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## Grupa Azoty Releases Q2 and H1 2024 Financial Results

**Grupa Azoty's financial results for Q2 and H1 2024 align with the preliminary results published on August 26, 2024. In H1 2024, the Group achieved consolidated sales revenues of PLN 6.743 billion, with an EBITDA of minus PLN 179 million and an EBITDA margin of minus 2.7%, marking an improvement of nearly PLN 830 million compared to the same period in 2023. The net loss for H1 2024, at PLN 748 million, was reduced by more than PLN 300 million compared to the PLN 1.098 billion loss reported in H1 2023.**

In Q2 2024, Grupa Azoty generated consolidated sales revenue of PLN 3.344 billion, with an EBITDA of minus PLN 128 million and an EBITDA margin of minus 3.8%, compared to an EBITDA of minus PLN 608 million and an EBITDA margin of minus 17.4% in Q2 2023.

The challenging market conditions in the European fertilizer and chemical industry, particularly the influx of fertilizers from Russia and Belarus, remain a primary factor impacting the Group's results.

Results were further affected by the lack of effective corrective and adaptive actions since late 2022 and, partially, in Q1 2024. For fertilizer producers, Q1 is crucial for annual performance.

*"We have been implementing recovery actions since late March to stabilize the Group's financial position. The first half of the year concluded with an improvement in financial results and a sales increase of over 700,000 tons compared to the same period last year, driven by projects that enhance our business efficiency. In recent months, we introduced specific cost optimizations across the Capital Group, reducing fixed costs by more than PLN 200 million compared to the previous management's plan. We are finalizing the design of Grupa Azoty's future operating model and expect to present its main elements in the coming weeks. This will serve as a vital point in our discussions with financial institutions. Despite these efforts, we continue to observe increasing imports of cheap fertilizers from Russia and Belarus, which poses a growing challenge in our core Agro segment. The scale of imports and the adverse impact on European producers' competitiveness highlight the need for regulatory support at the EU level,"* **said Andrzej Skolmowski, Vice President of the Management Board of Grupa Azoty S.A..**

### Agro Segment

In the Agro Segment, performance drivers included imports of fertilizers from Russia and Belarus, relatively high gas prices that restricted market competitiveness, and cost sensitivity in the agricultural sector.

In Q2 2024, the decline in agricultural product prices slowed, with a slight improvement in agricultural market conditions. However, increased market activity was limited due to the overall economic environment. Seasonal

demand growth led to a 36% year-over-year increase in fertilizer sales, including nitrogen (35%) and multi-component (40%) fertilizers. However, the ongoing global economic crisis and the competitive pricing of imported volumes, particularly urea, led to further declines in European fertilizer prices. For Grupa Azoty, average Agro segment prices were down 23% year-over-year.

Lower year-over-year natural gas prices and most other raw materials in the Agro segment were insufficient to achieve positive EBITDA profitability, partly due to the faster decline in product prices.

The Agro Segment's Q2 2024 EBITDA margin was minus 5.4%, improving by nearly PLN 418 million compared to the same period last year.

### **Chemicals Segment**

In Q2 2024, the Chemicals Segment saw year-over-year growth in total sales volume but with price reductions across most products and raw materials.

The segment's results were most negatively affected by the global economic downturn, high inventory levels among customers, and cheaper imports into Europe, which led to lower prices for most of Grupa Azoty's products in this segment and production limitations (melamine production at Grupa Azoty Puławy was limited to one of three installations in Q2 2024). Positive factors included year-over-year decreases in prices for all primary raw materials and logistical challenges with imports via the Red Sea, which lengthened delivery times and increased transport costs to Europe, reducing Asian import volumes. Prices for sulfur and plasticizers also increased.

The Q2 2024 EBITDA margin for the Chemicals Segment was minus 9.4%, improving by PLN 189 million year-over-year.

### **Plastics Segment**

In Q2 2024, the Plastics Segment saw year-over-year increases in production and sales volumes as well as higher prices for raw materials (phenol) and the main product, natural polyamide.

The segment's volumes were negatively impacted by the economic crisis. The PA6 product chain is closely tied to economic conditions, which remained weak in Europe. Logistical constraints due to Red Sea attacks and route changes led to higher demand for European products. However, real demand in end-use sectors remained low compared to historical data, varying by application.

Due to continued challenging demand-supply conditions in Q2 2024, caprolactam production at Grupa Azoty Puławy was not resumed.

The Plastics Segment's Q2 2024 EBITDA margin was minus 6.6%, improving by PLN 93 million year-over-year (segment results also include production and sales from Grupa Azoty Polyolefins S.A., which is in the startup and commissioning phase).