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## Grupa Azoty Group's estimated financial results for Q3 2023

**The three months ended September 30th 2023 saw improved demand, notably in the Agro Segment and, to a degree, in the Chemicals Segment, especially relative to the prior quarter. This led to an increase in production volumes and a decrease in fertilizer inventories. However, most Grupa Azoty products were offered at prices that were lower than those from the previous year by an average of 52%. The Group estimates to have generated consolidated revenue of PLN 3,075m, EBITDA of PLN -348m, and an EBITDA margin of -11.3%.**

*"The third quarter of the year saw a rebound in demand in the Agro and Chemicals Segments, and there are already signs that these positive trends will extend into the current quarter. It is, however, important to remember that the first six months of 2023 were exceptionally challenging for the Group. This period presented numerous market hurdles related to demand and feedstock prices, affecting all European producers in our industry. These headwinds will inevitably continue to be reflected in the Group's financial results until the year's end"* **says Marek Wadowski, Vice President of the Management Board of Grupa Azoty S.A.**

The costs of energy utilities, such as electricity and coal, rose year on year. While considerably higher than in other markets, natural gas prices in Europe remained stable for most of the period. This stabilisation, which contrasted the volatility witnessed in the previous year, was primarily attributable to a record surge in renewable energy production, abundant gas stocks in European storage facilities, and above-average temperatures. The decline in product prices in the third quarter was not correlated with an offsetting drop in feedstock prices, resulting in shrinking margins.

### Agro

The third quarter is traditionally a period of intense fieldwork in Poland, leading to a seasonal drop in demand for fertilizer products. However, the three months to September 30th 2023 saw a rise in demand for Grupa Azoty products, mainly attributable to farmers restocking their supplies and purchasing fertilizers for the upcoming autumn application season. The total sales volume of fertilizers was up 8% year on year, resulting in a 6% output increase. The segment's revenue was primarily driven by improved demand for nitrogen and compound fertilizers and the market reverting to its usual seasonal demand-price dynamics.

The tariff suspension in the first half of 2023 (from December 2022) was a major factor supporting the expansion in Europe of imports from regions with significant energy, environmental and labour cost advantages. The prices of natural gas, which is vital for fertilizer production, were at their lowest for the year during the third quarter, increasing only towards the period's end. It is noteworthy that gas prices in Europe remain even several times higher than in other markets, as indicated by benchmarks such as Henry Hub in the US.

In the third quarter of 2023, the Agro Segment's EBITDA margin stood at -7.6%.

## **Chemicals**

For the Chemicals Segment, the three months to September 30th 2023 were marked by subdued demand due to adverse global macroeconomic conditions, high inventories, and an influx of cheaper imports to Europe. However, the segment recorded a 14% quarter-on-quarter increase in sales volume. Notably, the volume of technical-grade sulfur and urea sales rose by almost 50% relative to the previous quarter. The segment's revenue declined 18% on the same period of the previous year. The third quarter of 2023 saw a year-on-year fall in all product prices across the Group's geographies, with the largest decreases (over 60%) observed for NO<sub>x</sub>, melamine, and technical grade urea. Prices for the segment's key feedstocks, including gas, propylene and ilmenite, also declined year on year, reflecting the prevailing market trends.

The segment's EBITDA margin for the third quarter of 2023 was negative at -28.6%.

## **Plastics**

In the three months to September 30th 2023, the Plastics Segment posted a 20% year-on-year decline in polyamide 6 sales volume, largely attributable to reduced demand from all major consumers, including engineering plastics, carpet fibres, and packaging film producers. This drop in demand placed strong downward pressure on the prices of European plastics, which, to a certain extent, helped curtail imports from highly cost-competitive markets, especially in Asia. Benzene prices were 33% lower than a year earlier.

The segment's EBITDA margin for the third quarter of 2023 was negative at -34.0%.