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Grupa Azoty Addresses Information on the Impact of Consolidation on Grupa Azoty Puławy

In response to recent public information regarding the impact of consolidation on Grupa Azoty Puławy, Grupa Azoty presents the following key insights.

Global chemical market analyses leave no doubt: combining potentials and consolidating is the best possible direction for the chemical industry. It is a vital condition to maintain competitiveness and further development—both for the entire Capital Group and the individual companies within it.

The consolidation agreement of 2012 was primarily aimed at maximizing cost synergies, particularly in the procurement of raw materials and utilities, achieving synergies by expanding production capacities, and building a flexible product portfolio.

It is a fact that the current financial situation of Grupa Azoty, including the Puławy plants, is challenging. As a result of decisions made, Grupa Azoty has reported consecutive net losses since the beginning of 2023: PLN 555 million in Q1, PLN 543 million in Q2, and PLN 743 million in Q3.

One of the reasons for these record-low results is undoubtedly the lack of significant progress in the actual integration of the companies within the Capital Group. Consequently, the original objectives of the 2012 consolidation agreement have not been fully achieved. As such, maximum cost or production synergies have not been realized, nor have actions been taken to meet the increasingly demanding market needs.

Investment decisions made by the management boards of Grupa Azoty Zakłady Azotowe Puławy and other Group companies have also contributed to the unsatisfactory results.

Given these challenges, the current Management Board of Grupa Azoty S.A. is taking steps to develop a long-term restructuring plan, essential for stabilizing the Group’s financial position and subsequently leading to the recovery of various business areas. This will, among other things, help achieve the goals set at the start of the consolidation process.

The Management Board acknowledges the critical assessments of the consolidation process thus far. However, it is crucial to note that, in the Board's opinion, the consolidation efforts in recent years have not been sufficient to meet market needs and the rapidly developing competition who have seen concrete, measurable benefits from their own consolidation processes, strengthening their market position. Moreover, evaluations of consolidation effects should acknowledge that in recent years actions consistent with the original consolidation assumptions were minimal, which is one of the reasons for the current difficult situation of Grupa Azoty.

Grupa Azoty faces the urgent challenge of returning to a path of stable development. Any attempts to divest any company from the Capital Group at this time would likely have several negative consequences for both the divested company and the Group as a whole. The restructuring plan being developed will include accelerating the consolidation within all Group companies, aiming to maintain competitiveness and further development of Grupa Azoty and its subsidiaries.

A significant step towards implementing the restructuring plan was the signing of an Annex to the Agreement with 13 financial institutions on February 29 of this year by the new Management Board of Grupa Azoty. This document ensures, among other things, the continued availability of limits under the Financing Agreements and prevents the Financial Institutions from taking actions to cancel or reduce the available limits of the Financing Agreements. Concurrently, the Management Board emphasizes that Grupa Azoty S.A. continues to meet all obligations related to servicing and repaying liabilities under the Financing Agreements. The available limits of these agreements ensure liquidity and financial security for Grupa Azoty, its obligations to suppliers, and the continuity of operations.