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## **Grupa Azoty to participate in financing of the PDH project**

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On October 4th 2016 in Police, Grupa Azoty S.A. signed a letter of intent with its subsidiary Grupa Azoty Zakłady Chemiczne Police S.A. on equity participation in the PDH project. In the document the parties declared their intent to collaborate in raising equity funding for the project. The signing ceremony was attended by the Polish President Andrzej Duda.

“Poland’s success in building a modern industrial sector depends on our continued commitment to promoting industrial development. Global competitiveness of our industry can only be achieved through investing in the manufacture of top-quality processed goods. Your ambitious project serves this purpose very well. I would like to congratulate the presidents of both companies on their ability to make bold decisions,” said President Andrzej Duda during the event.

The contemplated project provides for the construction of a propane dehydrogenation unit for propylene production with a targeted annual capacity of over 400 kilotonnes. The subsidiary responsible for the project execution is PDH Polska S.A.

“Given its size and long-term potential, the project is of strategic importance not only to the Grupa Azoty Group but to the national economy as a whole. As propylene can be further processed into a wide range of goods, with this project we are laying groundwork for our future expansion into new product lines,” noted Mariusz Bober, President of the Grupa Azoty Management Board. “Our entry into a new market segment where business cycles differ from those associated with the products we already offer will help us diversify the Group’s product portfolio, particularly in the chemicals and plastics businesses, and will create opportunities for further development of PP processing in the region in the longer term,” added Mr Bober.

“Clearly, we at Grupa Azoty Police expect a lot of this project. I am confident that people directly involved in the project, but also the Grupa Azoty Group’s partners and ambitious job seekers across Poland, will be proud of this new PDH facility,” said Wojciech Wardacki, Grupa Azoty Police CEO, during the signing ceremony.

Currently, following a review, the total value of the PDH project covered by a project finance plan (including

capital expenditure, capital expenditure reserve, finance costs in the construction phase, debt service reserve account and PDH Polska's operating expenses in the construction phase) exceeds USD 700m (over PLN 2,693m, as translated at the mid exchange rate quoted by the National Bank of Poland for October 4th 2016). The model funding structure is 30 percent subordinate financing (equity and a subordinated loan) and 70 percent senior debt. The final estimate of the funding requirements for the PDH project will be prepared after the FEED phase has been completed and after the general contractor has been selected for the project.