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Estimated effect of non-cash non-recurring events on consolidated and separate financial statements for 2023

On 9 February 2024, Grupa Azoty S.A. published a current report in which it announced that in the course of work on the preparation of the full-year consolidated financial statements for the financial year 2023 indications of impairment of the assets of Grupa Azoty Polyolefins S.A., with an effect on the value of Grupa Azoty S.A.'s assets, were identified.

Following preliminary analyses and impairment testing of Grupa Azoty Polyolefins' assets, potential impairment of the Company's assets was identified. Analyses indicated that it was potentially reasonable to recognise impairment losses on a portion of assets within the Subsidiary. This is due to the project execution delays reported by the general contractor Hyundai Engineering Co., Ltd. and the observed deterioration of the short-term and medium-term outlook for the polypropylene market in Europe.

"High inflation in Europe was the principal factor holding back demand for polypropylene, which in the first half of 2023 was below the anticipated averages for that period of the year. The second half of 2023, despite the earlier optimism of market analysts, was still marked by moderate demand for polypropylene and considerable hesitation among market participants. Currently, based on information from various independent analysts and market advisors, demand should pick up in the second half of 2024 and the European polypropylene market is expected to experience gradual and steady growth in the long term. Current spreads are lower than those recorded in previous years. It should be noted that the Polimery Police Project's profitability and economics are not based on short-term market assumptions but rather on long-term market growth projections. Despite the delays by general contractor Hyundai Engineering Co., Ltd. in the implementation of the project, the production and sale of polypropylene under the Gryfilen® brand are proceeding on a continuous basis, and production capacity is being increased, having currently reached 80% of target, and generating revenue at the Company," says Wojciech Blew, acting President of the Grupa Azoty Polyolefins Management Board.

The potential estimated non-cash effect of the above event will reduce Grupa Azoty S.A.'s consolidated EBIT for 2023 by PLN 900m.

The event will have no effect on consolidated EBITDA.

An impairment loss on Grupa Azoty Polyolefins assets recognised in the full-year consolidated financial

statements for 2023 may result in the need for Grupa Azoty S.A. to recognise an impairment loss of PLN 300m on Grupa Azoty Polyolefins shares in the full-year separate financial statements for 2023.

The potential estimated non-cash effect of the above event will reduce the gross profit disclosed in Grupa Azoty S.A.'s full-year separate financial statements for 2023 by approximately PLN 300m. As the write-down of the value of the shares will be recognised in finance costs, it will not reduce the Company's separate EBIT and EBITDA for 2023.

A corresponding write-down of the value of Grupa Azoty Polyolefins shares will be recognised in the full-year financial statements of Grupa Azoty Police.

Please note that the above amounts are estimates, have a non-cash nature, and are subject to change. Estimation of the value of non-current assets is made as an annual and recurring analysis conducted by companies reporting in accordance with the requirements of International Reporting Standards. This amount may change or even reverse if the aforementioned polypropylene price trends change," Wojciech Blew added.

Both the assumptions underlying the asset impairment test and the Grupa Azoty S.A. financial statements for 2023 are subject to verification and audit, respectively, by the auditor. The Group plans to publish its consolidated and separate full-year report on 10 April 2024.

The potential estimated non-cash effect of the impairment loss on Grupa Azoty Polyolefins assets may affect other components of Grupa Azoty S.A.'s financial statements.

Grupa Azoty S.A. is conducting an analysis to assess the effect on other components of its financial statements.