



Grupa Azoty Group
Consolidated report on payments to governments
for the 12 months ended December 31st 2020

Contents

1. General information
 - 1.1. Basis of preparation
 - 1.2. Description of the Group
 - 1.3. Upstream operations
2. Payments to governments by country
3. Payments to governments by project
4. Policies followed in the preparation of this report on payments to governments
 - 4.1. Key preparation policies
 - 4.2. Key presentation policies

1. General information

1.1. Basis of preparation

This consolidated report on payments to governments has been prepared in accordance with the provisions of Section 6a of the Accounting Act of September 29th 1994 (Dz.U. of 1994, No. 121, item 591, consolidated text: Dz.U. of 2021, item 217), and presents payments to governments made by the Grupa Azoty Group with regard to the upstream sector.

To satisfy the requirements of Art. 63e-Art. 63k of the Accounting Act, the Grupa Azoty Group prepares a consolidated report on payments to governments including information on:

- Total amount of payments made to governments in a given country, broken down into payments made at appropriate government levels,
- Total amount of payments made to governments in a given country, at appropriate government levels, broken down into payment categories set out in Art. 63e.6 of the Accounting Act,
- Where payments have been assigned by the entity to a specific project – total amount of payments for each project, broken down into payment categories set out in Art. 63e.6 of the Accounting Act.

Grupa Azoty S.A. (the “Parent”), as the parent of the Grupa Azoty Group (the “Group”), is obliged to issue a consolidated report on payments to governments as at December 31st 2020, including data of the Group companies operating in the upstream sector.

Payments to governments presented in this report are related to the exploration for, appraisal and production of sulfur in Poland.

1.2. Description of the Group

Grupa Azoty S.A. was entered in the Register of Businesses in the National Court Register (entry No. KRS 0000075450) on December 28th 2001, pursuant to a ruling 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.

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.

1.3. Upstream operations

In 2020, the Grupa Azoty Group included one company operating in the upstream sector: Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A., with its registered office in Grzybów, Kielce Province. Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. is Poland’s largest producers of liquid sulfur.

Sulfur is produced at the Osiek Sulfur Mine, based on a closed-loop system for heat and formation water. On the premises of the Osiek Sulfur Mine, there is a sulfur granulation and pastillation unit enabling transformation of liquid sulfur into granules (sized 0.5mm-6.3mm) and pastilles. The key purpose of the granulation and pastillation processes is to facilitate and reduce the cost of long-haul transport (by sea). The Osiek Sulfur Mine is the only operational sulfur mine in the world. Sulfur is typically obtained through refining crude oil and natural gas. This product is economically competitive to sulfur extracted using the underground melting method as the costs of its production are charged to the main product - oil or gas, and sulfur is treated as a by-product or waste.

2. Payments to governments by country

Payments by country in 2020

	Taxes levied on income, production or profits, excluding taxes levied on consumption, such as value added taxes, personal income taxes or sales taxes	Royalties	Licence fees, rental fees, entry fees, and other considerations for licences or concessions	Total
POLAND:				
Central and local authorities:				
Revenue Office in Kielce	114	-	-	114
County Councils	-	-	193	193
Marshal Office of Kielce Province	-	208	-	208
Regional Directorate for State Forests in Radom	-	406	-	406
Customs Chamber in Nowy Targ	109	-	-	109
National Fund for Environmental Protection and Water Management	-	298	-	298
Ministry of Environment	-	-	21	21
Undertakings supervised or controlled by the authorities:				
Municipality and Town Municipal Offices	-	447	8,300	8,747
TOTAL	223	1,359	8,514	10,096

Payments by country in 2019

	Taxes levied on income, production or profits, excluding taxes levied on consumption, such as value added taxes, personal income taxes or sales taxes	Royalties	Licence fees, rental fees, entry fees, and other considerations for licences or concessions	Total
POLAND:				
Central and local authorities:				
Revenue Office in Kielce	1,119	-	-	1,119
County Councils	-	-	185	185
Marshal Office of Kielce Province	-	200	-	200
Regional Directorate for State Forests in Radom	-	673	-	673
Customs Chamber in Kraków	157	-	-	157
National Fund for Environmental Protection and Water Management	-	435	-	435
Ministry of Environment	-	-	1,015	1,015
Undertakings supervised or controlled by the authorities:				
Municipality and Town Municipal Offices	-	586	7,897	8,483
TOTAL	1,276	1,894	9,097	12,267

3. Payments to governments by project

Payments by project in 2020

	Taxes levied on income, production or profits, excluding taxes levied on consumption, such as value added taxes, personal income taxes or sales taxes	Royalties	Licence fees, rental fees, entry fees, and other considerations for licences or concessions	Total
Payments at project level				
Sulfur Production Project	114	745	21	880
Total projects	114	745	21	880
Payments at entity level				
Payments at the level of Grupa Azoty KiZCh Siarkopol S.A. ¹⁾	109	614	8,493	9,216
Total payments at entity level	109	614	8,493	9,216
TOTAL	223	1,359	8,514	10,096

¹⁾ The largest item of taxes levied (PLN 114 thousand) is corporate income tax; the largest item of fees is property tax (PLN 8,264 thousand) and royalties (PLN 745 thousand).

Payments by project in 2019

	Taxes levied on income, production or profits, excluding taxes levied on consumption, such as value added taxes, personal income taxes or sales taxes	Royalties	Licence fees, rental fees, entry fees, and other considerations for licences or concessions	Total
Payments at project level				
Sulfur Production Project	1,119	977	1,015	3,111
Total projects	1,119	977	1,015	3,111
Payments at entity level				
Payments at the level of Grupa Azoty KiZCh Siarkopol S.A. ¹⁾	157	917	8,082	9,156
Total payments at entity level	157	917	8,082	9,156
TOTAL	1,276	1,894	9,097	12,267

¹⁾ The largest item of taxes levied (PLN 721 thousand) is withholding tax; the largest items of fees are property tax (PLN 7,897 thousand), royalties (PLN 977 thousand), and fees for using geological information (PLN 994 thousand).

4. Policies followed in the preparation of this report on payments to governments

4.1. Key preparation policies

This consolidated report on payments to governments has been prepared on a cash basis. In 2020, no in-kind payments were made.

The data contained in this consolidated report on payments to governments is presented in the Polish zloty, rounded to the nearest thousand. The Polish zloty is the Group's functional currency.

4.2. Key presentation policies

The following presentation policies have been applied in the preparation of this consolidated report on payments to governments:

Payments

Amounts paid to governments - appropriate tax authorities of the Republic of Poland, related to the exploration for, discovery, development and production of sulfur (upstream operations).

Governments

Government means any national, regional and local authority, including undertakings supervised or controlled by such authorities (including state-owned companies).

Projects

A project is defined as the operational activities carried out in a distinct exploration area under a licence obtained for that area, which form the basis for payment liabilities to a government.

Payments are disclosed at project level, except where it is impossible to assign them to a given project - in such cases payments are disclosed at entity level.

Identified payment categories

- a) Taxes levied on income, production or profits of the companies, excluding taxes levied on consumption, such as value added taxes, personal income taxes or sales taxes.

This payment category includes also excise tax on electricity consumption and interest accrued from the date of classifying amounts spent on acquisition or production of assets as tax-deductible expenses until the date on which the period of their use exceeds one year.

- b) Royalties.

This item includes emission charges, annual charges, and environmental charges.

- c) Licence fees, rental fees, entry fees, and other considerations for licences or concessions.

This category includes also payments related to tax on means of transport used in upstream operations and paid property taxes.

Signatures of members of the Management Board

Signed with qualified electronic signature

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Tomasz Hinc

President of the Management Board

Signed with qualified electronic signature

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Mariusz Grab

Vice President of the Management Board

Signed with qualified electronic signature

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Tomasz Hryniewicz

Vice President of the Management Board

Signed with qualified electronic signature

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Artur Kopec

Member of the Management Board

Signed with qualified electronic signature

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Witold Szczypiński

*Vice President of the Management Board,
Director General*

Signed with qualified electronic signature

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Filip Grzegorzczak, PhD

Vice President of the Management Board

Signed with qualified electronic signature

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Grzegorz Kądziałowski, PhD

Vice President of the Management Board

Tarnów, April 12th 2021