other European countries.

After a seasonal decline in activity, European buyers chose to re-enter the market a little earlier amid concerns about the supply and rising prices. Despite the quarter-on-quarter decline, the price of potassium chloride in Europe continued to be among the highest globally.

The situation on potassium chloride markets is expected to remain steady until the end of the year. The planned increase in Brazil's and India's contracts for granulated potassium chloride will not be sufficient to mitigate the effect of low demand from the NPK fertilizer sector. Without a clear rebound in fertilizer demand across all markets, even factors such as the conflict between Israel and Palestine or reductions in fertilizer subsidies in India will not be able to stimulate any significant growth in potassium chloride prices. In Europe, the autumn fertilization season is coming to an end, with no prospects of a rebound before the next year. There is no major volatility of prices in Europe, and for a few quarters the price ranges for both fine and granulated potassium chloride have stayed higher than in other regions of the world.

PLASTICS

Polyamide 6 chain

Similarly to the previous periods of the year, in the third quarter of 2023 the market conditions for the entire product chain were largely driven by the demand and supply dynamics on the end-use markets, which were impacted by economic headwinds, and by the pressure of raw material prices, affecting production costs.

The European contract prices of benzene followed a downward trend in July and August, while in September the prices strengthened on the back of higher oil prices and price hikes on global markets. As in previous quarters, the demand for benzene from local processors remained low, with supply constraints. The slight regional increase in demand seen in September was due to the replenishment of stocks after the holiday slump and the resumption of production at some benzene derivative plants. Demand for benzene exports to the US market continued throughout the third quarter of the year.

The average contract price of benzene (CIF NWE) in the third quarter of 2023 fell 33% year on year and 13% quarter on quarter.

In the reporting period, the European phenol market continued to be affected by sluggish demand from application sectors, further hampered seasonally during the summer, and low operating rates for both phenol and phenol derivative plants. In September, phenol consumption experienced a rise compared with the summer holiday period, primarily due to stock replenishment. Another contributing factor was the expected significant increase in the contract price of benzene at the beginning of the fourth quarter. Phenol output was scaled down to match market demand. Due to challenging market conditions, the main European phenol manufacturer has not re-launched the phenol/acetone plant in one location since 2022. An unscheduled shutdown at a second location in late August, along with scheduled maintenance shutdowns at other producers, led to a temporary decrease in phenol supply. However, this did not have a significant impact on the market due to generally weak demand in the region. In the reporting period, the contract prices of phenol closely tracked the price trend of benzene.

The average contract price of phenol (FD NWE) in the third quarter of 2023 fell 23% year on year and 7% quarter on quarter.

The European CPL and PA6 markets were affected by reduced consumer demand. At the beginning of the third quarter, demand for both products remained low, with the summer holiday season further diminishing buyer activity. Many processors reduced their stocks of raw materials and finished products, accelerating or extending pre-planned repair and maintenance shutdowns. Such conditions persisted at various levels of the supply chain, from virgin polymer through blends to finished PA6 components. Cheaper imports of PA6 products from Asia

continued. Despite improvement in the main application sector (automotive), marked by double-digit growth in new passenger car registrations in the EU during the first eight months of 2023, these rates significantly differ from pre-pandemic levels.

September saw a change in CPL and PA6 price trends. The downward pressure was halted and the prices of both products rose for the first time from the fourth quarter of 2022, but chiefly due to higher prices of raw materials (mainly benzene and phenol) and CPL supply constraints in Europe rather than significant increases in demand. There was some trade activity, but it was mainly related to the replenishment of stocks after the summer holiday period.

In the three months ended September 30th 2023, the local supply of CPL and PA6 in Europe continued to be limited as the market remained balanced. CPL supply constraints in Europe were due to maintenance shutdowns, including the declaration of force majeure in respect of European CPL plants, whose operating rates were aligned with current market needs.

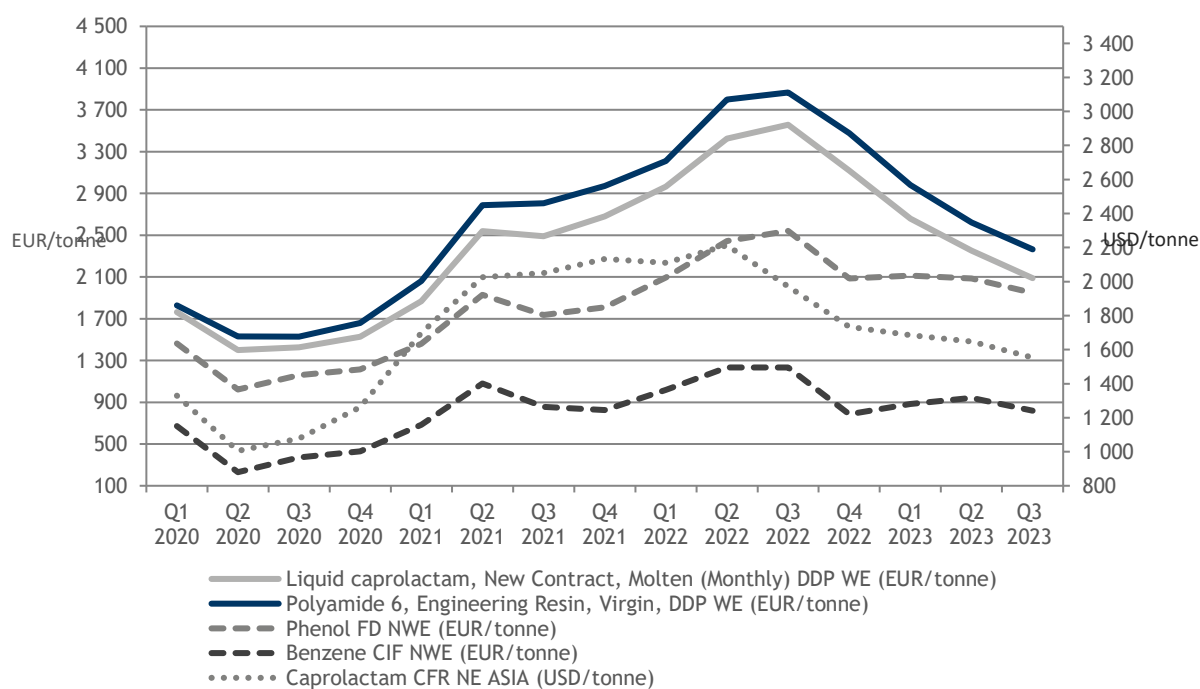
In the third quarter of 2023, the average contract price of liquid caprolactam (Liq. DDP WE) fell 41% year on year and 11% quarter on quarter.

The average price of polyamide 6 in Europe (Engineering Resin, Virgin, DDP WE) went down 39% year on year and 10% quarter on quarter in the three months to September 30th 2023.

Following declines at the beginning of the third quarter, caprolactam prices in the broad Asian market continued on a slight upward trend, supported by growing commodity prices. Demand for CPL outside China remained subdued, prompting some major producers in Taiwan, South Korea and Japan not to resume production at their plants or to keep operating rates low. In China, CPL and PA6 plants operated at high operating rates due to continued strong demand from the textile sector. The demand for engineering polymers was low, mainly as a result of the slowdown in downstream sectors such as automotive, household appliances and consumer electronics. Some CPL manufacturers carried out planned and unplanned maintenance work during the reporting period.

Despite price increases in August and September, in the three months to September 30th 2023 the average contract price of caprolactam in the broad Asian market (CFR NE Asia) fell by 21% year on year and 6% quarter on quarter.

Prices of PA6, caprolactam, benzene and phenol



Source: Company data.

The key drivers of price development and demand in the entire polyamide 6 product chain in the fourth quarter of 2023 will be the demand and supply balance in the polyamide processing sectors and pressures on raw material

prices. Unfavourable macroeconomic conditions continue to weigh on demand for PA6 in Europe and this trend is expected to continue into the fourth quarter of 2023. No significant change in the current trade balance in Europe is expected as the year-end is typically the time of seasonal stock depletion and production slowdown related to the Christmas period.

Polypropylene

The downward trend in PP prices seen in previous months continued at the beginning of the third quarter, driven by lower prices of propylene and poor demand. The downward price trend for PP homopolymers was stronger than in the case of PP copolymers. Unplanned disruptions reduced polypropylene supply in Europe, but the gap in July was filled by imports. The purchasing activity at the beginning of the summer season was marginal. Later in the quarter, as propylene prices stabilised and subsequently rose, PP producers responded to these changes by increasing prices. However, the target price achieved was lower than the prices originally asked by producers, and the market - in the light of uncertain prospects - curtailed price rises. The supply remained limited due to production capacity constraints, maintenance shutdowns and unplanned downtime. Imports of PP homopolymers went down and their prices rose, making the imported product less attractive for European players. Demand during the summer season remained moderate. At the end of the third quarter, demand from the automotive industry and for consumer applications improved, and processors were rebuilding their stocks of raw materials.

CHEMICALS

OXO product chain

In the third quarter of 2023, the prices of all OXO alcohols in Europe were on average down 36% year on year and 13% quarter on quarter. The declines were mainly driven by weak demand, supported by lower prices of propylene (raw material) and natural gas (energy carrier).

Demand was low at the beginning of the third quarter, unchanged from June, and the start of the summer season further reduced buyer activity. Numerous processors reduced their stocks of raw materials and finished products, in many cases accelerating or extending pre-planned repair and maintenance shutdowns. At the close of the third quarter, the prices of OXO alcohols did not rise in tandem with the increase in propylene prices, which was chiefly caused by lower-than-expected increase in demand on the spot market after the summer season. However, demand from contract customers improved, though it still fell short of levels seen in previous years.

In the third quarter, the supply was viewed by market players as sufficient, although producers maintained voluntary production cuts and carried out maintenance work on their facilities. Demand improved following significant price hikes for OXO alcohols in Asia, primarily in China and India, which brought hope for a reversal of the flows of raw materials and goods. This change mainly supports the rebuilding of opportunities for exporting European alcohols to countries such as Turkey, which to date has purchased more affordable Asian and American products. It also contributes to a rise in consumption of derivatives that were previously imported from outside Europe. At the end of the third quarter, supply in Europe remained limited due to the shutdown of the OXO plant at Grupa Azoty KĘDZIERZYN, as well as the other units operating below their full capacity.

Plasticizers

In the three months to September 30th 2023, the prices of all monitored plasticizers in Europe fell on average by 30% year on year and 8% quarter on quarter. The year-on-year price drops were driven by lower prices of key raw materials, i.e., 2-EH, PTA and natural gas (energy carrier). Plasticizer prices fluctuated in the third quarter of the year. At the beginning, they were under strong pressures from low demand and the continued influx of cheaper plasticizers from Asia. Later on, despite a quarter-on-quarter decline in alcohol prices and with the prices of gas and PTA relatively unchanged, the prices of plasticizers, after reaching their low in early August, began to gradually move up.

Demand in the summer season remained sluggish, erratic, and buyer activity waned in comparison with June. Numerous processors reduced their stocks of raw materials and finished products, in many cases accelerating or extending pre-planned repair and maintenance shutdowns. At the end of the reporting period, demand saw an upturn as downstream production resumed and was additionally bolstered by buyers changing their sources of imported goods.

During the summer season, supply in Europe was sufficient to cover current demand, even though European producers voluntarily scaled down production and conducted scheduled maintenance work. In the latter part of the quarter, the availability of Asian products in Europe was markedly reduced, primarily because of heightened activity in Asia, growing prices and demand. Concurrently, the supply of European products was lower, partly due to constraints stemming from the downtime of the unit at Grupa Azoty KĘDZIERZYN. In September, as demand improved and concerns spread about future availability of the product, buyers became more active in securing supplies for their day-to-day production needs, and their activity pushed up the price of plasticizers, especially DOTP. Market sources suggest a potential continuation of limited supply of imported plasticisers, alongside a possible rise in demand for locally-manufactured volumes.

Propylene

The contract prices of propylene in the third quarter of 2023 fell on average 25% year on year and 8% quarter on quarter. The year-on-year decline was driven by lower average prices of crude oil and kerosene as well as the demand and supply dynamics. Quarter on quarter, despite the higher average prices of oil and kerosene, propylene prices fell due to limited demand.

Demand for downstream products, including OXO alcohols and polypropylene, was weak. In summer, the market activity was, for the most part, subdued. The number of transactions was limited due to processors further depleting their stocks, planned shutdowns, and curtailment in the manufacture of derivative products.

The supply remained limited and European crackers and refineries operated at their minimum technical loads, which helped to minimise the oversupply of propylene at the end of July. However, demand later in the quarter was affected by additional shutdowns and derivative production constraints, leading to a renewed oversupply and prompting the sale of propylene on the spot market. As the summer season drew to a close, the contract price of propylene increased, reflecting compensation for propylene price hikes that were not previously passed on, while production in the downstream sectors improved. Nevertheless, manufacturers thought the uptick in demand to be insufficient, and the increased output once again left the propylene market oversupplied.

Terephthalic acid

The contract prices of PTA in the third quarter of 2023 fell on average 27% year on year and 0.3% quarter on quarter.

The rise in the price of paraxylene (raw material) in the third quarter had a limited impact on the PTA price. In particular, the increase in the paraxylene price in early July, after extended negotiations, was not passed on to PTA. This was mainly due to pressure from buyers in the downstream sectors, who were faced with imports of more affordable raw materials and finished goods from Asia. Despite higher demand throughout the reporting period, mainly in PET production for bottled beverages, the demand for other derivatives fell short of expectations. Manufacturers of derivative products also struggled with increased imports of secondary raw material due to falling prices of flaked recycled material. The demand for selected derivative products improved in the remainder of the quarter as temperatures rose in Europe, while for others it stayed unchanged.

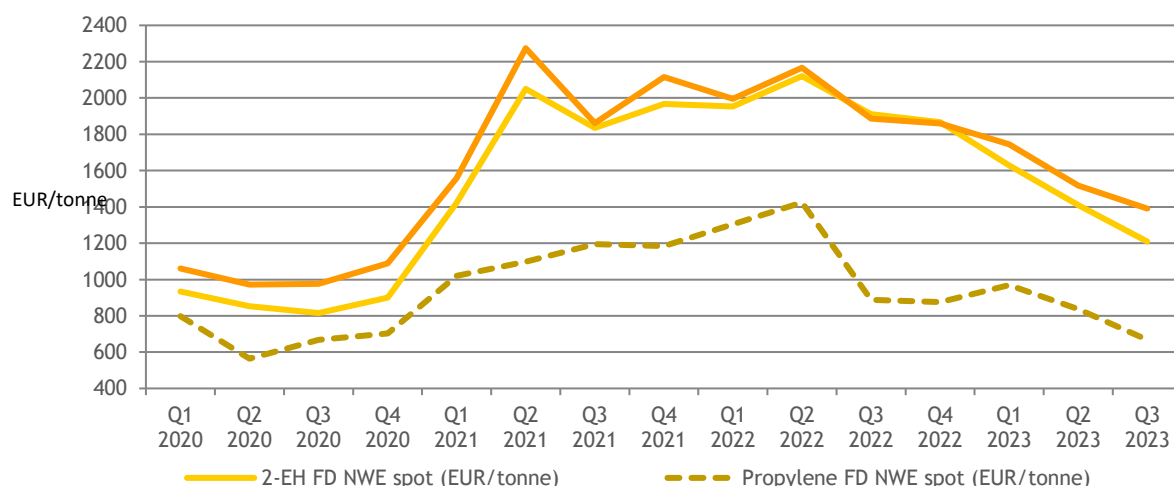
The supply of the raw material was aligned with the demand, and many manufacturers operated at reduced capacity as a number of plants in Europe were shut down at the end of the quarter. The economics of business deteriorated primarily for those manufacturers who did not have integrated assets. Manufacturers do not anticipate any substantial improvement in demand in the upcoming months. The supply will remain limited, the prices of the raw material will be under pressure due to rising oil prices and downstream processors' efforts to contain price hikes.

Crude oil

As at the end of the third quarter of 2023, Brent crude price rose 28% year on year, to USD 95 per barrel. The increase was driven by several factors, the most important being the Saudi Arabia's and Russia's decision to curtail production until the end of the year. In addition, in the middle of the period under review, the Russian government announced a ban on exports of gasoline and diesel oil. China, the largest importer of crude oil, saw a sharp spike in demand in the wake of its authorities' efforts to support an economic rebound. The government in Beijing seeks to achieve this goal through such measures as lower interest rates, easier access to loans, and a range of other actions designed to revive the housing market. After reports of dwindling stock levels at Cushing, which reached their lowest point from July 2022, the price of crude oil approached USD 100 per barrel. Any greater rise was prevented by the policy of central banks. Higher interest rates increase borrowing costs for businesses and consumers, potentially leading to a deceleration in economic growth and a decrease in oil demand. Another factor was concerns about economic growth in the coming periods in the two largest economies globally, the United States and China, and the already sluggish growth in Europe. The strengthening of the US dollar pushed up oil prices for countries using other currencies, thereby limiting their purchasing power. The conflict in the Middle East brought about a surge in oil prices at the beginning of October. There are significant concerns regarding the security of supply from the region, which is of paramount importance for crude oil, accounting for over one-third of global seaborne crude oil trade. Iran's assurance that it had no involvement in the attack on Israel, coupled with progress in negotiations between the United States and Venezuela, temporarily improved market sentiment. However, after the United States imposed sanctions on two companies for exceeding the Russian oil price limit the prices spiked again.

In the upcoming months, the key oil price drivers will include the effects of China's growth stimulation measures and factors supporting major central banks' decisions to end their interest rate hike cycles. The situation in the Middle East will be of great importance, and the potential spill-over of the conflict may lead to disruptions in transport routes.

Prices of 2-EH, DOTP and propylene



Source: Company data.

Sulfur

In the third quarter of 2023, the average benchmark price of sulfur (FOB Vancouver) was USD 89 per tonne, down 36% year on year and up 5% quarter on quarter. The average benchmark price of liquid sulfur (Delivered Benelux) settled under quarterly contracts fell to USD 95 per tonne, down 74% year on year and 30% quarter on quarter.

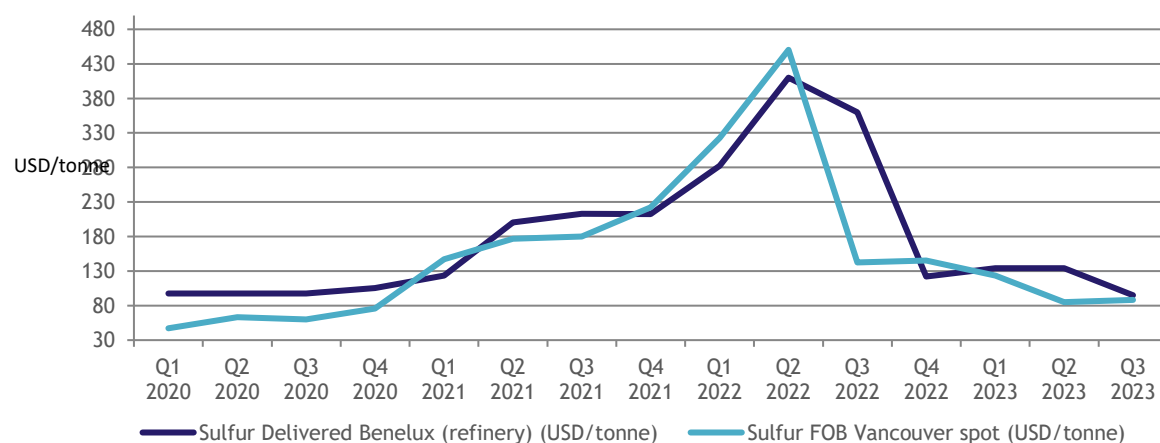
The global sulfur market witnessed an upturn in the period under review. From July to mid-September, prices continued on an upward trend. The principal market drivers during that period were the rise in phosphate fertilizer prices, increased operating rates of phosphate fertilizer plants translating into higher demand for raw materials, and speculative activities.

The demand for sulfur from European industrial buyers decreased in the third quarter of 2023 as a consequence of volatile prices of natural gas in the region and narrow margins. Elimination of the supply volumes from Russia was insufficient to make up for the scarcity of demand.

The port strikes that occurred in Canada in July halted or restricted the flow of certain goods and materials, including sulfur, for several days. Vancouver, the largest port in the country, was the most severely affected by the labour action. As the strikes interrupted shipments, Efforts were made in August and September to compensate for the delays. At the same time, domestic rail deliveries were disrupted by wildfires in British Columbia. However, ample availability of sulfur from alternative sources at that time alleviated the market impact of these developments.

After a temporary growth in the price of prilled sulfur in the third quarter, a downturn on phosphate fertilizer markets brought about another wave of price drops in the markets. No factors with a potential to change the situation are expected in the coming weeks, and further declines are likely to follow. Although liquid sulfur prices for the fourth quarter grew by more than USD 10 per tonne, in the first quarter of 2024 the prices are projected to remain unchanged or go down slightly. Demand for sulfur in Europe is still much lower than before the beginning of the war in Ukraine, hence the limited supply from European refineries does not drive a price increase.

Prices of sulfur



Source: Company data.

Pigment chain

Titanium white

In the third quarter of 2023, the average price of titanium white in Europe (FD NWE) was EUR 3,308 per tonne, down 7% year on year and 3% quarter on quarter.

Global demand remained weak due to macroeconomic headwinds. According to market participants, one of the main reasons was the major central banks' anti-inflationary interest rate policies. Rising interest rates lead to an increase in borrowing costs and stifle demand in key segments such as construction and DIY.

In Europe, small signs of recovery were seen in industries that utilise titanium white for coating production, that is the automotive and aviation sectors. Likewise, the medical and pharmaceutical sectors demonstrated resilience to demand decline. Although spot prices in China rose during the third quarter, they remained competitive when compared to the prices set by European producers, as the slower-than-expected recovery in China during the initial part of the period under review encouraged substantial exports to Europe. A further reduction in European supply during the period did not support price growth as the supply gap was filled with imports of more affordable titanium white from China amid extremely limited demand.

The demand on the US market was weaker than anticipated, but production cuts were significantly less extensive than those in Europe. Compared with many petrochemicals, TiO₂ prices and margins earned by TiO₂ sellers fell to a lesser extent. Chinese titanium white prices remain competitive, but not as competitive as in Europe, mainly due to the substantial 25% import duty. Consequently, the market share of the Chinese product is relatively modest. The improvement in demand in the automotive sector may be hampered by the expanding strike of the United Auto Workers (UAW). The situation is evolving.

In China, the government stimulus measures, such as interest rate cuts on mortgages and reduced down payment requirements, led to a slight recovery in the real estate sector, contributing to a temporary increase in demand in the local market for TiO₂. As the prices of titanium-bearing minerals remained high and sulfuric acid prices went up, the price of Chinese titanium white has been growing since July.

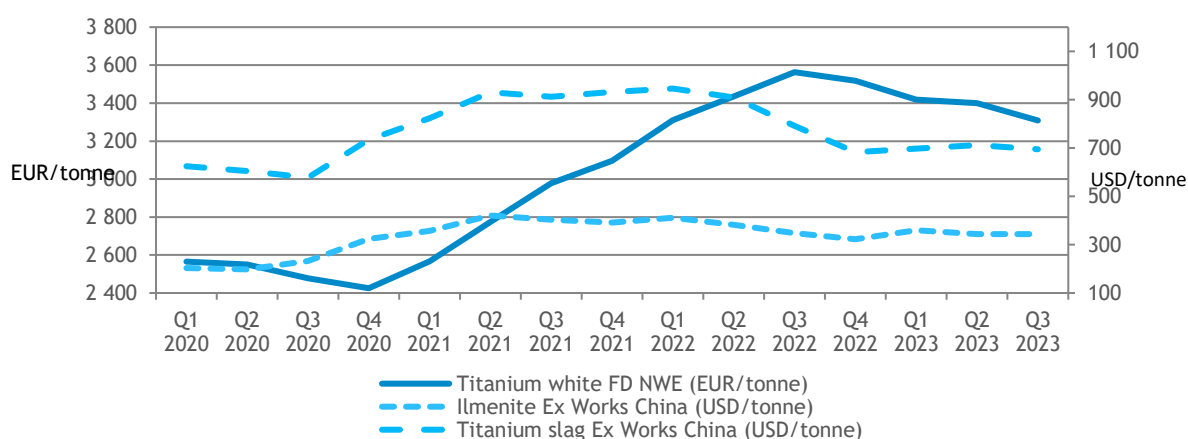
Demand prospects until the end of 2023 in Europe and the United States remain rather dim considering the problems faced by the global economy and the seasonal decline in demand in the fourth quarter. TiO₂ prices are expected to continue to grow in the near future, as the prices of raw materials used for production still show an upward potential and TiO₂ manufacturers will seek to profit from this situation. On the other hand, the financial standing of the largest Chinese property development companies in the construction industry is highly uncertain, with persisting concerns about their possible insolvency. The industry's accumulated debt, amounting to several hundred billion US dollars, could have a substantial impact on both China's and the global economy if the largest entities were to declare bankruptcy.

Some analysts hold the view that the growth potential of demand on the Chinese market may be exhausted. The future remains uncertain, although much will depend on government policies, including infrastructure spending, initiatives designed to reduce emissions by promoting energy-efficient retrofits of homes, and tax credits. The costs of energy carriers during the winter season will be a major element influencing the market, especially in Europe. As regards demand from the construction industry, an essential factor will be the monetary policy of central banks, especially in the context of inflation which, although decreasing, remains above the target level, and the ongoing economic deceleration.

Other products

Iron sulfate is a by-product of titanium white and steel production. In early 2023, producers using iron sulfate bought only small volumes, which was attributable to cement plant stoppages caused by seasonally lower demand for end products from these industries. The market also showed a lower level of investment, additionally driving down demand. Specifically in Poland and in Germany, France, and Italy. In the third quarter, purchase levels were on a par with previous years, likely due to an upsurge in investment projects. Imports of Chinese iron sulfate remained high, leading to price pressures in the European market.

Prices of titanium white, ilmenite and titanium slag



Source: Company data.

Ilmenite and titanium slag

A lower capacity utilisation at titanium white production plants led to a drop in demand for titanium-bearing minerals in the third quarter and in the nine months ended September 30th 2023. However, ilmenite prices remained stable. Buyer pressure deterred any price hikes, even though producers had to contend with rising production costs. Production in China was, to a certain extent, impacted by the ongoing stringent environmental inspections.

The price of titanium slag in China fell year on year and quarter on quarter. In September, some Chinese businesses reported that, because of excessively low prices, they would be unable to meet delivery deadlines. Despite lower production of titanium slag in China, supply on the market remained sufficient due to constrained demand.

It is anticipated that prices of titanium-bearing minerals will continue to face downward pressure until the end of 2023 and at the beginning of 2024, primarily due to the increasingly evident oversupply combined with ongoing limited demand for TiO_2 and its products.

Melamine

In the period under review, the market situation did not improve significantly relative to previous periods, and the operating rates of European producers remained low owing to limited demand. Trade activity slowed down due to the summer holiday period, demand for the product was weak and prospects for the fourth quarter remained uncertain. There were some expectations of an uptick in demand, which became noticeable as early as September, when some market participants observed an improvement compared to the summer holiday months. According to some market participants, demand declined by as much as 30% year on year.

During the quarter, in ongoing discussions about monthly contract prices suppliers expressed concerns about elevated production costs, leading to a shift in the price trend of European melamine. In July, prices declined compared to June, but by August the price decrease decelerated, and in September the contract price rose, marking a change not witnessed for several months. However, this change was not a result of improved macroeconomic conditions or a better situation in end-use sectors: automotive and construction, but from an attempt to increase producers' margins in response to the growing prices of raw materials, primarily gas, but also ammonia and urea.

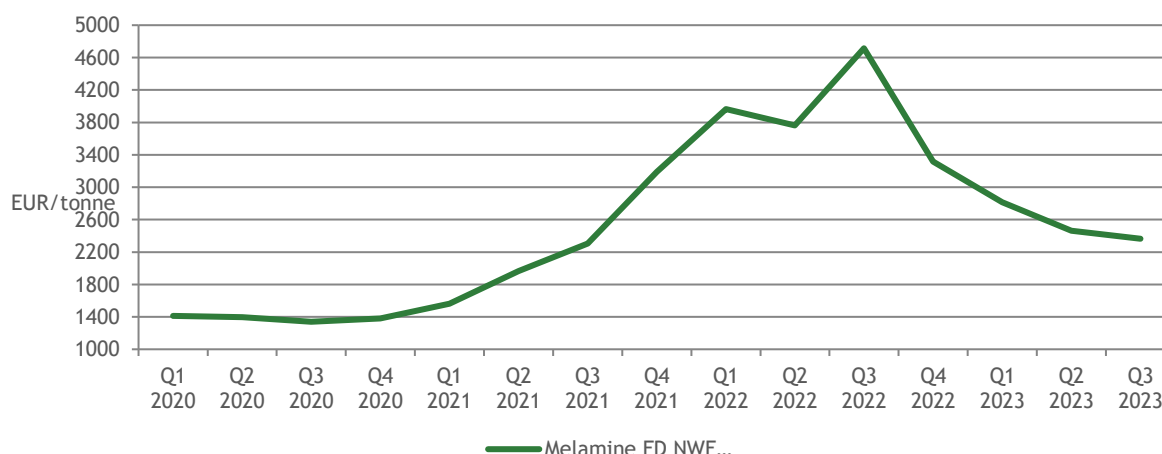
In view of the unstable macroeconomic and market situation, contract prices were still set by market participants on a monthly basis and, at the end of the third quarter of 2023, were set retrospectively, reflecting cumulative three-month changes in contracts that could be confirmed. The contract price of melamine (FD NWE) in the third quarter of 2023 was finally set at EUR 2,150-2,580 per tonne (down 50% year on year and 4% quarter on quarter).

At the end of September, discussions on contract prices for October began, with the main points of focus continuing to be the high production costs and the low utilisation rates of European melamine production capacities, accompanied by the relatively low demand from end-application sectors.

On September 14th 2023, by Implementing Regulation No 2023/1776, the European Commission extended anti-dumping duties on imports of melamine from China to Europe until September 16th 2028.

Over the next months, melamine producers and suppliers will continue to face challenges related to high prices of natural gas and other energy carriers, affecting melamine production costs. Demand is expected to remain low until the end of the year. Any contract price growth in the coming months will be driven mainly by the cost side of production rather than changes in market demand. The macroeconomic headwinds and poor prospects for major global economies will adversely affect future demand for melamine.

Prices of melamine



Source: Company data.

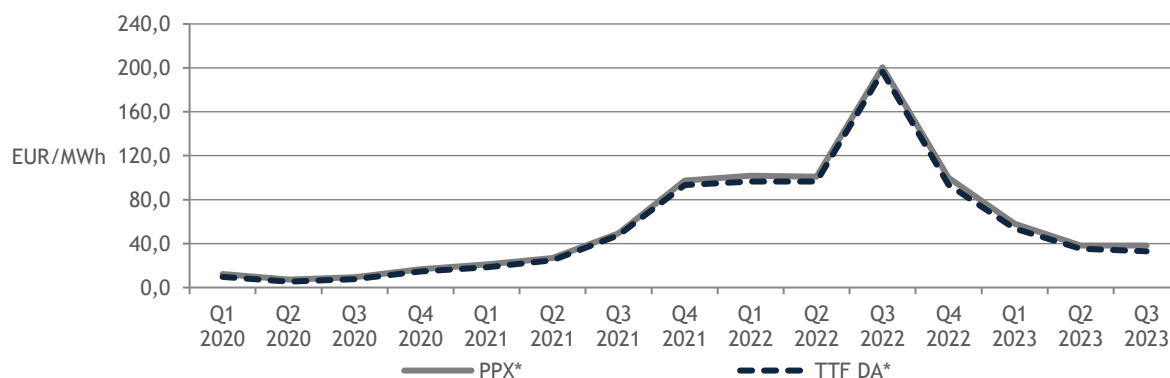
ENERGY

Natural gas

At the end of September 2023, the price of gas was virtually the same as at the beginning of July, i.e., around EUR 37 per MWh. During the third quarter, the price fluctuated from EUR 25 to EUR 45 per MWh. Initially, prices declined due to consistent supply and mild temperatures. The fall in contract prices was also driven by high renewable energy output and record high inventories in the EU storage facilities, reaching almost 80% capacity nearly three months ahead of the deadline set by the European Commission. On August 10th, gas spot prices grew sharply to almost EUR 40 per MWh. The market's reaction was triggered by news that export LNG terminals in Australia were at risk of worker strikes, which could impact nearly 10% of global LNG exports and lead to price competition for spot LNG between Europe and Asia. The successful mediation process averted strikes at one location and concluded with an agreement, following which the prices went down to EUR 32 per MWh. The agreement proposed by the other employer was not accepted by the employees. Despite that, any larger price increase was prevented by the pessimistic fundamental situation. With weak demand and stable supplies, LNG stocks continued to grow, reaching close to 93% of storage capacity at the end of August. Throughout this period, prices were highly sensitive to supply disruptions and experienced significant volatility, which was further exacerbated by the influx of speculative capital into the gas market. Another wave of price fluctuations was triggered by the protracted repair work on the largest Norwegian gas field, Troll, leading to reduced gas deliveries to Europe. The largest LNG supplier, the US, also experienced interruptions in the operation of its gas condensing units.

In the last days of the month, gas prices fell 15% when the union alliance at Chevron LNG plants in Australia called off strikes and at the same time gas stocks in the EU exceeded 95% of storage capacity. Furthermore, weather forecasts indicated that in October temperatures and production from wind power plants would be above seasonal norms. Sustained low demand for gas from the industrial sector was another contributing factor to the decline in prices. The beginning of October witnessed the emergence of a conflict between Israel and Palestine. While it did not immediately impact the supply of gas, the conflict did raise concerns about supply in the near future in the event of an escalation that could affect the entire Middle East. This led to an upswing in oil and gas prices. When the Finnish authorities reported damage to the pipeline connecting to Estonia, concerns about potential sabotage targeting European energy infrastructure before the upcoming heating season caused prices to surge to EUR 50 per MWh, the highest level in six months. Despite gas storage facilities filled to capacity, the balance on the market is delicate and the prices will continue to be volatile and sensitive to weather and supply disruptions. The developments in the Middle East will also carry significant importance.

Prices of natural gas



* Excluding transmission.

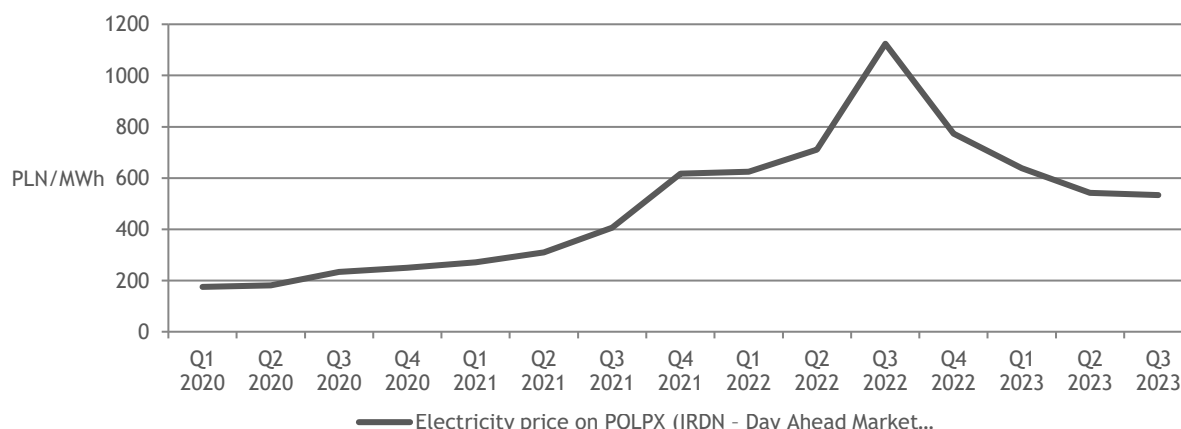
Source: Company data.

Electricity

The period under analysis was characterised by a year-on-year decline in energy production and demand, being mainly a consequence of lower demand from the industrial sector. Another noticeable trend was the declining share of coal in the overall energy mix. In July, it fell to 60%, the lowest level in history. In the third quarter of the year, prices on the Polish energy market fluctuated to a limited extent only, but declined significantly compared to the same period in the previous year. This was due to falling gas prices, a general drop in electricity demand and an increase in renewable energy production. However, it should be noted that the energy price in Poland, when compared to reference countries in a similar climatic zone, was higher, as these countries generally have higher shares of renewable energy sources and lower reliance on coal, and are less monopolised and more open to the energy market and international trade. In July Poland had the highest wholesale prices in Europe. Energy produced from gas is cheaper than, for instance, that produced from coal because it results in lower emissions. Another reason is much cheaper coal outside Poland. Thirdly, the prices of CO₂ emission allowances, having reached their peak level about eighteen months ago, have been in a sideways trend. During the period under review, their average price was EUR 85 per tonne.

In Poland, the energy mix more frequently includes low-efficiency, high-emission coal-fired power plants, which results in a higher energy price once the CO₂ costs are factored in. What also matters is that the share of energy production from renewable sources in Western Europe is much higher than in Poland. As a result, low-cost electricity from renewable sources was in high supply on Western European markets. Spain, Italy, France, and Portugal saw record solar and wind energy output in August. In July, renewables accounted for 70% and in August for 61% of energy output in Germany. This results in an oversupply of electricity and a decline in prices to negative values. This phenomenon has also been seen in Poland, mainly due to the 1.2 million houses with PV solar systems, but to a much lesser extent on the power exchange. An important event was the execution of a contract to design the first nuclear power plant in Poland. The conflict in the Middle East has not caused any significant increase in energy prices to date.

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.

In the near future, the prices will depend on temperatures in winter 2023/2024 and the duration of the winter

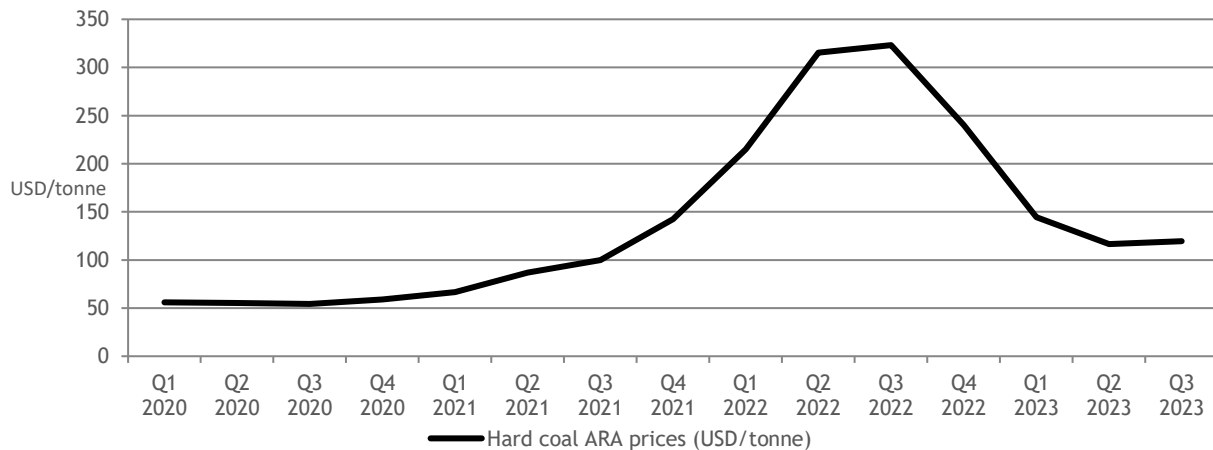
season. Another factor is the effect of potential economic recovery in China and an increase in energy demand, possibly leading to increased demand for coal. The price of gas will also play a vital role. Its significant growth will result in some Asian countries switching to coal to satisfy their energy generation needs. The escalation of the conflict between Israel and Hamas may cause significant turmoil on the energy market, especially in the event of cold winter and a decline in renewable energy production, which may potentially result in higher gas and coal prices.

Coal

The quarter under review was characterised by growing coal prices in Europe and globally. This was due to a reduction in coal stocks and a rise in prices of other energy carriers, particularly gas, driven by the looming reduction of supply from Australia (as a result of worker strikes) and Norway (maintenance work on production assets). Nevertheless, coal prices were still below this year’s peak observed at the beginning of the year and 63% lower year on year. Additional drivers of coal price growth originated in Asia. A heat wave occurred in China, which, coupled with a substantial drop in energy production at the country’s hydropower plant, necessitated increased production at coal-fired power plants. At the same time, there were supply disruptions: in India due to logistical problems, and in China due to safety control policies at Chinese coal mines. Consequently, some Chinese mines were shut down or temporarily suspended operation, forcing local suppliers to order imported coal, particularly from Australia. The situation resulted in a 20% shortage in coal stocks at Shanghai power plants, while demand for electricity from the industrial sector grew. For European market participants, a noteworthy factor supporting upward price movements was the continuing disruption of rail supplies from the Cerrejon mine to the Puerto Bolivar port in Colombia. As renewables are weather-dependent, despite the record-high energy generation from renewable sources it was frequently necessary to balance energy generation against demand using coal-fired and other assets. The increase in prices at the beginning of October was spurred by the conflict between Israel and Palestine and rising prices of other energy carriers (gas and oil).

Demand for coal will largely depend on the duration of the winter season and temperatures in the winter of 2023/2024 on both hemispheres, as well as on the developments in the Middle East. Even when practically filled to capacity, gas storage facilities in Europe hold gas satisfying only about 30% of consumption. A harsh winter will compel countries to put in operation coal-fired power plants, which will push up the price of this fuel. Another important factor is the economy support measures implemented by the Chinese government, which may result in an economic recovery, thus increasing energy demand. Energy plants in North China usually start to accumulate coal stocks for the winter heating season at the end of October. The maintenance shutdown at the Daqin railway - China’s biggest coal transport line - may potentially cause Chinese buyers to opt for seaborne coal, which may increase the prices of dry bulk cargo transport in the fourth quarter.

Prices of hard coal



Source: Company data.

2.3. Key financial and economic data

2.3.1. Consolidated financial information

Consolidated data

Item	Q3 2023	Q3 2022	change	% change
Revenue	3,075,380	6,313,752	(3,238,372)	(51.3)
Cost of sales	(3,121,074)	(5,747,447)	2,626,373	(45.7)
Gross (loss)/profit	(45,694)	566,305	(611,999)	(108.1)
Selling and distribution expenses	(252,416)	(271,564)	19,148	(7.1)
Administrative expenses	(256,120)	(219,685)	(36,435)	16.6
(Loss)/profit on sales	(554,230)	75,056	(629,286)	(838.4)
Net other income/(expenses)	3,804	6,907	(3,103)	(44.9)
Operating (loss)/profit	(550,426)	81,963	(632,389)	(771.6)
Net finance income/(costs)	(279,518)	(136,124)	(143,394)	(105.3)
Share of profit of equity-accounted investees	7,702	5,318	2,384	44.8
(Loss)/profit before tax	(822,242)	(48,843)	(773,399)	(1,583.4)
Income tax	78,862	(30,510)	109,372	x
Net (loss)/profit	(743,380)	(79,353)	(664,027)	(836.8)
EBIT	(550,426)	81,963	(632,389)	(771.6)
Depreciation and amortisation	204,476	188,810	15,666	8.3
Impairment losses	(2,015)	(4,155)	2,140	51.5
EBITDA	(347,965)	266,618	(614,583)	(230.5)

Source: Company data.

2.3.2. Segment results

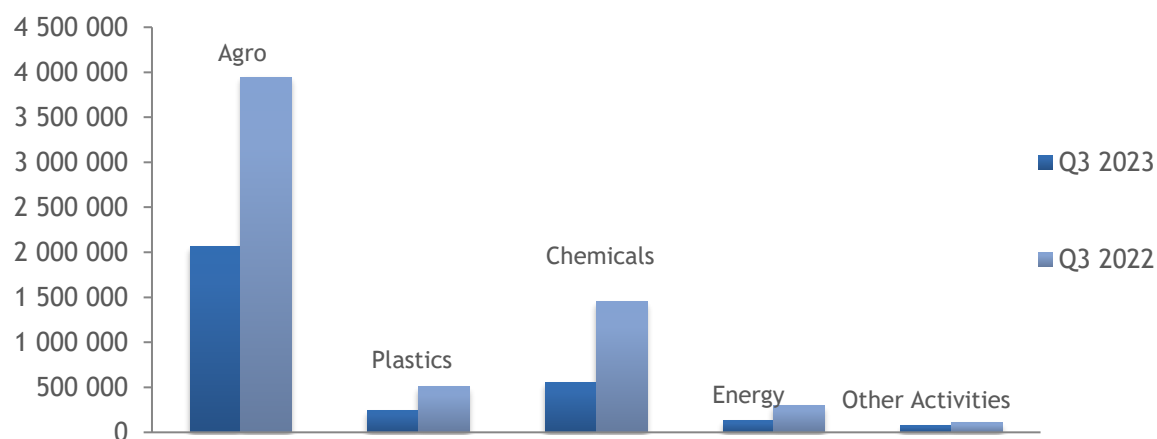
EBIT by segment

Q3 2023	Agro	Plastics	Chemicals	Energy	Other Activities
External revenue	2,069,603	243,870	559,072	128,214	74,621
EBIT	(260,105)	(98,357)	(183,192)	(2,521)	(6,251)
EBITDA	(157,775)	(83,167)	(160,458)	25,397	28,038

Q3 2022	Agro	Plastics	Chemicals	Energy	Other Activities
External revenue	3,944,971	510,313	1,453,826	299,132	105,510
EBIT	(25,819)	(30,037)	(11,677)	115,254	34,242
EBITDA	62,224	(14,133)	11,467	144,788	62,272

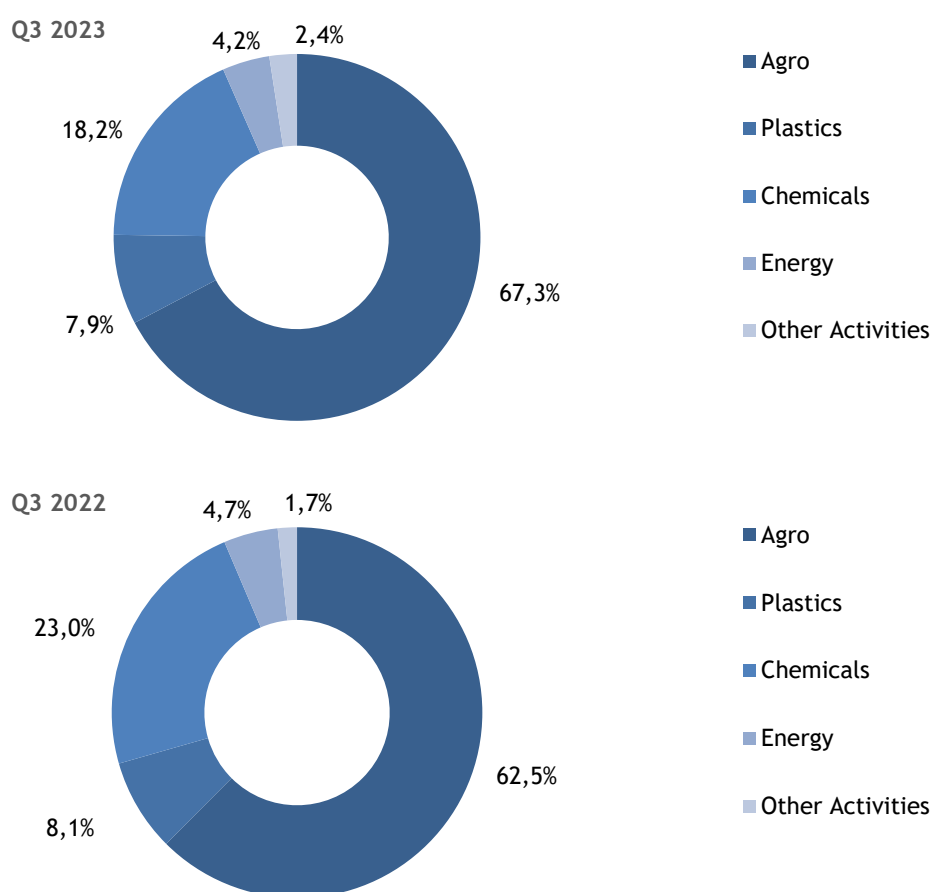
Source: Company data.

Revenue by segment



Source: Company data.

Revenue by segment



Source: Company data.

Agro

In the three months ended September 30th 2023, revenue in the Agro segment came in at PLN 2,069,603 thousand and accounted for 67.3% of the Group's total revenue. The segment's revenue went down 47.5% year on year, while its share in the Group's total expanded by 4.8 pp.

The Agro Segment reported an EBIT loss of PLN 260,105 thousand and a negative EBITDA.

The domestic market accounted for 61% of the segment's total sales.

Plastics

In the three months ended September 30th 2023, revenue in the Plastics segment was PLN 243,870 thousand and accounted for 7.9% of the Group's total revenue. Year on year, the segment's revenue decreased by 52.2%. Plastics delivered an operating loss of PLN 98,357 thousand and a negative EBITDA.

Foreign markets accounted for 76% of the segment's total revenue.

Chemicals

In the three months to September 30th 2023, revenue of the Chemicals segment amounted to PLN 559,072 thousand, having decreased 61.5% year on year. The segment's revenue accounted for 18.2% of the Group's total revenue. The segment delivered an operating loss of PLN 183,192 thousand and a negative EBITDA.

Foreign markets accounted for 53% of the segment's total sales.

Energy

In the three months ended September 30th 2023, revenue in the Energy segment was PLN 128,214 thousand and accounted for approximately 4.2% of the Group's total. Year on year, the segment's revenue decreased by 57.1%. The segment reported a negative EBIT of PLN 2,521 thousand and a positive EBITDA.

Other Activities

In the three months ended September 30th 2023, the Other Activities segment reported revenue of PLN 74,621 thousand, down 29.3% year on year, accounting for 2.4% of the Group's total revenue. The segment's operations generated a loss on sales and negative EBIT of PLN 6,251 thousand.

Structure of operating expenses

Operating expenses by nature of expense

	Q3 2023	Q3 2022	y/y change	% change
Depreciation and amortisation	203,436	187,773	15,663	8.3
Raw materials and consumables used	2,015,694	4,958,186	(2,942,492)	(59.3)
Services	334,640	390,635	(55,995)	(14.3)
Salaries and wages, including surcharges, and other benefits	531,275	506,074	25,201	5.0
Taxes and charges	100,683	48,610	52,073	107.1
Other	50,793	39,528	11,265	28.5
Total	3,236,521	6,130,806	(2,894,285)	(47.2)

Source: Company data.

Structure of operating expenses (%)

	Q3 2023	Q3 2022
Depreciation and amortisation	6.3	3.1
Raw materials and consumables used	62.3	80.9
Services	10.3	6.4
Salaries and wages, including surcharges, and other benefits	16.4	8.2
Taxes and charges	3.1	0.8
Other	1.6	0.6
Total	100.0	100.0

Source: Company data.

2.3.3. Assets, equity and liabilities

Structure of assets

	Q3 2023	Q3 2022	y/y change	% change
Non-current assets, including:	18,612,500	16,631,186	1,981,314	11.9
Property, plant and equipment	14,682,801	13,333,354	1,349,447	10.1
Intangible assets	954,585	1,021,619	(67,034)	(6.6)
Right-of-use assets	773,640	804,372	(30,732)	(3.8)
Other receivables	764,906	573,124	191,782	33.5
Deferred tax assets	534,654	104,275	430,379	412.7
Derivative financial instruments	422,062	287,237	134,825	46.9
Goodwill	301,496	337,454	(35,958)	(10.7)
Current assets, including:	6,480,501	9,251,311	(2,770,810)	(30.0)
Inventories	2,060,024	3,117,519	(1,057,495)	(33.9)
Property rights	2,056,848	1,948,861	107,987	5.5
Trade and other receivables	1,683,653	2,250,344	(566,691)	(25.2)
Cash and cash equivalents	612,022	1,885,390	(1,273,368)	(67.5)
Total assets	25,093,001	25,882,497	(789,496)	(3.1)

Source: Company data.

Structure of equity and liabilities

	Q3 2023	Q3 2022	y/y change	% change
Equity	8,110,570	10,945,217	(2,834,647)	(25.9)
Non-current liabilities, including:	6,188,984	6,919,075	(730,091)	(10.6)
Borrowings	3,875,245	4,571,495	(696,250)	(15.2)
Other financial liabilities	704,466	708,731	(4,265)	(0.6)
Employee benefit obligations	469,372	397,987	71,385	17.9
Lease liabilities	382,770	352,821	29,949	8.5
Deferred tax liabilities	313,627	438,726	(125,099)	(28.5)
Provisions	240,586	238,832	1,754	0.7
Grants	184,188	190,046	(5,858)	(3.1)
Current liabilities, including:	10,793,447	8,018,205	2,775,242	34.6
Trade and other payables	4,101,401	5,057,685	(956,284)	(18.9)
Borrowings	4,020,380	618,273	3,402,107	550.3
Other financial liabilities	1,671,910	1,341,242	330,668	24.7
Provisions	112,139	75,824	36,315	47.9
Grants	733,115	513,288	219,827	42.8
Total equity and liabilities	25,093,001	25,882,497	(789,496)	(3.1)

Source: Company data.

2.3.4. Financial ratios

Profitability ratios [%]

	Q3 2023	Q3 2022
Gross profit margin	(1.5)	9.0
EBIT margin	(17.9)	1.3
EBITDA margin	(11.3)	4.2
Net profit margin	(24.2)	(1.3)
ROA	(3.0)	(0.3)
ROCE	(3.8)	0.5
ROE	(9.2)	(0.7)
Return on non-current assets	(4.0)	(0.5)

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 / 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

	Q3 2023	Q3 2022
Current ratio	0.6	1.2
Quick ratio	0.4	0.8
Cash ratio	0.1	0.2

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

Efficiency ratios [days]

	Q3 2023	Q3 2022
Inventory turnover	59	49
Average collection period	49	32
Average payment period	119	80
Cash conversion cycle	(11)	1

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 [%]

	Q3 2023	Q3 2022
Total debt ratio	67.7	57.7
Long-term debt ratio	24.7	26.7
Short-term debt ratio	43.0	31.0
Equity-to-debt ratio	47.8	73.3
Interest cover ratio	(629.0)	9.0

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

The Parent and the Group's other leading companies have remained solvent, with a solid credit standing. In the three months ended September 30th 2023, the Group paid all of its borrowing-related and other financial liabilities when due, and there is no threat to its ability to continue servicing its debt as scheduled.

The liquidity management policy pursued by the Group consists in maintaining surplus cash and available credit facilities as well as limits under the intragroup financing agreement (one purpose of which is to effectively distribute funds within the Group), and in ensuring that their level is safe and adequate to the scale of the Group's business.

Furthermore, the Group may defer the payment of amounts due to suppliers and service providers under the reverse factoring agreements, for a total of amount of PLN 2,865m. The Group is also able to finance its receivables from trading partners under factoring agreements executed together with the Group companies, for up to PLN 750m.

The Group monitors on an ongoing basis the impact of the war in Ukraine and the resulting extraordinary and highly volatile prices 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 June 30th 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 ratio specified above and waiver by the financing parties of the rights arising from the possible breach of the required ratio cap, on June 1st 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 August 31st 2023, and their effective date was set at June 30th 2023.

Further negotiations are being conducted with the financing parties 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 parties 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, i.e., the Parent and its subsidiaries.

2.5. Borrowings

In the three months ended September 30th 2023, the Group paid all of its borrowing-related liabilities when due, and there is no threat to its ability to continue servicing its debt as scheduled. 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 September 30th 2023 was PLN 812m. At the same time, the Group had undrawn limits under corporate credit facilities of PLN 14m, and PLN 10m 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 2,058m.

As at September 30th 2023, under the agreements specified above the Group had access to total credit limits of approximately PLN 2,894m (of which limits under Grupa Azoty POLYOLEFINS special purpose credit facilities for the financing of the Polimery Police project were PLN 2,058m, and other limits available to the Group amounted to PLN 836m).

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

There were no other one-off items that would materially impact the Group’s assets, equity and liabilities, capital, net profit/loss or cash flows.

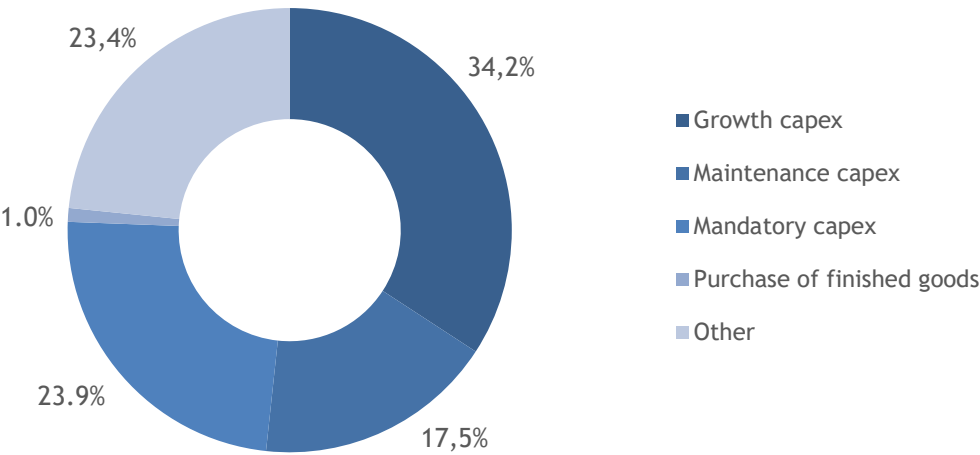
2.7. Key investment projects

In the third quarter of 2023, the Group incurred expenditure of PLN 428,298 thousand to purchase intangible assets and property, plant and equipment.

Structure of capital expenditure:

• Growth capex	PLN 151,920 thousand
• Maintenance capex	PLN 67,883 thousand
• Mandatory capex	PLN 102,265 thousand
• Purchase of finished goods	PLN 6,153 thousand
• Other (major overhauls, components, catalysts, etc.)	PLN 100,077 thousand

Structure of the Grupa Azoty Group’s capital expenditure in the three months ended September 30th 2023



Source: Company data.

Below is presented Grupa Azoty Group's capital expenditure in the three months ended September 30th 2023:

• Parent	PLN 35,917 thousand
• Grupa Azoty POLYOLEFINS	PLN 121,388 thousand
• Grupa Azoty PUŁAWY Group	PLN 190,927 thousand
• Grupa Azoty KĘDZIERZYN Group	PLN 33,693 thousand
• Grupa Azoty POLICE Group	PLN 26,543 thousand
• COMPO EXPERT	PLN 9,132 thousand
• Grupa Azoty KOLTAR	PLN 6,717 thousand
• Grupa Azoty SIARKOPOL	PLN 1,472 thousand
• Grupa Azoty PKCH	PLN 1,968 thousand
• Grupa Azoty COMPOUNDING	PLN 518 thousand
• Grupa Azoty ATT POLYMERS	PLN 23 thousand

Key investment projects implemented by the Group as at September 30th 2023 (PLN '000)

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q3 2023	Project purpose	Scheduled completion date
Parent					
Neutralisation unit (for ammonium nitrate)	210,000	7,733	1,136	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	12,230	1,939	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.	2025
Grupa Azoty POLYOLEFINS					
Polimery Police	7,210,957*	5,653,303	121,388	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.	2023
Grupa Azoty PUŁAWY					
Construction of coal-fired power generation unit	1,230,000	1,063,975	52,111	Bringing Grupa Azoty PUŁAWY's energy generation units in line with the latest environmental requirements, while increasing the	2023

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q3 2023	Project purpose	Scheduled completion date
				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).	
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	459,661	4,154	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 steam generator OP-215 No. 2 to reduce NO _x emissions	145,000	145,114	3,506	Bringing the generator into compliance with new NO _x emission standards and refurbishing the generator, which is to become a principal generating unit at the captive CHP plant along with generators Nos. 4 and 5.	2023
Upgrade of Urea 2 unit - reduction of ammonia consumption rates	139,396	411	0	Improvement of the energy intensity of urea production, reducing the carbon footprint of urea from Urea 2 unit and improving the competitiveness of urea by reducing the unit cost of raw materials.	2026
Adaptation of FGD unit to BAT conclusions	75,000	30,327	25,538	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	150,663	1,911	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	110,087	78,314	18	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
Purchase and installation of a new oxygen compressor	80,300	72,572	2,291	The objective is to replace old steam turbine driven oxygen compressors K-101 A and K-101 B with one electric compressor. The project follows the concept of innovative management of heat from ammonia production	2024

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q3 2023	Project purpose	Scheduled completion date
				processes as an alternative to heat generation in coal-fired boilers.	
2-ethylhexanoic acid unit	156,000	2,259	0	Enabling the production of 20,000 tonnes of 2-EHA per year.	2026
Upgrade of the urea production line	172,447	6,449	9	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 corporate 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 global economic outlook remains negative. In 2023, GDP growth will be lower than in 2022. Coincident and leading indicators still point to a high risk of recession in the United States and in the euro area. China's economy is currently grappling with a major slowdown. In 2023, also the Polish economy may enter a technical recession, with expectations of a rebound in 2024.

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. Currently, high risk appetite is prevailing, with potential threats being discounted to a limited extent. Inflation in the United States is decreasing rapidly, the labour market remains strong and the economic growth rate is moderate. This gives rise to optimistic market sentiments, making stock indices stabilise at high levels and pushing up prices of riskier assets. At the same time, there is ongoing sell-off of bonds. Yields on US Treasury securities have reached the highest level since 2007.

Despite poor economic prospects, major central banks have upheld a relatively conservative stance with regard to further inflation and monetary policies. Both the FED and the ECB continued to tighten the monetary policy in the third quarter despite a clear decline in price growth rates. In both cases, the language remains hawkish. Considering the weakness of the Chinese and European economies observed in the third quarter, as well as the leading indicators suggesting a weakening of the US economy, it appears that starting from the beginning of 2024 both banks will embark on the initial phase of a monetary policy easing cycle, at least by refraining from any further interest rate hikes. In the middle of next year, the first rate cuts may occur.

A significantly improved economic situation and the longer cycle of stronger interest rate increases, plus the likelihood of additional FED's interest rate rises before the end of 2023, caused a noticeable appreciation of the US dollar against the euro starting from mid-July. The EUR/USD exchange rate fell from 1.1250 to 1.0450 at the end of September.

The condition of the zloty is bolstered by a number of factors, including reduced upward pressure on the US dollar in the global market, although with a relatively high likelihood of at least one more interest rate increase by the FED this year and continuing high yields on US Treasury bonds.

The long-term outlook for the Polish currency remains uncertain for a number of reasons, including the intensification of geopolitical tensions, the ongoing war in Ukraine, the armed conflict that started in October in the Middle East, the weakening of the banking sector following unfavourable rulings by the CJEU against lenders, and uncertainty surrounding future economic policy decisions. A sustained appreciation trend for the zloty is unlikely given the anticipated maintenance of negative real interest rates in Poland and domestic inflation persisting significantly above the rates observed in the euro area, the US, the UK, Switzerland, and the other countries in the region. On the global front, the obstructing factors include escalating geopolitical tensions, the prolonged maintenance of high interest rates by the FED and elevated bond yields, leading to the appreciation of the US dollar and increased costs of servicing foreign debt, and the persistent risk of the US economy slipping into a recession.

The Grupa Azoty Group expects the zloty to stabilise later in the year or to weaken slightly amidst continuing high volatility. A slight depreciation of the zloty 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 the third quarter of 2022, interest rates in Poland have remained unchanged at 6.75%. The NBP first concluded the cycle of monetary policy tightening, and then, in a surprising move for financial markets, reduced interest rates by 0.75 percentage points to 6.00% at the beginning of September. This decision was prompted by the decline in domestic inflation observed since March 2023, even though it remained at approximately 10% in August. In October, the Monetary Policy Council continued the cycle and cut the rates by another 25 basis points. The financial markets expect interest rates to fall by the end of 2023 by another 0.25-0.50 basis points. In forward rate contracts in Poland, the 3M WIBOR rate is currently estimated at 5.50% until December 2023, 5% until the second quarter of 2024 and 4.75% until the middle of 2024. Grupa Azoty expects a decline in interest rates in Poland, anticipating that EUR and USD interest rates will remain stable until the end of 2023 for the currencies in which it finances its operations, with additional interest rate reductions in 2024. This will stabilise or reduce the Group's financing costs, while ensuring further safe debt servicing, also taking into account the planned increase in the financing of investing activities. The debt service costs will then stabilise at a relatively high level in PLN, EUR and USD.

In the US, interest rates are most likely to stabilise in the coming months until the end of 2023 or be increased by another 0.25 basis points. Interest rate cuts may also take place during the first half of 2024 if the inflation rate drops to the 2% target and the economy slows down or enters a recession.

In the euro area, as announced, interest rates were increased by 0.25% to 4.5% (the refinancing rate) in September 2023. The increase is likely to be the final one and the rates are expected to remain unchanged until the end of the year.

Disinflation will remain the key global economic phenomenon in the near future. 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 seeing a marked decline in the economic growth rate, which may result in a technical recession, i.e., two consecutive quarters of negative GDP growth, in 2023. From 2024 onwards, Poland's economy should begin to gradually recover.

Prices of CO₂ emission allowances

In the first half of 2023, the prices of CO₂ emission allowances ranged from EUR 78 to EUR 100 per tonne. A tentative short-term downward trend was seen in the reporting period, possibly caused by the deteriorating economic conditions in Europe and the prospects of continued downturn in the latter part of the year. Since May 2023, EUA prices have been clearly drawing close to the lower limit of the range. In the third quarter, the downward trend continued: the prices fell from EUR 86 to EUR 81 per tonne, with a local peak at EUR 92 per tonne. Market participants expected more significant declines, but ultimately, during the period, the prices remained at EUR 81 per tonne as the minimum, with minor deviations below this level.

Based on the adopted joint model for managing CO₂ emission allowances and approved purchase plans, the Group companies have secured almost all EUAs required for 2023. The companies purchased allowances in earlier periods, in forward contracts, at prices significantly lower than the current market prices.

According to Refinitiv's forecasts of October 4th 2023, the average price of CO₂ emission allowances in 2023 will be EUR 86, to go up to EUR 87 next year and EUR 160 by 2030. 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 expected 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 70-99.

European Union Regulatory Area

Fit for 55

Most of the acts making up the *Fit for 55* package are at an advanced phase of the legislative procedure. Amendments to ETS Directive (2003/87/EC) and CBAM Regulation were published in the Official Journal of the EU on May 16th 2023 and took effect in May and June 2023. On October 9th 2023, the Council of the European Union also announced the adoption of new Directive (EU) 2018/2001 (RED II), which includes provisions for increasing the use of renewable energy in industry and the share of non-biological renewable fuels (RFNBO) in sectors consuming hydrogen for energy and non-energy purposes. The Directive is currently awaiting publication in the Official Journal of the EU. On September 20th 2023, an amendment to Directive 2012/27/EU (EED) was published in the Official Journal of the EU. Once recast, the EED will be renumbered as 2023/1791. The recast EED assumes the EU's final energy consumption in 2023 at no more than 763 Mtoe (formerly: 956 Mtoe) in the

case of final consumption (binding target) and 992.5 Mtoe (formerly: 1,273 Mtoe) in the case of primary consumption (indicative target).

Energy market reform

On March 16th 2023, the EC submitted a proposal to reform the electricity market. The proposed reform consists in particular of an amendment to Regulation (EU) 2019/943 and Directive (EU) 2019/942 setting out the basic legal framework for the functioning of the common market for electricity in the EU. 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. The proposed regulation is presently in the phase of formulating the position of the Council. The European Parliament has already presented its position for the upcoming interinstitutional negotiations. It is more minimalistic than the proposal presented by the EC.

Green Deal Industrial Plan for the Net-Zero Age

On March 16th 2023, the European Commission published a proposal for a regulation on establishing measures for strengthening clean energy generation technologies (Net Zero Industry Act). The proposal establishes a framework of measures for strengthening Europe's net-zero technology products manufacturing ecosystem. The initiative was announced as part of the Green Deal Industrial Plan. Currently, the position of the European Parliament is expected. The proposal focuses on ensuring access to secure and sustainable supplies of net-zero emission technologies necessary to protect the resilience of the EU energy system and contribute to creating quality jobs.

IED

Work was continued on revising the Industrial Emissions Directive (integrated pollution prevention and control). IED is the primary EU instrument regulating pollutant emissions from industrial installations. It also applies to the large-volume chemical industry, and installations covered by the Directive must operate in accordance with a permit issued by national authorities. Currently, the draft directive is at the stage of interinstitutional negotiations (trilogue). Concurrently, work is under way to develop a document specifying the Best Available Techniques for the Manufacture of Large Volume Inorganic Chemicals (BREF LVIC).

EU's chemicals strategy for sustainability

As part of the 2022 work schedule, the EC announced a plan to revise the Regulation on classification, labelling and packaging of substances and mixtures (CLP Regulation). The revision was included in the EU's Chemicals Strategy for Sustainability, which is part of the European Green Deal. A proposal of amendments was published in December 2022. On June 30th 2023, the EU Council adopted its general approach on this matter. In the European Parliament, the Committee on the Environment, Public Health and Food Safety adopted its legislative report on September 11th 2023. The vote in plenary is expected to take place during the October session of the European Parliament. The proposal mainly provides for simplifying and consolidating the existing legal framework for chemicals to ensure a non-toxic environment.

Circular economy

In July and August 2023, ITRE, IMCO and AGRI Committees issued opinions on the proposal for a packaging and packaging waste regulation. All the Committees support the ambition to sustainably manage packaging and packaging waste while taking into account the need for, inter alia, the development of the required infrastructure. The proposed regulation imposes labelling and other obligations.

On July 12th 2023, the European Parliament adopted the ENVI Committee report on the review of the EU framework for eco-design requirements for sustainable products. The report states that products should last longer and be easier to repair and upgrade. Sustainable products are to become the norm and their environmental impact throughout the life cycle should be limited. The Committee members further consider that for 2024-2027 prioritisation should be carried out for 11 product groups in order to draw up specific guidelines for their ecodesign. Among the product groups are chemicals.

On September 14th 2023, the European Parliament adopted the ITRE report on the proposed critical raw materials act. The proposal aims to reinforce EU monitoring capacities and strengthen both the EU value chain - through the identification of mineral resources and raw materials projects in the EU's strategic interest, with strong environmental protection - and EU external policies on critical raw materials. The adopted report modified in some points previously proposed benchmarks for strategic raw materials to be achieved by 2030: the extraction capacity benchmark was left unchanged at 10%, the processing capacity benchmark was increased from 40% to 50% of EU annual consumption, and up to 20% of the EU's new processing capacity could be developed under strategic partnerships in emerging markets and developing countries. The recycling capacity benchmark was changed from 15% to 10%, but it must be ensured that at least 45% of each strategic raw material contained in EU's waste is collected, sorted and processed, taking into account technical and economic feasibility.

EU Taxonomy - Regulation on classification of economic activities as environmentally sustainable

Regulation (EU) 2020/852 of the European Parliament and of the Council of June 18th 2020 on the establishment of a framework to facilitate sustainable investment is to increase the level of environmental protection by reorienting capital flows from investments that harm the environment to more environmentally friendly alternatives. The Taxonomy does not prohibit investment in environmentally harmful activities, but grants

additional preferences to ecological solutions. It sets six environmental objectives. The Regulation is supplemented by delegated acts setting out the technical screening criteria for each of the environmental objectives. An economic activity is environmentally sustainable if it contributes significantly to the achievement of at least one of the six environmental objectives, does not cause significant harm to the other objectives, is carried out in compliance with minimum safeguards and meets the abovementioned technical screening criteria.

Polish Regulatory Area

- On August 23rd 2023, the Act Amending the Energy Law and Certain Other Acts was published. The new legislation contains several categories of amendments, including those concerning enhancing consumer protection on the energy market, introducing new possibilities for the functioning of distributed energy generation and participation in the energy market, setting out regulations governing a new model for investment in direct lines, imposing new obligations on distribution system operators, expanding the powers of the President of URE, etc. During the last stage of the legislative process, regulations on cable pooling (the possibility for multiple renewable energy installations to share a single connection) were added. Most of the provisions of the amended Energy Law came into force on September 7th 2023, but there are numerous exceptions left.
- On September 27th 2023, the Act Amending the Geological and Mining Law and Certain Other Acts was published. The Act provides for a number of changes in the system of managing geological deposits in Poland and conducting mining activities. The protection of mineral deposits has been enhanced and the definition of a “strategic deposit” has been introduced, which will affect the procedures relating to production from this category of deposits. In addition, the possibilities for underground storage of carbon dioxide using the CCS (Carbon Capture and Storage - sequestration) technology have been expanded, and the rules of underground non-reservoir storage of substances, including hydrogen, have been defined. Most of the amended regulations came into force on October 28th 2023.

International trade policy

- On July 5th 2023, the General Court of Luxembourg, following an investigation, issued a judgment to annul Implementing Regulation (EU) 2020/2100 imposing a definitive anti-dumping duty on imports of ammonium nitrate originating in Russia. In September 2023, the EC and Fertilizers Europe filed appeals against the judgment. The judgment of the General Court has been suspended for the duration of the appeal proceedings, and the anti-dumping duty remains in force until the case is decided.
- As of January 1st 2023, Russia introduced an export duty on mineral fertilizers, set at 23.5% on the portion of the price exceeding USD 450 per tonne, with the exception of mineral fertilizer exports to the Eurasian Economic Union. The duty was to apply until the end of 2023. Starting from September 1st 2023, by decision of the Russian Government, the above duty was replaced by 7% export duty on most finished fertilizers, which was subsequently replaced by a variable duty of 7-10% linked to the ruble exchange rate.
- Russia applies export quotas on nitrogen and compound fertilizers, effective until November 30th 2023.
- Proceedings are pending concerning an appeal filed by Methanol Holdings (Trinidad) Ltd and EuroChem Group against the decision of the General Court of the European Union whereby it dismissed the claims of those two companies challenging the Commission’s decision to impose anti-dumping duties on UAN imports from Russia, Trinidad and Tobago and the US, to the extent applicable to the claimants.
- By a decision of May 2023, the EU extended for 12 months the suspension of import duties on Ukrainian goods.
- The United Kingdom applies the zero-rate tariffs on Ukrainian goods, first introduced by the United Kingdom Department of Commerce on April 25th 2022 for 12 months and subsequently extended until March 2024.
- On September 14th 2023, following an expiry review, the EC extended, by way of Commission Implementing Regulation (EU) 2023/1776, the anti-dumping duties on imports of melamine from the People’s Republic of China for a further period of five years.
- On July 9th 2023, the EU and New Zealand signed a free trade agreement.
- The EU continues to negotiate its trade agreements with third countries, including India, Australia and Indonesia. Work is under way to update the trade deal with Mexico. Negotiations were resumed on a free trade agreement with Thailand.
- No significant progress was made in ratifying the trade agreement with MERCOSUR countries. However, negotiations on an addendum tightening up the climate aspects of the EU - MERCOSUR trade agreement have gathered momentum.

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

- On July 17th 2023, Russia withdrew from the Black Sea Grain Agreement that had been negotiated by the UN and Turkey in July 2022 to address the global food crisis and enable the export of Ukrainian grain via the Black Sea, controlled by the Russian fleet.

- On July 19th 2023, Canada announced the imposition of sanctions on 39 individuals and 25 entities, including individuals and entities related to the Wagner Group, the Russian nuclear sector, and the Russian culture and education sector.
- On July 20th 2023, the United Kingdom imposed sanctions on 13 individuals and companies associated with the Wagner Group's activities.
- The US Treasury Department and the State Department took additional measures to restrict Russia's access to products supporting its military and war efforts.
- Five individuals were added to the EU list of persons subject to the freezing of assets for being involved in Iran's military support to Russia consisting in developing and supplying unmanned aircraft.
- On July 28th 2023, the EU imposed sanctions on 7 Russian citizens and 5 entities responsible for digital information manipulation campaigns disseminating propaganda in support of Russia's war against Ukraine.
- On August 3rd 2023, the EU imposed targeted restrictive measures against Belarus:
 - ban on the sale, supply, transfer or export of firearms, their parts and essential components and ammunition;
 - ban on the sale, supply, transfer or export of dual-use goods and technology;
 - ban on the sale, supply, transfer or export of goods and technology which might contribute to Belarus's military and technological enhancement or the development of its defence and security sector;
 - ban on the sale, supply, transfer or export of goods and technology suited for use in aviation or the space industry.

The EU imposed new restrictive measures on 38 individuals and 3 entities from Belarus (including Belneftekhim - Belarusian State Concern for Oil and Chemistry) which provide a significant source of income or support to the Lukashenko regime.

- On August 4th 2023, Canada announced 3 sets of amendments to its sanctions regime against Russia and sanctions on 9 individuals and 7 entities from Belarus.
- On August 8th 2023, the United Kingdom imposed sanctions on individuals and companies in Turkey, Dubai, Slovakia, Switzerland, Belarus and Iran, which support Russia's war against Ukraine.
- On August 9th 2023, the US Treasury Department imposed sanctions on 8 individuals and 5 entities in Belarus.
- On September 12th 2023, the EC updated the FAQ (frequently asked questions) for imports, purchase and transfer of listed goods, explaining that Russian nationals temporarily may not bring personal goods and vehicles listed in Annex XXI and subject to prohibitions.
- On September 13th 2023, the Council prolonged the Russian sanctions contained in Regulation 269/2014, i.e. asset freeze measures, for further six months. These measures will apply until March 15th 2024. They include the freezing of assets, a ban on making funds or other economic resources available to the listed individuals and entities, and travel restrictions for natural persons.
- On September 7th 2023, the EC published guidance containing a general overview of expectations regarding due diligence to prevent circumvention of sanctions against Russia, including:
 - steps to be taken by EU operators to mitigate their exposure to sanctions circumvention schemes, together with examples; general best practices;
 - measures designed to prevent possible diversion to Russia or Belarus from third countries, such as including contractual clauses in business arrangements with third-country operators to prohibit the re-export of sanctioned goods to Russia or Belarus;
 - specific guidance for banking and finance institutions relating to the need for enhanced vigilance with respect to the use of correspondent accounts;
 - a list of circumvention red flags related to business partners and customers.
- In addition to the guidance, the Commission published lists of sanctioned high-priority battle items and economically critical goods to support due diligence and effective compliance by exporters, as well as targeted anti-circumvention actions to be applied by customs and law enforcement agencies of partner countries that are committed to preventing circumvention of EU sanctions against Russia.

3. Other information

3.1. Other significant events

Implementation of the Polimery Police project

In the three months to September 30th 2023, Grupa Azoty POLYOLEFINS continued 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 May 11th 2019 (the “EPC Contract”). The start of the Project’s commercial operation is scheduled for 2023.

EPC Contract amendment proposal

On May 24th 2023, a letter was received from the General Contractor initiating the procedure for amending the EPC Contract (the “Amendment Proposal”). The changes proposed by the Contractor included an increase in the Contractor’s consideration by a total of EUR 24.15m. The reasons for submitting the Amendment Proposal cited by the Contractor included the impact of European sanctions imposed on Russia and the war in Ukraine on the Project, as well as other events beyond the Contractor’s control, in particular the COVID-19 pandemic, which impeded the Project’s implementation.

The Amendment Proposal is being thoroughly reviewed and verified in terms of the validity of grounds for the proposed amendments based on the provisions of the EPC Contract (in accordance with the procedure provided for in the EPC Contract) and other agreements between Grupa Azoty POLYOLEFINS and the General Contractor, as well as in the light of facts. As the Contractor has recently provided additional materials that require a detailed review and explanations from the Contractor, the Company has requested that the validity term of the Amendment Proposal be extended.

Market environment

In the reporting period, there was ample availability of propane on the market and its prices gradually went down to approximately USD 420 per tonne, driven by stable supplies from the US. Towards the end of the third quarter of 2023, the propane market in Europe was already balanced: the product was available and demand contracted, as a result of which the prices settled at normal levels.

Energy prices (energy, electricity, natural gas) also gradually declined over the period and the market stabilised. The falling energy prices had a positive effect on the macroeconomic and microeconomic situation. The Company started to prepare for the conclusion of a comprehensive natural gas supply contract and for a tender procedure for the purchase of electricity for 2024 at the group level.

Lower transaction activity was seen on the polypropylene market due to fears of a global recession. High inflation rates prevailing across Europe were the main factor hampering demand. In the first half of 2023, polypropylene demand in Europe was below the expected averages for this period of the year, but the end of the third quarter saw an improvement driven by a seasonal spike in demand from the agricultural and construction sectors. Demand from the packaging industry was eroded by inflation, while demand from automakers improved slightly with the easing of semiconductor shortages. The spreads are lower than those recorded in previous years. It should be noted that the Project’s profitability and economics are not based on short-term market assumptions but on long-term market growth projections, which remain unchanged for the propane-polypropylene spread.

Risks

In the coming months, Grupa Azoty POLYOLEFINS plans to recruit new staff with required experience. Although a number of measures have been taken to mitigate risks associated with the recruitment process, there can be no assurance that the company will not encounter problems with the availability of workforce on the local labour market.

Activities performed by the General Contractor in connection with the commissioning phase are being monitored with increased attention since this area is particularly prone to delays and technical issues given the significant amounts of equipment in individual sub-projects, as reported by the company in a current report.

Grupa Azoty POLYOLEFINS is monitoring the Project’s progress and other risk factors in terms of their possible impact on projected cash flows. Any indications of a possible economic slowdown, including volatility in the key raw material and product markets, may have an adverse effect on the company’s ability to service its liabilities.

Considering the current geopolitical situation in Central and Eastern Europe, the company is carrying out relevant analyses and making assessments, and applies the best available remedial measures to mitigate the risks and successfully complete the Project.

Stage of completion

As at September 30th 2023, the overall stage of completion under the EPC Contract was 99.84%. 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.

Work on the Project included removal of defects identified during the construction phase and in the course of regular operation of the commissioned equipment.

On July 4th 2023, a substitute building permit was obtained for AUX-8. On September 19th 2023, an occupancy permit was obtained for the Interconnection 1 and 2 interconnectors.

Handling and Storage Terminal (HST)

In the reporting period, the process parameters of the propane and ethylene BOG compressors were adjusted, with any previously detected defects removed. In August, the second delivery of ethylene was received. Activities during the period included testing of the guaranteed parameters for the ethylene unit (unloading and condensation system). As part of the Provisional Acceptance Protocol (PAP) for the marine gas terminal, some of the parameters were confirmed.

Propane dehydrogenation (PDH) unit

The reporting period saw continuation of the process of removing previously reported defects, completion of drying and nitrogen blowing of the Coldbox separation system, completion of functional tests of the net gas compressor, and completion of the catalyst drying process. Inspections of furnaces were carried out with inspectors from the Office of Technical Inspection.

Throughout the period, six representatives of UOP (the licensor) were present at the PDH unit to check the work performed by the General Contractor and take part in individual commissioning operations, which included provision of relevant reports or procedures to the Employer.

In August, a process to commission LP and HP expanders forming part of the separation system was commenced in the presence of the equipment supplier. In September, two expanders were commissioned. Hydrocarbon flow through the Coldbox was initiated and the tail gas compressor was commissioned with nitrogen unit.

Polypropylene (PP) unit

Activities carried out at the PP unit in the reporting period included removal of defects identified during the construction phase and in the course of regular operation of the commissioned facilities.

Polypropylene (PPL) logistics infrastructure

Activities carried out in the reporting period included removal of defects identified during the construction phase and in the course of regular operation of the commissioned facilities.

Auxiliary and Interconnection Facilities (AUX)

In the reporting period, work continued on the removal of defects identified during the construction phase and in the course of regular operation of the commissioned facilities. Most of the auxiliary facilities operated to ensure the supply of auxiliary media, including steam, nitrogen, I&C air and cooling water, for the PDH and PP units during their commissioning process. A steam turbine with generator was commissioned. As part of start-up activities, functional tests were carried out on the soda lye treatment unit and the condensate recovery and purification unit.

In July, the last logic tests relating to the combustion of hydrogen and solvent were completed at the HP steam boiler with representatives of the Office of Technical Inspection, and the start-up of the condensate purification unit (810-X0008) was carried out. In August, a treatment system for sand filter and off-line filter washings was commissioned.

Claims raised

On July 10th 2023, the General Contractor notified the Company of the occurrence of force majeure events in connection with:

- unpredictable and above-average technical issues consisting in overheating of cables supplying power to HPC (heat pump compressor) and REC (reactor effluent compressor);
- unpredictable and above-average technical issues relating to the soft start module of the PP extruder.

According to the General Contractor's estimates, the issues would delay the completion of the Project by at least 54 days and would result in the suspension of start-up activities which form part of the critical path.

Extension of Project duration

On August 29th 2023, the Company received a letter from the General Contractor, stating that the Project completion would be delayed by two to three months. The General Contractor cited unforeseen equipment problems during the commissioning phase of certain units as the reason for the delay.

On August 31st 2023, the Company sent a letter to the General Contractor requesting explanations and an updated detailed schedule for the contract, together with a mitigation plan.

Financing

At present, Grupa Azoty POLYOLEFINS draws funds under the term and VAT credit facilities to meet its needs according to the progress in implementing the Project. On June 6th and June 9th 2023, the company executed annexes amending the credit facility agreements, which modified some of the lending terms, particularly those related to the interest rate on the USD-denominated tranche to be applied following cessation of the USD LIBOR rate.

For details of the credit facility and loan agreements executed in the third quarter of 2023 and the application of financial risk hedging instruments, see other sections of this Report.

Risk of a subsidiary using a support loan provision guarantee

On October 27th 2023, the Parent's Management Board received information from Grupa Azoty POLYOLEFINS that the subsidiary may request a subordinated loan from the Parent and Grupa Azoty POLICE. The basis for the potential loan is the joint and several liability of the Parent and Grupa Azoty POLICE under the support loan provision guarantee agreement, whereby a subordinated loan of up to EUR 105m may be provided within the framework of the Project credit facilities agreement of May 31st 2020 (the „Credit Facilities Agreement”). In connection with the Project completion, the potential loan amount is up to EUR 105m. However, Grupa Azoty POLYOLEFINS provisionally estimated that the loan amount required in 2023 might be approximately EUR 45-55m. At the same time, the company pointed out that the assumptions underlying the estimates were subject to further modifications and updates, which will have an effect on the actual amount of the potential support loan.

The potential loan was requested in connection with the extension of the Project duration as a result of delays on the part of the General Contractor and the risk that the company may face shortage of funds for the Project completion under the Credit Facilities Agreement.

Update on aid received under the Act on the Rules of Implementation of Business Support Programmes in View of the Situation on the Energy Market in 2022-2024

In the third quarter of 2023, further steps were taken to resolve the issue relating to the notice of June 30th 2023 received by the Parent from the National Fund for Environmental Protection and Water Management (“NFOŚiGW”), requesting return of public aid granted to the Parent based on the governmental programme ‘Aid to energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022’. NFOŚiGW stated that the Parent failed to satisfy the criteria or conditions for receiving state aid dedicated to supporting energy-intensive sectors in connection with sudden increases in natural gas and electricity prices.

In the Parent's opinion, the Parent's business activities, i.e., manufacture of basic chemicals, fertilizers and nitrogen compounds, plastics and synthetic rubber in primary forms, clearly satisfy, and satisfied on the date of submission of the application for public aid, the prerequisites for receiving financial support under the state aid programme dedicated to supporting energy-intensive sectors in connection with sudden increases in natural gas and electricity price.

On October 3rd 2023, the NFOŚiGW initiated administrative proceedings concerning return of the public aid.

In response, the Parent submitted its position to NFOŚiGW, in which the Parent's Management Board maintained that there were no grounds for the repayment of the received aid.

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

On July 14th 2023, the Management Board of Grupa Azoty PUŁAWY was notified that on July 13th 2023 the other party signed an annex to the EPC contract for the project to construct a coal-fired power generation unit, concluded between Grupa Azoty PUŁAWY and a consortium of Polimex-Mostostal S.A., Polimex Energetyka Sp. z o.o., and SBB Energy S.A., the general contractor for the project (the “Contractor”).

The annex increased the Contractor's consideration under the contract by PLN 35m, to PLN 1,197 thousand, and extended the contract term by 223 days until June 3rd 2023. These changes satisfy the Contractor's claims reported by Grupa Azoty PUŁAWY in its current reports. The annex took effect on the date of its execution by the Parties.

On September 26th 2023, Grupa Azoty PUŁAWY announced that it had received an updated work schedule from the Contractor, according to which the project was expected to be completed in mid-December 2023.

Temporary production suspension at a subsidiary due to plant failure

On September 5th 2023, the Parent's Management Board was notified by Grupa Azoty KĘDZIERZYN of a failure at the ammonia unit. As a result of the failure, production processes at the subsidiary's key units, including the production of fertilizers, nitric acid, UAN, urea, and OXO alcohols, were temporarily suspended.

Grupa Azoty KĘDZIERZYN resumed the production of nitric acid in the last week of September 2023, and then the production of mineral fertilizers at minimum loads.

In the second half of October 2023, the units that had been temporarily shut down resumed operation.

The financial impact of the plant failure at the operating level was provisionally estimated at about PLN 20m. The amount includes lost profits on sales of products (fertilizers, nitric acid, UAN, urea and OXO alcohols) that would have likely been earned had the units operated at normal rates. The cost of the ammonia unit repair is estimated at approximately PLN 1.4m.

Agreement on a revised term sheet for the purchase of shares in Solarfarm Brzezinka sp. z o.o.

On October 19th 2023, the Company's Management Board announced that the Company agreed with VSB Holding GmbH of Dresden, Germany, and Mr Janusz Franciszek Siemienieć (collectively the "Sellers") on a revised term sheet (the "Term Sheet") for the purchase of 100% of shares in the share capital of Solarfarm Brzezinka sp. z o.o. of Wrocław ("Solarfarm"), the entity established to implement a solar PV power plant project with a capacity of at least 270 MWp located in Brzezinka and Syców, in the Province of Wrocław (the "Transaction").

The turnkey construction of the power plant is to be completed under an EPC contract concluded between the Company and a general contractor, to be selected through a competitive tender process once the Transaction is finalised.

Pursuant to the Term Sheet, the Transaction is to be carried out through the conclusion, by mid-December 2023, of a preliminary conditional agreement for the future acquisition of 100% of shares in Solarfarm, and subsequent acquisition by the Company or another company of its group, by the end of the third quarter of 2024, of the Solarfarm shares under a share purchase agreement, provided that the project achieves a 'ready to build' (RTB) status, as confirmed by a due diligence study conducted by the Company, and provided that satisfactory general contractor tenders to build the solar PV farm under an EPC contract are received.

Execution of the preliminary conditional share purchase agreement is subject to approval from the General Meeting.

The acquisition value of Solarfarm shares will amount to EUR 37.8m, assuming that the power plant achieves a capacity of 270 MWp. The amount does not include expenses associated with the performance of the future EPC contract. If the capacity of the 270 MWp power plant is expanded to 300 MWp within five years of its launch, the acquisition value of the shares will be increased by EUR 2.1m.

The execution of the Term Sheet does not give rise to any obligation to enter into the contemplated Transaction, or any share purchase agreement, and is not binding on the parties. However, the parties undertook to negotiate the share purchase and the contemplated transaction in good faith, in accordance with the Term Sheet.

Adoption of a governmental aid programme for energy-intensive industries

On October 13th 2023, Resolution No. 190/2023 of the Polish Council of Ministers was signed, amending the resolution to adopt a governmental programme 'Aid to energy-intensive industries related to natural gas and electricity prices in 2023'. The amendments bring the programme in line with the decision of the European Commission, confirming its compatibility with the principles of public aid in the common EU market. In addition, changes were made to the rules and amounts of aid granted to businesses in connection with high gas and electricity prices and to energy-intensive companies, such as the Parent and some Group companies.

3.2. Significant agreements

Trade contracts

Amendments to the propane purchase contract signed by Grupa Azoty POLYOLEFINS

On September 14th 2023, Grupa Azoty POLYOLEFINS executed Amendment 1 and Amendment 2 to the contract for the purchase of propane with Trafigura PTE Ltd. of Singapore.

The amendments were aimed at aligning the contract with Grupa Azoty POLYOLEFINS's current needs reflecting the current progress of the Polimery Police project, whose duration is expected to be extended. Under the amendments, the delivery schedule was revised, additional propane deliveries were contracted, and the contract term was extended until December 12th 2025.

The value of the additional deliveries is estimated at approximately USD 80m.

Financing agreements

Increase in the COMPO EXPERT credit facility amount

COMPO EXPERT Hellas increased the amount of its credit facility with Alpha Bank Greece from EUR 500,000 to EUR 1,000,000.

Annex to the payments servicing agreement of December 14th 2018 with Banco Santander S.A. and Santander Factoring Sp. z o.o., as amended by the agreement of September 23rd 2019 amending and superseding the payments servicing agreement, as amended

On July 17th 2023, 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 December 14th 2018, as amended by the agreement of September 23rd 2019 amending and superseding the payments servicing agreement, as amended, capped at EUR 122m, with Banco Santander S.A. and Santander Factoring Sp. z o.o. in order to enable suppliers to discount accounts receivable before invoice due dates. The annex changed the pricing conditions and transferred the provision of services to COMPO EXPERT to the Polish branch, i.e., Santander Factoring Sp. z o.o.

Sale and leaseback agreement signed by Grupa Azoty Zakłady Fosforowe Gdańsk Sp. z o.o.

On July 21st 2023, Grupa Azoty Zakłady Fosforowe Gdańsk Sp. z o.o. entered into a PLN 16.14m rotary drier sale and leaseback agreement with PKO Leasing S.A. The financing period is eight years.

Execution of Waiver and Amendment Letters

In view of the risk of exceeding, as at June 30th 2023, the Net Debt to EBITDA ratio cap permitted under the Grupa Azoty Group financing agreements, the Company's Management Board entered into negotiations with the institutions providing financing to the Grupa Azoty Group, namely: Powszechna Kasa Oszczędności Bank Polski S.A., Bank Gospodarstwa Krajowego, ING Bank Śląski S.A., Santander Bank Polska S.A., Caixabank S.A. (Spółka Akcyjna) Branch in Poland, 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., as well as the European Bank for Reconstruction and Development and the European Investment Bank (the "Financing Parties").

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 ratio specified above and waiver by the Financing Parties of the rights arising from the possible breach of the required ratio cap, on June 1st 2023 the Company's 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 August 31st 2023, and their effective date was set at June 30th 2023.

Under the Waiver and Amendment Letters, the Financing Parties waived their rights arising from the occurrence of events of default as defined in the agreements, including, without limitation, in the event of exceeding the Net Debt to EBITDA ratio cap as at June 30th 2023. The Grupa Azoty Group agreed to maintain, as at the end of each calendar month starting from June 30th 2023, the minimum levels of the Available Cash Ratio (being the sum of cash and available and undrawn confirmed limits under credit and loan agreements of the Group, excluding Grupa Azoty POLYOLEFINS) and the Liquidity Ratio (being the sum of the Available Cash Ratio and available undrawn non-confirmed limits under Factoring Agreements and other agreements of the Group, excluding Grupa Azoty POLYOLEFINS). At the same time, in accordance with the requirements of the Waiver and Amendment Letters, on August 31st 2023 additional security was provided 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 its net assets.

The terms of the Waiver and Amendment Letters do not differ from standard terms used in such agreements.

Pursuant to the Waiver and Amendment Letters, the Financing Parties maintained the limits available to the Group under the Agreements at an unchanged level. The Group consistently fulfils all its obligations to service and repay its debt as per the agreements, ensuring timely payments. The limits made available to the Group companies provide them with full financial liquidity, secure the financing for the Group and its suppliers, and enable it to continue operations in a substantially unchanged manner.

In addition, the Financing Parties agreed to conduct further negotiations in good faith 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 Parties 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.

The Waiver and Amendment Letters were executed for:

- the credit facility agreement of April 23rd 2015, as amended, between the Parent as the borrower and a syndicate of banks, i.e. Powszechna Kasa Oszczędności Bank Polski S.A. ("PKO BP"), Bank Gospodarstwa Krajowego, Santander Bank Polska S.A., ING Bank Śląski S.A. and Caixabank S.A. Branch in Poland as lenders;
- the multi-purpose credit facility agreement of April 23rd 2015 (as amended) between the Parent, Grupa Azoty

PUŁAWY, Grupa Azoty KĘDZIERZYN, Grupa Azoty POLICE, Grupa Azoty ATT POLYMERS, Grupa Azoty PROREM Sp. z o.o., Grupa Azoty Automatyka Sp. z o.o., PROZAP Sp. z o.o., Grupa Azoty PKCh, Grupa Azoty Zakłady Fosforowe Gdańsk Sp. z o.o., Grupa Azoty COMPOUNDING, Grupa Azoty SIARKOPOL, Grupa Azoty KOLTAR, AGROCHEM PUŁAWY Sp. z o.o., Grupa Azoty Zakłady Ratownictwa Chemicznego Sp. z o.o., Grupa Azoty Police Serwis Sp. z o.o., Grupa Azoty TRANSTECH Sp. z o.o., Zarząd Morskiego Portu Police Sp. z o.o., Remzap Sp. z o.o., Grupa Azoty Zakłady Azotowe CHORZÓW S.A., SCF Naturals Sp. z o.o., Grupa Azoty ENERGIA and COMPO EXPERT GMBH as the borrowers and PKO BP as the lender (the “PKO BP MPCF”);

- the credit facility agreement of May 28th 2015 (as amended) between the Parent as the borrower and the European Bank for Reconstruction and Development (the “EBRD”) as the lender (the “First EBRD Agreement”),
- the credit facility agreement of July 26th 2018 (as amended) between the Parent as the borrower and the EBRD as the lender (the “Second EBRD Agreement”);
- the credit facility agreement of May 28th 2015 (as amended) between the Parent as the borrower and the European Investment Bank (the “EIB”);
- the credit facility agreement of January 28th 2018 (as amended) between the Parent as the borrower and EIB as the lender (the “Second EIB Agreement”);
- the multi-purpose credit facility for guarantees and letters of credit of December 29th 2020 (as amended) between the Parent, Grupa Azoty PUŁAWY, Grupa Azoty KĘDZIERZYN, Grupa Azoty POLICE, Grupa Azoty PROREM Sp. z o.o., Grupa Azoty Automatyka Sp. z o.o., Grupa Azoty PKCh, Grupa Azoty Zakłady Fosforowe Gdańsk Sp. z o.o. and Grupa Azoty Zakłady Azotowe CHORZÓW S.A. as the borrowers and BNP Paribas Bank Polska S.A. as the lender;
- the factoring agreement of May 31st 2021 (as amended) between the Parent, Grupa Azoty PUŁAWY, Grupa Azoty KĘDZIERZYN, Grupa Azoty POLICE, Grupa Azoty Zakłady Azotowe CHORZÓW S.A., AGROCHEM PUŁAWY Sp. z o.o. and Grupa Azoty COMPOUNDING as the assignors and BNP Paribas Faktoring Sp. z o.o. as the factor;
- the factoring agreement of May 31st 2021 (as amended) between the Parent, Grupa Azoty PUŁAWY, Grupa Azoty KĘDZIERZYN, Grupa Azoty POLICE as the assignors and Pekao Faktoring Sp. z o.o. as the factor;
- the factoring agreement with ING Commercial Finance Polska S.A. of April 29th 2021 (as amended) between the Parent, Grupa Azoty PUŁAWY, Grupa Azoty KĘDZIERZYN and Grupa Azoty POLICE as the assignors and ING Commercial Finance Polska S.A. as the factor;
- the payment services and financing (reverse factoring) agreement of April 29th 2021 (as amended) between the Parent, Grupa Azoty PUŁAWY, Grupa Azoty KĘDZIERZYN, Grupa Azoty POLICE, COMPO EXPERT GMBH and COMPO EXPERT GMBH Hellas S.A. as the assignors and CAIXA as the financing party;
- the payments servicing agreement of December 14th 2018 (as amended) between the Parent, Grupa Azoty PUŁAWY, Grupa Azoty KĘDZIERZYN, Grupa Azoty POLICE, COMPO EXPERT GMBH, COMPO EXPERT GMBH Spain S.L and COMPO EXPERT GMBH Benelux N. V. as the assignors and Banco Santander S.A. and Santander Faktoring Sp. z o.o.

(the “Financing Agreements”)

Agreements and annexes relating to the Waiver and Amendment Letters

- Annex to the multi-purpose credit facility (MPCF) agreement with PKO BP S.A. - on August 31st 2023, the Parent and Grupa Azoty Group companies signed Annex 11 to the multi-purpose credit facility agreement of April 23rd 2015 (as amended) with PKO BP S.A. to amend the pricing terms.
- Amendment letter for the credit facility agreement of April 23rd 2015 - on August 31st 2023, the Parent signed an amendment letter with PKO BP S.A., Bank Gospodarstwa Krajowego, Santander Bank Polska S.A., ING Bank Śląski S.A. and CAIXA Bank S.A., acting jointly as the lenders, for the credit facility agreement of April 23rd 2015 (as amended) to amend the pricing terms;
- Guarantee agreement of August 31st 2023 - on August 31st 2023, the Parent and COMPO EXPERT executed an agreement for a guarantee to be provided by COMPO EXPERT GmbH for Grupa Azoty's liabilities under the Financing Agreements.
- COMPO EXPERT guarantee deed - on August 31st 2023 COMPO EXPERT issued a guarantee deed to the Financing Institutions for Grupa Azoty's liabilities under the Financing Agreements. The guarantee deed was issued in the performance of obligations provided for in the Waiver and Amendment Letters.

Overdraft facility agreement signed by Grupa Azoty POLYOLEFINS with Polska Kasa Opieki S.A.

On October 11th 2023, Grupa Azoty POLYOLEFINS entered into a USD 5,000 thousand overdraft facility agreement with Polska Kasa Opieki S.A. The agreement, which was executed (similarly to the guarantee and letter of credit agreements) as a side letter for the Credit Facilities Agreement, reduced the amount available under the working capital facility.

Insurance agreements

CARGO insurance

A policy was issued for the second annual insurance period, from July 1st 2023 to June 30th 2024, under the property in national and international transit insurance (CARGO) master agreement, concluded with TUW PZUW for a period of three years, i.e., from July 1st 2022 to June 30th 2025.

Trade credit insurance at the Parent and Grupa Azoty KĘDZIERZYN

On July 27th 2023, trade credit insurance policies of the Parent (with coinsurance cover for Grupa Azoty SIARKOPOL, Grupa Azoty CHORZÓW, Grupa Azoty FOSFOR, Agrochem Puławy Sp. z o.o., Grupa Azoty COMPOUNDING, and Grupa Azoty KOLTAR) and on July 31st 2023 - trade credit insurance policies of Grupa Azoty KĘDZIERZYN, taken out with Korporacja Ubezpieczeń Kredytów Eksportowych S.A. and providing global cover for the companies' receivables, were renewed for the period from August 1st 2023 to July 31st 2027.

Third party liability insurance

On July 28th 2023, annexes for the period from August 1st to September 30th 2023 were signed for the master agreement for business and property owner's liability insurance (OC) concluded with TUW PZUW for a two-year period from August 1st 2021 to July 31st 2023, and for the policy issued under the agreement.

On September 27th 2023, the Group companies that are members of the Grupa Azoty Mutual Insurance Union (ZWC) operating within TUW PZUW signed a master agreement for business and property owner's liability insurance (OC) with TUW PZUW for a two-year period from October 1st 2023 to September 30th 2025, and policies were issued under the agreement for the first year, i.e. for the period from October 1st 2023 to September 30th 2024.

D&O insurance

In the period from September 8th to September 14th 2023, annexes were issued for the directors and officers (D&O) liability insurance (basic and excess liability) policies executed with PZU S.A. (providing insurance cover also to the other Group companies). The annexes cover the period from September 17th to October 16th 2023.

Insurance of environmental risks

On September 25th 2023, Colonnade Insurance Societe Anonyme Branch in Poland issued an environmental liability insurance policy, confirming the extension of the existing insurance cover for the period from September 16th 2023 to September 15th 2024, in favour of the key Group companies: the Parent, Grupa Azoty KĘDZIERZYN, Grupa Azoty POLICE and Grupa Azoty PUŁAWY.

Accounts receivable insurance at Grupa Azoty PUŁAWY

In September 2023, Towarzystwo Ubezpieczeń Euler Hermes S.A. ("TUEH") issued accounts receivable insurance (Business Cover insurance) agreements which cover receivables from sale of the Grupa Azoty PUŁAWY products (excluding transactions secured with bank guarantees and letters of credit), up to the credit limits set by TUEH. The agreements were executed for the periods from October 1st 2023 to September 30th 2024 and from October 1st 2024 to September 30th 2025.

3.3. Sureties and guarantees

Guarantees

In the three months ended September 30th 2023, the total amount of all guarantees provided on behalf the Group companies was PLN 2,917 thousand. The guarantee for the highest amount, i.e. PLN 1,000,000, was issued on behalf of Grupa Azoty PUŁAWY to Polskie Sieci Energetyczne on August 1st 2023.

Letters of credit

In the three months ended September 30th 2023, the following material letters of credit were issued on behalf of Grupa Azoty Group companies.

- EUR 3,414 thousand letter of credit issued on behalf of the Parent to Thyssenkrupp Uhde GmbH (Germany) for the delivery of the baseline project for the ammonium nitrate neutralisation unit;
- PLN 1m letter of credit issued by BNP Paribas S.A. on behalf of Grupa Azoty Zakłady Azotowe Chorzów S.A. as a form of financial security for a feedstock supplier, valid until December 31st 2023.

Intragroup loans

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

In the three months ended September 30th 2023, Grupa Azoty POLYOLEFINS executed the following annexes to loan agreements of May 31st 2020:

- Annex 6 executed on July 25th 2023 with the Parent in connection with the capitalisation of commission fees and interest for another period. In accordance with the annex, as a result of the capitalisation the loan principal as of July 14th 2022 was PLN 475,006 thousand;
- Annex 6 executed on July 27th 2023 with Grupa Azoty POLICE in connection with the capitalisation of commission fees and interest for another period. In accordance with the annex, as a result of the capitalisation the loan principal as of July 14th 2023 was PLN 535,645 thousand.

In the case of Orlen S.A. (formerly Grupa LOTOS S.A.) and Korea Overseas Infrastructure & Urban Development Corporation, annexes concerning the capitalisation of commission fees and interest for the interest period ended July 13th 2023 were signed by on July 19th and August 2nd 2023, respectively.

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, 5% or more of total voting rights at the General Meeting at the beginning of the third quarter of 2023, along with information on the number of shares held by each shareholder and their respective ownership interests, and the number of voting rights held and their share in total voting rights at the General Meeting.

Shareholding structure as at July 1st 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
Norica Holding S.à r.l. * (indirectly: 19,657,350 shares or 19.82%)	406,998	0.41	406,998	0.41
Rainbee Holdings Limited * **	9,820,352	9.90	9,820,352	9.90
Opansa Enterprises Limited * **	9,430,000	9.51	9,430,000	9.51
TFI PZU S.A.	8,530,189	8.60	8,530,189	8.60
Other	28,390,113	28.62	28,390,113	28.62
Total	99,195,484	100.00	99,195,484	100.00

* Related parties of Viatcheslav Moshe Kantor.

** Direct subsidiaries of Norica Holding S.à r.l.

On April 6th 2022, Mr Vyacheslav Moshe Kantor, who holds a controlling interest in the Russian chemical company ACRON, was placed on the United Kingdom sanctions list, on April 8th 2022 - on the European Union sanctions list, and on April 25th 2022, together with the entities through which he controls 19.82% of the Parent shares - on the Polish sanctions list. As a result of the sanctions, all assets in respect of funds (including shares) held by the listed persons are subject to a freeze, which means a prohibition on moving, transferring, altering, using, accessing or otherwise dealing with the funds in any way which would result in any change to their volume, amount, location, ownership, possession, character, destination, or any other change that would enable the funds to be used, including portfolio management.

On July 11th 2023, the Minister of Development and Technology issued decisions on the imposition of temporary administration for a period of six months with respect to:

- Norica Holding Sàrl with its registered office at 121 Avenue de la Faiencerie L-1511, Luxembourg;
- Rainbee Holdings Limited with its registered office at Kastoros 2, Nicosia, 1087, Cyprus;
- Opansa Enterprises Limited with its registered office at Kastoros 2, Nicosia, 1087, Cyprus;

in order to take over the title to these entities' shareholdings in the Parent. The Minister of Development and Technology designated Mr Radosław Leszek Kwaśnicki as the person carrying out the temporary administration.

The temporary administration was imposed by way of an administrative decision issued under Art. 6b of the Act on Special Measures to Prevent Supporting Aggression against Ukraine and Protect the National Security of April 13th 2022 (the "Sanctions Act"), and the primary purpose of this legal instrument in the case at hand is to take over the ownership of the financial resources, funds or economic resources of the Sanctioned Companies in favour of the State Treasury or an entity other than the State Treasury. The ownership takeover as described above will take place under a decision of the minister in charge of economic affairs. Until then, the administrator individually manages the assets of the Sanctioned Companies, acting in accordance with the rules of conduct set out in the aforementioned Act.

On July 17th 2023, the Parent received a notification from Mr Radosław Leszek Kwaśnicki on acquiring control over shares in a public company and exceeding the threshold of 15% of total voting rights in the Company (the "Notification"). The Notification was made by Mr Radosław Leszek Kwaśnicki in the performance of the obligation set forth in Art. 69.1.1 in conjunction with Art. 69a.1 of the Act on Public Offering and Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, dated July 29th 2005 (the "Act on Public Offering"). According to the Notification:

I. Date and type of event causing the shareholding change to which the notification pertains

The Notification was given in connection with the acquisition by Mr Radosław Leszek Kwaśnicki of control over, including voting rights attached to, Company shares following his appointment:

- i. under Decision No. DNP-VII.491.3.2023 of the Minister of Development and Technology dated July 11th 2023 - as the administrator of Norica Holding Sarl with its registered office at 121 Avenue de la Frainerie L-1511, Luxembourg ("Norica"), with respect to its shareholding in the Company;
- ii. under Decision No. DNP-VII.491.4.2023 of the Minister of Development and Technology dated July 11th 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;
- iii. under Decision No. DNP-VII.491.5.2023 of the Minister of Development and Technology dated July 11th 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.

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 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 the Administrator effectively took place on July 12th 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 July 11th 2023 and are enforceable as of July 12th 2023.

II. Number of shares held before the change in shareholding and their percentage share in the Company's share capital, and number of voting rights attached to those shares and their percentage share in total voting rights

Prior to the Control Acquisition Date, the Administrator held 0 shares in the Company, representing 0% of the Company's share capital, 0 voting rights at the Company's General Meeting and 0% of the total voting rights in the Company.

III. Number of shares currently held and their percentage share in the Company's share capital, and number of voting right attached to those shares and their percentage share in total voting rights

As of the Control Acquisition Date, the Administrator holds:

1. Directly: 0 shares in the Company, representing 0% of the Company's share capital, 0 voting rights at the Company's General Meeting and 0% of the total voting rights in the Company;
2. Indirectly: 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, including:

- through Norica, the Administrator holds 406,998 shares in the Company, representing 0.41% of the Company's share capital and 406,998 voting rights at the Company's General Meeting, accounting for 0.41% of the total voting rights in the Company;
- through Opansa, the Administrator holds 9,430,000 shares in the Company, representing 9.51% of the Company's share capital and 9,430,000 voting rights at the Company's General Meeting, accounting for 9.51% of the total voting rights in the Company;
- through Rainbee, the Administrator holds 9,820,352 shares in the Company, representing 9.90% of the Company's share capital and 9,820,352 voting rights at the Company's General Meeting, accounting for 9.90% of the total voting rights in the Company.

IV. Subsidiaries of the shareholder making the notification, holding shares in the Company

The Companies under Administration, i.e., Norica, Opansa and Rainbee, are the only subsidiaries of the Administrator (controlled by the Administrator) that hold shares in the Company.

V. Persons referred to in Art. 87.1.3 of the Act on Public Offering

There are no persons referred to in Art. 87.1.3 of the Act on Public Offering.

VI. Number of voting rights attached to the shares, calculated in accordance with Art. 69b.2 of the Act on Public Offering, which the shareholder is entitled to acquire as a holder of financial instruments referred to in Art. 69b.1.1 of the Act on Public Offering and financial instruments referred to in Art. 69b.1.2 of the Act on Public Offering which are not subject to cash settlement only; type or name of those financial instruments, their expiry date and the date on which (or the time limit by which) the shares will or may be acquired

The Administrator does not hold any financial instruments referred to in Article 69b.1 of the Act on Public Offering.

VII. Number of voting rights attached to the shares, calculated in accordance with Art. 69b.3 of the Act on Public Offering, to which financial instruments 69 referred to in Art. 69b.1.2 of the Act on Public Offering relate directly or indirectly; type or name of those financial instruments and their expiry date.

The Administrator does not hold any financial instruments referred to in Article 69b.1 of the Act on Public Offering and therefore does not hold any voting rights attached to shares, calculated in accordance with Art. 69b.3 of the Act on Public Offering.

VIII. Total number of voting rights specified on the basis of items III, VI and VII of this information from the Company and its percentage share in total voting rights

As of the Control Acquisition Date, the total number of voting rights held by the Administrator is as follows:

1. Directly: 0 voting rights at the Company's General Meeting, representing 0% of total voting rights in the Company;
2. Indirectly: 19,657,350 voting rights at the Company's General Meeting, representing 19.82% of total voting rights in the Company.

Following the imposition of temporary administration for a period of six months against:

- Norica Holding Sàrl with its registered office at 121 Avenue de la Faïencerie L-1511, Luxembourg;
- Rainbee Holdings Limited with its registered office at Kastoros 2, Nicosia, 1087, Cyprus; and
- Opansa Enterprises Limited with its registered office at Kastoros 2, Nicosia, 1087, Cyprus;

the shareholding structure is as presented below.

Shareholding structure as at September 27th 2023 (issue date of the report for the six months ended June 30th 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
Radostaw Leszek Kwaśnicki, the temporary administrator with respect to the shares held by Norica Holding S.à r.l. * (indirectly: 19,657,350 shares or 19.82%)	406,998	0.41	406,998	0.41

Radostaw 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
Radostaw 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

* Related parties of Viatcheslav Moshe Kantor.

** Direct subsidiaries of Norica Holding S.à r.l.

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 September 27th 2023 to the issue date of this Report, the Parent was not notified of any changes in major holdings of its shares, i.e. above 5% of voting rights at the General Meeting.

3.5. Parent shares held by management and supervisory personnel

As at the date of this Report, none of the Management Board members or supervisory personnel held any shares in the Parent.

3.6. Composition of the management and supervisory bodies

The Management Board

In the three months ended September 30th 2023, there were no changes in the composition of the Company's Management Board. As at September 30th 2023, the Management Board was composed of the following persons:

- Tomasz Hinc - President of the Management Board;
- Mariusz Grab - Vice President of the Management Board;
- Filip Grzegorzczak, Dr. Habil. - Vice President of the Management Board;
- Grzegorz Kądziaławski - 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.

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

In the three months ended September 30th 2023, there were no changes in the division of responsibilities between members of the Management Board. As at September 30th 2023, the division of responsibilities 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, integration and coordination of the areas and processes under his supervision within the Group;
- Filip Grzegorzczak, 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 Kądziaławski, 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 Green New 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.

Division of responsibilities between the Management Board members as at September 30th 2023

 Tomasz Hinc President of the Management Board	 Mariusz Grab Vice President of the Management Board	 Filip Grzegorzczak PhD Vice President of the Management Board	 Grzegorz Kadzielawski, PhD Vice President of the Management Board	 Marcin Kowalczyk Vice President of the Management Board	 Marek Wadowski Vice President of the Management Board	 Zbigniew Paprocki Member of the Management Board, Director General
directing the work of the Management Board corporate management corporate supervision legal support communication, PR, sponsorship and CSR HR internal audit compliance representing the Company before stakeholders	management of procurement processes excluding natural gas, coal, electricity and carbon emission allowances ICT processes safety and cybersecurity management raw materials and intermediate products integration manufacture and sale of polypropylene President of the Management Board of Grupa Azoty Police	energy transition market regulation and protection enterprise risk logistics market analyses President of the Management Board of Grupa Azoty Kedzierzyn	research and development, intellectual and industrial property protection, technology transfer cooperation with universities and other institutions on innovations investment project preparation, implementation, and monitoring of implementation social dialogue strategic planning and monitoring of strategy implementation management of strategic projects, excluding energy transition projects management of sales, customer service standards and product portfolio in the area of plastics excluding polypropylene integration and coordination of catalyst production at the Company	management of sales and customer service standards in the Agro area product portfolio management in the Agro area management of the energy area, including gas, coal and electricity management of gas, coal and electricity purchase processes President of the Management Board of Grupa Azoty Putawy	financial management management of accounting policies monitoring of budget implementation planning, budgeting and controlling investor relations mergers and acquisitions ESG President of the Management Board of Grupa Azoty Energia	Director General integration and coordination of the Company's production processes excluding catalysts maintenance of production assets maintenance shutdowns and repairs critical infrastructure plant, fire and environmental safety

Source: Company data.

Supervisory Board

In the three months ended September 30th 2023, there were no changes in the composition of the Parent's Supervisory Board. As at September 30th 2023, the Supervisory Board was composed of the following persons:

- Magdalena Butrymowicz, LL D - Chair of the Supervisory Board;

- Wojciech Krysztofik - Deputy Chair of the Supervisory Board;
- Robert Kapka - Secretary of the Supervisory Board;
- Monika Fill - Member of the Supervisory Board;
- Bartłomiej Litwińczuk - Member of the Supervisory Board;
- Marzena Małek - 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.

The Company's Supervisory Board operates in accordance with the following regulations:

- The Accounting Act of September 15th 2000;
- The Act on Commercialisation and Certain Employee Rights of August 30th 1996;
- The Accounting Act of September 29th 1994;
- 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 the Parent and the Grupa Azoty Group, as well as of separate financial statements of the Parent and the consolidated financial statements of the Group for their consistency with accounting records and supporting documents and for accuracy;
- appointing an audit firm to review and audit the financial statements of the Parent and the consolidated financial statements of the Group;
- approving the Parent'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 the third quarter of 2023, the Supervisory Board had the following committees:

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

Audit Committee

To streamline its work and improve control of the Parent and the Group, on July 4th 2013 the Supervisory Board passed a resolution to appoint an Audit Committee.

In the three months ended September 30th 2023, there were no changes in the composition of the Audit Committee. As at September 30th 2023, the Audit Committee was composed of the following persons:

- Michał Maziarka - Chair;
- Wojciech Krysztofik - Member;
- Janusz Podsiadło - Member.

In the three months ended September 30th 2023, the Audit Committee operated pursuant to the Rules of Procedure for the Audit Committee adopted by the Supervisory Board's Audit Committee under a resolution of February 11th 2021 and approved by the Supervisory Board under a resolution of March 8th 2021.

The Audit Committee's main tasks are those prescribed for the Audit Committee in the Act on Statutory Auditors, Audit Firms, and Public Oversight of May 1st 2017, the Company's Articles of Association, and resolutions of the Supervisory Board. The Committee has the right to demand from the Company's Management Board any information, materials and explanations required for the performance of the Committee's tasks.

Strategy and Development Committee

In the three months ended September 30th 2023, there were no changes in the composition of the Strategy and Development Committee. As at September 30th 2023, the Strategy and Development Committee was composed of the following persons:

- Wojciech Krysztofik - Chair;

- Monika Fill - Member;
- Robert Kapka - Member;
- Bartłomiej Litwińczuk - Member.

In the three months ended September 30th 2023, the Strategy and Development Committee operated in accordance with the Committee's Rules of Procedure adopted by a resolution of the Strategy and Development Committee of March 2nd 2021 and approved by the Supervisory Board under a resolution of March 8th 2021.

Corporate Governance Committee

In the three months ended September 30th 2023, there were no changes in the composition of the Corporate Governance Committee. As at September 30th 2023, the Corporate Governance Committee was composed of the following persons:

- Michał Maziarka - Chair;
- Magdalena Butrymowicz - Member;
- Marzena Małek - Member;
- Roman Romaniszyn - Member.

In the three months ended September 30th 2023, the Corporate Governance Committee operated on the basis of the Rules of Procedure for the Committee, the consolidated text of which was approved by the Supervisory Board under a resolution of August 23rd 2022.

4. Additional information

Management Board's position on the achievement of forecasts

As no forecasts for 2023 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 April 20th 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 May 7th 2021. On October 27th 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 November 29th 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 April 20th 2022, the Parent received an objection against the payment order from Cenzin Sp. z o.o., to which it replied on May 4th 2022. The proceedings are pending.

- Proceedings (mediation) pending before the Arbitration Court at the General Prosecutor's Office of the Republic of Poland between Polska Grupa Górnicza S.A. and the Parent, following a request filed by Polska Grupa Górnicza S.A. for mediation in a dispute arising in connection with long-term coal sale contracts signed by the Parent, Grupa Azoty Zakłady PUŁAWY, Grupa Azoty POLICE and Grupa Azoty KĘDZIERZYN (each of them separately) with Polska Grupa Górnicza S.A. The dispute concerns the existence and renegotiation, if any, of the contracts and claims arising thereunder. The request for mediation with the Parent was filed by Polska Grupa Górnicza S.A. with the Arbitration Court on June 16th 2023. Following delivery of the request by the Arbitration Court on June 28th 2023, the Parent agreed to mediation. The disputed amount has not been estimated. Mediations are pending.

Parent's branches

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

Shares, share issues

In the three months ended September 30th 2023, 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

Tomasz Hinc
President of the Management Board

Mariusz Grab
Vice President of the Management Board

Filip Grzegorczyk
Vice President of the Management Board

Grzegorz Kądziaławski
Vice President of the Management Board

Marcin Kowalczyk
Vice President of the Management Board

Marek Wadowski
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, November 8th 2023