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Grupa Azoty finalises corporate financing package with new loan agreement with EBRD

On July 26th 2018, Grupa Azoty entered into a new loan agreement for up to PLN 500m with the European Bank for Reconstruction and Development. The funding secured under the agreement meets Grupa Azoty's remaining corporate financing needs and will enable implementation of strategic projects until 2026.

"The loan agreement is the last step towards securing long-term financing for projects that are fundamental to the development of Grupa Azoty and the local economies in which we operate, in this case Tarnów. Leveraging favourable financial market conditions and excellent financial results posted by Grupa Azoty last year, we managed to optimise the loan terms so that the repayment date falls between 2022 and 2028, that is after the period of the most intensive capital spending is behind us and our strategic projects have started generating the expected increase in the Group's EBITDA," noted Paweł Łapiński, Vice President of the Management Board of Grupa Azoty, Chief Financial Officer.

The PLN 500m Second EBRD Agreement was concluded for up to ten years, with the loan to be repaid in instalments, starting within three years from its date. Concurrently, an annex was signed to the PLN 150m long-term financing agreement with the EBRD of May 28th 2015 in order to harmonise the material terms of the two agreements.

The agreements with the EBRD are an integral part of Grupa Azoty's long-term financing package. In line with its current financing strategy, in January the Company concluded a EUR 145m long-term loan agreement with the European Investment Bank and in June it signed agreements with a bank syndicate increasing the agreed credit facility amount to PLN 3bn. A coherent package of corporate financing agreements will help to secure project financing for the strategic Police Polymers project.

The funds from the European Bank for Reconstruction and Development will be used to finance a programme of capital investment projects in Tarnów designed to enhance the efficiency of existing process units, ultimately leading to reduction in annual CO₂ emissions by about 130,000 tonnes and the launch of new advanced products. The programme, worth approximately PLN 564m in total, comprises the following projects:

- Expansion of production capacity of the technical-grade nitric acid unit to 1,050 t/d,

- Construction of a neutralisation and precipitation unit,
- Ammonium nitrate neutralisation unit,
- Chemical Technology and Development Centre,
- Modified Plastics Plant,
- Utilisation of purge gases from the ammonia synthesis unit,
- Modernisation of the hot water network,
- Construction of concentrated nitric acid unit II,
- Installation of a line for Tarnamid surface modification,
- Modernisation of the technical-grade nitric acid storage unit.

The key subsidiaries Grupa Azoty Puławy, Grupa Azoty Kędzierzyn and Grupa Azoty Police concurrently signed a new guarantee agreement with the EBRD, providing guarantees for Grupa Azoty's contractual liabilities, each for up to PLN 200m. This is in line with the uniform contract performance security policy applied by Grupa Azoty.

The **Grupa Azoty Group** is the undisputed leader of the fertilizer and chemical market in Poland and one of its key players in Europe. It is the second largest EU-based manufacturer of nitrogen and compound fertilizers, and its other products, including melamine, caprolactam, polyamide, oxo alcohols and titanium white, enjoy an equally strong standing in the chemical sector, with a wide range of applications in various industries. In May 2017, the Group unveiled its updated strategy until 2020. The key development areas cover completion of the Group's consolidation, reinforcing its leadership in agricultural solutions on the European market, strengthening the second operating pillar through expansion of the non-fertilizer business, as well as generating and implementing innovations to accelerate growth in the chemical sector. The Grupa Azoty Group is the integrator of Poland's chemical industry. By consolidating the plants in Tarnów, Puławy, Police and Kędzierzyn-Koźle, it has ensured that the key chemical companies have remained in Polish hands, while creating a number of cost synergies. By 2017, the consolidation of strategic procurement, production, maintenance, logistics and IT generated savings estimated at no less than PLN 710m. The integration has brought multiple benefits to the Polish economy, the Group as a whole, and its individual plants.

The **European Bank for Reconstruction and Development** is one of the most important multilateral banks financing Grupa Azoty's strategic corporate projects and a shareholder in the Company.

Owing to the high standards applied by the EBRD in evaluating EBRD-financed projects for compliance with economic, environmental, social and reporting requirements, Grupa Azoty has secured a strong credit rating, providing it with access to long-term financing sources with favourable lending margins available only to large and stable corporations, and consistently implements the best BAT-based projects that are environmentally friendly and well received by all stakeholders (including the local communities).

Additional information:

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