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THE CONTRACT FOR THE REALIZATION OF THE “POLIMERY POLICE” PROJECT WAS SIGNED

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Under the contract, the contractor will comprehensively develop a new petrochemical complex. Moreover, it will ensure achievement and maintenance of guaranteed parameters specified in licence agreements for PDH and PP installations. The Contractor will also obtain all administrative decisions, consents, approvals, certificates and opinions required by the law, as well as will conduct trainings for the company's personnel.

The subject of the signed contract is a comprehensive implementation of the “Polimery Police” Project, i.e. a new petrochemical complex in Police consisting of five sub-projects: (1) propane dehydrogenation installation (PDH Installation), (2) polypropylene production installation (PP Installation), (3) polypropylene packaging, storage, logistics and forwarding system, (4) auxiliary system and (5) Handling and Storage Terminal (gas terminal).

The remuneration due to the Contractor is lump sum remuneration and amounts to EUR 992,811,000 net for the basic scope.

The total estimated budget is about EUR 1.5 billion, of which about EUR 1.2 billion will be investment outlays (Contractor's remuneration, licence purchases, preparatory works, capitalised wage costs, etc.). The remaining amount will consist of the non-capitalised costs of PDH functioning, financial costs during the construction period and the assumed reserves for debt service and for exceeding the project implementation costs, resulting from the specific financing of the Project in the form of project finance.

As a result of the significant progress achieved in recent weeks in the construction of the financing structure of the Project, the companies of Grupa Azoty are approaching the development of its target formula. In April this year, shareholders of Grupa Azoty Police issued a consent to conduct a public offering of shares with pre-emptive

rights of the existing shareholders, worth approximately PLN 1 billion. Initial declarations concerning the capital investment were made by Hyundai and Korea Overseas Infrastructure & Urban Development Corporation. These entities expressed their interest in starting negotiations in order to potentially participate in financing the Project planned by PDH by taking up new shares in the share capital of PDH and making a contribution to the share capital in the amount of USD 80 and 50 million respectively. For this purpose, the above-mentioned entities concluded an agreement on investment cooperation with PDH, the provisions of which remain valid until 1 December 2019. (<http://tarnow.grupaazoty.com/creport-27-2019.html>)

A letter of intent was also signed between Grupa Azoty S.A., Grupa Azoty Police and Grupa Lotos concerning the potential participation of Grupa Lotos in financing the Project Polymery Police and taking up new shares in the share capital of PDH Polska S.A. and making a cash contribution to the share capital of PDH Polska of up to PLN 500 million. (<http://tarnow.grupaazoty.com/creport-24-2019.html>)