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Grupa Azoty with financing for multi-year investment programme

Signing of agreements with a bank syndicate, whereby the facility amount is increased to PLN 3bn, means that Grupa Azoty has secured financing for its investment programme until 2026.

*"We see this decision of the bank syndicate as an expression of trust in our strategy and investment programme , "says Paweł Łapiński, Vice President of the Management Board and CFO of Grupa Azoty. " Financing institutions have always been demanding reviewers of development plans and strategies . Grupa Azoty's investment programme until 2026 is ambitious, but also feasible and necessary for our further development as a leader of the chemical market in Poland. It is designed to diversify our business, upgrade it, move towards higher-margin products and increase our ability to weather economic ups and downs. I believe that this credit facility will also be a clear signal for analysts and investors that Grupa Azoty has strong foundations and ambitious development plans," Paweł Łapiński added. "The agreement signed today is a model example of cooperation of financial institutions (with the prominent role of PKO Bank Polski as the facility agent) which support enterprises of strategic importance for the Polish economy. With the agreement, Grupa Azoty has secured financing for its day-to-day operations and investment projects in the long run. It is also worth noting that the time when the transaction was prepared was relatively short – around three months from the start of negotiations to signing of the documents. This is evidence of effective cooperation among experienced and specialised partners. PKO Bank Polski, as the syndicate agent and a banking sector leader, plays a special role in this cooperation. Our tailored banking offering, highest-class client advisors and wealth of experience allow us to arrange and execute even the most complex financial transactions," said Jakub Papierski, Vice President of the Management Board of PKO Bank Polski, which is the facility agent and representative of the bank syndicate. The new credit facility agreement is a novation of the agreement signed three years ago, serving in particular to increase the facility amount available. The bank syndicate which advanced the facility is composed of PKO Bank Polski, Bank Gospodarstwa Krajowego, Bank Zachodni WBK and ING Bank Śląski. The agreement signed today is part of a long-term financing package, intended for financing Grupa Azoty's general corporate needs, including the strategy and investment programme. On January 25th 2018, Grupa Azoty concluded a EUR 145m long-term credit facility agreement with the European Investment Bank. **Investment programme** The Grupa Azoty Group's updated strategy until 2020, published last year, is a response to the challenges arising from changes in the business and regulatory environment. Global changes, such as market consolidation and focus on innovation, are responses to customers' expectations and changing needs. The Group's updated strategy defines the directions*

to follow in the coming years, and thus serves as basis and the transitional document for building a new ten-year strategy next year. The implementation of the Strategy's key objectives requires, inter alia, an extensive investment programme covering expenditure on both development and replacement projects, while maintaining financial security defined by acceptable debt ratios. In its investment programme, the Grupa Azoty Group plans to carry out investment projects at all the key companies. Projects run by the Group often prove the largest investments projects in a given city, county or province. This shows what a significant impact the Grupa Azoty Group has on the Polish economy, the chemical industry and the local communities. **Tarnów** Last year, Grupa Azoty launched a nitrate fertilizer mechanical granulation plant with a PLN 141m budget and the second polyamide production plant worth over PLN 300m in Tarnów. Through the development of plastics production capacities, Grupa Azoty has also significantly expanded its product portfolio to include plastics for which the largest demand increases are forecast, including plastics for the packaging and film industry and compounded plastics (plastics modified with such additives as glass fibre, dyes or enhancing additives). By the end of the year, the Research and Development Centre (with a construction budget of PLN 68m) will have also been established in Tarnów. The project's principal objective is to expand the infrastructure to increase the scale of the Group's own research activities, to create an environment where results of the research could be verified, to expand the Group's R&D human resources, and to coordinate innovative projects. The Centre is also intended to provide infrastructure facilities for innovative ideas submitted through the Idea4Azoty proprietary accelerator programme launched last year. The programme provides for various forms of support, including financial assistance of up to PLN 20m for an individual project. **Police** The Police Polymers is a polymer production plant manufacturing polyolefin/propylene and polypropylene polymers. Given the capital expenditure, which amounts to around PLN 5bn, it is a strategic project, not only for the Grupa Azoty Group, but also the entire national economy. The Police Polymers' large production capacities are expected to support production of up to 440 thousand tonnes of polypropylene per year, with the product range including homopolymers, as well as statistical and impact copolymers. **Puławy** The investment projects currently implemented at Grupa Azoty Puławy are the largest projects run by the entire Grupa Azoty Group in the fertilizer segment. The first production line of the nitrate fertilizer mechanical granulation unit will be launched already in 2018. The project was started in 2016 and its budget is PLN 385m. As part of it, two production lines will be launched with daily production capacities of 1,400 tonnes of CAN or 1,200 tonnes of mechanically granulated nitrate. The plant will be supported by the complementary storage, packaging and dispatch infrastructure. The second line is planned to start working in Q3 2020. The Grupa Azoty Group's growth scenario also provides for the construction of a new nitric acid production unit in Puławy, which is seen as a key component of the fertilizers production development project. Simultaneously, the existing four nitric acid production lines are to be upgraded. By 2021, Grupa Azoty Puławy's capital expenditure on nitrate fertilizers project will total over PLN 1bn.

Kędzierzyn-Koźle Still in 2018, Grupa Azoty ZA Kędzierzyn will complete the construction of a specialist ester production unit, which will strengthen the Grupa Azoty Group's position on the market of plasticizers, used in the plastics processing industry, as well as in the paint and varnish industry. It will also enable the Group to enter new applications markets. Revenue generated from the unit at nominal capacity may reach several dozen million złoty per year. The currently implemented project whose objective is to increase the production capacity of the unit manufacturing Oxoviflex®, the first Polish non-phthalate plasticizer, is expected to boost the Group's position in the European market and increase its potential of exports to non-European markets. Several dozen million złoty, including almost PLN 10m of public aid, will be spent on the construction of the research and development centre. It will focus on developing new solutions involving oxo alcohols. 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 unveiled its updated strategy until 2020. The key development areas cover completion of the Group's consolidation, reinforcing its leadership in agricultural solutions on the European market, strengthening the second operating pillar through expansion of the non-fertilizer business, as well as generating and implementing innovations to accelerate growth in the chemical sector. The Grupa Azoty Group is the integrator of Poland's chemical industry. By consolidating the plants in Tarnów, Puławy, Police and Kędzierzyn-Koźle, it has ensured that the key chemical companies have remained in Polish hands, while creating a number of cost synergies. By 2017, the consolidation of strategic procurement, production, maintenance, logistics and IT generated savings estimated at no less than PLN 710m. The integration has brought multiple benefits to the Polish economy, the Group as a whole, and its individual plants.

Additional information:

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