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Grupa Azoty Group publishes estimates of financial results for Q4 2022 and 2022

In the fourth quarter of 2022, the Grupa Azoty Group generated estimated consolidated revenue of PLN 5,107m and negative EBITDA of PLN -296m, with a negative EBITDA margin of -5.8%. For the full year, the Grupa Azoty Group generated estimated consolidated revenue of PLN 24,658m and EBITDA of PLN 2,545m, with an EBITDA margin of 10.3%.

The supply and demand situation in the European fertilizers and chemicals industry throughout 2022 (including the fourth quarter) was determined by the consequences of Russia's military invasion of Ukraine and high prices of raw materials and energy carriers, leading to production cuts by European manufacturers.

As a consequence of the macroeconomic climate, each business segment recorded a significant rise in product prices and a simultaneous decrease in sales volumes, and experienced demand-supply imbalances. Growing inflation and an increase in fixed costs of operations also weighed on performance. Consistent business diversification efforts had a positive effect on the Grupa Azoty Group's results.

The Group's results for the fourth quarter of 2022 were adversely affected by significant impairment losses on non-financial non-current assets and write-downs of inventories of finished goods, semi-finished products and raw materials.

The inventory write-downs recognised in the fourth quarter of 2022 led to a drop of approximately PLN 404m in consolidated EBIT and EBITDA.

The recognition of the impairment losses on non-financial non-current assets resulted in a decrease of PLN 963m in the Group's consolidated EBIT for 2022. In accordance with the Group's accounting policies, the impairment losses and write-downs are one-off non-cash charges and have no effect on the consolidated EBITDA.

"Throughout 2022, the record-high and extremely volatile prices of raw materials, chiefly natural gas, attributable, among others, to Russia's aggression against Ukraine, and unprecedented cost pressures forced the three key Grupa Azoty Group companies to cut production, mainly in the Agro and Plastics segments. Production activities were resumed in October following a decline in gas prices. Amid market and macroeconomic headwinds, the Group's performance in 2022 was supported by business diversification efforts. It should also be stressed that since the fourth quarter of 2022, Europe has been seeing a demand-supply imbalance across all segments, prompting the Group companies to adapt their output to the current market situation. Enjoying a sound financial condition, the Group is able to face up to these challenges. Ensuring the availability of fertilizers in

Poland, our key market, continues to be the Group's principal objective. Our analyses show that many farmers *have not yet decided to purchase specific fertilizers ahead of the upcoming application season. The same holds true for the entire European market, which is experiencing a sharp drop in fertilizer demand. As for plastics and chemicals, we adapt production and sales volumes to the current and projected market demand and the cost competitiveness of our product mix. Strong pressures come from imports of non-EU products, as their production is much cheaper and not weighed down by the costs of climate policy. Accordingly, we continue our efforts to respond quickly and flexibly to any changes in the segments where we sell our products. Despite this challenging market situation, the Grupa Azoty Group's key investment project, Polimery Police, is progressing on schedule. The launch of the new plant will considerably bolster and diversify our business,"* **said Marek Wadowski, Vice President of the Grupa Azoty S.A. Management Board.**

Agro

The Agro Segment's performance in the fourth quarter of 2022 was mainly determined by strong volatility of commodity prices, including natural gas, demand-supply imbalances and falling prices of agricultural crops.

Natural gas prices in the period under review changed rapidly, and the TTF spot price ranged from EUR 22 to EUR 160 per MWh. In view of a downward trend in gas prices, in October 2022 the three key companies of the Grupa Azoty Group decided to resume production of nitrogen fertilizers that had been suspended or curtailed in August 2022.

The fertilizer market was stagnant in the fourth quarter of 2022. Producers looked forward to market activity and an increase in sales in view of the upcoming fertilizer season, while customers were holding off on purchases in anticipation of a drop in fertilizer prices as gas prices fell quarter on quarter. The consequence of these divergent expectations was low demand and growing fertilizer stocks at manufacturers and distributors. Another reason for the reduction of purchases by customers was the worrisome signals from the agricultural market, especially the observed downward trend in prices of agricultural crops, which was driven by high grain imports from Ukraine.

The Agro Segment's EBITDA margin generated in the fourth quarter of 2022 was significantly lower year on year and fell to -5.3%. The Segment's results were reduced by the impairment losses and write-downs.

Chemicals

In the Chemicals Segment, low demand and imports of competitively priced products from Asian markets were observed in the fourth quarter of 2022. At the same time, prices grew year on year for all products except sulfur and fell quarter on quarter (with the exception of melamine). Product sales volumes declined considerably year on year, with increases recorded only for sulfur.

The market showed little demand for OXO alcohols, plasticizers, titanium white, melamine and NOXy as products from the segment's portfolio came in high quantities to the European market from Asia. The market also kept a close eye on the possible impact of an increase in China's export capacity due to production recovery following the lifting of the preventive measures introduced under the zero COVID policy. Melamine production at Grupa Azoty Zakłady Azotowe Puławy S.A., curtailed since July 2022, was partially resumed at the end of October 2022.

The Chemicals Segment's EBITDA margin delivered in the fourth quarter of 2022 was negative at -3.9%. The Segment's results were reduced by the impairment losses and write-downs.

Plastics

In the Plastics Segment, prices of raw materials (benzene, phenol) and products declined quarter on quarter and rose year on year. Market prices of polyamide went on a downward trend as a result of weak demand, an influx of imports and falling prices of raw materials and energy. Demand shrank across all industries: automotive, construction, packaging, electronics and electrical engineering.

Following change in market conditions, including a quarter-on-quarter decrease in the prices of basic raw materials (benzene and phenol), a decision was made in October 2022 to resume production of caprolactam and polyamide 6 at the production facilities of Grupa Azoty S.A. and Grupa Azoty Zakłady Azotowe Puławy S.A., which had been halted in August 2022 due to high costs of raw materials.

The Segment's EBITDA margin delivered in the fourth quarter of 2022 was negative at -43.4%. The Segment's results were reduced by the impairment losses and write-downs.

The financial statements for 2022 are being audited, therefore the presented figures are estimates and may be subject to change. The final figures will be presented in the consolidated report for 2022, scheduled for issue on March 30th 2023.