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Grupa Azoty Group and PGNiG sign gas supply contract

On June 21st 2017, Grupa Azoty S.A. and its subsidiaries entered into gas supply contracts with Polskie Górnictwo Naftowe i Gazownictwo S.A.

The contracts provide for supplies of gas fuel from October 1st 2018 until September 30th 2020, with an option to extend the period for two more years, until September 30th 2022. Signing of the contracts involved shortening of the term of the existing contracts to September 30th 2018. *"The new contracts with PGNiG are a guarantee of long-term security of uninterrupted supply of gas, a key feedstock to the Grupa Azoty Group. The contracted volumes are of strategic importance to the Grupa Azoty Group, the largest gas consumer in Poland. When negotiating the contracts with PGNiG, we were able to leverage our position as an integrated group and thus achieve synergies, optimising the purchase costs and terms. Two aspects of the newly signed contracts are particularly important to the Group. The first are the attractive price and the pricing formula, based on market gas price indices, and the second is the fact that the contracts concluded by the Grupa Azoty Group companies are treated jointly as inseparable elements of the transaction with PGNiG. This enables joint settlement of the purchased gas volumes,"* said Tomasz Hinc, Vice President of Grupa Azoty. The total value of the new contracts, over their four-year term, may reach approximately PLN 7bn. *"The Grupa Azoty Group is our long-time, strategic customer for natural gas. The new contracts are the best proof that both parties appreciate their long-established cooperation. Our trading partners welcome the competitive solutions that we offer, including the ability to purchase gas at prices based on market gas price indices. Our competitive offering and reliability are a springboard for further success on the increasingly liberal Polish gas market,"* said Maciej Woźniak, Vice President of PGNiG SA for Trade. The Grupa Azoty Group's four key plants need natural gas primarily for production of fertilizers. In recent years, the Group's annual natural gas consumption has remained stable at approximately 2 billion normal cubic metres, making the Grupa Azoty Group the largest consumer of natural gas in Poland. Optimization of the gas purchase process is of fundamental importance to the Grupa Azoty Group's ability to compete in the fertilizers segment. With the new contracts, which are likely to meet approximately 80% of the Grupa Azoty Group's total demand for gas, PGNiG will continue as a strategic supplier of fuel gas to the Group companies. Besides Grupa Azoty S.A., the contracts were signed by the following subsidiaries: Grupa Azoty Zakłady Azotowe Puławy S.A., Grupa Azoty Zakłady Chemiczne Police S.A., Grupa Azoty Zakłady Azotowe Kędzierzyn S.A., and Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. **The Grupa Azoty Group is the undisputed leader of the fertilizer and chemical market in Poland and one of its key players in Europe. It**

is the second largest EU-based manufacturer of nitrogen and compound fertilizers, and its other products, including melamine, caprolactam, polyamide, oxo alcohols and titanium white, enjoy an equally strong standing in the chemical sector, with a wide range of applications in various industries. In May 2017, the Group announced its updated strategy until 2020. The key development areas cover finalizing the Group's consolidation, reinforcing leadership in agricultural solutions in Europe, strengthening the second operating pillar through expansion of the non-fertilizer business, and generating and implementing innovations to accelerate growth in the chemical sector. **Polskie Górnictwo Naftowe i Gazownictwo SA** is the leader in the Polish natural gas market. It is a publicly traded company listed in the WIG 20 index of the Polish blue-chip stocks. PGNiG's business comprises exploration for and production of natural gas and crude oil, and – through its key subsidiaries – the company is also active in the area of import, storage, sale and distribution of gas and liquid fuels, as well as heat and electricity generation. PGNiG S.A. holds equity interests in 29 subsidiaries, including providers of specialist geophysical, drilling and well services, highly valued on international markets.