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## Grupa Azoty Group's performance remains largely unaffected by coronavirus pandemic

**In Q1 2020, the Grupa Azoty Group reported consolidated revenue of PLN 3,104m, down 7.8 % on Q1 2019, which was a record-breaking period in the Group's history. EBITDA and the EBITDA margin were PLN 476m and 15.3% as a result of a drop in average selling prices of products and low prices of gas.**

The Grupa Azoty Group's results for the first quarter of 2020 were almost on a par with those delivered in the same quarter of the previous year, a very profitable period for the Group. Revenue declined by 8%–9% in each of the three key segments (Fertilizers, Plastics, and Chemicals), with only a small drop in the Fertilizers segment's margin, an increase in the Chemicals segment's margin, and a substantial decrease in the margin posted by the Plastics segment.

In Q1 2020, the Grupa Azoty Group's EBITDA came in at PLN 476m (down by PLN 132m y/y), while the EBITDA margin was 15.3% (down by 2.8pp y/y). This relatively small decline, occurring amid falling average selling prices of products across all segments, was attributable to lower gas prices. Compared with Q1 2019, the average prices of gas fell by about 40% and remain favourable for the Grupa Azoty Group.

To date, the Grupa Azoty Group has not been affected by the pandemic to an extent that could jeopardise its liquidity, cause production cuts or prompt decisions affecting the implementation of key investment projects. Also export sales are carried out without any serious disruptions. However, there was a rise in the costs of logistics services. Net profit in Q1 2020 stood at PLN 196m vs PLN 323m in the same period of the previous year.

*'In our opinion, the pandemic's impact on the Grupa Azoty Group has so far been limited. Although it has strongly affected society in general and many sectors of Poland's economy, the Grupa Azoty Group's operations are free from any major disruptions. However, how the pandemic will develop remains a puzzle. We are looking forward to some strong positive signs and a rebound in the third quarter of the year. Businesswise, we are more concerned about the possibility of drought, although the last rainy weeks improved the situation in the agricultural sector, enabling the application of further doses of nitrogen fertilizers and considerably increasing demand,'* said Wojciech Wardacki, President of the Grupa Azoty S.A. Management Board.

### Fertilizers

Compared with the previous year, the Fertilizers segment's revenue fell by 8% in Q1 2020 (from PLN 2,097m to PLN 1,927m). The prices of nitrogen and compound fertilizers went down by about 8%–15%. At the same time, sales volume rose by ca. 5% y/y, while an approximately 40% decrease in gas prices pushed down EBITDA margin by a mere 3.4pp. The coronavirus pandemic temporarily accelerated farmers' decision to purchase fertilisers, mainly due to concerns about the closing of points of sale. The segment's results may be materially affected by

drought, as 2020 may be another year of dry weather in Poland. Compo Expert, acquired in late 2018, accounted for almost 25% of the segment's revenue for Q1 2020. Compo Expert's revenue declined only slightly (by 3.9% y/y), and its EBITDA margin went up by 3.8pp y/y. A tangible effect of cooperation with Compo Expert was also the acquisition of new foreign customers.

### **Plastics**

The Plastics segment recorded a drop in revenue (from PLN 409m to PLN 373m, or 8.8% yoy) and a significant drop in the EBITDA margin (down 11.2pp). Sales volumes remained flat year on year, while an analysis of average prices shows a decline in prices of all products, reaching 12% in the case of natural polyamide. Relative to the first quarter of 2019, in Q1 2020 the prices of benzene and phenol increased by more than 20%. However, in April, due to the fluctuations on the crude oil market, the prices of these raw materials (and also of PA6) plunged. Signs of revival in demand from the automotive industry are yet to be seen.

### **Chemicals**

The Chemicals segment recorded a decrease in revenue (from PLN 752m to PLN 685m, i.e. 8.9% y/y) and a rise in EBITDA margin (up 1.6pp). The prices of almost all of the Group's products in this segment declined year on year: melamine – by 20%, OXO alcohols – by 15%, technical grade urea – by 12%, and titanium white – by 3%. Sulphur and other urea solutions were the only products with higher average prices (up by 6% and 4%, respectively). The segment's total sales volumes remained unchanged. Sulphur sales fell significantly (by 40%), while sales of the majority of other products were up, including of OXO alcohols (by 12%) and technical grade urea (by 8%).