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27 03 2015

Grupa Azoty Group to build its largest project to date

With its new project worth PLN 1.7bn, the largest in its history, the Grupa Azoty Group confirms it is ready to deliver on its ambitious plans for domestic and international expansion.

By 2019 the Group aims to build Europe's largest and most advanced PDH unit for propylene production, sited in the town of Police. In addition to the PDH unit, the project involves the construction of a power generating unit and expansion of the chemicals terminal in the port facilities owned by the Group. In terms of its size, the project is comparable to building an entirely new chemical plant in the Szczecin region.

Following successful consolidation of the Polish chemical industry, in which Poland's four largest chemical companies were combined into a single entity, the Grupa Azoty Group has been able to grow its top-line by the year, while expanding its own feedstock supply and production base. From 2010 to the end of the consolidation process, the Group's revenue climbed from PLN 1.9bn to PLN 9.8bn. We expect the new project to ultimately add another PLN 2bn to our annual revenue.

The PLN 1.7bn CAPEX project involves the construction of propylene production and power generation at the Police port facilities to include a liquid chemicals handling terminal which will serve the largest LPG vessels in Poland, with its capacity of 1.5 million tonnes per year. The project is scheduled for completion within the next four years. Its first performance is expected to be seen as early as 2019. It will contribute around PLN 2bn in revenue and hundreds of millions of zloty in net profit every year. Some 1,000 staff will work on the project construction site, and following the launch of commercial operation the plant will give permanent employment to around 200 people. The financing for the project will be secured through a dedicated project finance SPV.

"We can be proud to see our national champion undertake innovative projects like this one, crucial for the future of Polish industry. But this project also fits well with the efforts to re-industrialise Europe. The production of propylene, as a key chemical intermediate, paves the way for building other process plants capable of making Poland an important producer of technologically advanced plastics," said Włodzimierz Karpiński, the Minister of State Treasury. "Having learnt more about the project, I am convinced the Grupa Azoty Group's growth strategy is being effectively implemented. Last year I spoke of strengthening the presence of the port in Police on the map of Europe. Progress on this goal has been made, with the port's capacity having increased as a result. Today the port serves as a bridge between Poland and Africa, and once the new terminal is launched in

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2019 the cargo handled will include not only solid materials but also liquid chemicals and fuels. Maximum utilisation of the terminal's capacity and its geographical location will help increase trade volumes with our neighbouring countries," Mr Karpiński added.

The existing process plant dates back to half a century ago. Today we are facing challenges that will have implications for future generations, and in tackling them we plan for and implement innovative projects. And future generations will be among the beneficiaries," said Paweł Jarczewski, President of the Grupa Azoty Management Board. "Through investments in key chemical intermediates we are building an innovative chemical industry with a global competitive advantage. In parallel with these investments, the Group is effectively pursuing the strategy it announced last year, continuously building value through organic growth. The revenue structure will be diversified to increase business security and enable entrance into a new market segment, which is subject to different economic cycles. As a consequence, the Group will expand its product mix and reach new markets with its products," Mr Jarczewski added.

The Grupa Azoty Group is set to consolidate its position in international markets and become Europe's major propylene exporter. Our projected output is approximately 400 thousand tonnes. Of that amount, around 60% will be sold for export or used in other process units. The remainder will be sold internally to other Group companies, including the Kędzierzyn plant, fully covering their propylene consumption needs," commented Krzysztof Jalościński, President of the Grupa Azoty Police Management Board. "We had a reason to call our new project Grupa Azoty Police 2, as it essentially envisages the construction of a second, equally efficient production plant. It is a historic moment for the Grupa Azoty Group, Poland's largest and Europe's leading chemical group," added Mr Jalościński.

Market overview

Given the shutdowns of existing capacity based on old technologies and growing demand for propylene in the region, Europe is bound to become a net importer of that chemical compound in the next few years. The deficit in Germany alone is around 850 thousand tonnes per year. Hence, the launch of 400 thousand tonne capacity, with 150 thousand tonnes allocated for own needs, will position Poland as an important producer of that key chemical material.

Besides ethylene, propylene is the major feedstock in the chemical industry, used in the production of various materials, including plastics, which are an essential element of our everyday lives. Propylene is an intermediate in the production of other key semi-products used to make OXO alcohols (solvents, acrylic coatings, plasticisers), acrylic acid (acrylic coatings, superabsorbent polymers), and polypropylene, which finds applications in the textile and automotive industries (bumpers, car battery casings) and in packaging production (crates, containers, films).

Once completed, the new propylene unit will also significantly strengthen the Group's position in the OXOPLAST segment.

Read more: [Propylene production via propane dehydrogenation \(PDH\)](#)

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