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Grupa Azoty achieves strong performance improvement

In H1 2015, Grupa Azoty reported EBIT of PLN 535m, up by 83% year on year (H1 2014: PLN 292m), and net profit of nearly PLN 458m, up by 90% year on year (H1 2014: PLN 241m), on revenue slightly over PLN 5.1bn, close to the figure recorded a year before.

In H1 2015, the EBIT margin reached 10%, compared with 6% in H1 2014.

In Q2 2015, EBIT amounted to PLN 172m (up by PLN 63m year on year), net profit rose by more than PLN 61m to PLN 152m (Q2 2014: PLN 90m), with revenue of nearly PLN 2.3bn (down by PLN 0.1bn year on year).

"In the second quarter, we achieved a year-on-year margin improvement in each of our key business segments despite the overhaul period. Better performance in the second quarter is mainly attributable to cost-cutting measures, undertaken chiefly with respect to purchases of key raw materials. The policy of gas purchase diversification is producing the expected results. We also benefited from a temporary upturn on the plastics market," said Andrzej Skolmowski, Vice-President of the Management Board for Finance.

In Q2 2015, considering all key business segments, the positive developments related to raw materials were particularly advantageous to **the Fertilizer Segment**. The increase in EBITDA by nearly PLN 14m, to PLN 181.1m, was largely driven by the continued optimisation of the gas purchase strategy based on diversification of supply sources (Polish Power Exchange, higher imports), favourable prices under the PGNiG discount scheme, and tariff price reduction from the beginning of the year.

As regards sales, favourable prices of compound fertilizers were accompanied by higher prices of and margins on ammonium sulfate, largely driven by the USD/PLN exchange rate. The situation on the fertilizers market was determined, on the one hand, by mild winter and a period of high temperatures and drought in certain regions of Poland and several EU countries, and stable low prices of urea globally on the other hand. At PLN 16.6m, EBITDA of **the Plastics Segment** improved considerably, having grown by more than PLN 26m on Q2 2014. The 5% margin (up by 8pp year on year) resulted mainly from a better relationship between polyamide and benzene prices (up by an average of 4% year on year), savings on energy carriers, improved sales volume, and a higher USD/PLN exchange rate, affecting in particular the sales of caprolactam manufactured in Puławy. In the first six months of 2015, the segment's EBITDA margin was also positive, at 2%, compared with -1% a year before. There were the first signs of an economic slowdown in China.

The Chemicals Segment recorded a significant year-on-year increase in EBITDA margin, to 6%, with EBITDA at nearly PLN 39m (vs. PLN 24m a year before). The key positive drivers included the effect of lower costs of raw materials which helped increase the profitability of melamine and technical-grade urea, and higher selling prices and margins on export sales of prilled sulfur, supported by the higher USD/PLN exchange rate. The segment's

revenue was down by PLN 60m (nearly 10% year on year), mainly as a result of lower prices of OXO alcohols (reflecting the trend in the price of the raw material – propylene), lower production of OXO alcohols resulting from overhauls at Grupa Azoty ZAK of Kędzierzyn, and lower sales volumes of pigments, whose prices have been falling since 2013. These developments also contributed to the H1 2015 performance – a margin of 8% (up by 1% year on year) on revenue lower by more than PLN 100m.

Read more:

- [Grupa Azoty achieves strong performance improvement - press release 2015.08.26](#)
- [Consolidated Financial Statements 1H 2015](#)
- [Presentation of H1 2015 results \(pdf, 3.15 MB\)](#)