Elixir Group d.o.o.

Republic of Serbia, Chemicals

Issuer
BB

Outlook
Stable

Senior unsecured RSD 4.1bn bond
BB+

Rating composition

Business risk profile		
Industry risk profile	BB	**BB**
Competitive position	BB	
Financial risk profile		
Credit metrics	BB	**BB**
Preliminary credit assessment		**BB**
Supplementary rating drivers		
Liquidity	+/-0 notches	**+/-0 notches**
Financial policy	+/-0 notches	
Governance & structure	+/-0 notches	
Secondary credit assessment		**BB**
External rating drivers		
Parent/government support	+/-0 notches	**+/-0 notches**
Peer context	+/-0 notches	
Issuer rating		**BB**

Key metrics

			Scope estimates	
Scope credit ratios*	**2024**	**2025**	**2026E**	**2027E**
Scope-adjusted EBITDA interest cover	4.4x	5.8x	7.8x	9.4x
Scope-adjusted debt/EBITDA	3.3x	3.9x	2.7x	2.4x
Scope-adjusted funds from operations/debt	9%	27%	30%	35%
Scope-adjusted free operating cash flow/debt	-9%	-12%	1%	10%
Liquidity	101%	162%	>200%	>200%

*All credit metrics refer to Scope-adjusted figures.

Rating sensitivities

The upside scenarios for the rating and Outlook (collectively):

- A sustained increase in EBITDA margin to above 20%, accompanied by a further improvement in diversification
- Reduction in debt/EBITDA to below 2.5x and increase in cash flow cover to above 5%, both maintained on a sustained basis

The downside scenarios for the rating and Outlook (individually):

- Debt/EBITDA persistently above 3.5x
- Negative free operating cash flow

Lead Analyst

Dániel Szebényi
+49 69 667738905
d.szebenyi@scoperatings.com

Related methodologies

General Corporate Rating Methodology, Apr 2026
Chemicals Rating Methodology, Apr 2026

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1. Key rating drivers

Positive rating drivers

- Leading position in the domestic fertiliser production and supply market, complemented by a solid foothold in the European phosphoric acid segment
- Moderate to robust leverage metrics supported by strong interest coverage
- Solid, albeit historically volatile, margin profile, with expected improvement and gradual smoothing driven by the expansion of the product portfolio
- Strengthened liquidity profile following the recent refinancing of the majority of outstanding debt

Negative rating drivers

- Exposure to pronounced industry cyclicality as a price taker, resulting in significant volatility in both input costs and selling prices
- Substantial unhedged exposure to floating-rate debt, which may materially weaken interest coverage in a rising rate environment
- Constrained diversification due to a narrow product portfolio and high reliance on the domestic market
- Negative and volatile free operating cash flow, alongside weak cash flow coverage, driven by an extended investment cycle and material working capital swings typical for the business model

2. Rating Outlook

The Stable Outlook reflects our expectation that the completion of key investment projects and the ramp-up of production capacity, together with supportive market conditions, will drive a gradual increase in EBITDA margins to above 18% in 2026. This underpins the expectation that leverage (debt/EBITDA) will remain below 3.5x, while interest coverage (EBITDA/interest) is sustained above 5.0x. Cash flow cover is expected to turn positive in 2026 following the completion of the capex programme and to remain positive on a sustained basis thereafter.

3. Corporate profile

Established fertiliser producer with growing exposure to higher-value phosphoric acid production

Founded in 1990, Elixir operates two manufacturing sites in Serbia and employs approximately 2,000 people. The company primarily produces NPK fertilisers with varying nutrient compositions (N, P and K), as well as other chemical products such as phosphoric acid. NPK fertilisers are mainly sold to the agricultural sector, while phosphoric acid is supplied to the chemical, feed, automotive and food industries.

Ongoing investment phase to shift product mix towards higher-value applications

The company is currently nearing completion of a significant investment cycle aimed at (i) expanding production capacity for phosphoric acid across different grades (feed, technical and food grade), (ii) installing a waste-to-energy plant at one of its production sites, and (iii) developing a new technical monoammonium phosphate (tMAP) production facility. To support the financing of the latter, Elixir issued an RSD 4.1bn (approximately EUR 35m) green bond in Q1 2025 under its Green Bond Framework.

4. Rating history

Date	Rating action/monitoring review	Issuer rating & Outlook
28 MAY 2026	Affirmation	BB/Stable
23 MAY 2025	Final bond rating assignment	BB/Stable
29 JAN 2025	New	BB/Stable

5. Financial overview (financial data in RSD m)

					Scope estimates	
Scope credit ratios	**2022**	**2023**	**2024**	**2025**	**2026E**	**2027E**
EBITDA interest cover	35.3x	5.8x	4.4x	5.8x	7.8x	9.4x
Debt/EBITDA	1.1x	3.0x	3.3x	3.9x	2.7x	2.4x
Funds from operations/debt	79%	25%	9%	27%	30%	35%
Free operating cash flow/debt	-19%	-7%	-9%	-12%	1%	10%
Liquidity	143%	72%	101%	162%	>200%	>200%
EBITDA						
Reported EBITDA	16,398	8,128	7,955	8,748	12,748	14,088
add/less: changes in provisions	465	57	93	127	127	127
EBITDA	**16,862**	**8,185**	**8,047**	**8,874**	**12,874**	**14,214**
Funds from operations (FFO)						
EBITDA	16,862	8,185	8,047	8,874	12,874	14,214
less: interest	(478)	(1,419)	(1,848)	(1,542)	(1,643)	(1,520)
less: cash tax paid	(577)	(639)	(365)	(219)	(677)	(790)
Other non-operating charges before FFO	(1,286)	70	(3,409)	2,401	-	-
Funds from operations	**14,522**	**6,197**	**2,425**	**9,514**	**10,554**	**11,905**
Free operating cash flow (FOCF)						
Funds from operations	14,522	6,197	2,425	9,514	10,554	11,905
Change in working capital	(13,652)	507	6,549	6,695	(2,891)	(4,445)
less: capital expenditures (net)	(3,981)	(8,036)	(10,917)	(19,963)	(6,960)	(3,988)
less: lease amortisation	(300)	(342)	(480)	(304)	(431)	(431)
Free operating cash flow	**(3,412)**	**(1,674)**	**(2,424)**	**(4,058)**	**273**	**3,041**
Interest						
Interest paid	524	1,402	1,830	1,530	1,722	1,598
Interest received	(53)	(10)	(25)	(25)	(115)	(115)
add: interest on debt-like provisions	7	27	43	37	37	37
Interest	**478**	**1,419**	**1,848**	**1,542**	**1,643**	**1,520**
Debt						
Reported financial (senior) debt	19,626	24,126	26,329	34,636	33,957	29,705
less: cash and cash equivalents	(2,205)	(1,473)	(1,404)	(5,262)	(4,610)	(1,392)
add: provisions for environmental purposes (waste disposal)	328	502	689	775	775	775
add: other debt-like items (legal disputes and 50% of given guarantees)	547	1,165	1,165	4,838	4,838	4,838
Debt	**18,297**	**24,320**	**26,779**	**34,987**	**34,961**	**33,926**

6. Environmental, social and governance (ESG) profile[1]

Environment	Social	Governance
Resource management (e.g. raw materials consumption, carbon emissions, fuel efficiency)	Labour management	Management and supervision (supervisory boards and key person risk)
Efficiencies (e.g. in production)	Health and safety (e.g. staff and customers)	Clarity and transparency (clarity, quality and timeliness of financial disclosures, ability to communicate)
Product innovation (e.g. transition costs, substitution of products and services, green buildings, clean technology, renewables)	Clients and supply chain (geographical/product diversification)	Corporate structure (complexity)
Physical risks (e.g. business/asset vulnerability, diversification)	Regulatory and reputational risks	Stakeholder management (shareholder payouts and respect for creditor interests)

ESG factors: credit-positive credit-negative credit-neutral

ESG exposure offset by efficiency and compliance measures

Elixir operates in a sector inherently exposed to environmental and social ESG risks, including pollution, resource intensity, occupational safety, and regulatory compliance, yet it is not an outlier and has implemented an ESG strategy that broadly addresses these challenges. The company indirectly supports SDG 2 ("Zero Hunger") through fertiliser production that underpins agricultural productivity, although its exposure to agricultural markets creates sensitivity to climate-related risks such as extreme weather, which can affect crop yields, prices, and demand. Its integrated production model and circular practices, including in-house phosphoric acid production and a waste-to-energy plant, help mitigate its environmental footprint.

Governance limitations balanced by structured internal controls

While Elixir handles hazardous materials across large industrial plants, it maintains compliance with relevant ISO standards and demonstrates sound health and safety practices, without elevated incident risks versus peers. Governance remains a relative weakness due to its private ownership structure, absence of a supervisory board, and familial ties between the owner/president and CEO. However, these concerns are largely mitigated by established management committees and control functions that support oversight and limit key person risk.

[1] These evaluations are not mutually exclusive or exhaustive as ESG factors may overlap and evolve over time. We only consider ESG factors that are credit-relevant, i.e. those that have a discernible, material impact on the rated entity's cash flow and, by extension, its credit quality.

7. Business risk profile: BB

Elixir's business risk profile is supported by its solid positioning in phosphate-based fertilisers and phosphoric acid, as well as moderate-to-good profitability. However, it remains constrained by its relatively small scale, limited product diversification and exposure to inherently volatile commodity markets.

Scale limitations mitigated by strong niche positioning

Elixir is a relatively small European chemicals player, with EBITDA of around EUR 75m, significantly below that of major fertiliser peers, although it benefits from a meaningful niche position. In fertilisers, its market position is assessed as moderate, supported by market shares of around 3% in Europe and approximately 15% in phosphate-based fertilisers, alongside a strong domestic presence in Serbia. Its competitive positioning is reinforced by structural supply shortages in Europe, driven by reduced imports and limited domestic production, supporting stable utilisation rates. The company's focus on phosphate-rich NPK fertilisers provides an advantage relative to nitrogen-based products, as it reduces exposure to natural gas price volatility. In phosphoric acid, Elixir's positioning is stronger, supported by limited European production capacity and reliance on imports, as well as its internal production capabilities, which enhance supply security and vertical integration. Ongoing capacity expansion, including the new phosphoric acid plant and higher-value products such as tMAP, is expected to further strengthen its market role. Nevertheless, Elixir operates as a price taker in its core markets, leaving it exposed to volatility in input and output prices, which constrains its overall market positioning assessment.

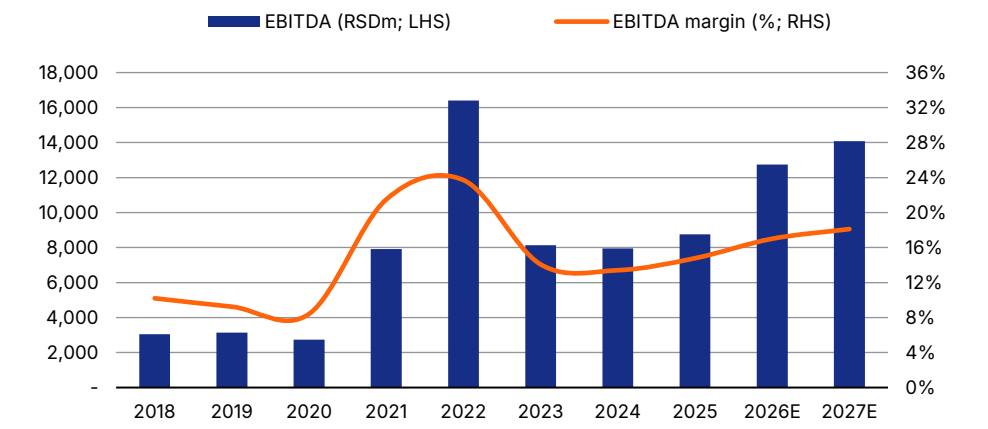
Limited diversification partly offset by cost advantages

Diversification remains a constraint on the business risk profile. Geographical diversification is moderate, with Serbia still accounting for a meaningful share of revenues, although the company has expanded its footprint to more than 80 countries, albeit often with limited depth in individual markets. Asset diversification is weak, as production is concentrated in only two facilities located in Serbia, exposing the company to operational concentration risk. Product diversification is also limited, with earnings largely derived from fertilisers and phosphoric acid, although this will be partially mitigated by the expansion into higher-value phosphoric acid derivatives and specialty products following completion of the new plant. End-market diversification is somewhat broader, as exposure spans agriculture, food, chemicals and industrial segments, which are not fully correlated, although fertilisers linked to agriculture still dominate revenues. Customer concentration remains elevated, with the top clients accounting for a meaningful share of sales, while supplier concentration is notable but mitigated by the commodity nature of inputs and long-term arrangements with key partners. Importantly, Elixir benefits from a structurally advantageous sourcing position for sulphur through its proximity to a local supplier, supporting a low-cost base and partially offsetting its limited diversification.

Profitability improving but constrained by inherent volatility

Elixir's operating profitability is assessed as moderate but volatile, reflecting its exposure to commodity market dynamics. EBITDA margins have historically ranged between 8% and 28%, highlighting significant cyclicality, although they are expected to stabilise at around 15%–20% over the medium term. The recent and ongoing investment programme, including the new phosphoric acid plant and waste-to-energy facility, is expected to support margins through materially lower unit costs, improved energy efficiency and a more favourable product mix. In addition, increased production of higher-margin products, such as technical- and food-grade phosphoric acid and tMAP, should enhance profitability over time. The company also benefits from relatively lower exposure to natural gas price volatility compared to nitrogen-based fertiliser producers, providing some resilience in margin development. However, profitability remains sensitive to external factors, including fertiliser demand, agricultural cycles and input price volatility, which are largely outside the company's control. Overall, the margin profile is expected to improve in the near term, supported both by favourable market conditions and the commissioning of new capacity, although inherent volatility remains a key constraint.

Figure 1: EBITDA and EBITDA margin



Sources: Elixir, Scope estimates

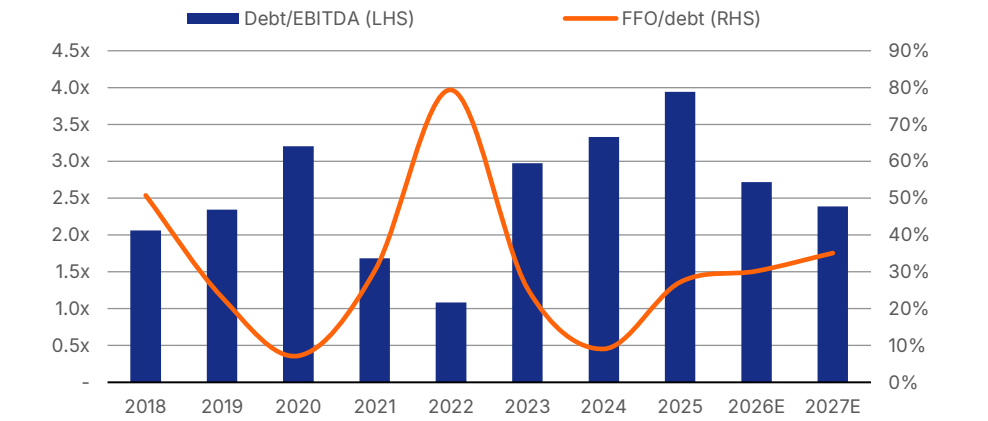
8. Financial risk profile: BB

The financial risk profile is supported by moderate leverage and good interest coverage, while remaining constrained by weak cash flow cover due to the recent investment phase.

Leverage elevated but expected to improve with earnings growth

Leverage, as measured by debt/EBITDA, increased materially to 3.9x in 2025 from 3.0x in 2023, primarily reflecting higher debt used to finance significant capital expenditures while EBITDA remained broadly flat. We expect leverage to improve to around 2.5x over the next two years, driven by a combination of EBITDA growth and broadly stable debt levels. While part of this improvement is linked to currently favourable market conditions, the commissioning of the new production facility is expected to provide structural support to earnings, underpinning deleveraging potential. The company's stated leverage target of ≤3.5x and covenant requirements for progressive reductions provide additional comfort. However, leverage remains sensitive to the inherently volatile nature of the fertiliser and chemicals markets, which could lead to deviations from projected levels.

Figure 2: Leverage



Sources: Elixir, Scope estimates

Solid interest coverage with further improvement expected

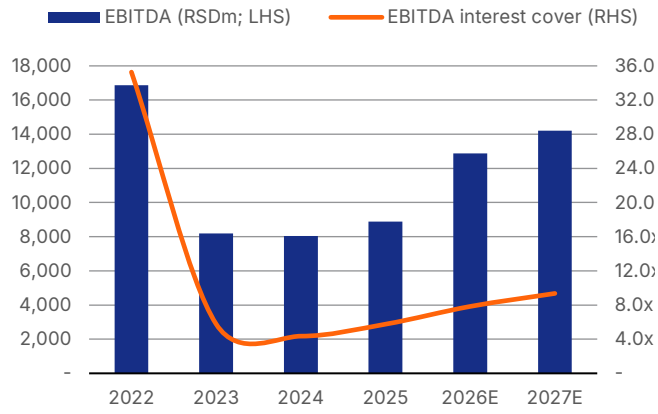
Interest coverage improved to 5.8x in 2025, in line with 2023 levels, from 4.4x in 2024, supported by a lower average cost of debt following the decline in benchmark interest rates. We expect interest coverage to strengthen further to above 7.0x over the next two years, primarily driven by higher EBITDA, while total debt is projected to remain broadly stable. Nevertheless, interest

coverage remains exposed to potential interest rate volatility, as the majority of the company's debt is linked to floating rates. Overall, the metric compares favourably within the rating category and provides solid headroom against downside scenarios.

Weak cash flow during capex phase, improving ahead

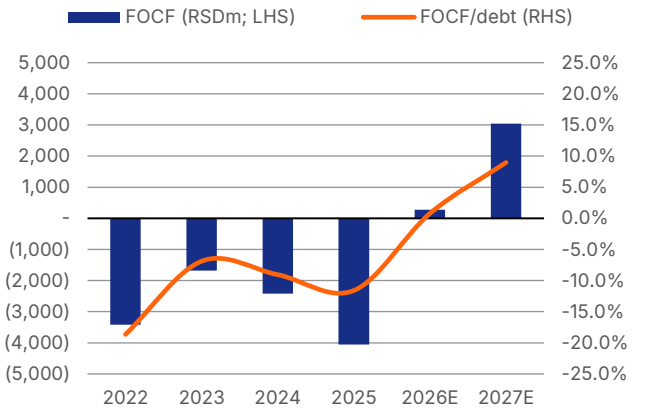
Cash flow cover has remained persistently weak in recent years, reflecting elevated capex levels during the company's investment phase, with the ratio declining to -12% in 2025 from -9% in 2024. The negative performance is driven by high capital spending, which has more than offset improvements in funds from operations. As the investment cycle concludes from 2026, with capex expected to decline to around the level of depreciation by 2027, free operating cash flow is projected to turn positive. However, pressure from working capital is likely to limit the pace of improvement.

Figure 3: Interest cover



Sources: Elixir, Scope estimates

Figure 4: Cash flow cover (FOCF/debt)



Sources: Elixir, Scope estimates

9. Supplementary rating drivers: +/- 0 notches

We have not applied any adjustments to the preliminary credit assessment based on supplementary rating drivers. This reflects the company's prudent financial policy, as demonstrated by its conservative shareholder remuneration, adherence to financial and other credit covenants, disciplined M&A approach, and commitment to maintaining moderate leverage levels.

Adequate liquidity

Liquidity: adequate (unchanged). The company's liquidity is assessed as adequate. In addition to its solid cash position and liquid inventories, Elixir benefits from substantial long-term committed but undrawn facilities. In December 2025, the company secured a six-year EUR 240m (RSD 28bn) syndicated facility from UniCredit, OTP, and NLB Bank, which was used to refinance nearly all outstanding debt and significantly improve the maturity profile. As a result, near-term maturities have been reduced to RSD 676m in 2026 and RSD 4.3bn in 2027, supporting a liquidity ratio projected to remain comfortably above 200% over the next two years.

Table 1: Liquidity sources and uses (in RSD m)

	2025	20226E	2027E
Unrestricted cash (t-1)	1,404	5,262	4,610
Open committed credit lines (t-1)	9,356	9,356	9,356
Liquid inventories (t-1; 25% of total)	3,656	4,698	4,900
FOCF (t)	(4,058)	273	3,041
Short-term debt (t-1)	4,864	676	4,252
Liquidity	**162%**	**>200%**	**>200%**

Sources: Elixir, Scope estimates

Covenant headroom supported by lender relationships and discipline

Elixir's debt structure includes credit-related financial covenants, with the most relevant being net debt/EBITDA, set at 3.9x in 2025, tightening to 3.7x in 2026 and 3.3x thereafter. While the company has generally complied with its covenants, a waiver was required in 2023 due to pressure on interest coverage from rising floating-rate debt costs, which led to a reset of covenant levels. We expect continued compliance with financial covenants, although some risk remains due to potential EBITDA volatility. In the event of a prospective breach, the company is expected to proactively engage with lenders, and given its strong domestic market position and established relationships with funding banks, continued lender support is considered likely.

10. External rating drivers: +/- 0 notches

We have made no adjustments related to external rating drivers.

11. Debt rating

Senior unsecured bond rating: BB+

Our recovery assessment for Elixir's senior unsecured bond is based on a hypothetical default scenario in 2027 and assumes a liquidation of the company's assets. Although the expected recovery rate is assessed as excellent, the uplift is limited to one notch above the issuer rating, reflecting constraints from the bonds' unsecured status, the potential increase in senior secured debt ahead of a default, and the high price volatility of core products, which could materially affect inventory values and claims at default. Consequently, the bond rating is capped at 'BB+'.

Appendix 1. Peer comparison (as at last reporting date)

	Elixir Group d.o.o.	Neova Oy	Envien Magyarország Kft.	Pannonia Bio Zrt.	Elkem ASA
Issuer rating/Outlook	**BB/Stable**	**BBB-/Stable**	**B+/Negative**	**B+/Negative**	**BBB-/Negative**
Last reporting date	31 December 2025	31 December 2024	31 December 2024	31 December 2024	31 December 2024
Business risk profile	**BB**	**BB+**	**B+**	**B+**	**BB+**
Financial risk profile	**BB**	**BB+**	**BB-**	**BB**	**BBB**
EBITDA interest cover	5.8x	4.8x	6.2x	5.5x	5.4x
Debt/EBITDA	3.9x	2.6x	4.2x	3.5x	2.6x
FFO/debt	27%	22%	18%	23%	26%
FOCF/debt	-12%	18%	-2%	28%	-13%
Preliminary credit assessment	**BB**	**BB+**	**BB-**	**BB-**	**BBB-**
Supplementary and external rating drivers	**±0 notches**	**+1 notch**	**-1 notch**	**-1 notch**	**±0 notches**

Sources: Public information, Scope

Scope Ratings GmbH

Lennéstraße 5, D-10785 Berlin
Phone: +49 30 27891-0
Fax: +49 30 27891-100
info@scoperatings.com

Scope Ratings UK Limited

1 King William Street
London, EC4N 7AF
Phone: +44 20 3059 1051
info@scoperatings.com

Bloomberg: RESP SCOP
Scope contacts
scoperatings.com

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