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## Grupa Azoty with PLN 86m in net profit after Q1

**After Q1 2021, the Grupa Azoty Group reported consolidated revenue of PLN 3,362m, an increase of PLN 258m relative to the same period of 2020. Despite higher average prices of most raw materials, including natural gas, EBITDA came in at PLN 405m. Net profit for the period amounted to PLN 86m and EBITDA margin was 12.0%.**

The strong growth in raw material prices (natural gas: over 70% yoy), highly changeable weather leading to a prolonged nitrogen application season (beyond the usual first quarter) and supply chain disruptions, coupled with positive factors such as solid grain prices as well as supply-demand gap with respect to a number of fertilizer and chemical products, demonstrate the scale of challenges and the need for Grupa Azoty to flexibly adapt to rapid changes in its business environment.

*"Evaluation of the Q1 results should take account of the demanding environment in which the Group companies have been operating. In the Fertilizers segment, we were able to deliver double-digit margins (with the EBITDA margin of 12%) despite gas prices having soared above EUR 20 and the prices of CO<sub>2</sub> emission allowances, compensation for which will be significantly reduced in 2021 for the fertilizer industry, having reached levels forecast by experts only for the second part of the current decade. The OXO business delivered a strong performance. The Plastics segment clearly recovered after an extremely difficult pandemic period, while Pigments maintained high profitability in sales. Looking at our business from a long-term perspective, we take a positive view of the results we have posted for the first quarter. From that perspective, the effects of market turbulence are smoothed out, bringing a more balanced dimension to our financial performance,"* **says Tomasz Hryniewicz, Vice President of the Management Board of Grupa Azoty S.A.**

### Fertilizers

The Fertilizers segment's revenue grew by approximately 5% yoy in Q1 2021 (from PLN 1,927m to PLN 2,019m). The prices of nitrogen, compound and speciality fertilizers followed an upward trend and were approximately 7% higher yoy in Q1 2021. On the other hand, the segment's total sales volume dropped by approximately 6% yoy due to significant postponement of the fertilizer application season caused by weather conditions (the prolonged winter). For these reasons, seasonal sales are expected to be extended. The fertilizer market follows the movements in gas prices, which surged over 70% yoy in Q1 2021, strongly affecting the pricing strategies of fertilizer manufacturers. Both the gas prices and the expensive CO<sub>2</sub> emission allowances, as well as the unfavourable weather conditions, may have an impact on post-season prices. Additionally, increased demand for fertilizers and difficulties in importing them from global markets (caused, among other things, by higher freights and the policies of some countries choosing to balance their domestic demand rather than export fertilizer products) may also affect the price trends in the short term.

### Plastics

The Plastics segment posted 3.5% revenue growth yoy (from PLN 373m to PLN 387m), translating into a positive EBITDA margin (up from -0.5% to 2.0%). The average prices were higher (up 8% yoy), driven by strong demand across virtually all applications and limited product supply on the market. The changes in feedstock prices were minor (with phenol prices slightly down and benzene prices moderately up yoy), and so the main challenges faced by the segment had to do with logistics. The blocking of the Suez Canal delayed the deliveries of raw materials (including benzene and phenol) to Europe, while the pandemic caused a shortage of shipping containers, which pushed up transport costs.

### Chemicals

The Chemicals segment recorded an 18.9% revenue increase yoy (from PLN 685m to PLN 815m) with a 3.9pp decrease in EBITDA margin. Demand for titanium white was robust on the European market, driven by strong interest from the residential construction market (home refurbishments). As a result, the market prices also grew and the prevailing logistic conditions (high freight costs) further limited an inflow of goods from China. Strong demand (especially in the USA), limited supply and similar logistic constraints were seen on the melamine

market, whose prices, corresponding to the prices of urea, have been clearly affected by the gas price levels. The prilled and liquid sulfur market saw a steep rise in prices, driven by high demand combined with reduced supply from the petrochemical industry, which operated on a limited scale (due to the pandemic, maintenance work and shutdowns). However, the greatest improvement was seen in the results delivered by OXO alcohols, an effect of high market demand and production constraints (force majeure) at some manufacturers.