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Grupa Azoty Group Q2 net profit up PLN 111m year on year

In the three months to June 30th 2021, the Grupa Azoty Group posted a net profit of PLN 168m, an increase of PLN 111m on the same quarter of 2020. In the second quarter of 2021, the Group's consolidated revenue was PLN 3,173m, up PLN 904m year on year. EBITDA amounted to PLN 361m (up PLN 46m year on year), with EBITDA margin at 11.4% (down 2.5pp year on year).

The Grupa Azoty Group's revenue for the first six months of 2021 was PLN 6,535m (up PLN 1,162m year on year), with EBITDA at PLN 766m (up PLN 14m year on year) and EBITDA margin of 11.7% (down 2.3pp). The performance figures are in line with the Grupa Azoty Group's estimates published in the second half of August 2021.

The Grupa Azoty Group's performance was mainly under strong cost pressures on the feedstock market, including very high gas prices, which was a consequence of various external factors, such as low LNG supplies to Europe and Russia's decision not to increase gas supplies to the European market, overhaul of the Norwegian gas infrastructure, record-low stocks of gas in storage facilities, as well as pressures related to rising prices of CO₂ emission allowances and coal. Costs of other feedstock used in production processes by the other segments also grew. On the other hand, the Group's performance benefited from higher prices of most products across all segments.

'Amid extremely challenging market conditions since early 2021, in the second quarter the Group reported a year-on-year growth of both revenue and EBITDA. The second quarter saw a continuation of the upward trend in feedstock prices and was marked with record-high prices of CO₂ emission allowances and gas prices, which are now above EUR 50/MWh. As both gas and emission allowances are the main cost items in fertilizer production, their increase drove up fertilizer prices not only in Poland, but also in the European Union and worldwide. The Group has largely satisfied its CO₂ emission allowances requirement, partly for 2022–2023, and we also expect to be allotted more free allowances than we had predicted. Margins in the fertilizers segment declined by 2pp. A strong rebound was seen in Plastics, which in the second quarter benefited from growing demand and doubled its year-on-year revenue, and managed to partly rebuild margins. The Chemicals segment was another strong driver of the Group's performance, as confirmed by its increased contribution to revenue and the highest EBITDA margin among the key segments. Revenue from OXO products and melamine showed significant improvement on the first quarter of the year,' **said Tomasz Hinc, President of the Management Board of Grupa Azoty S.A.**

Fertilizers

In the second quarter of 2021, Fertilizers posted revenue of PLN 1,642m compared with PLN 1,401m a year earlier, with EBITDA margin at 9.4% (compared with 11.5% in the same period last year). In the first six months of 2021, the segment's revenue rose year on year from PLN 3,328m to PLN 3,661m, while EBITDA margin fell from 13.6% to

11.3%. The segment's performance was driven by high gas prices and rising prices of nitrogen, compound and specialty fertilizers, being on the one hand a result of pressures triggered by higher urea prices, which determine the price paths for other fertilizer products, mainly ammonium nitrate, and – on the other hand – of conditions prevailing on the global market, i.e. oversupply, low stock levels and high prices of agricultural produce.

Plastics

In the second quarter of 2021, the Plastics segment reported revenue of PLN 456m (up PLN 237m year on year), with EBITDA margin of 5.6% (relative to -9.0% the year before). Year to date, total revenue was PLN 842m (up PLN 251m year on year), and EBITDA margin came in at 4.0% (up 7.6pp year on year). A year-on-year increase in demand from the main applications markets translated into higher prices of polyamide. The segment's costs rose significantly on the back of higher prices of key feedstocks (benzene and phenol)m, which went up as a result of their limited availability (due to, among other things, industrial failures at major manufacturers) and adverse changes in the supply and demand trends in the European market.

Chemicals

Year on year, the segment's revenue rose 68.9%, to PLN 896m, in the second quarter, with EBITDA margin down 9.2pp, to 11.3%. Year to date, revenue and EBITDA margin amounted to PLN 1,712m (down 40.8% year on year) and 10.6% (down 6.0pp year on year), respectively. The year-on-year increase in the segment's revenue was attributable to a sharp growth in sales volumes (particularly of plasticizers, melamine, NOXy and technical-grade urea) and prices of all of the segment's key products. Margins contracted on the back of markedly higher prices of feedstock (propylene and terephthalic acid).