



06.06.2023

ORLEN Group is considering increasing participation in fertilizer sector in Poland

The ORLEN Group is analysing a possible acquisition of Zakłady Azotowe Puławy owned by Grupa Azoty S.A. The companies have signed a cooperation agreement and a non-disclosure agreement enabling due diligence to start at the Puławy-based company. The merger would increase the ORLEN Group's participation in the fertilizer sector and enhance its efficiency and competitiveness on the European market through numerous synergies. For farmers and other customers of the two companies, the merger would mean a better and broader range of fertilizer products and easier access to products in demand at a given time, achieved through enhanced production flexibility.

We provide both energy security and food security for Poland. We are a leading producer of fertilizers for agriculture, consistently strengthening our position in the market. We are analysing a possible acquisition of Zakłady Azotowe Puławy, which we believe would offer huge potential and benefits to both companies as well as the economy. We have an extensive track record of M&A transactions that have always put the companies involved on track for further growth. A case in point is the fertilizer producer ANWIL. We are investing in the company, expanding its production capacities, creating new jobs, and building its value. Integration of two large nitrogen fertilizer producers would increase their production efficiency and strengthen their ability to even better respond to market needs,' said Daniel Obajtek, CEO and President of the Management Board of PKN ORLEN S.A.

The ORLEN Group is to start the due diligence of Zakłady Azotowe Puławy in July to assess the company's sales and financial condition. The due diligence results will inform future decisions regarding a potential acquisition.

The interest in acquiring Zakłady Azotowe Puławy S.A. expressed by PKN ORLEN attests to the potential offered by our Puławy-based company, which is an important part of Grupa Azoty S.A. We are at the beginning of

a complex process, with due diligence and negotiations ahead of us. PKN ORLEN is a strong partner with whom we have had a longstanding and successful business relationship covering many areas. Russia's ongoing aggression against Ukraine, turmoil on global markets for raw materials and intermediates, and the ever-increasing regulatory requirements in the European Union show how important it is to accelerate the energy transition and decarbonisation of our Group towards Green Azoty – green energy and green products. These are costly yet vital processes that we want to embark on to be able to continue manufacturing innovative and competitive products at our plants in Poland,' **said Tomasz Hinc, President of the Management Board of Grupa Azoty S.A.**

The ORLEN Group's acquisition of the Puławy plant could bring numerous benefits to the business. A number of synergies from the planned integration, both operational synergies and cost savings in logistics, sales, innovation and procurement, have already been identified in an initial phase of the process:

- **attractive product mix and improved competitiveness** against European and non-EU players
- **intra-group feedstock balancing**, more efficient ammonia management – compensating shortages and surpluses, ensuring product availability during maintenance shutdowns
- **reduced costs and time of transport** to domestic customers
- **exchange of experience in production and process safety** supported by new technologies and investment projects
- **more efficient use of storage capacity** (nitrate, ammonia), lower costs and improved storage safety
- **investment support from the ORLEN Group** for low- and zero-carbon energy sources
- **knowledge and shared resources harnessed to pursue innovation projects**, including smart fertilizers (once applied they provide nutrients throughout the growing season), which would help enhance competitiveness in European markets and expand the product range
- **common decarbonisation policy, greener ammonia** (increased share of zero-carbon feedstocks) as a response to the environmental and climate challenges of EU directives, contributing to a stronger market position
- **enhanced purchasing power, optimisation of investment expenditures** and operating costs of support functions (equipment purchases, licences, services).

The ORLEN Group has an extensive track record of consolidation processes. The Group has been active in the fertilizer market for over two decades, implementing new investment projects and growing the scale of its operations. A third fertilizer line being built in Włocławek will raise its production capacity by around 50%, to 1,461 thousand tonnes per year, adding four fertilizer product categories to its portfolio.

Grupa Azoty Puławy has recently invested in a granular ammonium nitrate fertilizer plant, with the capacity of its two new lines totalling 820 thousand tonnes per year.

Europe's fertilizer industry is largely consolidated in processes that have been going on for the past three decades. The consolidation of fertilizer assets in Poland fits into this trend.