

Moderator: Visit our investor chat room for a chat with Paweł Łapiński, Vice President of the Management Board of Grupa Azoty S.A., to be held at 1pm on Tuesday, May 16th 2017. You can post your questions in advance!

Paweł Łapiński: Welcome everyone. With the spring weather outside, sitting at a computer is probably the last thing you'd want to do, but still I encourage you to stay with us and participate.

mm: Mr Vice President, when can we expect the Management Board's 2016 dividend proposal? Will the company pay out a dividend for 2016?

Paweł Łapiński: We expect to have a dividend proposal ready within the next two to three weeks. In line with the updated strategy announced a few days ago, the maximum dividend payout ratio is 60% of net profit. Currently, I can see no reason why the Management Board would not recommend a dividend for 2016.

olek: The updated strategy does not specify if dividends will now be paid from consolidated or non-consolidated profit. Please clarify.

Paweł Łapiński: We didn't need to state that expressly since under the Commercial Companies Code dividends are paid out of non-consolidated profit of Grupa Azoty S.A. as the sole permitted source of distributions.

TheFox: Please explain the statement from the strategy: "Grupa Azoty as a platform for cooperation with state-owned companies".

Paweł Łapiński: Cooperation with state-owned companies is taking place through various platforms, trade for instance, with strategic raw materials such as natural gas and coal purchased from PGNiG and Polish coal companies; Grupa Azoty is a major consumer of strategic feedstocks in Poland. Another area is the company's participation in various investment projects, such as the coal gasification project implemented in partnership with Tauron and, at an earlier stage, with KGHM. We work with state-owned companies in the field of R&D and intend to foster these partnerships. For example, KGHM Group companies take part in research projects run by Grupa Azoty. There are other areas too – it's a very broad concept.

ATRE: Why did EBITDA margin drop by more than 4pp in Q1 2017?

Paweł Łapiński: Indeed, Q1 EBITDA dropped 4pp year on year, mainly driven by the conditions in the fertilizer market. Higher year on year gas prices (about EUR 18–19/MWH in Q1 2017 vs EUR 14–15/MWH in Q1 2016) combined with lower market prices of compound fertilizers (with NPK prices down by nearly 15%) had an impact on overall EBITDA. On the other hand, Q1 2017 saw improved margins in the Plastics and Pigments segment, with stable quarter on quarter profitability of the Chemicals segment, which produced an overall EBITDA margin of around 17%.

Dariusz: When will we know the final cost of the coal project in Kędzierzyn? Has the project been given a go ahead, or can you still withdraw from it after analyses?

Paweł Łapiński: At the pre-FEED stage, the cost is estimated at EUR 400–600m, depending on the product scenario (methanol, ammonia). It falls within the range assumed in the feasibility study, and should be confirmed at the FEED stage. If pre-FEED

economic analyses confirm or demonstrate better economic parameters, we will proceed with the project.

olek: Do you agree with market analysts, who unanimously stress that execution of two large projects, the coal gasification project in Kędzierzyn and the PDH project in Police, is beyond your financial means? What is your planned CAPEX until 2020?

Paweł Łapiński: Execution of the investment projects is not beyond our financial means. We have a wide range of instruments to support the achievement of our goals. Grupa Azoty is currently working on optimal scenarios for funding the investment projects included in the updated strategy. It should be noted that Grupa Azoty plans to execute the “Construction of a coal gasification unit for chemical production” project in partnership with TAURON, in accordance with a letter of intent dated April 20th 2017. The CAPEX plan until 2020 is an open question; since work on the three largest projects is still under way (with the schedules and final values yet to be determined), the publication of project details would carry the risk of error. Therefore, we decided to publish CAPEX for 2017 only.

Beata: The company’s inclusion in the WIG20 index, a priority for the former management, is not mentioned in the updated strategy. Why is that?

Paweł Łapiński: Grupa Azoty’s presence in the WIG20 remains a priority. The updated strategy does not expressly state this objective because we decided to highlight what has changed, but we have not given up efforts to have our stock listed in the WSE’s main index. This objective has been partly met with our presence in the WIG30 index of the largest companies on the Polish capital market, something we are very proud of.

marek: Hello. Last year, your CAPEX exceeded EBITDA. Considering your extensive investment plan until 2020, will this trend continue in the coming years?

Paweł Łapiński: Grupa Azoty incurred significant CAPEX in 2016 to fund the final phase of several capital investment projects implemented as part of the operationalisation of the 2013 strategy, which are in commissioning stage now, and we expect them to make an additional contribution to EBITDA in the coming years, so the increase in CAPEX until 2020 should be correlated with higher EBITDA.

Wessen: What is the most important objective defined in the new strategy?

Paweł Łapiński: The company did not publish a new strategy but an update to the existing strategy for 2013–2020. The purpose of the update was to adjust the strategy to reflect changes in the macroeconomic environment and technology, and to review major investment projects. Another important aspect of the update is further consolidation of the Group, particularly in the area of trade/sales, use of production assets, finance, logistics, and other areas. In the strategy, we underscored the importance of new technologies, especially in the plastics, OXO alcohols and specialty fertilizers segments. We are also interested in technologies for agricultural support services; in this context, our collaboration with startup companies is particularly worth noting.

inwestor długoterminowy: What factors will drive the company’s results in the coming quarters?

Paweł Łapiński: We are definitely optimistic about B2B segments (including Plastics, Pigments, OXO and Chemicals), which benefit from bright prospects for the manufacturing, construction, and automotive industries. This optimistic outlook is

supported by strong economic growth forecasts for Poland and Germany, our key trade partner. In the Agro segment, fertilizer application and replenishing stocks for the next season is coming to an end. Urea prices, which have fallen to USD 170, obviously are a cause of concern and are bound to be reflected in nitrogen fertilizer prices in the coming season. But please remember that we have the advantage of being able to flexibly manage nitrogen (ammonia) feedstock. We will closely monitor the situation in Chemicals and allocate the feedstock so as to maximise margins.

Investor: What about the project in Senegal? Did you discontinue exploration activities in Senegal after impairment losses on both deposits were recognised in 2014 and 2015 and a new contract for the supply of phosphate rock was signed with OPC?

Paweł Łapiński: The potential of the Senegalese investment is being analysed by a specialist firm. Also, the quality and size of the deposits are being evaluated. Decisions will be made when we have the results. As regards the contract with OPC, it is part of our daily operations, and has nothing to do with the Senegalese project.

czarny: Will the dividend this year be higher than last year?

Paweł Łapiński: The payment of a dividend and its amount is for the General Meeting to decide. As I mentioned earlier, the Management Board will soon announce its recommendation on the payment of a dividend for 2016.

Tadeusz Kamiński: The strategy provides for the strengthening of the second operating pillar. How much can it grow as a percentage of the Group's revenue and earnings?

Paweł Łapiński: The second pillar will be primarily based on the two key investment projects – the PDH project and the coal gasification project for the production of methanol or ammonia. At present, there is no definitive answer to your question because in the case of PDH we are considering extending the product chain, which would have a significant impact on revenues. We should know the answer to this question in the third quarter of 2017. The same is true about the coal gasification project, where production volumes and prices for methanol and ammonia differ substantially. Again, more precise estimates will be available once we have completed the pre-FEED stage, most likely in September.

GPWfan: What was the reason behind the sharp fall in cash flow in Q1?

Paweł Łapiński: The drop mainly reflected working capital changes. The significant year-on-year increase in receivables was mainly attributable to increased sales of caprolactam on the Asian market, with payment terms adjusted to the local context.

Hubert: Will the company seek to increase its sales abroad?

Paweł Łapiński: We are looking into opportunities for the company and the Group to enter new markets and grow or maintain shares in existing markets. As regards Agro Fertilizers, we want Poland to remain our strategic market, and EU countries to be our second most important market, with sales opportunities on markets with different seasonal cycles (overseas) monitored on an ongoing basis. The key market for B2B products, including plastics, OXO products and melamine, is the European Union.

czarny: Is the Company going to buy LNG from PGNiG via the Świnoujście terminal?

Paweł Łapiński: We have a framework agreement signed with PGNiG for the supply of gas for the entire Group, and at present we have no plans to purchase LNG.

Cezary12: Is the Company considering a share or bond issue to help finance its broad-based investment programme?

Paweł Łapiński: Grupa Azoty is considering options to further diversify its financing sources, including a bond or eurobond issue, under the existing centralised financing model, the first phase of which was a package of long-term corporate financing agreements executed in 2015. Of course a decision to issue bonds must take into account a comparison of costs of the capital sources available to the Group and the overriding goal of ensuring financing security in the long term.

fundamentalista: Are you considering any acquisitions, or are you focusing on organic growth?

Paweł Łapiński: We consider all available growth scenarios, both acquisitions and organic growth. Our priority is to create value for Grupa Azoty. As we stressed in the recently published strategy update, we will take advantage of market opportunities as they arise, keeping a particularly close eye on the fertilizer market. Further consolidation of the Group, supported by implementation of the product strategy and commitment to research and development, will allow the Group to achieve stable organic growth.

Luigi: What is the reason behind the surge in receivables?

Paweł Łapiński: Revenue for Q1 was over PLN 200m higher than the figure posted for the same period last year. So, an increase in receivables should not be a concern. The increase in sales resulted from higher prices of caprolactam exported to Asian markets, which have payment terms aligned to local requirements (and this is reflected in the level of receivables).

czarny: Can we expect further improvement in the Plastics segment, which has always weighed on the Group's results?

Paweł Łapiński: As most B2B segments, the Plastics business is closely correlated with business cycles and conditions in the upstream sector (petrochemical feedstocks). In the near term, forecasts for the economy and crude oil prices are optimistic. Constructive conditions in the plastics market are supported by an uptick in the automotive, clothing and film markets. We also benefit from production cuts in China.

witos: The Company has considerably increased sales in Asia. Will this trend continue in the coming quarters?

Paweł Łapiński: Yes, we expect this trend to continue in the quarters ahead. The increase was mainly driven by market conditions in China, where capacity utilisation rates were substantially reduced as a result of low margins and environmental protection measures put in place. Market signals indicate that this situation may persist for a few years.

Beata: You have said that the Group is analysing acquisition opportunities. Can we expect any acquisitions this year, of Orlen's Anwil perhaps?

Paweł Łapiński: We consider all potential acquisition opportunities, and if any final decisions are made, we will announce them in a current report.

Dariusz: Will the propylene unit be financed from the Group's own funds, or are you considering participation of the Polish Development Fund (PFR), as was the plan in 2015?

Paweł Łapiński: The financing structure for the propylene unit is still an open question. We are analysing and take into account participation of financing institutions like PFR.

Globalny Inwestor: In which areas will the Group build value for shareholders?

Paweł Łapiński: Our value creation efforts are focused on four key areas. In addition to reinforcing the Group's leading position as a supplier of agricultural solutions in Europe, the Group will seek to strengthen the second pillar of operations and expand its non-fertilizer business; develop and implement innovations to drive growth of the chemicals segment; and complete the Group consolidation process.

Ala: How much can the company save once the consolidation process is complete? Will there be any financial benefits?

Paweł Łapiński: Consolidation is a continuous process where the completion of one stage is the start of another. We have already seen the results of this process. They have contributed to our quarterly results since the third quarter of 2016. The final outcome will be seen when the implementation of the capital investment programme and the strategy is complete.

Paweł Łapiński: Ladies and Gentlemen, we are running out of time. Thank you for your questions and taking part in the webchat. I am really glad to see Grupa Azoty attracts so much interest. All your questions are thoroughly analysed and give us a valuable insight into investors' expectations. We will have another opportunity to meet at the 21st WallStreet Investor Conference, which will be held in Karpacz at the beginning of June. As always, Grupa Azoty will be there, and I cordially invite you to attend as well. See you next time.