



Tarnów, April 18th 2018

*Ladies and Gentlemen,*

*On behalf of the management boards of the Grupa Azoty Group companies, I present the consolidated Directors' Report on the Group's operations in 2017. For the Group, 2017 was marked by continued efforts to consolidate the capabilities of its key companies. We worked on strengthening our position as the Polish chemical champion by streamlining our corporate identity, while implementing strategic investment projects designed to create value and build the Grupa Azoty brand on the global market.*

*2017 was the time to move away from thinking of the Group as an assortment of companies, and to begin acting as a single organisation, leveraging our synergies, strength and joint capacities to better cater for the needs of Polish farmers and serve the national interest at large.*

*In May 2017, the Group unveiled its updated Strategy until 2020. It is based around four principal objectives: to complete the Group's consolidation, to reinforce its leadership on the European market for agricultural solutions, to strengthen its second operating pillar through expansion of the non-fertilizer business, and to generate and implement innovations. The identified development directions were consistently and vigorously pursued throughout 2017.*

*Working at the level of the Grupa Azoty Group Council, in April 2017 we reviewed the progress of the intra-group integration across business segments. As a result, we are successfully closing the consolidation process in fertilizer sales. The vast support we have within the organisation for the Group's deepening integration demonstrates an advanced stage of our organisational maturity and general understanding of the irreversibility of processes that seek to strengthen the Group.*

*In 2017, the Group was engaged in enhancing its non-fertilizer capabilities, focusing on products located further down the value chain that can earn higher margins. We launched the Polyamide Plant II in Tarnów and also decided to expand the scope of the Police Polymers project to include a polypropylene unit. These steps will allow us to further develop our non-fertilizer business, providing us with viable opportunities to diversify our revenues and boost earnings. As regards energy security, in recent months the Group companies signed favourably priced contracts with leading gas and coal suppliers, and in Puławy a major investment project will soon be launched to construct a coal-fired power generating unit.*

*In 2017, we remained firmly committed to our development through innovation strategy. The Group aims to be a leader in the implementation of R&D solutions. To this end, we are setting up a new Research and Development Centre in Tarnów, where we will be working to develop advanced materials, modern fertilizer products and environment-friendly solutions. We engage with start-ups in the field of precision agriculture, satellite farming and other areas. The Group's open approach to innovation is also manifest in its participation in Innovation Pitch or launch of Idea4Azoty, its own innovative accelerator*



*programme allowing authors of innovative inventions to obtain the Group's all-round support, from co-funding, through access to facilities, to advisory services.*

*Also in terms of financial performance, 2017 was a successful year for the Group. Growing revenues and operating earnings have clearly confirmed the effectiveness of the Group's strategy combined with its skilful navigation of the macroeconomic and market environments.*

*The Group has consistently implemented its investment programme, its 2017 capital expenditure having again topped PLN 1bn. Another noteworthy fact is our safe debt levels: with a net debt to EBITDA ratio of about 0.3 we can implement our growth plans while retaining high credit ratings from financial institutions.*

*I wish to thank the employees for their commitment to building the value of Grupa Azoty as the Polish chemical industry's champion. I would also like to thank the managerial staff and management boards of the Group companies for the energy they have devoted to transforming and modernising the Group. Likewise, I extend my thanks to the Supervisory Board for the support they have provided in transforming the Group into a modern, efficient organisation ready to take on ambitious challenges in both Polish and international markets.*

*Yours faithfully,*

*Wojciech Wardacki, PhD*

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