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Revenue and net profit growth, with excellent performance delivered by the Plastics business – a summary of Grupa Azoty Group H1 2017 results.

In its consolidated financial statements for the first half of 2017, the Grupa Azoty Group reported revenue of PLN 4.87bn (up 5% y/y), with EBITDA in excess of PLN 714m (up by close to 3% y/y) and net profit at PLN 378m (up 7% y/y). The improvement in performance continued to be driven by the Plastics segment, which together with the Pigments segment entirely offset the trends affecting the gas-reliant segments.

"The Group successfully tackled market challenges in H1 2017, which led to strong improvement in its key financial metrics. In parallel with those efforts, we consistently pursued ambitious development plans, successfully implementing a PLN 501m investment programme, part of this year's total capital expenditure plan of PLN 1.3bn. We are making further arrangements for the coal gasification and PDH projects. I am confident that our strong commitment to delivering on the Group's strategy will help to bolster our market position but also to accelerate growth and improve the competitiveness of Poland's economy at large," said Wojciech Wardacki, President of the Grupa Azoty Management Board. *"In the second quarter alone, the Group's consolidated revenue rose by PLN 23m year on year, to PLN 2.18bn, with a solid growth in EBITDA of PLN 84m (or 47%), to PLN 261m, and with net profit up PLN 74m, to PLN 122m,"* said Paweł Łapiński, Grupa Azoty Vice President of Finance. *"The shifts in global plastics markets that continued for yet another quarter, particularly legislative changes in China, have helped to reduce excess supply in the market, while the upswing in the automotive and textiles sectors has raised hopes that the strong trend in Plastics will continue. We are pleased to report a record increase in the segment's EBITDA, of PLN 146m, relative to the same period last year, when EBITDA was negative at PLN -25m. We are also pleased with the H1 2017 EBITDA margin of 16%. Last year the margin was negative at -4%. It is important to note that consolidated EBITDA would be almost PLN 24m higher if it were not for the impairment losses recognised by Grupa Azoty Puławy and its Chorzów-based subsidiary."* **The key drivers of the Grupa Azoty Group's performance in the first half of 2017:**

- Strong demand for plastics supporting high polyamide-benzene deltas
- Continued strength in manufacturing and construction, contributing to significant improvement in the Pigments segment's performance
- Higher gas prices affecting the Fertilizers segment's performance

Growing competition in nitrate fertilizers

- Rising propylene prices, squeezing margins on OXO alcohols.

Fertilizers The Fertilizers segment reported a decrease in EBITDA for the first half of 2017, down approximately PLN 104m, to PLN 385m, primarily due to an over 20% increase in gas prices and a downtrend in sales prices of compound fertilizers, particularly NPK. The segment's EBITDA margin for the first half of 2017 fell to 14%, from 18% in 2016. **Plastics** In Plastics, the Group continued to exploit favourable conditions in the markets of key polyamide consumers, generating record-high prices and margins, which translated into EBITDA rising by more than PLN 140m y/y. The Group recorded margins of approximately 16%. The segment's revenue for the period increased by PLN 171m, or by almost 30%. **Chemicals** In Chemicals, EBITDA fell by almost PLN 14m, with sales up PLN 136m, to PLN 1,264m. The segment's weaker performance was primarily attributable to higher gas prices squeezing melamine and technical-grade urea margins (with sales prices slightly up, by some 2%-3%) and propylene prices rising faster (by almost 56%) than the prices of OXO products (up approximately 22% on average). The Pigments segment delivered solid growth in revenue

and EBITDA margin (to 22%, from over 6% last year), which helped to partly offset the deteriorated performance of other segments. **About the Grupa Azoty Group The Grupa Azoty Group is the undisputed leader of the Polish fertilizer and chemical market and one of the 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 finalizing the Group's consolidation, reinforcing leadership in agricultural solutions in Europe, strengthening the second operating pillar through expansion of the non-fertilizer business, and generating and implementing innovations to accelerate growth in the chemical sector.

Grupa Azoty Group financial highlights (PLNt)

<i>HY 2017</i>	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Revenue	2 672 557	743 063	1 264 386	117 499	72 186	4 869 691
EBIT	291 550	97 255	99 623	-22 056	-24 310	442 062
Net profit	-	-	-	-	-	377 671
EBITDA**	384 920	121 121	151 167	22 586	16 607	714 166
<i>EBITDA margin</i>	14,4%	16,3%	12,0%	19,2%	23,0%	14,7%
<i>HY 2016</i>	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Revenue	2 742 039	571 297	1 127 530	118 804	74 412	4 634 082
EBIT	396 269	-50 324	113 200	-46	-21 972	437 127
Net profit	-	-	-	-	-	354 462
EBITDA**	495 499	-25 452	165 113	39 337	4 895	693 794
<i>EBITDA margin</i>	18,1%	-4,5%	14,6%	33,1%	6,6%	15,0%
Change	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Revenue	-69 482	171 766	136 856	-1 305	-2 226	235 609
EBIT	-104 719	147 579	-13 577	-22 010	-2 338	4 935
Net profit						23 209
EBITDA**	-110 579	146 573	-13 946	-16 751	11 712	20 372
Change %	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Change	-3%	30%	12%	-1%	-3%	5%
EBIT	-26%	293%	-12%	-47848%	-11%	1%
Net profit						7%

EBITDA**	-22%	576%	-8%	-43%	239%	3%
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