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Grupa Azoty is considering launch of polypropylene production in Police

The Supervisory Board of PDH Polska S.A., Grupa Azoty's SPV, approved the Management Board's recommendation concerning the construction of a polypropylene plant in Police. This is potentially a far more attractive option for Grupa Azoty than production of propylene, which has also been considered. The final decisions are expected to be made in Q4 2017.

"Although relevant corporate approvals have not been granted yet, production of polypropylene would be consistent with the key assumptions of Grupa Azoty's updated strategy – it would produce further synergies at the Group level and would offer significant potential to diversify the revenue sources. The construction of a polypropylene plant would require close cooperation between PDH Polska and Grupa Azoty plants based in Police and Kędzierzyn. The project would also strengthen the Group's second operating pillar by expanding non-fertilizer business and would markedly enhance its position on the chemicals market. This would not only allow Grupa Azoty to expand its product mix, but, just as importantly, to flatten business cycles," said Wojciech Wardacki, President of the Management Board of Grupa Azoty. The polypropylene unit would be one of the most advanced units of this type in Europe. The final decision as to the manner of implementation of the investment project will most probably be made in Q4 2017, after the feasibility study, specifying the estimated value of the project, is completed. "At the current stage, the PDH Polska Management Board's recommendation that construction of a polypropylene plant be a predominant option for implementation of the project is attractive both commercially and business-wise. Demand for polypropylene in Central and Eastern Europe is expected to grow rapidly, by 4.7% per year on average until 2025. At the same time, there are no advanced plans for investment in new polypropylene units in Europe," said Andrzej Niewiński, President of PDH Polska. Market analyses indicate that producers begin to earn higher margins on propylene derivatives. That is why the inclusion of a polypropylene unit in the propane dehydrogenation (PDH) project will increase Grupa Azoty's flexibility and stabilise its overall margin position. The more fragmented market for polypropylene would also reduce the Group's exposure to long-term market risk. Polypropylene is the key and most attractive propylene derivative, representing more than 60% of the product consumption in Central Europe. Poland is one of the largest consumers of polypropylene in the region, with rising propylene imports (approximately 250 thousand tonnes in 2015). Construction of a polypropylene plant would therefore vastly increase Poland's independence in this

respect. **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 announced its updated strategy until 2020. The key development areas cover finalizing the Group's consolidation, reinforcing leadership in agricultural solutions in Europe, strengthening the second operating pillar through expansion of the non-fertilizer business, and generating and implementing innovations to accelerate growth in the chemical sector.