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Grupa Azoty Announces Q3 2024 Financial Results

Grupa Azoty's financial results for Q3 align with estimates published on October 25. In Q3 2024, the Group reported consolidated sales revenue of PLN 3,085 million and an EBITDA result of minus PLN 120 million, with an EBITDA margin of minus 3.9%, reflecting an improvement of nearly PLN 228 million compared to the same period last year. The net loss for Q3 was reduced year-over-year by PLN 517 million to PLN 226 million, compared to a loss of PLN 743 million in Q3 2023.

For the nine months ending in 2024, Grupa Azoty achieved consolidated sales revenue of PLN 9,828 million, with an EBITDA result of minus PLN 299 million and an EBITDA margin of minus 3.0%, an improvement of PLN 1,058 million compared to the same period last year.

"We are steadily improving financial and sales performance, with higher sales volumes in our Chemicals and Plastics segments. However, in Agro, our competitiveness has been impacted by imports of fertilizers from Russia and Belarus. We are following a structured schedule of corrective actions, and we recently launched the AZOTY BUSINESS Program, a comprehensive plan to transform our business model. Our focus on strengthening our business segments is expected to lead to better financial outcomes and debt reduction," **said Andrzej Skolmowski, Vice President of Grupa Azoty S.A..**

Despite the positive impact of lower unit costs on the Group's results, EBITDA margins across key segments remained negative, although they significantly improved year-over-year.

Q3 2024 continued to reflect a challenging global and European economic environment, with insufficient demand in the fertilizer and chemical industries. European producers continued to face pressures from imports into the EU, which affected Grupa Azoty's performance across its main business segments.

Most raw material and energy media prices decreased year-over-year during the quarter, particularly coal and electricity. Natural gas prices rose by 7% year-over-year (TTF), while unit costs within Grupa Azoty remained stable.

Agro Segment

In Q3 2024, the main factors impacting the Agro segment included increased imports of fertilizers from Russia and Belarus, leading to price declines and reduced sales volumes.

Global economic conditions, particularly the influx of cheaper fertilizers into the EU, continued to erode the competitive position of European producers, resulting in further price declines. Average prices for Grupa Azoty's Agro products were 7% lower year-over-year. Farming activity was also constrained due to broader agricultural

market uncertainties, with producers expressing concerns over profitability, weather volatility, and geopolitical tensions. Grupa Azoty recorded a 9% year-over-year decline in fertilizer sales, with nitrogen fertilizers down by 6% and multi-component fertilizers down by 18% (despite an 11% increase in specialized fertilizer sales).

The EBITDA margin for the Agro segment in Q3 2024 stood at minus 4.4%, an improvement of 3.2 percentage points compared to the previous year.

Chemicals Segment

In Q3 2024, the Chemicals segment saw a year-over-year increase in total sales volume, despite declines in product and raw material prices.

Segment performance was primarily influenced by an adverse macroeconomic environment and an oversupply of products from regions with lower production costs than Europe. In response, Grupa Azoty curtailed production in areas such as technical urea and melamine.

The Chemicals segment's EBITDA margin for Q3 2024 stood at minus 6.7%, a 21.9 percentage-point improvement from the same period last year.

Plastics Segment

In the Plastics Segment, Q3 2024 saw a year-over-year increase in both production and sales volumes, accompanied by a drop in raw material prices (phenol) and a rise in the price of the primary product—natural polyamide.

The market situation across the entire product chain remained strongly influenced by demand and supply trends in end-use markets, which were shaped by challenging macroeconomic conditions. Imports of products (fibers, films) to the European market from regions with a higher cost competitiveness continued, despite logistical constraints caused by the conflict in the Middle East. Due to the persistently difficult demand and supply situation, Grupa Azoty Puławy did not resume caprolactam production in Q3 2024, except for brief start-ups of the installation to process available stocks of raw materials and intermediates.

The EBITDA margin for the Plastics Segment in Q3 2024 was at minus 16.1%, an improvement of 17.9 percentage points compared to the same quarter of the previous year. The results for this segment also include production and sales from Grupa Azoty Polyolefins S.A., which is currently in the installation and start-up testing phase, with a total sales volume of approximately 60,000 tons in Q3 2024.