



08.10.2014

Grupa Azoty Puławy and Grupa Azoty Police sign strategic contracts with Kronospan

Grupa Azoty achieves further market synergies

Grupa Azoty Puławy and Grupa Azoty Police have entered into a series of melamine and urea sale contracts with Kronospan. The contracts, with the total value estimated PLN 900m, will remain in force until the end of 2018. The Puławy and Police plants will supply their products to Kronospan, the world's largest manufacturer of wood-based boards, directly to Kronospan's Polish companies in Mielec and Szczecinek, Strážske in Slovakia and Ostrava in the Czech Republic.

"At approximately PLN 900m, the value of the three contracts is impressive. They are a vital component of the Company's sales strategy and part of the synergy boost plan that the Azoty Group has been pursuing since the merger," comments Krzysztof Jałosiński, President of Grupa Azoty Police and Vice-President of Grupa Azoty.

"The annual melamine production capacities of 96,000 tonnes make Grupa Azoty Puławy the third largest melamine manufacturer in the world. Puławy also boasts huge urea production capacity of 1.2m tonnes per year, with additional 0.5 tonnes of urea manufactured annually by Police. This potential is diversified towards two strategic sectors: agriculture and various technical applications of urea," emphasised Marian Rybak, President of Grupa Azoty Puławy and Vice-President of Grupa Azoty.

"Modernisation of chemical plants undertaken in Poland in early 1990s and establishment in our country of significant production centres for melamine and urea – two important materials in production of wood-based boards, was the motor behind the development of this industry in Poland. Today Poland is the second largest (after Germany) manufacturer of MDF, OSB and chipboards in Europe. The establishment and development of the board manufacturing industry in Poland has been driven by Kronospan, a major global manufacturer of wood-based panels. The contracts contribute to further development of Kronospan and the wood-based board industry, providing support also for our furniture industry," said Mirosław Malinowski, Management Board Member of Kronospan Chemical in Poland.

The furniture industry in Poland is a hub integrating a range of industrial sectors. The Polish furniture export volume for 2014 is estimated to reach PLN 7.3bn (PLN 6.9bn in 2013). Germany still remains the largest importer of Polish furniture, but Poland has been successfully selling furniture also across other EU countries, Africa and the US. In terms of manufacturing capacities, Poland is the powerhouse of the furniture industry – it ranks fourth in Europe, after such countries as Germany, Italy and Great Britain. Looking from the global perspective, we are outrivaled by the US, China and Brazil. The furniture sector in Poland comprises approximately 24,000 companies, of which approximately 100 are large enterprises with the workforce of over 250 employees, 350 are

medium-sized enterprises (50 to 250 employees) and 1,500 are small enterprises (10 to 50 employees). This sector accounts for approximately 2% of the Polish GDP.

“As the President of Grupa Azoty and the person formerly in charge of the construction of Melamine Plant II in Puławy, I believe we have created an important raw material base ensuring secure supplies, competitive prices and high quality products. Our decisions made a few years ago to increase manufacturing capacities of melamine and then urea were in line with market needs. The execution of these long-negotiated contracts was sought in order to combine the Azoty Group's and Kronospan Poland's many years of experience, mutual relations and dynamic development,” sums up Paweł Jarczewski, President of Grupa Azoty.