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Hyundai Engineering and KIND to invest in the Polimery Police project

Hyundai Engineering Co. Ltd and Korean Overseas Infrastructure & Urban Development Corporation (KIND) are set to invest over PLN 500m in PDH Polska S.A., the company responsible for implementing the Polimery Police project.

Today they signed an equity financing term sheet with Grupa Azoty S.A. and Grupa Azoty Zakłady Chemiczne Police S.A. Polimery Police is of key importance for the Grupa Azoty Group's long-term growth.

In the term sheet Hyundai Engineering and KIND agreed to invest respectively USD 73m and USD 57m in the project by way of cash contributions to be made in exchange for shares issued as part of a share capital increase at PDH Polska S.A., the subsidiary of Grupa Azoty S.A. and Grupa Azoty Zakłady Chemiczne Police S.A. responsible for implementing the Polimery Police project. On their part, the Grupa Azoty Group companies agreed to invest up to PLN 1.4bn in the project as well as proceeds from the proposed public offering of Grupa Azoty Zakłady Chemiczne Police S.A. shares. The term sheet of September 19th 2019 follows a preliminary investment agreement signed between the parties on May 10th 2019.

"The decision of our Korean partners to invest over PLN 500m is another big step towards implementation of the Polimery Police project. We consider it a display of trust and confirmation that the project is economically viable. The term sheet we have just signed is binding," **said dr Wojciech Wardacki**, President of the Management Boards of Grupa Azoty S.A. and Grupa Azoty Zakłady Chemiczne Police S.A.

The term sheet provides Hyundai and KIND may jointly appoint one member of the PDH Polska Supervisory Board. The parties also agreed that the final agreement will provide for a three-year lock-up period for the Korean shareholders. Investment exit options were also agreed on, including the option to sell shares by the Korean investors and the option to purchase the shares by Grupa Azoty Group companies.

"The Polimery Police project will allow us to diversify our business by expanding non-fertilizer business lines. We expect our plastics business will contribute roughly one-third of consolidated revenue in a few years' time, compared with 16% in 2018. The project lays the groundwork for further value growth and consolidation of the Group's position on international markets. We are confident the project will benefit the entire Polish chemical sector," added **Mr Wardacki**.

Polimery Police, a project of strategic importance for the Group, is progressing on schedule. As regards its financing structure, the Grupa Azoty Group companies and Grupa LOTOS S.A. have already signed a letter of intent concerning the latter's potential equity investment of around PLN 500m. Grupa Azoty Zakłady Chemiczne Police S.A. shareholders are due to make a decision on a PLN 1.1bn public offering of company shares on September 23rd. The offering is scheduled to take place in the fourth quarter of 2019.

The aim of the Polimery Police project, which is implemented by PDH Polska S.A., is to build an integrated chemical complex comprising a propylene unit, a polypropylene unit, a handling and storage terminal, logistics infrastructure and auxiliary units. The complex will be able to produce 437,000 tonnes of polypropylene annually, placing Poland among Europe's largest PP producers. Most of the output will be sold abroad. The total budget of the Polimery Police project is estimated at EUR 1.5bn, including capital expenditure of approximately EUR 1.2bn (contractor's remuneration, licence purchases, preparatory work).