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## Grupa Azoty Group posts record revenue for the first nine months of 2019

**The Grupa Azoty Group reported consolidated revenue of PLN 2,564m for the third quarter of 2019, an increase of PLN 239m year on year. Revenue for the first nine months of 2019 reached a record level.**

Consolidated revenue for the period from January to September of 2019 was PLN 8,666m, with EBITDA at PLN 1,257m and EBITDA margin at 14.5%, a year-on-year increase of PLN 1,465m (revenue), PLN 684m (EBITDA) and 6.6pp (EBITDA margin). In the period under review, Compo Expert, a company acquired in November 2018, contributed PLN 1,202m to the Group's revenue and PLN 103m to EBITDA.

In the third quarter alone, EBITDA was PLN 316m, with EBITDA margin at 12.3%, a year-on-year increase of PLN 272m and 10.4pp, respectively. Pre-tax profit was PLN 83m, compared with a loss of PLN 127m a year earlier, and net profit was PLN 61m compared with a loss of PLN 117m in the same period of the previous year. Earnings per share were PLN 0.60 for the third quarter (PLN -1.06 the year before) and PLN 4.26 for the first nine months (PLN 0.18 the year before).

"We are particularly pleased with the performance delivered by our core Agro business. As gas prices stabilised in the third quarter of 2019 at a low level last seen in September 2018 and fertilizer prices strengthened, the segment was able to deliver a solid EBITDA margin of almost 16%. We consistently implement strategic projects to optimise and increase production in core segments, as well as to further diversify revenue sources. We are about to finalise capital raising for the construction of a polypropylene unit under the Polimery Police project. An issue of Grupa Azoty Zakłady Chemiczne Police shares was launched a few days ago," said dr Wojciech Wardacki, President of the Management Board of Grupa Azoty S.A.

### Fertilizers

In the third quarter of 2019, the Fertilizers business earned revenue of PLN 1,522m (including PLN 334m contributed by Compo Expert), compared with PLN 1,109m a year earlier, and delivered an EBITDA margin of 12.9% (in the same period last year EBITDA margin was negative, at -7.6%). Year to date, the segment generated total revenue of PLN 5,191m (including PLN 1,202m contributed by Compo Expert) and an EBITDA margin of 15.7%, a significant increase on last year's figures of PLN 3,426m (revenue) and 0.5% (EBITDA margin). The relatively strong profit margins were driven by higher product prices and lower natural gas prices (down about 30%).

### Plastics

The third quarter of 2019 was another period of weaker performance delivered by the segment. Revenue stood at PLN 339m, having fallen by PLN 25m year on year, and EBITDA margin amounted to 0.9% (a decrease of 7.9pp year on year). Year to date, total revenue was PLN 1,129m (down PLN 65m year on year), and EBITDA margin

came in at 7.4% (down 5.3pp year on year). From January to the end of September, prices of the key feedstocks (phenol and benzene) were lower than last year. Prices of natural polyamide, the segment's key product accounting for 80% of its revenue, dropped by about 8% year on year, yet a year-on-year increase in sales volumes of almost 6% enabled the segment to deliver revenue close to last year's level. No major shifts in the plastics market have been seen in recent months, with supply remaining ample and demand low but rising (mainly in the packaging industry). Demand from the automotive sector remains soft and, according to most analysts, a recovery is unlikely in the near term.

#### Chemicals

Year on year, segment revenue fell 24.0% to PLN 574m in the third quarter, with EBITDA margin up 3.3pp, to 7.3%. Sales volumes of the segment's key products (technical grade urea, OXO alcohols, melamine, and titanium white) decreased in the period, with prices also down (except for technical grade urea). NOXy and other urea solutions were the only products that delivered revenue growth. Year to date, revenue and EBITDA margin amounted to PLN 2,008m (down 11.5% year on year) and 10.4% (down 0.5pp year on year), respectively.

"Conditions in the plastics market continue to be challenging. The main reasons include a slow economy, the trade war between the United States and China and the protracted Brexit process, which is a major source of uncertainty for EU economies. All those factors are contributing to lower demand and abundant supply of polyamide, which in turn drives down sales prices and profit margins in Plastics. But a recovery is anticipated in the long term, and we see growth of the electric vehicles market as a major opportunity," said Paweł Łapiński, Vice President of the Grupa Azoty Management Board, Finance.

Grupa Azoty 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, plasticisers and titanium white, enjoy an equally strong standing in the chemical sector, with a wide range of applications in various industries. The Grupa Azoty Group key companies in Poland are located in Tarnów, Puławy, Police, and Kędzierzyn-Koźle. The Group's foreign assets include ATT Polymers of Guben, Germany, operating in the plastics segment, and the COMPO EXPERT Group with production plants located in Krefeld, Germany, and Vall d'Uixó, Spain, a leader of the global market of specialty fertilizers for professional customers.

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