



Interim condensed consolidated financial
statements of the Grupa Azoty Group for
the six months ended June 30th 2023,
prepared in accordance with IAS 34 Interim
Financial Reporting as endorsed
by the European Union



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Consolidated financial highlights

	(PLN '000)		(EUR '000)	
	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>
Revenue	7,386,299	13,236,932	1,601,192	2,851,128
Operating (loss)/profit	(1,403,183)	2,214,332	(304,180)	476,949
(Loss)/profit before tax	(1,282,871)	2,034,587	(278,099)	438,234
Net (loss)/profit	(1,098,421)	1,681,960	(238,114)	362,281
Comprehensive income for the period	(1,148,034)	2,003,259	(248,869)	431,486
Number of shares	99,195,484	99,195,484	99,195,484	99,195,484
Earnings/(loss) per ordinary share (PLN)	(10.74)	15.82	(2.33)	3.41
Net cash from operating activities	2,359,164	1,424,590	511,416	306,845
Net cash from investing activities	(1,530,822)	(1,368,343)	(331,850)	(294,730)
Net cash from financing activities	(805,784)	(1,558,335)	(174,677)	(335,653)
Total net cash flows	22,558	(1,502,088)	4,890	(323,538)
Cash and cash equivalents at beginning of period	1,376,541	2,362,193	298,405	508,797
Cash and cash equivalents at end of period	1,405,681	866,981	304,722	186,741
	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Non-current assets	18,115,849	16,948,753	4,070,703	3,613,884
Current assets	7,904,016	8,916,891	1,776,064	1,901,297
Non-current liabilities	5,894,230	7,294,419	1,324,457	1,555,346
Current liabilities	11,330,491	8,614,858	2,546,006	1,836,896
Equity	8,795,144	9,956,367	1,976,304	2,122,938
Share capital	495,977	495,977	111,448	105,754
Non-controlling interests	972,365	1,021,718	218,494	217,855

Selected items of the statement of comprehensive income, statement of financial position and statement of cash flows were translated into the euro using the generally applicable method described below:

- Items of assets and equity and liabilities in the statement of financial position were translated at the exchange rate effective for the last day of the reporting period:
the exchange rate as at June 30th 2023 was EUR 1 = PLN 4.4503 (table No. 125/A/NBP/2023);
the exchange rate as at December 30th 2022 was EUR 1 = PLN 4.6899 (table No. 252/A/NBP/2022);
- Items of the statement of comprehensive income and statement of cash flows were translated using the arithmetic average of the EUR/PLN rates quoted by the National Bank of Poland as effective for the last day of each month in the reporting period:
in the period January 1st-June 30th 2023, the average exchange rate was EUR 1 = PLN 4.6130;
in the period January 1st-June 30th 2022, the average exchange rate was EUR 1 = PLN 4.6427.

The translation was made using the exchange rates specified above by dividing amounts expressed in thousands of the zloty by the exchange rate.

Interim condensed consolidated statement of comprehensive income

	Note	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>	For the period Apr 1 – Jun 30 2023 <i>unaudited</i>	For the period Apr 1 – Jun 30 2022 <i>unaudited</i>
Profits and losses					
Revenue	1	7,386,299	13,236,932	3,490,846	6,409,769
Cost of sales	2	(8,059,305)	(9,933,960)	(3,856,051)	(4,778,729)
Gross (loss)/profit		(673,006)	3,302,972	(365,205)	1,631,040
Selling and distribution expenses	2	(474,111)	(612,279)	(221,830)	(309,276)
Administrative expenses	2	(487,065)	(465,709)	(240,821)	(252,515)
Other income	3	307,200	42,717	55,869	28,289
Other expenses	4	(76,201)	(53,369)	(35,170)	(38,351)
Operating (loss)/profit		(1,403,183)	2,214,332	(807,157)	1,059,187
Finance income	5	315,783	16,329	224,844	11,742
Finance costs	6	(208,601)	(203,935)	(124,359)	(131,534)
Net finance income/(costs)		107,182	(187,606)	100,485	(119,792)
Share of profit of equity-accounted investees		13,130	7,861	7,201	4,410
(Loss)/profit before tax		(1,282,871)	2,034,587	(699,471)	943,805
Income tax	7	184,450	(352,627)	156,354	(144,215)
Net (loss)/profit		(1,098,421)	1,681,960	(543,117)	799,590
Other comprehensive income					
Actuarial (losses)/gains from defined benefit plans		(24,040)	19,372	(24,040)	19,372
Losses on remeasurement of equity instruments at fair value through other comprehensive income		-	(2,569)	-	(2,569)
Tax on items that will not be reclassified to profit or loss	7.3	4,463	(3,134)	4,463	(3,134)
Items that will not be reclassified to profit or loss		(19,577)	13,669	(19,577)	13,669
Cash flow hedges - effective portion of fair-value change		32,543	271,086	60,106	95,304
Translation reserve		(54,778)	34,617	(58,584)	6,322
Income tax relating to items that are or will be reclassified to profit or loss	7.3	(7,801)	1,927	(6,794)	405
Items that are or may be reclassified to profit or loss		(30,036)	307,630	(5,272)	102,031
Total other comprehensive income		(49,613)	321,299	(24,849)	115,700
Comprehensive income for the period		(1,148,034)	2,003,259	(567,966)	915,290
Net (loss)/profit attributable to:					
Owners of the parent		(1,065,710)	1,569,399	(543,962)	715,806
Non-controlling interests		(32,711)	112,561	845	83,784
Comprehensive income for period attributable to:					
Owners of the parent		(1,111,870)	1 835,004	(571,856)	811,932
Non-controlling interests		(36,164)	168,255	3,890	103,358
(Loss)/earnings per share:					
Basic (PLN)	8	(10.74)	15.82	(5.48)	7.22
Diluted (PLN)	8	(10.74)	15.82	(5.48)	7.22

The supplementary information is an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of financial position

	Note	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
NON-CURRENT ASSETS			
Property, plant and equipment	9	14,412,897	13,392,162
Right-of-use assets	10	786,639	758,713
Investment property		71,727	66,613
Intangible assets	11	928,285	971,484
Goodwill		289,481	305,016
Shares		10,172	10,172
Equity-accounted investees		90,214	95,436
Other financial assets		3,842	3,961
Derivative financial instruments	21	394,360	383,800
Other receivables	13	661,655	629,999
Deferred tax assets	7.4	466,059	330,889
Other non-current assets		518	508
Total non-current assets		18,115,849	16,948,753
CURRENT ASSETS			
Inventories		2,605,887	3,444,385
Property rights	12	2,204,890	2,009,349
Derivative financial instruments	21	3,813	3,122
Other financial assets		2,009	1,998
Current tax assets		69,439	33,719
Trade and other receivables	13	1,592,115	2,026,024
Cash and cash equivalents	14	1,405,681	1,376,541
Other current assets		20,182	21,753
Total current assets		7,904,016	8,916,891
TOTAL ASSETS		26,019,865	25,865,644

Interim condensed consolidated statement of financial position (continued)

	Note	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
EQUITY			
Share capital		495,977	495,977
Share premium		2,418,270	2,418,270
Hedging reserve		311,555	285,136
Translation reserve		32,683	87,421
Other capital reserves		(17,700)	(17,700)
Retained earnings		4,581,994	5,665,545
Equity attributable to owners of the parent		7,822,779	8,934,649
Non-controlling interests		972,365	1,021,718
Total equity		8,795,144	9,956,367
LIABILITIES			
Borrowings	15	3,584,290	4,971,706
Lease liabilities		391,035	360,957
Other financial liabilities	16	678,324	682,818
Employee benefit obligations	17	469,344	439,656
Trade and other payables		19,354	17,887
Provisions	18	240,693	241,007
Government grants	19	188,111	193,896
Deferred tax liabilities	7.4	323,079	386,492
Total non-current liabilities		5,894,230	7,294,419
Borrowings	15	4,227,386	689,738
Derivative financial instruments	21	453	-
Lease liabilities		69,051	71,629
Other financial liabilities	16	2,301,289	1,290,942
Employee benefit obligations	17	53,234	54,801
Current tax liabilities		43,819	243,545
Trade and other payables		3,316,339	6,141,011
Provisions	18	87,962	94,345
Government grants	19	1,230,958	28,847
Total current liabilities		11,330,491	8,614,858
Total liabilities		17,224,721	15,909,277
TOTAL EQUITY AND LIABILITIES		26,019,865	25,865,644

The supplementary information is an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of changes in equity

For the period ended June 30th 2023

	Share capital	Share premium	Hedging reserve	Translation reserve	Other capital reserves	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
As at Jan 1 2023	495,977	2,418,270	285,136	87,421	(17,700)	5,665,545	8,934,649	1,021,718	9,956,367
<i>Profit or loss and other comprehensive income</i>									
Net loss	-	-	-	-	-	(1,065,710)	(1,065,710)	(32,711)	(1,098,421)
Other comprehensive income	-	-	26,419	(54,738)	-	(17,841)	(46,160)	(3,453)	(49,613)
Comprehensive income for the period	-	-	26,419	(54,738)	-	(1,083,551)	(1,111,870)	(36,164)	(1,148,034)
<i>Transactions with owners, recognised directly in equity</i>									
Dividends	-	-	-	-	-	-	-	(13,189)	(13,189)
Balance as at Jun 30 2023 (unaudited)	495,977	2,418,270	311,555	32,683	(17,700)	4,581,994	7,822,779	972,365	8,795,144
As at Jan 1 2022	495,977	2,418,270	(58,403)	54,936	(17,700)	5,048,783	7,941,863	990,304	8,932,167
<i>Profit or loss and other comprehensive income</i>									
Net profit	-	-	-	-	-	1,569,399	1,569,399	112,561	1,681,960
Other comprehensive income	-	-	217,667	34,655	-	13,283	265,605	55,694	321,299
Comprehensive income for the period	-	-	217,667	34,655	-	1,582,682	1,835,004	168,255	2,003,259
<i>Transactions with owners, recognised directly in equity</i>									
Dividends	-	-	-	-	-	-	-	(15,703)	(15,703)
<i>Changes in ownership interests in subsidiaries</i>									
Changes in the Group	-	-	-	-	-	116	116	(116)	-
Balance as at Jun 30 2022 (unaudited)	495,977	2,418,270	159,264	89,591	(17,700)	6,631,581	9,776,983	1,142,740	10,919,723

The supplementary information is an integral part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows

	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>
Cash flows from operating activities		
(Loss)/profit before tax	(1,282,871)	2,034,587
Depreciation and amortisation	397,515	359,136
(Reversal)/Recognition of impairment losses	(11,640)	1,431
Gain on investing activities	(536)	(2,089)
Gain on disposal of financial assets	-	(47)
Share of profit of equity-accounted investees	(13,129)	(7,861)
Interest, foreign exchange gains or losses	113,299	60,401
Dividends	(35)	-
Fair value gain on financial assets	(14,172)	(68,655)
Decrease/(increase) in trade and other receivables	580,260	(122,396)
Decrease/(increase) in inventories and property rights	622,651	(1,061,496)
Increase/(decrease) in trade and other payables	1,044,018	(554,545)
Increase in provisions	202	11,927
Increase/(decrease) in employee benefit obligations	7,550	(12,375)
Increase in grants	1,188,825	947,935
Other adjustments	(32,791)	(5,207)
Income tax paid	(239,982)	(156,156)
Net cash from operating activities	2,359,164	1,424,590
Cash flows from investing activities		
Proceeds from sale of intangible assets, property, plant and equipment, and investment property	1,555	17,751
Purchase of intangible assets, property, plant and equipment, and investment property	(1,531,082)	(1,381,223)
Dividend received	35	-
Acquisition of other financial assets	(1,230)	(1,992)
Proceeds from sale of other financial assets	1,230	1,992
Other cash provided by (used in) investing activities	(1,330)	(4,871)
Net cash from investing activities	(1,530,822)	(1,368,343)
Cash flows from financing activities		
Proceeds from borrowings	2,496,679	1,012,679
Repayment of borrowings	(232,343)	(566,464)
Interest paid	(193,482)	(69,508)
Payment of lease liabilities	(41,667)	(35,395)
Payment of reverse factoring liabilities	(2,836,997)	(1,904,727)
Other financing cash proceeds/(disbursements)	2,026	5,080
Net cash from financing activities	(805,784)	(1,558,335)
Total net cash flows	22,558	(1,502,088)
Cash and cash equivalents at beginning of period	1,376,541	2,362,193
Effect of exchange rate fluctuations on cash held	6,582	6,876
Cash and cash equivalents at end of period	1,405,681	866,981

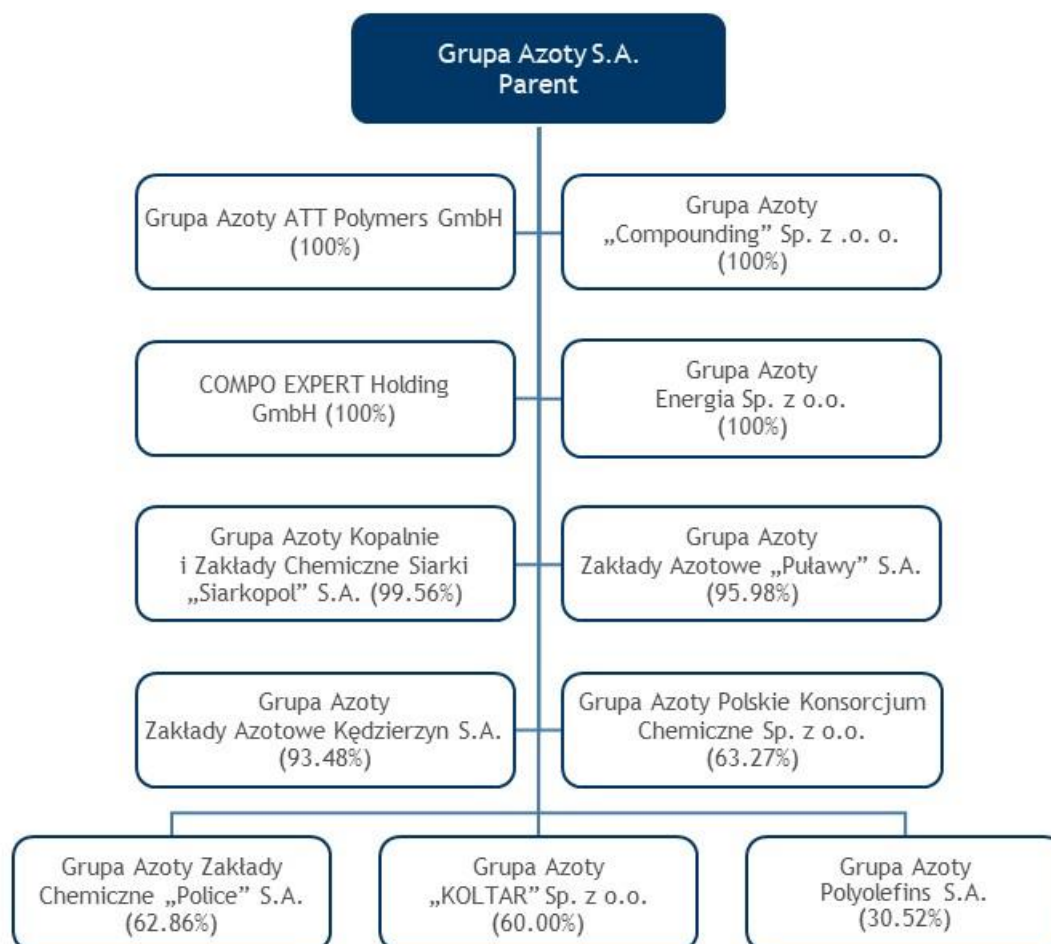
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Supplementary information to the interim condensed consolidated financial statements

1. Description of the Group

1.1. Organisational structure of the Grupa Azoty Group

As at June 30th 2023, the Grupa Azoty Group (the “Grupa Azoty Group”, the “Group”) comprised Grupa Azoty Spółka Akcyjna as the Parent (the “Parent”, the “Company”) and its direct and indirect subsidiaries. The direct subsidiaries are presented in the chart below.



The Group’s principal business is in particular the processing of nitrogen products, manufacture and sale of fertilizers, manufacture and sale of plastics, manufacture and sale of oxo alcohols, manufacture and sale of titanium white, manufacture and sale of melamine, production of sulfur and processing of sulfur products.

The Parent was entered in the Register of Businesses in the National Court Register (entry No. KRS 0000075450) on December 28th 2001, pursuant to a decision of the District Court for Kraków-Śródmieście in Kraków, 12th Commercial Division of the National Court Register, dated December 28th 2001. The Parent’s REGON number for public statistics purposes is 850002268.

As of April 22nd 2013, the Parent trades under the name Grupa Azoty Spółka Akcyjna (abbreviated to Grupa Azoty S.A.).

The Parent and the Group companies were incorporated for an indefinite period.

	Name	Entity holding shares	Interest held	Share capital	Consolidation method
1.	Grupa Azoty S.A.	Parent		PLN 495,977 thousand	Parent
2.	COMPO EXPERT Holding GmbH ("COMPO EXPERT")	GASA	100%	EUR 25 thousand	Full
3.	Grupa Azoty ATT Polymers GmbH ("ATT Polymers")	GASA	100%	EUR 9,000 thousand	Full
4.	Grupa Azoty Compounding Sp. z o.o. ("Grupa Azoty COMPOUNDING")	GASA	100%	PLN 72,008 thousand	Full
5.	Grupa Azoty Energia Sp. z o.o. ("Grupa Azoty ENERGIA")	GASA	100%	PLN 1,000 thousand	Full
6.	Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. ("Grupa Azoty SIARKOPOL")	GASA	99.56%	PLN 60,620 thousand	Full
7.	Grupa Azoty Zakłady Azotowe Puławy S.A. ("Grupa Azoty PUŁAWY")	GASA	95.98%	PLN 191,150 thousand	Full
8.	Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. ("Grupa Azoty KĘDZIERZYN")	GASA	93.48%	PLN 285,064 thousand	Full
9.	Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. ("Grupa Azoty PKCh")	GASA Grupa Azoty KĘDZIERZYN	63.27% 36.73%	PLN 85,631 thousand	Full
10.	Grupa Azoty Zakłady Chemiczne Police S.A. ("Grupa Azoty POLICE")	GASA	62.86%	PLN 1,241,758 thousand	Full
11.	Grupa Azoty Koltar Sp. z o.o. ("Grupa Azoty KOLTAR")	GASA Grupa Azoty KĘDZIERZYN Grupa Azoty PUŁAWY	60.00% 20.00% 20.00%	PLN 54,600 thousand	Full
12.	Grupa Azoty Polyolefins Spółka Akcyjna ("Grupa Azoty POLYOLEFINS")	GASA Grupa Azoty POLICE	30.52% 34.41%	PLN 922,968 thousand	Full
13.	Agrochem Puławy Sp. z o.o.	Grupa Azoty PUŁAWY	100%	PLN 68,639 thousand	Full
14.	SCF Natural Sp. z o.o.	Grupa Azoty PUŁAWY	100%	PLN 15,001 thousand	Full
15.	Grupa Azoty Zakłady Fosforowe Gdańsk Sp. z o.o.	Grupa Azoty PUŁAWY	99.19%	PLN 59,003 thousand	Full
16.	Grupa Azoty Zakłady Azotowe Chorzów S.A.	Grupa Azoty PUŁAWY	96.48%	PLN 94,700 thousand	Full
17.	STO-ZAP Sp. z o.o.	Grupa Azoty PUŁAWY	96.15%	PLN 1,117 thousand	Not consolidated
18.	Remzap Sp. z o.o.	Grupa Azoty PUŁAWY	97.17%	PLN 3,528 thousand	Full
19.	Prozap Sp. z o.o.	Grupa Azoty PUŁAWY Grupa Azoty POLICE	78.86% 7.35%	PLN 892 thousand	Full
20.	Bałtycka Baza Masowa Sp. z o.o.	Grupa Azoty PUŁAWY	50.00%	PLN 19,500 thousand	Equity method
21.	Grupa Azoty Transtech Sp. z o.o.	Grupa Azoty POLICE	100%	PLN 9,783 thousand	Full
22.	Grupa Azoty Police Serwis Sp. z o.o.	Grupa Azoty POLICE	100%	PLN 9,618 thousand	Full
23.	Grupa Azoty Africa S.A. w likwidacji (in liquidation)	Grupa Azoty POLICE	99.99%	XOF 132,000 thousand	Full
24.	Zarząd Morskiego Portu Police Sp. z o.o.	Grupa Azoty POLICE	99.91%	PLN 32,642 thousand	Full
25.	Budchem Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankructcy)	Grupa Azoty POLICE	48.96%	PLN 1,201 thousand	Not consolidated
26.	Kemipol Sp. z o.o.	Grupa Azoty POLICE	33.99%	PLN 3,445 thousand	Equity method

	Name	Entity holding shares	Interest held	Share capital	Consolidation method
27.	ZAKSA S.A.	Grupa Azoty KĘDZIERZYN	92.45%	PLN 6,000 thousand	Full
28.	Grupa Azoty Jednostka Ratownictwa Chemicznego Sp. z o.o. ("Grupa Azoty JRCH")	Grupa Azoty PKCH	100%	PLN 21,749 thousand	Full
29.	Grupa Azoty Prorem Sp. z o.o. ("Grupa Azoty PROREM")	Grupa Azoty PKCH	100%	PLN 11,567 thousand	Full
30.	Grupa Azoty Automatyka Sp. z o.o.	Grupa Azoty PKCH	77.86%	PLN 4,654 thousand	Full
31.	Ekotar Sp. z o.o.	Grupa Azoty JRCH	12.00%	PLN 500 thousand	Not consolidated
		Grupa Azoty PROREM	12.00%		
32.	COMPO EXPERT International GmbH ("COMPO EXPERT International")	COMPO EXPERT	100%	EUR 25 thousand	Full
33.	COMPO EXPERT GmbH	COMPO EXPERT International	100%	EUR 25 thousand	Full
34.	COMPO EXPERT Italia S.r.l.	COMPO EXPERT International	100%	EUR 10 thousand	Full
35.	COMPO EXPERT Spain S.L.	COMPO EXPERT International	100%	EUR 3 thousand	Full
36.	COMPO EXPERT Portugal, Unipessoal Lda.	COMPO EXPERT International	100%	EUR 2 thousand	Full
37.	COMPO EXPERT France SAS	COMPO EXPERT International	100%	EUR 524 thousand	Full
38.	COMPO EXPERT Polska Sp. z o.o.	COMPO EXPERT International	100%	PLN 6 thousand	Full
39.	COMPO EXPERT Hellas S.A.	COMPO EXPERT International	100%	EUR 60 thousand	Full
40.	COMPO EXPERT UK Ltd.	COMPO EXPERT International	100%	GBP 1	Full
41.	COMPO EXPERT Techn. (Shenzen) Co. Ltd.	COMPO EXPERT International	100%	CNY 2,810 thousand	Full
42.	COMPO EXPERT Asia Pacific Sdn. Bhd.	COMPO EXPERT International	100%	MYR 500 thousand	Full
43.	COMPO EXPERT USA&CANADA Inc.	COMPO EXPERT International	100%	USD 1	Full
44.	COMPO EXPERT Brasil Fertilizantes Ltda.	COMPO EXPERT International	99.99%	BRL 26,199 thousand	Full
		COMPO EXPERT GmbH	0.000003%		
45.	COMPO EXPERT Chile Fertilizantes Ltda.	COMPO EXPERT International	99.99%	CLP 1,528,560 thousand	Full
		COMPO EXPERT GmbH	0.01%		
46.	COMPO EXPERT India Private Limited	COMPO EXPERT International	99.99%	INR 2,500 thousand	Full
47.	COMPO EXPERT Benelux N.V.	COMPO EXPERT International	99.99%	EUR 7,965 thousand	Full
		COMPO EXPERT GmbH	0.0103%		
48.	COMPO EXPERT Mexico S.A. de C.V.	COMPO EXPERT International	99.99%	MXN 100 thousand	Full
		COMPO EXPERT GmbH	0.000311%		
49.	COMPO EXPERT Peru SRL	COMPO EXPERT International	99.99%	PLN 400 thousand	Full
		COMPO EXPERT GmbH	0.01%		
50.	COMPO EXPERT Egypt LLC	COMPO EXPERT International	99.90%	EGP 100 thousand	Full
		COMPO EXPERT GmbH	0.1%		

	Name	Entity holding shares	Interest held	Share capital	Consolidation method
51.	COMPO EXPERT Turkey Tarım Sanayi ve Ticaret Ltd. Şirketi ⁽⁶⁾	COMPO EXPERT International	96.17%	264,375 TRY	Full
		COMPO EXPERT GmbH	3.83%		
52.	COMPO EXPERT Argentina SRL	COMPO EXPERT International	90.00%	ARS 41,199 thousand	Full
		COMPO EXPERT GmbH	10.000024%		
53.	COMPO EXPERT South Africa (Pty) Ltd.	COMPO EXPERT GmbH	100%	ZAR 100	Full
54.	COMPO EXPERT Austria GmbH	COMPO EXPERT GmbH	100%	EUR 35 thousand	Full

1.2. Changes in the Group's structure

During the six months ended June 30th 2023, there were no significant changes in the Grupa Azoty Group's structure.

On April 4th 2023, Grupa Azoty PUŁAWY and the Łukasiewicz Research Network - New Chemical Syntheses Institute of Puławy signed an agreement on the acquisition of 10 shares in SCF Natural Sp. z o.o. for PLN 32 per share.

As a result, Grupa Azoty PUŁAWY holds 100% of shares in SCF Natural Sp. z o.o. as at June 30th 2023. Also the percentage of total voting rights held by Grupa Azoty PUŁAWY rose to 100%.

In the six months ended June 30th 2023, nine shares in Remzap Sp. z o.o., held by former employees, were cancelled.

As a result, the percentage of voting rights held by Grupa Azoty PUŁAWY at the General Meeting of Remzap Sp. z o.o. rose from 97.25% as at December 31st 2022 to 97.28% as at June 30th 2023. The percentage of share capital held did not change.

Between January 1st 2023 and June 30th 2023, the Management Board of Prozap Sp. z o.o. purchased two shares from the company's former employees for cancellation at the General Meeting of Prozap Sp. z o.o.

As a result, the percentage of voting rights held by Grupa Azoty PUŁAWY at the General Meeting of Prozap Sp. z o.o. rose from 82.90% as at December 31st 2022 to 83.00% as at June 30th 2023. The percentage of share capital held did not change.

After the reporting date, on August 30th 2023 nine shares were acquired from a former employee, which increased the percentage share of voting rights held by Grupa Azoty PUŁAWY at the General Meeting of Prozap Sp. z o.o. to 83.44% (June 30th 2023: 83%).

In connection with requests submitted by Grupa Azoty SIARKOPOL shareholders to buy back a total of 778 Series A registered shares pursuant to Art. 418¹ of the Commercial Companies Code, on June 28th 2023 the Annual General Meeting of Grupa Azoty SIARKOPOL passed further resolutions to buy back shares pursuant to Art. 418¹ of the Commercial Companies Code. The buyback procedure is currently underway.

Following the buyback, Grupa Azoty S.A. will hold a total of 6,036,395 shares in the company, representing 99.57% of its share capital.

Events after the reporting period

On August 22nd 2023, the Extraordinary General Meeting passed a resolution to increase the share capital of Grupa Azoty Police Serwis Sp. z o.o. from PLN 9,618 thousand to PLN 21,426 thousand, i.e., by PLN 11,807 thousand, through the creation of 23,615 new shares with a par value of PLN 500 per share.

Following the increase, the share capital of Grupa Azoty Police Serwis Sp. z o.o. will amount to PLN 21,426 thousand and will be divided into 42,852 shares with a par value of PLN 500 per share.

The new shares in the increased share capital, with a total value of PLN 11,807 thousand, will be subscribed for by the existing shareholder Grupa Azoty POLICE.

On August 22nd 2023, the Extraordinary General Meeting passed a resolution to increase the share capital of Grupa Azoty Transtech Sp. z o.o. from PLN 9,783 thousand to PLN 18,102 thousand, i.e., by PLN 8,319 thousand, through the creation of 166,380 new shares with a par value of PLN 50 per share.

Following the increase, the share capital of Grupa Azoty Transtech Sp. z o.o. will amount to PLN 18,102 thousand and will be divided into 362,041 shares with a par value of PLN 50 per share.

The new shares in the increased share capital, with a total value of PLN 8,319 thousand, will be subscribed for by the existing shareholder Grupa Azoty POLICE.

2. Basis of accounting used in preparing the interim condensed consolidated financial statements

2.1. Statement of compliance and basis of accounting

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements of the Group cover the six months ended June 30th 2023 and contain comparative data for the six months ended June 30th 2022 and as at December 31st 2022.

The interim condensed consolidated financial statements do not include all the information and disclosures required to be included in full-year financial statements and should be read in conjunction with the consolidated full-year financial statements of the Grupa Azoty Group for the 12 months ended December 31st 2022, prepared in accordance with International Financial Reporting Standards as endorsed by the European Union. The consolidated financial statements for 2022 were authorised for issue on March 30th 2023.

The Company's interim financial results may not be indicative of its potential full-year financial results.

All amounts in these interim condensed consolidated financial statements are presented in thousands of zloty, unless indicated otherwise.

These interim condensed consolidated financial statements, drawn up in accordance with International Financial Reporting Standards ("IFRS"), as endorsed by the European Union ("EU IFRS"), were authorised for issue by the Parent's Management Board on September 27th 2023.

These condensed interim consolidated financial statements of the Group have been prepared on the assumption that the Group will continue as a going concern for the foreseeable future.

As at the date of authorisation of these condensed interim consolidated financial statements, the Parent's Management Board did not identify any circumstances which could indicate any uncertainty as to the Group's ability to continue as a going concern in a substantially unchanged manner in the foreseeable future, i.e., for a period of at least 12 months from the date of these financial statements.

In assessing circumstances which could indicate a threat to the Group companies continuing as a going concern, the Parent's Management Board took into account, among other things, the impact of the war in Ukraine and the effect of exceeding, as at June 30th 2023, the **Net Debt to EBITDA** ratio cap permitted under the Grupa Azoty Group Financing Agreements.

For information on the signed Waiver and Amendment Letters (the "**Waiver and Amendment Letters**") and on the reclassification of a portion of liabilities under borrowings to current liabilities, see Section 3.5 and [Note 15](#). For information on the impact of the war in Ukraine on the Group's situation, see Section 3.6 and the discussion of the individual areas of the Group's business contained in the Directors' Report on the Group's operations.

Furthermore, the Parent and the other Grupa Azoty Group companies have implemented various measures to uphold their market position and ensure the necessary level of sales and financial performance. These measures include in particular:

1. Execution of a new trade agreement with COMPO EXPERT, whereby the range of Grupa Azoty fertilizers which will be distributed by COMPO EXPERT in foreign markets will be significantly increased and the portfolio of offered products will include all nitrogen and compound fertilizers. As part of the expanded cooperation, COMPO EXPERT will market Grupa Azoty products internationally, ultimately via its extensive sales network, comprising offices in 22 countries and sales operations spanning over 100 countries, primarily in Europe, but also in South and North America, Africa, and Asia.
2. Execution of contracts with domestic distributors for the new fertilizer application season.
3. Renegotiation or execution of new contracts for the supply of key raw materials and feedstocks.
4. Implementation of savings schemes - the Group has significantly revised its capital expenditure plans until the end of 2023 and beyond, limiting the spending to projects related to the delivery of the Green Azoty strategy in 2021-2030 and projects designed to improve the Group's operational efficiency, especially in the area of energy improvement.

2.2. Accounting policies and data presentation

The accounting policies applied to prepare these interim condensed consolidated financial statements are consistent with those applied to draw up Grupa Azoty Group's full-year consolidated financial statements for the year ended December 31st 2022.

a) Amendments to International Financial Reporting Standards

The following standards effective as of 2023 have no material impact on the Group's business or its financial reporting:

Standard	Description of amendments	Effect on financial statements
IFRS 17 Insurance Contracts	The new standard was issued on May 18th 2017 and subsequently amended on June 25th 2020, and is effective for annual periods beginning on or after January 1st 2023. Early application is permitted as long as IFRS 15 and IFRS 9 are also applied. The standard supersedes earlier regulations on insurance contracts (IFRS 4). On June 25th 2020, IFRS 4 was also amended to defer the effective date of IFRS 9 <i>Financial Instruments</i> for insurers until January 1st 2023.	The amendment has no material effect on the financial statements.
IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current	Amendments to IAS 1 were issued on January 23rd 2020 with its effective date subsequently modified in July 2020, and are effective for annual periods beginning on or after January 1st 2023. The amendment redefines the criteria for classifying liabilities as current. The amendment may affect the presentation of liabilities and their reclassification between current and non-current.	The amendment has no material effect on the financial statements.
IAS 1 Presentation of Financial Statements: Disclosure of Accounting Policies IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	The amendments were issued on February 12th 2021, and are effective for annual periods beginning on or after January 1st 2023. The purpose of these amendments is to place greater emphasis on the disclosure of material accounting policies and to clarify how companies should distinguish between changes in accounting policies and changes in accounting estimates.	The amendments have no material effect on the financial statements.
IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendment to IAS 12 was issued on May 7th 2021 and is effective for annual periods beginning on or after April 1st 2023. The amendments clarify that the exemption relating to initial recognition of deferred tax does not apply to transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences and entities are required to recognise deferred tax on such transactions. The amendments thus address the emerging doubts as to whether the exemption applies to transactions such as leases and decommissioning obligations.	The amendment has no material effect on the financial statements.
IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 Financial Instruments Comparative Information	The amendment to IFRS 17 was issued on December 9th 2021 and is effective for annual periods beginning on or after April 1st 2023. It provides a transition option for comparative information on financial assets presented on initial application of IFRS 17. The amendment is intended to help entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities.	The amendments have no material effect on the financial statements.

b) New standards and interpretations

The standards and interpretations which have been issued but are not yet effective as they have not been endorsed by the EU or have been endorsed but the Group has not elected to apply them early:

Standard	Description of amendments	Effect on financial statements
IFRS 16 Leases: <i>Lease liability in a sale and leaseback</i>	The amendments to IFRS 16 was issued on September 22nd 2022 and are effective for annual periods beginning on or after January 1st 2024. The amendments require the seller-lessee to determine “lease payments” or “revised lease payments” in such a way that the seller-lessee does not recognise any amount of profit or loss that relates to the right of use retained by the seller-lessee.	The Group is analysing the effect of the amendment on its financial statements.

c) Presentation changes

Since January 1st 2023, the Group has applied hedge accounting in accordance with IFRS 9 *Financial Instruments* ("IFRS 9"). Before that date, the Group applied hedge accounting in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* ("IAS 39").

The transitional provisions of IFRS 9 allow entities to choose their accounting policies and continue to apply hedge accounting requirements of IAS 39 instead of IFRS 9 until the International Accounting Standards Board has completed work on the project concerning fair value hedges of the interest rate exposure of a portfolio of financial assets or financial liabilities (macro hedging).

As at the date of implementation of IFRS 9, the Group decided to continue applying the principles of hedge accounting set out in IAS 39. As of January 1st 2023, the Group designated IFRS 9 to be applied to hedge accounting in accordance with its requirements. The Group expects that the changes introduced by IFRS 9 with respect to hedge accounting will better align hedge accounting with the entity's risk management activities.

IFRS 9 for hedge accounting has been implemented prospectively. As at the date of transition to IFRS 9, the Group had updated documentation for all existing hedging relationships under IAS 39 that continue to qualify for hedge accounting under the new standard, in order to comply with the IFRS 9 documentation requirements. The update involved mainly the inclusion in the documentation of the hedge ratio and expected sources of ineffectiveness (not required by IAS 39) as well as the removal of the retrospective effectiveness test (no longer required under IFRS 9). The introduction of IFRS 9 had no significant effect on the classification of hedging instruments, hedged items and hedge relationships designated before January 1st 2023.

d) Accounting estimates and judgments

The preparation of these interim condensed consolidated financial statements requires the Management Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are based on historical experience and other factors deemed reasonable under the circumstances, and their results provide a basis for judgements regarding the net carrying amounts of assets and liabilities, where they are not directly available from other sources. Actual results may differ from these estimates.

Estimates and the underlying assumptions are subject to ongoing verification. A change in accounting estimates is recognised in the period in which the change is made or in current and future periods if the change in estimates affects both the current period and the future periods.

The key judgements and estimates made by the Management Board in preparing these interim condensed consolidated financial statements were the same as those made in preparing the consolidated financial statements for the financial year ended December 31st 2022, subject to measurement revisions resulting from the passage of time or a change of market parameters.

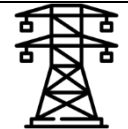
3. Selected additional information and notes

3.1. Business segment reporting

Operating segments

The Group identifies operating segments based on internal reports for each line of business. Operating results of each segment are reviewed on a regular basis by the Group's chief operating decision maker, who decides about the allocation of resources to different segments and analyses their results. Separate information prepared for each segment is available.

The identified operating segments are presented in the table below.

Name	Scope
 Agro	Manufacture or sale of: • Speciality (fertilizing/fertilizer) products (liquid fertilizers for foliar feeding and fertigation, biostimulants, SRF and CRF fertilizers for precise fertilization, dedicated NPK fertilizers), • Compound fertilizers (NPK: Polifoska® and Amofoska®; NP: DAP; PK), • Nitrogen fertilizers with sulfur (solid: ammonium sulfate, ammonium sulfonitrite, urea-ammonium sulfate, calcium nitrate with sulfur; liquid: UAN - urea-ammonium nitrate solution, urea solution and ammonium sulfate solution), • Nitrogen fertilizers, • Ammonia, • Technical-grade and concentrated nitric acid, • Industrial gases.
 Plastics	Manufacture or sale of: • Caprolactam (an intermediate product used to manufacture polyamide 6 (PA6)), • natural engineering plastics (PA6). • Modified plastics based on PA6 and other engineering resins (PA66, PPC - polypropylene, PPH, PBT - polybutylene terephthalate), • Plastic products (PA pipes, PE pipes, polyamide casings), • Production of polypropylene by Grupa Azoty POLYOLEFINS.
 Chemicals	Manufacture or sale of: • Melamine, • OXO products (OXO alcohols, plasticizers), • Sulfur, • Titanium white, • Iron sulfate, • Solutions based on urea and ammonia.
 Energy	Production of energy carriers: • (electricity, heat, water, process and instrument air, nitrogen) for the purposes of chemical units and, to a lesser extent, for resale to external customers (mainly electricity). As part of its operations, the segment also purchases and distributes natural gas for process needs.
 Other Activities	• Research and Development Centre, • Laboratory services, • Catalyst production (iron-chromium catalyst, copper catalysts, iron catalysts), • Rental of real estate, and • Other activities not allocated to any of the segments specified above.

Operating segments

Operating segments' income, expenses and financial results for the six months ended June 30th 2023 (*unaudited*)

	Agro	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	4,189,772	633,919	1,427,639	805,866	329,103	7,386,299
Intersegment revenue	2,366,468	300,907	886,894	3,105,786	502,196	7,162,251
Total revenue	6,556,240	934,826	2,314,533	3,911,652	831,299	14,548,550
Operating expenses, including: (-)	(7,555,083)	(1,204,560)	(2,756,524)	(3,914,535)	(752,030)	(16,182,732)
<i>selling and distribution expenses (-)</i>	<i>(368,499)</i>	<i>(21,410)</i>	<i>(83,263)</i>	<i>40</i>	<i>(979)</i>	<i>(474,111)</i>
<i>administrative expenses (-)</i>	<i>(171,818)</i>	<i>(68,563)</i>	<i>(175,008)</i>	<i>(40,744)</i>	<i>(30,932)</i>	<i>(487,065)</i>
Other income	146,334	11,953	87,331	34,991	26,591	307,200
Other expenses (-)	(3,612)	(6,155)	(2,774)	(42,647)	(21,013)	(76,201)
Segment's EBIT	(856,121)	(263,936)	(357,434)	(10,539)	84,847	(1,403,183)
Finance income	-	-	-	-	-	315,783
Finance costs (-)	-	-	-	-	-	(208,601)
Share of profit of equity-accounted investees	-	-	-	-	-	13,130
Loss before tax	-	-	-	-	-	(1,282,871)
Income tax	-	-	-	-	-	184,450
Net loss	-	-	-	-	-	(1,098,421)
EBIT	(856,121)	(263,936)	(357,434)	(10,539)	84,847	(1,403,183)
Depreciation and amortisation	196,034	30,343	44,425	55,932	70,781	397,515
Impairment losses	-	187	(822)	-	(2,372)	(3,007)
EBITDA	(660,087)	(233,406)	(313,831)	45,393	153,256	(1,008,675)

Operating segments' income, expenses and financial results for the six months ended June 30th 2022 (*unaudited*)

	Agro	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	7,866,369	1,224,791	3,743,896	262,678	139,198	13,236,932
Intersegment revenue	4,384,169	404,867	1,294,290	4,457,535	505,427	11,046,288
Total revenue	12,250,538	1,629,658	5,038,186	4,720,213	644,625	24,283,220
Operating expenses, including: (-)	(10,945,469)	(1,540,920)	(4,277,978)	(4,690,070)	(603,799)	(22,058,236)
<i>selling and distribution expenses (-)</i>	<i>(464,421)</i>	<i>(38,097)</i>	<i>(108,156)</i>	<i>(139)</i>	<i>(1,466)</i>	<i>(612,279)</i>
<i>administrative expenses (-)</i>	<i>(246,640)</i>	<i>(59,472)</i>	<i>(116,249)</i>	<i>(7,510)</i>	<i>(35,838)</i>	<i>(465,709)</i>
Other income	5,308	2,862	7,245	4,066	23,236	42,717
Other expenses (-)	(4,525)	(3,678)	(4,621)	(9,245)	(31,300)	(53,369)
Segment's EBIT	1,305,852	87,922	762,832	24,964	32,762	2,214,332
Finance income	-	-	-	-	-	16,329
Finance costs (-)	-	-	-	-	-	(203,935)
Share of profit of equity-accounted investees	-	-	-	-	-	7,861
Profit before tax	-	-	-	-	-	2,034,587
Income tax	-	-	-	-	-	(352,627)
Net profit	-	-	-	-	-	1,681,960
EBIT	1,305,852	87,922	762,832	24,964	32,762	2,214,332
Depreciation and amortisation	165,785	31,206	44,324	55,143	62,678	359,136
Impairment losses	35	69	769	10	628	1,511
EBITDA	1,471,672	119,197	807,925	80,117	96,068	2,574,979

Operating segments' income, expenses and financial results for the three months ended June 30th 2023 (*unaudited*)

	Agro	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	1,802,819	280,500	581,669	579,206	246,652	3,490,846
Intersegment revenue	764,102	101,340	288,238	1,058,846	271,101	2,483,627
Total revenue	2,566,921	381,840	869,907	1,638,052	517,753	5,974,473
Operating expenses, including: (-)	(3,183,379)	(526,743)	(1,151,620)	(1,530,301)	(410,286)	(6,802,329)
<i>selling and distribution expenses (-)</i>	<i>(170,774)</i>	<i>(9,042)</i>	<i>(41,401)</i>	<i>192</i>	<i>(805)</i>	<i>(221,830)</i>
<i>administrative expenses (-)</i>	<i>(69,629)</i>	<i>(42,964)</i>	<i>(97,970)</i>	<i>(17,844)</i>	<i>(12,414)</i>	<i>(240,821)</i>
Other income	(1,432)	1,612	7,472	33,370	14,847	55,869
Other expenses (-)	(1,861)	(5,668)	(1,433)	(17,153)	(9,055)	(35,170)
Segment's EBIT	(619,751)	(148,959)	(275,674)	123,968	113,259	(807,157)
Finance income	-	-	-	-	-	224,844
Finance costs (-)	-	-	-	-	-	(124,359)
Share of profit of equity-accounted investees	-	-	-	-	-	7,201
Loss before tax	-	-	-	-	-	(699,471)
Income tax	-	-	-	-	-	156,354
Net loss	-	-	-	-	-	(543,117)
EBIT	(619,751)	(148,959)	(275,674)	123,968	113,259	(807,157)
Depreciation and amortisation	99,745	14,698	24,111	28,259	35,849	202,662
Impairment losses	-	1	(822)	-	(2,438)	(3,259)
EBITDA	(520,006)	(134,260)	(252,385)	152,227	146,670	(607,754)

Operating segments' income, expenses and financial results for the three months ended June 30th 2022 (*unaudited*)

	Agro	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	3,649,996	593,667	1,957,805	139,311	68,990	6,409,769
Intersegment revenue	2,178,910	203,288	629,810	2,162,414	266,217	5,440,639
Total revenue	5,828,906	796,955	2,587,615	2,301,725	335,207	11,850,408
Operating expenses, including: (-)	(5,253,296)	(761,036)	(2,181,455)	(2,284,414)	(300,958)	(10,781,159)
<i>selling and distribution expenses (-)</i>	<i>(232,014)</i>	<i>(19,474)</i>	<i>(56,437)</i>	<i>(103)</i>	<i>(1,248)</i>	<i>(309,276)</i>
<i>administrative expenses (-)</i>	<i>(130,460)</i>	<i>(34,803)</i>	<i>(63,402)</i>	<i>(4,553)</i>	<i>(19,297)</i>	<i>(252,515)</i>
Other income	2,374	2,146	5,829	2,882	15,058	28,289
Other expenses (-)	(4,211)	(2,872)	(2,709)	(4,827)	(23,732)	(38,351)
Segment's EBIT	573,773	35,193	409,280	15,366	25,575	1,059,187
Finance income	-	-	-	-	-	11,742
Finance costs (-)	-	-	-	-	-	(131,534)
Share of profit of equity-accounted investees	-	-	-	-	-	4,410
Profit before tax	-	-	-	-	-	943,805
Income tax	-	-	-	-	-	(144,215)
Net profit	-	-	-	-	-	799,590
EBIT	573,773	35,193	409,280	15,366	25,575	1,059,187
Depreciation and amortisation	83,559	15,299	22,144	28,094	31,761	180,857
Impairment losses	1	69	57	-	40	167
EBITDA	657,333	50,561	431,481	43,460	57,376	1,240,211

Segments' assets and liabilities

As at June 30th 2023 (<i>unaudited</i>)	Agro	Plastics	Chemicals	Energy	Other Activities	Total
Segment's assets	8,933,789	7,831,557	1,551,752	3,268,916	1,294,370	22,880,384
Unallocated assets	-	-	-	-	-	3,049,267
Investments in associates	-	-	-	-	-	90,214
Total assets	8,933,789	7,831,557	1,551,752	3,268,916	1,294,370	26,019,865
Segment's liabilities	3,753,691	5,470,999	379,226	2,746,581	353,655	12,704,152
Unallocated liabilities	-	-	-	-	-	4,520,569
Total liabilities	3,753,691	5,470,999	379,226	2,746,581	353,655	17,224,721

As at December 31st 2022 (<i>audited</i>)	Agro	Plastics	Chemicals	Energy	Other Activities	Total
Segment's assets	10,000,971	6,741,446	1,713,988	3,258,025	1,526,579	23,241,009
Unallocated assets	-	-	-	-	-	2,529,199
Investments in associates	-	-	-	-	-	95,436
Total assets	10,000,971	6,741,446	1,713,988	3,258,025	1,526,579	25,865,644
Segment's liabilities	5,291,913	4,350,844	370,195	2,892,483	468,711	13,374,146
Unallocated liabilities	-	-	-	-	-	2,535,131
Total liabilities	5,291,913	4,350,844	370,195	2,892,483	468,711	15,909,277

Other segment information

For the six months ended June 30th 2023 (unaudited)	Agro	Plastics	Chemicals	Energy	Other Activities	Total
Expenditure on property, plant and equipment	170,193	1,049,066	44,832	81,833	67,494	1,413,418
Expenditure on investment property	-	-	-	-	36	36
Expenditure on intangible assets	1,061	4,604	22	886	1,127	7,700
Unallocated expenditure	-	-	-	-	-	35,039
Total expenditure	171,254	1,053,670	44,854	82,719	68,657	1,456,193
Segment's depreciation and amortisation	196,034	30,343	44,425	55,932	70,781	397,515
Total depreciation and amortisation	196,034	30,343	44,425	55,932	70,781	397,515

For the six months ended June 30th 2022 (unaudited)	Agro	Plastics	Chemicals	Energy	Other Activities	Total
Expenditure on property, plant and equipment	166,279	926,644	44,026	97,762	67,628	1,302,339
Expenditure on investment property	-	-	-	-	28	28
Expenditure on intangible assets	53	2,954	15	705	2,921	6,648
Unallocated expenditure	-	-	-	-	-	5,678
Total expenditure	166,332	929,598	44,041	98,467	70,577	1,314,693
Segment's depreciation and amortisation	165,785	31,206	44,324	55,143	62,678	359,136
Total depreciation and amortisation	165,785	31,206	44,324	55,143	62,678	359,136

Geographical areas

Revenue split by geographical areas is determined based on the location of customers.

Revenue

	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>	For the period Apr 1 – Jun 30 2023 <i>unaudited</i>	For the period Apr 1 – Jun 30 2022 <i>unaudited</i>
Poland	4,268,801	7,001,680	2,180,130	3,169,821
Germany	610,818	1,242,551	312,511	644,084
Other EU countries	1,310,012	3,172,633	504,940	1,669,679
Asia	172,171	183,381	86,737	92,242
South America	142,907	298,081	54,549	159,126
Other countries	881,590	1,338,606	351,979	674,817
	7,386,299	13,236,932	3,490,846	6,409,769

No single trading partner accounted for more than 10% of revenue in the first half of 2023 or the first half of 2022.

3.2. Impairment testing

As at June 30th 2023, two indications referred to in paragraph 12d of IAS 36 *Impairment of Assets* were identified: the carrying amount of the Parent's net assets was higher than the Parent's market capitalisation and during the reporting period there occurred adverse market changes related to a drop in demand for the Grupa Azoty Group products, leading to a deterioration in its financial performance.

Therefore, the Parent and the key subsidiaries reviewed the validity of the assumptions adopted for impairment tests conducted as at December 31st 2022 and the results of those tests. The analysis showed that:

- the adopted strategy and the key assumptions did not change,
- the definition of cash generating units (CGUs) within the Group companies and the value of assets of each CGU did not change materially relative to the respective amounts as at December 31st 2022,
- for the majority of CGUs EBITDA for the first six months of 2023 was lower than planned, as was consolidated EBITDA,
- the projected financial results for 2023 for the majority of the Group's CGUs were also lower than the planned results for the period underlying the impairment tests at the end of 2022.
- the risk-free interest rate (yield on 10-year Treasury bonds) fell from 6.85% at the end of 2022 to 5.76% at the end of June 2023. This drove down the weighted average cost of capital for the Grupa Azoty Group.

The decrease in discount rates led to an increase in the recoverable amount of individual CGUs relative to the test conducted as at the end of 2022. Significant Group companies, namely the Parent, Grupa Azoty POLICE, Grupa Azoty PUŁAWY, Grupa Azoty KĘDZIERZYN, Grupa Azoty SIARKOPOL, Grupa Azoty POLYOLEFINS, COMPO EXPERT, Agrochem Puławy Sp. z o.o., Grupa Azoty Zakłady Azotowe Chorzów S.A., Grupa Azoty KOLTAR, and Grupa Azoty ATT POLYMERS, carried out analyses of the impact of lower discount rates and projected revenue and expenses for 2023 updated as at June 30th 2023 relative to the plan included in the test conducted at the end of 2022. In the case of some CGUs, the lower discount rates and projected revenue and expenses for 2023 did not reduce their recoverable amounts to below the carrying amount. For the other CGUs, namely:

- the Plastics CGU at the Parent,
- the Fertilizers CGU, Plastics CGU and Melamine CGU at Grupa Azoty PUŁAWY,
- the Fertilizers CGU and Pigments CGU at Grupa Azoty POLICE,
- the Plastics CGU at Grupa Azoty ATT POLYMERS,

assets were tested for impairment. The tests showed that there was no need to recognise any additional impairment losses and no rationale for reversing impairment losses recognised in prior periods.

The key assumptions underlying the tests included:

- Indefinite period of operation of the CGUs with the exception of the Fertilizers CGU at Grupa Azoty POLICE where the projection period is based on the assumed restriction on the use of the phosphogypsum landfill site until 2043.
- Reduction of caprolactam production volumes by the Plastics CGU at Grupa Azoty PUŁAWY.
- The weighted average cost of capital in nominal terms (%) for each CGU was:

CGU	In the detailed projection period	In the residual period
Fertilizers/Agro, Melamine	10.32%	8.64%
Plastics	10.57%	8.92%
Pigments	10.32%	8.64%

- The prices of key raw materials in the projection period were based on the best knowledge and market prices available as at the reporting date.
- The EBITDA margins for the tested CGUs were assumed at market levels close to those observed in the past, based on forecast price trends.
- The growth rate during the residual period was assumed at the level of the long-term inflation target of the National Bank of Poland (2.5%).
- Corporate assets of the Segments not covered by the CGU tests (Energy, Other Activities) were not tested separately as the Segments' operations support the tested CGUs. Other Segments' expenses (cost of energy utilities, general overheads) were charged to operating profit/loss of the tested CGUs, while the segments' assets were fully allocated to the tested CGUs based on:
 - Energy - energy consumption,
 - Other - share of CGU's assets in the tested CGUs' total assets.
- Administrative expenses were allocated pro rata to the margin earned by a CGU on variable costs.
- In determining the carrying amount of a cash-generating unit, the right-of-use asset disclosed under IFRS 16 Leases was also taken into account, while negative cash flows related to the right-of-use assets were not taken into account in determining the value in use of the CGU to service the recognised lease liabilities. Therefore the carrying amount and the value in use of the CGU was subsequently reduced by the amount of the liabilities related to the right-of-use assets as at the reporting date.
- Cash flow projections in the tests reflect the impact of the war in Ukraine to the extent possible based on past experience and available forecasts.

3.3. Dividend

On June 29th 2023, the Parent's Annual General Meeting passed a resolution to allocate the entire amount of the Parent's net profit for the financial year 2022, of PLN 356,059,831.38, to the Parent's reserve funds.

3.4. Seasonality of operations

Seasonality of operations is seen mainly in the markets for mineral fertilizers.

Mineral fertilizers

The first half of each year is the period when demand for fertilizers typically peaks due to fertilizer application in the spring season, which is attributable to the nature of agricultural production technologies. In 2023, the situation in the domestic market was different as farmers reduced their purchases due to stocks secured in 2022. In addition, the falling prices of nitrogen fertilizers in the first quarter and imports of urea from outside Europe further dampened the demand from end users (farmers), which was lower than in the previous years and aligned with current demand from the agricultural sector.

The Group follows a policy of mitigating seasonality through optimum volume allocation:

- as part of all-year supplies to the distribution network, and
- by selling some of the products in geographical markets with different seasonality patterns.

Titanium white market

In the key markets for the sale of titanium white (Poland and Europe), the peak demand for titanium white occurs during spring and summer (the second and third quarters), driven by increased demand for paints and varnishes in the construction industry. Winter (the fourth and first quarter of the year) is usually a period of declines in titanium white sales. While titanium white remains a seasonal product, demand for the product primarily hinges on general market conditions given its extensive range of applications.

3.5. Execution of Waiver and Amendment Letters

In view of the risk of exceeding, as at June 30th 2023, the Net Debt to EBITDA ratio cap permitted under the Grupa Azoty Group Financing Agreements (the "Agreements"), as announced in Current Report No. 18/2023 of May 15th 2023, the Parent's Management Board entered into talks with the institutions providing financing to the Grupa Azoty Group, namely: Powszechna Kasa Oszczędności Bank Polski S.A., Bank Gospodarstwa Krajowego, ING Bank Śląski S.A., Santander Bank Polska S.A., Caixabank S.A. (Spółka Akcyjna) Branch in Poland, BNP Paribas Faktoring Sp. z o.o., ING Commercial Finance Polska S.A., Pekao Faktoring Sp. z o.o., BNP Paribas Bank Polska S.A., Santander Faktoring Sp. z o.o. and Banco Santander S.A., as well as the European Bank for Reconstruction and Development and the European Investment Bank (the "Financing Parties").

As a result of the negotiations conducted to obtain consent for the Group to waive some of the lending terms, including in particular waiver of the ratio specified above and waiver by the Financing Parties of the rights arising

from the possible breach of the required ratio cap, on June 1st 2023 the Grupa Azoty Management Board provided the Financing Parties with Waiver and Amendment Letters containing a proposal of the provisions agreed upon by the parties.

The Waiver and Amendment Letters were signed by the Financing Parties, the Parent (acting also for the other Grupa Azoty Group companies which are party to the Agreements) and Grupa Azoty POLICE (as party to the bilateral credit facility agreements signed with Bank Gospodarstwa Krajowego) on August 31st 2023, and the effective date of the Waiver and Amendment Letters was set at June 30th 2023.

Under the Waiver and Amendment Letters, the Financing Parties waived their rights arising from the occurrence of Events of Default as defined in the Agreements, including, without limitation, in the event of exceeding the Net Debt to EBITDA ratio cap as at June 30th 2023. The Grupa Azoty Group agreed to maintain, as at the end of each calendar month starting from June 30th 2023, the minimum levels of the Available Cash Ratio (being the sum of cash and available and undrawn confirmed limits under credit and loan agreements of the Group, excluding Grupa Azoty POLYOLEFINS) and the Liquidity Ratio (being the sum of the Available Cash Ratio and available undrawn non-confirmed limits under Factoring Agreements and other agreements of the Group, excluding Grupa Azoty POLYOLEFINS). At the same time, in accordance with the requirements of the Waiver and Amendment Letters, on August 31st 2023 additional security was created with respect to liabilities under the Agreements through the execution by the Company's subsidiary Compo Expert Holding GmbH, acting as the guarantor, of a guarantee agreement with the Financing Parties. The guarantor's potential liability towards the Financing Parties is limited by German law to the value of its net assets.

The terms of the Waiver and Amendment Letters do not differ from standard terms used in such agreements.

Pursuant to the Waiver and Amendment Letters, the Financing Parties maintained the limits available to the Group under the Agreements at an unchanged level. The Group consistently fulfils all its obligations to service and repay its debt as per the Agreements, ensuring timely payments. The limits made available to the Group companies provide them with full financial liquidity, secure the financing for the Group and its suppliers, and enable it to continue operations in a substantially unchanged manner.

Further negotiations are being conducted with the Financing Parties in order to develop, as soon as practicable, a mutually satisfactory solution enabling the Group to operate and fulfil its obligations under the Agreements in accordance with their terms, also in subsequent periods, subject to such changes as the Financing Parties deem required or desirable considering the change in circumstances under which the Group currently operates and under which it will operate in the coming years, reflecting the resulting change in the risk profile of the Group, the Parent and its subsidiaries.

3.6. Impact of the war in Ukraine

For information on the impact of the war in Ukraine on the Parent's and the Group's operations, see Note 34, presented both in Grupa Azoty Spółka Akcyjna's financial statements for the 12 months ended December 31st 2022 and in the Grupa Azoty Group's consolidated financial statements for the 12 months ended December 31st 2022, published on March 30th 2023.

In the first six months of 2023, there were no new factors, risks or events with material bearing on the Company's or the Group's operations.

The key identified risks arising from the war in Ukraine that may materially affect future financial results, together with an assessment of their potential impact on the situation of the Company and Grupa Azoty Group subsidiaries, are presented below.

1. Risk of disruption in natural gas supply to Grupa Azoty Group companies

Despite concerns about the continuity of natural gas supplies to Europe following the outbreak of the war in Ukraine, until the date of authorisation of these interim financial statements for issue, gas supplies to the Company and the other Group companies continued without any disruptions. Therefore, the Company assesses the risk of disruption of natural gas supplies in 2023 as low.

2. Risk associated with the prices and availability of strategic raw materials supplied from the territory of Ukraine, as well as from the Russian Federation and the Republic of Belarus

This risk relates primarily to the availability of key raw materials (such as potassium carbonate, potassium chloride, propylene and hard coal) and to price volatility - especially the prices of energy carriers (natural gas and electricity).

The Parent and its subsidiaries keep monitoring the prices and availability of strategic raw materials.

3. Risk of delayed completion of investment projects carried out at the Grupa Azoty Group due to possible issues related to unavailability of contractor staff following the general mobilisation order in Ukraine.

In the first six months of 2023 and until the date of authorisation of these interim consolidated financial statements for issue, the Group companies did not observe any significant impact of this risk on their capital investment and maintenance projects.

4. Increased risk of higher financing costs, interest rate hikes and depreciation of the Polish currency against the euro and the US dollar sparked by the current economic turbulence

An important direct consequence of the war in Ukraine was higher volatility and uncertainty in the financial markets resulting, inter alia, in a significant appreciation of the US dollar and euro exchange rates against the currencies of developing markets, including Poland, and a concurrent rise in inflation leading to major interest rate hikes.

Those factors increased the currency risk and the cost of debt service in the zloty.

However, the appreciation of the zloty against the US dollar and the euro observed in the first half of 2023, the declining domestic inflation, the end of the monetary policy tightening cycle, and the expected interest rate cuts implemented by the Monetary Policy Council gradually mitigate the above risks by curtailing the volatility in financial performance driven by changes in Grupa Azoty Group's currency exposure and by stabilising, and then reducing, as expected, the market interest rates on Grupa Azoty Group's financial debt.

The Grupa Azoty Group has in place a policy for the management of the currency and interest rate risks. A decrease in debt following repayment of working capital and term facilities and repayment of reverse factoring was accompanied by the utilisation by Grupa Azoty POLYOLEFINS of special-purpose credit facilities to finance the Polimery Police project and financing costs rose significantly compared with the corresponding period of 2022 in the wake of material interest rate hikes.

It should also be noted that the Parent and its subsidiaries do not hold any material assets in Ukraine, Russia and Belarus and sales to these markets before the outbreak of war in Ukraine were immaterial, accounting for less than 2.5% of total sales. Since the outbreak of war in Ukraine, sales of products by the Company and its subsidiaries to customers in Russia and Belarus have been suspended and sales to the Ukrainian market have been substantially limited.

Accordingly, the outbreak of war in Ukraine did not have a material effect on the Group's sales or the value of its assets.

3.7. Information on sanctions

Sanctions imposed on a minority shareholder of the Parent

On April 6th 2022, Mr Viatcheslav Moshe Kantor, holding a controlling equity interest in the Russian chemical company ACRON, was placed on the United Kingdom sanctions list, on April 8th 2022 - on the European Union sanctions list, and on April 25th 2022, together with the subsidiaries Norica Holding S.à.r.l. of Luxembourg, Opansa Enterprises Limited of Cyprus and Rainbee Holdings Limited of Cyprus, through which he controls 19.82% of the Parent shares - on the Polish sanctions list. Mr Kantor is a minority shareholder who has no influence over the operations of the Grupa Azoty Group or the right to nominate members of the Parent's governing bodies, and therefore, despite his shareholding, Mr Kantor does not own or control the Parent within the meaning of Council Regulation (EU) No. 269/2014 of 17 March 2014 on restrictive measures with regard to actions undermining or threatening the territorial integrity, sovereignty and independence of Ukraine.

None of the prerequisites for Grupa Azoty S.A. and its subsidiaries to be directly or indirectly subjected to any sanctions are met. Grupa Azoty S.A. and its subsidiaries comply with all sanctions regulations, condemn the Russian aggression and any actions directed against Ukraine and have no relations with the government of the Russian Federation.

On July 12th 2023, Mr Radosław Leszek Kwaśnicki obtained control, including voting rights, of the Parent shares following the appointment of Mr Radosław Leszek Kwaśnicki for a period of six months:

1. under Decision No. DNP-VII.491.3.2023 of the Minister of Development and Technology dated July 11th 2023 - as the administrator of Norica Holding Sarl with its registered office at 121 Avenue de la Fraincerie L-1511, Luxembourg ("Norica"), with respect to its shareholding in the Parent,
2. under Decision No. DNP-VII.491.4.2023 of the Minister of Development and Technology dated July 11th 2023 - as the administrator of Opansa Enterprises Limited with its registered office at Kastros 2, Nicosia, 1087, Cyprus ("Opansa"), with respect to its shareholding in the Parent,
3. under Decision No. DNP-VII.491.5.2023 of the Minister of Development and Technology dated July 11th 2023 - as the administrator of Rainbee Holdings Limited with its registered office at Kastros 2, Nicosia, 1087, Cyprus, entered in the Cyprus Companies Registry under no. HE 309661 ("Rainbee"), with respect to its shareholding in the Parent,

in order to take over the title to these entities' shareholdings in the Parent.

As the administrator of Norica, Opansa and Rainbee (collectively, the "**Companies under Administration**"), under Art. 6a.11.2 and Art. 6a.11.3 in conjunction with Art. 6b.3 of the Act on Special Measures to Prevent Supporting Aggression against Ukraine and Protect the National Security of April 13th 2022 (the "**Sanctions Act**"), Mr Radosław Leszek Kwaśnicki (the "**Administrator**") has the right to pass resolutions and make decisions on all matters relating to the Parent shares held by the Companies under Administration which fall within the remit of the governing bodies of each Company under Administration, including the right to vote the Parent shares held by them.

The Companies under Administration hold a total of 19,657,350 shares in the Parent representing approximately 19.82% of the Parent's share capital and 19,657,350 voting rights at the Parent's General Meeting, and accounting for approximately 19.82% of the total voting rights in the Parent.

The acquisition of control over the aforementioned Parent shares by Radostaw Leszek Kwaśnicki effectively took place on July 12th 2023 (the "**Control Acquisition Date**"). According to the Sanctions Act, a decision to appoint an administrator is immediately enforceable and takes effect on the day following the day on which the decision is published in the Public Information Bulletin on the website of the Minister of Development and Technology (Art. 6b.2 in conjunction with Art. 6a.2 and Art. 4.3 of the Sanctions Act). All of the decisions referred to in items 1-3 above were published in the Public Information Bulletin on July 11th 2023 and are enforceable as of July 12th 2023.

In the opinion of the Minister of Development and Technology, the appointment of an administrator for the Companies under Administration with respect to the Parent shares held by them is necessary as a means of protecting important public interest and economic interest and ensuring national security.

3.8. Other information

Update on aid received under the Act on the Rules of Implementation of Business Support Programmes in View of the Situation on the Energy Market in 2022-2024

In the three months ended March 31st 2023, the Group received PLN 234,180 thousand in financial support from the National Fund for Environmental Protection and Water Management ("**NFOŚiGW**") , granted based on the governmental programme 'Aid to energy-intensive sectors related to sudden increases in natural gas and electricity prices in 2022' (the "**Programme**"), approved by the Council of Ministers' Resolution No. 1/2023 of January 3rd 2023. This amount is equivalent to the maximum permitted amount of public aid (EUR 50m).

The aid received was included in other income, in the amount credited to the bank account. Under the Programme, use of the aid is to be accounted for by June 30th 2023. As at the date of these interim consolidated financial statements, the Group had not received any information from NFOŚiGW on accounting for of the use of the aid.

In a letter of June 30th 2023 sent to the Management Board of the Parent, NFOŚiGW stated that the Parent failed to satisfy the criteria or conditions for receiving state aid dedicated to supporting energy-intensive sectors in connection with sudden increases in natural gas and electricity prices, and, therefore PLN 52,285 thousand in aid granted to the Parent was awarded illegitimately and, as such, must be repaid with interest.

The claims asserted by NFOŚiGW are based on a different interpretation of the codes of the Polish Classification of Activities registered with the National Court Register and to which the Parent's revenue is assigned.

In the Parent's opinion, the Parent's business activities, i.e., manufacture of basic chemicals, fertilizers and nitrogen compounds, plastics and synthetic rubber in primary forms, clearly satisfy the prerequisites for receiving financial support under the state aid programme dedicated to supporting energy-intensive sectors in connection with sudden increases in natural gas and electricity price. Accordingly, based on an external legal analysis, the Parent is convinced that NFOŚiGW's claims are without merit.

The Parent has requested NFOŚiGW for clarification of its assertions and has taken all measures available under law to retain the aid it has received.

Adjustment of production levels to market conditions

The market trends observed since the end of 2022, including in particular a gradual decline in natural gas prices and falling prices of agricultural crops, as well as unfavourable weather conditions delaying the start of field work, caused the demand for mineral fertilizers in the Agro Segment to fall significantly below the level normally observed in the first quarter of each year. The result was a significant decrease in sales volumes and selling prices of mineral fertilizers. Unfavourable market developments are also seen in other business segments of the Parent and key subsidiaries, that is in Plastics and Chemicals.

In view of the situation, in the first quarter of 2023 the Parent and the key subsidiaries decided to reduce the utilisation of their production capacities to match the market demand. In addition, on March 10th 2023 Grupa Azoty PUŁAWY stopped the production of melamine on the only operating melamine unit and halted the production of caprolactam. The sale of stocks of these products is continued.

On May 17th 2023 and June 2nd 2023, Grupa Azoty PUŁAWY decided to resume production at two melamine units. The units' daily capacities account for approximately two-thirds of the rated capacity of all melamine units operated by the subsidiary. Their output is aligned with the current supply and demand situation.

The Parent and its subsidiaries are monitoring the market situation. Production volumes are being gradually raised, as announced in current reports on the level of production regularly issued by the Parent.

In the Management Board's opinion, the current situation is temporary and the optimisation measures being taken and planned will enable the Group to maintain production potential and return to full capacity utilisation if the market conditions change.

3.9. Notes

Note 1. Revenue from contracts with customers

	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>	For the period Apr 1 – Jun 30 2023 <i>unaudited</i>	For the period Apr 1 – Jun 30 2022 <i>unaudited</i>
Revenue from sale of products and services	6,233,420	13,023,607	2,466,183	6,306,705
Revenue from sale of merchandise and materials	581,756	211,254	454,098	101,430
Revenue from sale of property rights	569,315	-	569,006	-
Revenue from sale of licences	1,808	2,071	1,559	1,634
	7,386,299	13,236,932	3,490,846	6,409,769

In the first half of 2023, the Grupa Azoty Group generated revenue of PLN 7,386m, a decrease of 44% (PLN 5,850m) year on year. The principal driver of the decline in the Group's performance was low demand for the Group's products, reducing the sales volumes, coupled with a drop in average product prices. Furthermore, revenue declined due to an imbalance in supply and demand, stemming from limited supply as a result of reduced production capacities in Europe and competition from products manufactured in low-cost regions.

Revenue from sale of property rights comprises proceeds from sale of excess CO₂ emission rights (EUAs) resulting from lower production levels and remaining after surrendering EUAs matching actual emissions for 2022.

In total, 1,481,654 EUAs purchased on the market in prior periods were sold, generating proceeds of PLN 568,308 thousand.

For the six months ended June 30th 2023 (unaudited)

Description	Agro	Plastics	Chemicals	Energy	Other Activities	Total
Main product lines						
Revenue from sale of products and services	3,759,034	612,267	1,402,588	324,426	135,105	6,233,420
Revenue from sale of merchandise and materials	428,930	21,652	25,047	87,335	18,792	581,756
Revenue from sale of property rights	-	-	4	394,105	175,206	569,315
Revenue from sale of licences	1,808	-	-	-	-	1,808
	4,189,772	633,919	1,427,639	805,866	329,103	7,386,299
Geographical regions						
Poland	2,383,225	117,599	640,463	805,866	321,648	4,268,801
Germany	150,638	328,574	129,098	-	2,508	610,818
Other EU countries	675,185	162,960	467,176	-	4,691	1,310,012
Asia	171,861	310	-	-	-	172,171
South America	138,654	3,267	986	-	-	142,907
Other countries	670,209	21,209	189,916	-	256	881,590
	4,189,772	633,919	1,427,639	805,866	329,103	7,386,299
Customer type						
Legal persons	4,160,924	633,919	1,427,555	805,332	326,240	7,353,970
Individuals	28,848	-	84	534	2,863	32,329
	4,189,772	633,919	1,427,639	805,866	329,103	7,386,299
Agreement type						
Fixed-price contracts	1,208,732	625,646	353,067	452,687	282,795	2,922,927
Time-and-materials contracts	-	456	-	2,812	5,580	8,848
Other	2,981,040	7,817	1,074,572	350,367	40,728	4,454,524
	4,189,772	633,919	1,427,639	805,866	329,103	7,386,299
Customer relations						
Long-term	971,268	116,925	541,633	683,059	40,449	2,353,334
Short-term	3,218,504	516,994	886,006	122,807	288,654	5,032,965
	4,189,772	633,919	1,427,639	805,866	329,103	7,386,299
Revenue recognition timing						
Revenue recognised at a point in time	4,189,772	633,919	1,427,639	805,866	324,940	7,382,136
Revenue recognised over time	-	-	-	-	4,163	4,163
	4,189,772	633,919	1,427,639	805,866	329,103	7,386,299
Sale channels						
Direct sales	1,586,055	556,856	1,287,291	787,351	328,586	4,546,139
Intermediated sales	2,603,717	77,063	140,348	18,515	517	2,840,160
	4,189,772	633,919	1,427,639	805,866	329,103	7,386,299

For the six months ended June 30th 2022 (*unaudited*)

Description	Agro	Plastics	Chemicals	Energy	Other Activities	Total
<i>Main product lines</i>						
Revenue from sale of products and services	7,753,499	1,224,791	3,732,184	203,885	109,248	13,023,607
Revenue from sale of merchandise and materials	110,799	-	11,712	58,793	29,950	211,254
Revenue from sale of licences	2,071	-	-	-	-	2,071
	7,866,369	1,224,791	3,743,896	262,678	139,198	13,236,932
<i>Geographical regions</i>						
Poland	4,848,292	134,160	1,641,461	262,678	115,089	7,001,680
Germany	451,309	474,637	307,170	-	9,435	1,242,551
Other EU countries	1,345,987	520,393	1,294,555	-	11,698	3,172,633
Asia	152,984	20,177	8,290	-	1,930	183,381
South America	281,473	7,233	9,375	-	-	298,081
Other countries	786,324	68,191	483,045	-	1,046	1,338,606
	7,866,369	1,224,791	3,743,896	262,678	139,198	13,236,932
<i>Customer type</i>						
Legal persons	7,820,837	1,224,791	3,743,719	262,153	135,475	13,186,975
Individuals	45,532	-	177	525	3,723	49,957
	7,866,369	1,224,791	3,743,896	262,678	139,198	13,236,932
<i>Agreement type</i>						
Fixed-price contracts	2,362,471	1,215,551	732,802	120,781	89,775	4,521,380
Time-and-materials contracts	-	544	-	-	5,383	5,927
Other	5,503,898	8,696	3,011,094	141,897	44,040	8,709,625
	7,866,369	1,224,791	3,743,896	262,678	139,198	13,236,932
<i>Customer relations</i>						
Long-term	2,758,545	218,880	1,366,857	177,153	38,545	4,559,980
Short-term	5,107,824	1,005,911	2,377,039	85,525	100,653	8,676,952
	7,866,369	1,224,791	3,743,896	262,678	139,198	13,236,932
<i>Revenue recognition timing</i>						
Revenue recognised at a point in time	7,866,369	1,224,791	3,743,896	262,678	133,424	13,231,158
Revenue recognised over time	-	-	-	-	5,774	5,774
	7,866,369	1,224,791	3,743,896	262,678	139,198	13,236,932
<i>Sale channels</i>						
Direct sales	2,899,950	923,411	3,482,326	242,436	137,031	7,685,154
Intermediated sales	4,966,419	301,380	261,570	20,242	2,167	5,551,778
	7,866,369	1,224,791	3,743,896	262,678	139,198	13,236,932

Note 2. Operating expenses

	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>	For the period Apr 1 – Jun 30 2023 <i>unaudited</i>	For the period Apr 1 – Jun 30 2022 <i>unaudited</i>
Depreciation and amortisation	395,305	356,928	201,524	179,686
Raw materials and consumables used	5,847,885	8,880,790	2,208,112	4,452,228
Services	632,629	807,024	293,598	413,932
Taxes and charges	260,995	365,395	105,250	178,890
Salaries and wages	858,502	809,897	429,603	424,018
Social security and other employee benefits	240,002	220,843	123,045	114,839
Other	88,294	79,814	37,966	45,874
Costs by nature of expense	8,323,612	11,520,691	3,399,098	5,809,467
Change in inventories of finished goods (+/-)	383,627	(505,047)	675,031	(457,318)
Work performed by the entity and capitalised (-)	(131,697)	(142,668)	(79,571)	(80,141)
Selling and distribution expenses (-)	(474,111)	(612,279)	(221,830)	(309,276)
Administrative expenses (-)	(487,065)	(465,709)	(240,821)	(252,515)
Cost of merchandise and materials sold	444,939	138,972	324,144	68,512
Cost of sales	8,059,305	9,933,960	3,856,051	4,778,729
including excise duty	2,009	2,860	916	1,061

The individual items of operating expenses changed year on year mainly as a result of:

- raw materials and consumables used - price decline, mainly in the case of gas and petroleum-derived raw materials, with reduced consumption. Rising prices of energy and fossil commodities,
- services - lower costs of transport services due to sale of a lower product tonnage and a drop in subcontractor services for overhaul projects,
- taxes and charges - lower CO₂ emission allowances (production curtailment),
- salaries and wages - increase due to higher employee benefits.

Note 3. Other income

	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>	For the period Apr 1 – Jun 30 2023 <i>unaudited</i>	For the period Apr 1 – Jun 30 2022 <i>unaudited</i>
Reversed impairment losses - property, plant and equipment, investment property	3,896	3	3,896	2
Reversed impairment losses - trade and other receivables	839	5,093	206	4,795
Income from lease of investment property	5,998	7,592	1,427	4,431
Provisions reversed	8,186	716	4,282	257
Received compensation	19,994	5,938	19,429	2,937
Government grants	8,527	8,945	4,381	5,163
Compensation as part of state aid programme for energy-intensive sectors related to sudden increases in natural gas and electricity prices	234,181	-	-	-
Other	25,579	14,430	22,248	10,704
	307,200	42,717	55,869	28,289

Note 4. Other expenses

	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>	For the period Apr 1 – Jun 30 2023 <i>unaudited</i>	For the period Apr 1 – Jun 30 2022 <i>unaudited</i>
Loss on disposal of property, plant and equipment, intangible assets, and right-of-use assets	290	5,543	222	5,543
Recognised impairment losses - property, plant and equipment, investment property, intangible assets	889	1,514	637	169
Recognised impairment losses - other receivables	13,705	439	13,517	385
Investment property maintenance costs	8,365	7,256	3,603	3,708
finances and compensations	11,654	2,547	7,148	1,732
Downtime costs	1,252	809	549	399
Failure recovery costs	6,571	8,102	5,019	3,670
Recognised provisions	27,362	16,282	1,393	14,005
Other expenses	6,113	10,877	3,082	8,740
	76,201	53,369	35,170	38,351

Note 5. Finance income

	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>	For the period Apr 1 – Jun 30 2023 <i>unaudited</i>	For the period Apr 1 – Jun 30 2022 <i>unaudited</i>
Interest on bank deposits	1,875	7,323	801	5,424
Interest on cash pooling and loans	610	5	438	(4)
Interest on trade receivables	1,342	2,522	476	1,438
Other interest income	782	480	393	340
Gains on measurement of financial assets and liabilities at fair value through profit or loss	44,670	-	23,909	-
Foreign exchange gains	261,227	-	195,718	-
Discount on provisions and loans	2,521	4,567	2,368	3,882
Dividends received	35	-	35	-
Other finance income	2,721	1,432	706	662
	315,783	16,329	224,844	11,742

The line item 'Gains on measurement of financial assets and liabilities at fair value through profit or loss' includes the effect of measurement of currency risk hedging instruments that were not designated as hedging instruments under hedge accounting. The largest part of that amount, i.e., PLN 19,343 thousand, represents the positive measurement of financial instruments executed by Grupa Azoty POLYOLEFINS in connection with implementation of the Polimery Police project.

Foreign exchange gains of PLN 261,227 thousand (first half of 2022: foreign exchange losses of PLN 110,673 thousand) comprised:

- net realised foreign exchange gains of PLN 65,557 thousand (first half of 2022: net realised foreign exchange losses of PLN 3,781 thousand),
- net foreign exchange gains on realised transactions in currency derivatives of PLN 8,077 thousand (first half of 2022: net foreign exchange losses on realised transactions in currency derivatives of PLN 55,154 thousand),
- net foreign exchange gains on measurement of receivables and liabilities denominated in foreign currencies of PLN 194,580 thousand as at the reporting date (first half of 2022: net foreign exchange losses on measurement of receivables and liabilities denominated in foreign currencies of PLN 52,448 thousand as at the reporting date),
- net foreign exchange losses on measurement of other items of PLN (6,987) thousand as at the reporting date (first half of 2022: net foreign exchange gains on measurement of other items of PLN 710 thousand as at the reporting date).

Note 6. Finance costs

	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>	For the period Apr 1 – Jun 30 2023 <i>unaudited</i>	For the period Apr 1 – Jun 30 2022 <i>unaudited</i>
Interest on bank term and overdraft facilities	102,469	55,847	58,090	32,057
Interest on cash pooling and loans	15,278	1,038	8,066	2
Interest on factoring, discounting and lease liabilities	64,546	11,220	37,643	5,709
Interest on trade payables	6,777	1,401	4,074	885
Interest on public charges	574	152	186	20
Other interest expense	13,604	7,274	12,725	7,180
Loss on sale of financial investments	-	-	-	(152)
Losses on measurement of financial assets and liabilities at fair value through profit or loss	-	16,150	-	2,809
Foreign exchange losses	-	110,673	-	82,966
Unwind of discount on provisions and loans	3,879	180	3,541	(21)
Other finance costs	1,474	-	34	79
	208,601	203,935	124,359	131,534

Note 7. Income tax

Note 7.1. Income tax expense disclosed in the statement of profit or loss

	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>	For the period Apr 1 – Jun 30 2023 <i>unaudited</i>	For the period Apr 1 – Jun 30 2022 <i>unaudited</i>
Current income tax:				
Current income tax expense	8,783	344,918	5,889	167,947
Adjustments to current income tax for previous years	(3,771)	(3,552)	(5,253)	(3,552)
	5,012	341,366	636	164,395
Deferred income tax:				
Deferred income tax associated with origination and reversal of temporary differences	(189,462)	11,261	(156,990)	(20,180)
	(189,462)	11,261	(156,990)	(20,180)
Income tax expense disclosed in the statement of profit or loss	(184,450)	352,627	(156,354)	144,215

Note 7.2. Effective tax rate

	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>	For the period Apr 1 – Jun 30 2023 <i>unaudited</i>	For the period Apr 1 – Jun 30 2022 <i>unaudited</i>
(Loss)/profit before tax	(1,282,871)	2,034,587	(699,471)	943,805
Tax calculated at the applicable tax rate	(243,745)	386,572	(132,899)	179,323
Effect of tax rates applicable in foreign jurisdictions	(9,102)	16,491	(8,326)	8,245
Effect of tax-exempt income	(36,706)	(8,309)	(36,147)	(4,152)
Effect of non tax-deductible expenses and temporary differences for which no deferred tax is recognised	15,893	6,165	10,310	3,031
Effect of tax losses deducted in the period	(66,963)	(3,631)	(65,513)	(1,017)
Public aid used in the reporting period, including public aid related to business activity conducted in the Special Economic Zone	60,477	(79,883)	63,328	(40,900)
Other	95,696	35,222	12,893	(315)
Income tax expense disclosed in the statement of profit or loss	(184,450)	352,627	(156,354)	144,215
Effective tax rate	14.4%	17.3%	22.4%	15.3%

Note 7.3. Income tax expense disclosed in other comprehensive income

	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>	For the period Apr 1 – Jun 30 2023 <i>unaudited</i>	For the period Apr 1 – Jun 30 2022 <i>unaudited</i>
Tax on items that will not be reclassified to profit or loss (+/-)	(4,463)	3,134	(4,463)	3,134
Actuarial (losses)/gains from defined benefit plans	(4,463)	3,622	(4,463)	3,622
Other income	-	(488)	-	(488)
Tax on items that are or may be reclassified to profit or loss (+/-)	7,801	(1,927)	6,794	(405)
Measurement of hedging instruments through hedge accounting	7,801	(1,927)	6,794	(405)
Income tax expense disclosed in other comprehensive income	3,338	1,207	2,331	2,729

Note 7.4. Deferred tax assets and liabilities

	Assets (-)		Liabilities (+)	
	Jun 30 2023 unaudited	Dec 31 2022 audited	Jun 30 2023 unaudited	Dec 31 2022 audited
Property, plant and equipment	(140,063)	(151,457)	392,296	391,600
Right-of-use assets	(308)	(597)	114,491	113,128
Investment property	(2,222)	(2,324)	14,983	15,023
Intangible assets	(4,478)	(4,771)	211,857	240,541
Financial assets	(14,325)	(14,010)	9,648	3,716
Inventories and property rights	(100,099)	(110,839)	214,104	195,052
Trade and other receivables	(27,908)	(13,647)	25,562	16,215
Trade and other payables	(203,545)	(271,993)	1,158	830
Other assets	(514)	(757)	77	128
Employee benefits	(103,454)	(103,941)	457	518
Provisions	(74,438)	(73,163)	1,037	5,322
Borrowings	(13,240)	(13,623)	14,703	7,021
Other financial liabilities, including leases	(74,507)	(67,011)	36	257
Derivative financial instruments	-	-	14,061	-
Measurement of hedging instruments through hedge accounting	(2,389)	(10,241)	-	7,023
State aid deductible in future periods	(109,290)	(105,558)	-	-
Tax losses	(230,803)	(2,546)	-	-
Other	(66,490)	(1,855)	10,623	7,562
Deferred tax assets (-)/liabilities (+)	(1,168,073)	(948,333)	1,025,093	1,003,936
Offset	702,014	617,444	(702,014)	(617,444)
Deferred tax assets (-)/liabilities (+) recognised in the statement of financial position	(466,059)	(330,889)	323,079	386,492

Note 8. Earnings per share

Basic earnings per share were calculated based on net profit and the weighted average number of shares outstanding in the reporting period. The amounts were determined as follows:

	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>	For the period Apr 1 – Jun 30 2023 <i>unaudited</i>	For the period Apr 1 – Jun 30 2022 <i>unaudited</i>
Net (loss)/profit attributable to owners of the Parent	(1,065,710)	1,569,399	(543,962)	715,806
Number of shares at beginning of period	99,195,484	99,195,484	99,195,484	99,195,484
Number of shares at end of period	99,195,484	99,195,484	99,195,484	99,195,484
Weighted average number of shares in the period	99,195,484	99,195,484	99,195,484	99,195,484
(Loss)/earnings per share:				
Basic (PLN)	(10.74)	15.82	(5.48)	7.22
Diluted (PLN)	(10.74)	15.82	(5.48)	7.22

Diluted earnings per share

There are no potentially dilutive shares which would cause dilution of earnings per share.

Note 9. Property, plant and equipment

Net carrying amount of property, plant and equipment

	Land	Mineral deposits	Buildings and structures	Plant and equipment	Vehicles	Other property plant and equipment	Property, plant and equipment under construction	Total
Net carrying amount as at Jan 1 2023	66,249	3,207	2,907,522	3,596,527	122,009	192,826	6,503,822	13,392,162
<i>Increase, including:</i>	<i>11</i>	<i>-</i>	<i>133,709</i>	<i>220,369</i>	<i>9,188</i>	<i>12,091</i>	<i>1,412,282</i>	<i>1,787,650</i>
Purchase, production, commissioning	11	-	124,779	219,013	8,852	12,079	1,407,518	1,772,252
Reversal and use of impairment losses	-	-	-	-	1	-	3,885	3,886
Reclassification from investment property	-	-	1,185	60	-	-	-	1,245
Reclassification from other items	-	-	-	-	158	-	-	158
Increase in liabilities related to remediation costs	-	-	7,745	-	-	-	-	7,745
Other increase	-	-	-	1,296	177	12	879	2,364
<i>Decrease, including: (-)</i>	<i>(2,361)</i>	<i>(807)</i>	<i>(91,421)</i>	<i>(250,830)</i>	<i>(9,187)</i>	<i>(16,980)</i>	<i>(395,329)</i>	<i>(766,915)</i>
Depreciation and amortisation	-	(807)	(75,370)	(236,571)	(8,141)	(16,622)	-	(337,511)
Sale, liquidation	-	-	(1)	(648)	(671)	(30)	-	(1,350)
Commissioning	-	-	-	-	-	-	(380,721)	(380,721)
Recognition of impairment loss	-	-	(76)	(178)	-	(6)	(76)	(336)
Reclassification to investment property	-	-	(950)	-	-	-	(1,019)	(1,969)
Reclassification to other assets	-	-	(387)	(76)	(71)	-	-	(534)
Translation of exchange differences	(2,361)	-	(13,433)	(13,357)	(304)	(322)	(393)	(30,170)
Decrease in liabilities related to remediation costs	-	-	(492)	-	-	-	-	(492)
Other decrease	-	-	(712)	-	-	-	(13,120)	(13,832)
Net carrying amount as at Jun 30 2023 (unaudited)	63,899	2,400	2,949,810	3,566,066	122,010	187,937	7,520,775	14,412,897

Net carrying amount of property, plant and equipment

	Land	Mineral deposits	Buildings and structures	Plant and equipment	Vehicles	Other property plant and equipment	Property, plant and equipment under construction	Total
Net carrying amount as at Jan 1 2022	59,559	4,935	2,835,974	3,604,945	123,248	165,455	5,163,569	11,957,685
Increase, including:	6,929	-	417,591	767,407	32,775	65,746	2,850,168	4,140,616
Purchase, production, commissioning	5,796	-	388,503	760,421	30,496	65,571	2,846,628	4,097,415
Reversal and use of impairment losses	347	-	1,137	1,099	976	-	1,626	5,185
Reclassification from investment property	-	-	135	-	-	-	-	135
Reclassification from other items	-	-	-	650	1,303	-	-	1,953
Translation of exchange differences	786	-	4,987	5,237	-	175	569	11,754
Increase in liabilities related to remediation costs	-	-	22,802	-	-	-	-	22,802
Other increase	-	-	27	-	-	-	1,345	1,372
Decrease, including: (-)	(239)	(1,728)	(346,043)	(775,825)	(34,014)	(38,375)	(1,509,915)	(2,706,139)
Depreciation and amortisation	-	(1,728)	(146,799)	(445,726)	(16,586)	(31,438)	-	(642,277)
Sale, liquidation	(136)	-	(108)	(1,661)	(16,796)	(114)	-	(18,815)
Commissioning	-	-	-	-	-	-	(1,208,024)	(1,208,024)
Recognition of impairment loss	(69)	-	(195,958)	(328,431)	(367)	(6,822)	(294,014)	(825,661)
Reclassification to investment property	(34)	-	(708)	(1)	-	-	(410)	(1,153)
Reclassification to other assets	-	-	-	-	-	-	(928)	(928)
Translation of exchange differences	-	-	-	-	(264)	-	-	(264)
Decrease in liabilities related to remediation costs	-	-	(119)	-	-	-	-	(119)
Other decrease	-	-	(2,351)	(6)	(1)	(1)	(6,539)	(8,898)
Net carrying amount as at Dec 31 2022 (audited)	66,249	3,207	2,907,522	3,596,527	122,009	192,826	6,503,822	13,392,162

Note 10. Right-of-use assets

Carrying amount

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Perpetual usufruct of land	611,242	579,986
Land	464	479
Buildings and structures	39,520	42,290
Plant and equipment	54,836	62,259
Vehicles	79,846	72,960
Other fixtures and fittings, tools and equipment	525	631
	786,433	758,605
Right-of-use assets under construction	206	108
	786,639	758,713

Note 11. Intangible assets

Carrying amount

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Trademarks, including:	269,895	279,999
<i>recognised upon acquisition of Grupa Azoty POLICE</i>	48,047	48,047
<i>recognised upon acquisition of Grupa Azoty PULAWY</i>	33,155	33,100
<i>recognised upon acquisition of COMPO EXPERT</i>	188,693	198,852
Corporate logo recognised upon acquisition of COMPO EXPERT	123,118	129,731
Customer portfolio, including:	275,225	299,417
<i>recognised upon acquisition of COMPO EXPERT</i>	275,225	299,417
Patents and licences	69,621	72,137
Software	22,032	23,143
Development costs	5,707	4,236
Other intangible assets	44,739	49,275
Intangible assets under development	117,948	113,546
	928,285	971,484

Note 12. Property rights

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Emission allowances	2,198,254	1,991,276
Energy certificates	6,636	18,073
Total property rights	2,204,890	2,009,349

The PLN 195,541 thousand increase in the value of **property rights** was due to the settlement of futures contracts used to redeem emissions for 2022, adjusted by redemption related to the settlement of emissions for 2022.

Note 12.1. CO₂ emission allowances

CO₂ emission allowances held (number of units)

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Balance at beginning of period (units held)	5,685,103	5,277,013
Allocated	4,848,829	4,872,272
Purchased	1,558,641	2,799,553
Sold/Returned	(1,498,676)	-
Redeemed	(6,015,005)	(7,263,735)
Balance at end of period (units held)	4,578,892	5,685,103
Emissions in the reporting period	2,334,466	6,026,437

In 2023, 4,848,829 free CO₂ emission allowances were credited to the accounts of the Group companies' installations participating in the EU ETS, of which 360,456 allowances are to be returned. As at June 30th 2023, the Group did not have a sufficient surplus of CO₂ emission allowances necessary to redeem allowances for 2023. The number of missing EUAs is 69,870 and relates to the Parent.

Note 13. Trade and other receivables

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Trade receivables - related parties	1,622	9,843
Trade receivables - other entities	1,101,475	1,503,220
Receivables from state budget, except for income tax	231,479	335,931
Amounts receivable under construction contracts	5,036	3,540
Prepayments for deliveries of property, plant and equipment and intangible assets	64,343	86,211
Prepayments for deliveries of materials, goods and services	22,664	30,396
Accrued expenses	664,101	562,551
Other receivables	163,050	124,331
	2,253,770	2,656,023
including		
Long-term	661,655	629,999
Short-term	1,592,115	2,026,024
	2,253,770	2,656,023

Note 14. Cash

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Cash in hand	417	507
Bank balances in PLN	315,904	184,878
Bank balances in foreign currencies (translated to PLN)	1,029,761	304,179
Bank deposits – up to 3 months	26,983	842,533
Other bank deposits	32,616	44,151
Other	-	293
	1,405,681	1,376,541
Cash and cash equivalents in the statement of financial position	1,405,681	1,376,541
Cash and cash equivalents in the statement of cash flows	1,405,681	1,376,541

As at June 30th 2023, the amount of funds in the split payment account was PLN 233,745 thousand (December 31st 2022: PLN 14,918 thousand) and was included in the total amount of cash at banks (PLN) of PLN 315,904 thousand.

Note 15. Borrowings

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Bank borrowings	7,201,822	5,063,544
Loans	609,854	597,900
	7,811,676	5,661,444
including		
Long-term	3,584,290	4,971,706
Short-term	4,227,386	689,738
	7,811,676	5,661,444

Further to Section 3.5 of these financial statements, with respect to the Waiver and Amendment Agreements signed on August 31st 2023, as at June 30th 2023 the Group reclassified a portion of its borrowings (PLN 3,075,382 thousand) from non-current to current borrowings, which will have a significant adverse effect on the liquidity ratios.

The reclassification was made with respect to the following borrowings:

Credit facility	Currency	Rate of interest	Reclassified amount
Syndicated Credit Facility	PLN	variable	1,098,918
Syndicated Credit Facility	EUR	variable	369,804
Syndicated Term Loan Facility	PLN	variable	802,718
Term loan facility with EIB	EUR	fixed	80,816
Term loan facility with EBRD	PLN	variable	23,068
Term loan facility II with EIB	EUR	fixed	400,410
Term loan facility II with EBRD	PLN	variable	299,648
			3,075,382

In the six months ended June 30th 2023, the Parent incurred a revolving credit facility of PLN 1,100m and a PLN 348m overdraft facility to finance the Group's physical cash pool mechanism.

In the first half of 2023, the Group paid all its liabilities under borrowings when due. The Group has access to umbrella limits under PLN, EUR and USD overdraft facilities linked to physical cash pooling arrangements and under a multi-purpose credit facility which may be used as directed by the Parent in accordance with changes in funding requirements of any of the Group's subsidiaries. The Group also has access to bilateral overdraft limits and multi-purpose facilities.

The aggregate amount of the Group's undrawn overdraft and multi-purpose credit facilities as at June 30th 2023 was PLN 767m. At the same time, the Group had undrawn limits under corporate credit facilities of PLN 30m, and PLN 10m in funds available under special purpose loans.

In addition, the amount of credit limits available to Grupa Azoty POLYOLEFINS under the Credit Facilities Agreement for the financing of the Polimery Police project was PLN 2,008m.

As at June 30th 2023, under the agreements specified above the Group had access to total credit limits of approximately PLN 2,815m (of which limits under Grupa Azoty POLYOLEFINS special purpose credit facilities for the financing of the Polimery Police project were PLN 2,808m, and other limits available to the Group amounted to PLN 807m).

Security for borrowings

As at June 30th 2023, the Group's Agreements package was secured through harmonised sureties and guarantees granted by key subsidiaries, i.e., Grupa Azoty PUŁAWY, Grupa Azoty POLICE and Grupa Azoty KĘDZIERZYN. Each of the above-mentioned subsidiaries provided sureties/guarantees up to one third of 120% of the value of each credit facility agreement, including:

- the PLN 3,000m revolving credit facility and term credit facility (total sureties of up to PLN 3,600m),
- the PLN 550m loan facility from the European Investment Bank (total guarantees of up to PLN 660m),
- the EUR 145m loan facility from the European Investment Bank (total guarantees of up to EUR 174m),
- the PLN 150m loan facility from the European Bank for Reconstruction and Development (total guarantees of up to PLN 180m),
- the PLN 500m loan facility from the European Bank for Reconstruction and Development (total guarantees of up to PLN 600m).

Additionally, certain subsidiaries of the Group have mortgages and registered pledges securing their bank credits and loans contracts. Such mortgages and pledges do not violate the covenants included in the above-mentioned Group's Agreements package.

On August 31st 2023, under the Waiver and Amendment Letters, additional security was created with respect to liabilities under the Agreements through the execution by the Company's subsidiary Compo Expert Holding GmbH, acting as the guarantor, of a guarantee agreement with the Financing Parties. The guarantor's potential liability towards the Financing Parties is limited by German law to the value of its net assets.

Maturity of borrowings as at June 30th 2023

Currency	Reference rate	Amount as at the reporting date in foreign currency	Amount as at the reporting date in PLN	Up to 1 year	1-2 years	2-5 years	Over 5 years
PLN	variable / fixed	3,455,839	3,455,839	3,133,716	7,500	22,500	292,123
EUR	variable / fixed	583,031	2,545,126	1,036,168	2,637	3,869	1,502,452
USD	variable	454,508	1,753,209	-	-	-	1,753,209
BRL	fixed	67,908	57,502	57,502	-	-	-
			7,811,676	4,227,386	10,137	26,369	3,547,784

Maturity of borrowings as at December 31st 2022

Currency	Reference rate	Amount as at the reporting date in foreign currency	Amount as at the reporting date in PLN	Up to 1 year	1-2 years	2-5 years	Over 5 years
PLN	variable / fixed	2,081,100	2,081,100	461,117	372,638	897,717	349,628
EUR	variable / fixed	487,031	2,234,585	196,974	177,951	708,784	1,150,876
USD	variable	319,595	1,314,112	-	-	-	1,314,112
BRL	fixed	38,133	31,647	31,647	-	-	-
			5,661,444	689,738	550,589	1,606,501	2,814,616

Note 16. Other financial liabilities

	As at Jun 30 2023 unaudited	As at Dec 31 2022 audited
Reverse factoring liabilities	2,297,789	1,287,442
Other obligations	681,824	686,318
	2,979,613	1,973,760
including		
Long-term	678,324	682,818
Short-term	2,301,289	1,290,942
	2,979,613	1,973,760

The amount of other financial liabilities reflects the valuation of financial liabilities resulting from the equity contributions made to Grupa Azoty POLYOLEFINS and taken up by Grupa LOTOS (currently ORLEN S.A.), Hyundai and KIND of PLN 672,528 thousand (PLN 673,826 thousand as at December 31st 2022).

Note 17. Employee benefit obligations

	As at Jun 30 2023 unaudited	As at Dec 31 2022 audited
Pension benefit obligations	234,431	215,843
Jubilee benefit obligations	246,261	240,521
Pensioner Social Fund benefit obligations	19,278	15,333
Other obligations	22,608	22,760
	522,578	494,457
including		
Long-term	469,344	439,656
Short-term	53,234	54,801
	522,578	494,457

Note 18. Provisions

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Provision for litigation	12,340	28,215
Provision for environmental protection	250,959	240,701
Other provisions	65,356	66,436
	328,655	335,352
including		
Long-term	240,693	241,007
Short-term	87,962	94,345
	328,655	335,352

Note 19. Government grants

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Government grants	1,419,069	222,743
including		
Long-term	188,111	193,896
Short-term	1,230,958	28,847
	1,419,069	222,743

The PLN 1,202,111 thousand increase in short-term grants was mainly attributable to the recognition of CO₂ emission allowances for 2023, received or expected to be received.

As at June 30th 2023, the amount of grants to be settled under CO₂ emission allowances was PLN 1,196,017 thousand.

After the reporting date, the Parent received additional 1,177 CO₂ emission allowances measured at PLN 465 thousand.

Note 20. Other material changes in the statement of financial position

The PLN 2,823,205 thousand decrease in **trade and other payables** was mainly attributable to payment of trade payables (down PLN 1,704,738 thousand) and a decrease in prepayments related to the CO₂ emission provision following surrender of EUAs for 2022 (down PLN 1,086,292 thousand).

Note 21. Financial instruments

Categories of financial instruments

Financial assets

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
At fair value through profit or loss	398,173	386,922
At amortised cost	2,611,057	2,838,787
At fair value through other comprehensive income	81,830	194,819
	3,091,060	3,420,528
Recognised in the statement of financial position as:		
Derivative financial instruments	398,173	386,922
Shares	10,172	10,172
Trade and other receivables	1,271,183	1,640,934
Cash and cash equivalents	1,405,681	1,376,541
Other financial assets	5,851	5,959
	3,091,060	3,420,528

Financial liabilities

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
At fair value through profit or loss	453	-
At amortised cost	13,158,701	11,646,244
	13,159,154	11,646,244
Recognised in the statement of financial position as:		
Long-term borrowings	3,584,290	4,971,706
Short-term borrowings	4,227,386	689,738
Derivative financial instruments	453	-
Trade and other payables	1,907,326	3,578,454
Non-current lease liabilities	391,035	360,957
Current lease liabilities	69,051	71,629
Other non-current financial liabilities	678,324	682,818
Other current financial liabilities	2,301,289	1,290,942
	13,159,154	11,646,244

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally in connection with its trade receivables, loans advanced, short-term bank deposits, cash at bank, including cash under the cash pooling facility.

With respect to trade receivables, it is expected that historical payment data reflects credit risk that will be incurred in future periods. Expected credit losses for this group of counterparties have been estimated using a provision matrix and percentage ratios assigned to specific aging ranges of trade receivables (e.g. receivables claimed in court, receivables from insolvent counterparties) that make it possible to estimate the value of trade receivables that are not expected to be repaid.

If a receivable from a given counterparty is past due by more than 90 days, the Group assumes that the counterparty has probably defaulted on its obligation and recognises an impairment loss for the full amount of the receivable.

For financial assets included in the estimation of expected losses other than trade receivables, the Group measures the risk of default of the counterparties based on ratings assigned by credit rating agencies (e.g. to financial institutions) or ratings assigned using an internal credit rating model (e.g. for intra-group loans) that is appropriately converted to reflect the probability of default. In accordance with IFRS 9, the expected credit loss was calculated taking into account estimates of potential recoveries from collateral obtained and the time value of money.

Trade receivables by business segment

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Agro	607,439	975,069
Plastics	153,787	146,297
Chemicals	208,374	301,039
Energy	84,456	58,433
Other Activities	49,041	32,225
	1,103,097	1,513,063

The Group's trade receivables from third parties are in the first place insured under a trade credit insurance policy, which limits the Group's credit risk exposure to the deductible amount (i.e. 5-10% of the amount of insured receivables). The policies ensure that customers' financial condition is monitored on an ongoing basis and enable debt recovery when required. Upon a customer's insolvency, the Group receives compensation equal to 90-95% of the amount of the insured receivables.

A part of the Group companies' trade receivables from third parties, not covered by the policy, is secured with letters of credit and guarantees or other forms of security acceptable to the Group companies.

Trade credit limit is granted primarily on the basis of the insurance companies' decision, but also taking into account positive trading history with the customer and the customer's creditworthiness (assessed based on business intelligence reports), financial statements and payment history.

If there is no positive history of trading between the Group and a customer, or where transactions are occasional and the credit limit cannot be insured, the customer is required to make a prepayment or provide security.

Credit risk exposure is defined as the total of unpaid receivables, monitored on an ongoing basis by the Group's internal financial staff (individually for each trading partner) and, if a receivable is insured, also by insurance companies' credit analysts.

Fair value of financial instruments

Detailed information on the fair value of financial instruments whose fair value can be estimated is presented below:

- cash and cash equivalents, short-term bank deposits and short-term bank borrowings, factoring and reverse factoring transactions, and sale and discount of receivables - the carrying amount of the instruments approximates their fair value due to their short maturities,
- trade receivables, other receivables and trade payables - the carrying amount of the instruments approximates their fair value due to their short-term nature,
- long-term variable rate borrowings - the carrying amount of the instruments approximates their fair value due to the variable nature of their interest rates.
- long-term fixed-rate borrowings,
- foreign currency derivatives - the carrying amount of the instruments equals their fair value.

The table below presents financial instruments of the Group, carried at fair value, by levels in the fair value hierarchy, as at June 30th 2023:

Hierarchy level	Level 2	Level 3
Financial assets at fair value, including:	2,326	477,677
at fair value through profit or loss - derivative financial instruments	2,150	-
measured at fair value through other comprehensive income,	176	477,677
<i>shares</i>	-	8,994
<i>trade receivables</i>	-	72,836
<i>derivative financial instruments</i>	176	395,847
Financial liabilities at fair value, including:	453	672,528
at fair value through profit or loss, including:	453	672,528
<i>derivative financial instruments</i>	453	-
<i>other financial liabilities</i>	-	672,528

The table below presents financial instruments of the Group, carried at fair value, by levels in the fair value hierarchy, as at December 31st 2022:

Hierarchy level	Level 2	Level 3
Financial assets at fair value, including:	3,122	578,619
measured at fair value through other comprehensive income,	3,122	578,619
<i>shares</i>	-	8,994
<i>trade receivables</i>	-	185,825
<i>derivative financial instruments</i>	3,122	383,800
Financial liabilities at fair value, including:	-	673,826
at fair value through profit or loss, including:	-	673,826
<i>other financial liabilities</i>	-	673,826

There were no transfers between the levels in the first half of 2023 or in 2022.

The fair value hierarchy presented in the tables above is as follows:

Level 1 - price quoted in an active market for the same asset or liability,

Level 2 - values based on inputs other than quoted Level 1 prices that are either directly or indirectly observable or determined on the basis of market data,

Level 3 - values based on input data that are not based on observable market data.

The fair value of financial instruments presented in Level 2, i.e. foreign currency contracts and interest rate hedges is determined on the basis of measurements carried out by the counterparty banks. The valuations are verified by discounting the expected cash flows from the contracts at market interest rates effective as at the reporting date.

The fair value of financial instruments presented in level III is determined as follows:

- The fair value of short-term trade receivables which are or may be transferred under factoring agreements is presented by the Group as financial assets measured at fair value through other comprehensive income. In the Group's opinion, the fair value of these receivables does not materially differ from their carrying

amounts due to their short maturities.

- The fair value of the shares (equity investments) was measured using the discounted cash flow method.

Foreign currency derivatives

As at June 30th 2023, the notional amount of Grupa Azoty Group's open FX forwards was EUR 6.7m (with maturities in 2023).

In addition, Grupa Azoty POLICE held open currency derivatives (FX forwards) to exchange EUR 3m for USD, to be settled in July 2023.

As at June 30th 2023, Grupa Azoty POLICE had initiated three FX swap contracts to hedge its planned short position in the EUR/PLN currency pair in the third quarter of 2023, for a total amount of EUR 40m. The first leg of the transactions encompassed the sale of euros on the spot market on June 30th. The second legs of the transactions were executed to purchase euros on the forward market, with settlement dates scheduled for the end of July, August and September 2023.

As regards the US dollar, as at June 30th 2023 the Group had no outstanding derivative instruments in that currency.

Such contracts are only entered into with reliable banks under master agreements. All the contracts reflect actual cash flows in foreign currencies. Currency forwards and derivative contracts are executed to match the currency exposure and their purpose is to limit the effect of exchange rate fluctuations on profit or loss.

In the six months ended June 30th 2023, Grupa Azoty POLYOLEFINS held and entered into FX forward contracts to buy EUR for USD and to sell USD and EUR for PLN and USD to hedge the expected expenditure in EUR, USD and PLN.

As at June 30th 2023, Grupa Azoty POLYOLEFINS had the following open contracts:

- FX forward to buy approximately EUR 38,539 thousand for USD (hedging expenditure planned to be financed with proceeds from the term facility made available under the Credit Facilities Agreement in USD);
- FX forward to buy approximately PLN 12,306 thousand for EUR (hedging expenditure planned to be covered with proceeds from the term facility made available under the Credit Facilities Agreement in EUR);
- FX forward to buy approximately PLN 39,676 thousand for USD (hedging expenditure planned to be covered with proceeds from the term facility made available under the Credit Facilities Agreement in USD);
- FX Forward to sell approximately EUR 1,000 thousand for USD (hedging expenditure related to the first repayment of the term facility made available under the Credit Facilities Agreement in USD), which falls due in the fourth quarter of 2023.

The FX forwards to purchase PLN for USD were designated for the purpose of cash flow hedge accounting.

As at June 30th 2023, the total result on the measurement of open transactions hedging currency risk executed by the company was PLN (11,831) thousand, including PLN (1,481) thousand attributable to the measurement of transactions designated for hedge accounting purposes.

In the six months ended June 30th 2023, Grupa Azoty POLYOLEFINS held IRSs with a zero floor whereby positive values of floating interest rates on debt denominated in EUR and USD are exchanged for a fixed interest rate. The contracts hedge the planned interest expense on the term facility made available under the Credit Facilities Agreement. They constitute security required under the Credit Facilities Agreement.

As at June 30th 2023, Grupa Azoty POLYOLEFINS had the following open contracts:

- IRS with a zero floor on EURIBOR for a maximum notional amount of approximately EUR 370,299 thousand (the notional amounts increase and then are amortised in accordance with the company's expectations regarding the notional amounts resulting from the term facility under the Credit Facilities Agreement in EUR);
- IRS with a zero floor on USD LIBOR (SOFR from June 2023) for a maximum notional amount of approximately USD 408,151 thousand (the notional amounts increase and then are amortised in accordance with the company's expectations regarding the notional amounts resulting from the term facility under the Credit Facilities Agreement in USD).

In the six months ended June 30th 2023, the Company executed annexes amending the Credit Facilities Agreement, which modified certain financing terms, particularly those related to the interest rate on the USD-denominated tranche to be applied following cessation of the USD LIBOR rate. As of June 2023, the USD-denominated tranche bears interest at the SOFR rate.

The transactions hedging interest rate risk were designated for the purpose of cash flow hedge accounting. As at the end of June 2023, the notional amount of the transactions hedging interest rate risk was higher than the actual amount of debt outstanding under the term facility. The hedge relationship for that part of the hedging instrument's notional amount which was not covered by the hedged item was de-designated. A part of the fair value measurement of IRS and floor contracts was reclassified to profit or loss. Only the measurement amount corresponding to the portion of the hedge for which the hedged item is still expected to occur was charged to equity.

As at June 30th 2023, the total result on the measurement of open IRSs with a zero floor executed by the company was PLN 406,192 thousand, including PLN 401,747 thousand attributable to the measurement of transactions designated for hedge accounting purposes.

Obligation to repurchase shares in Grupa Azoty POLYOLEFINS from non-controlling shareholders

On May 31st 2020, the Parent, Grupa Azoty POLICE (jointly referred to as the “Original Sponsors”) and Grupa Azoty POLYOLEFINS entered into agreements with Grupa LOTOS, currently ORLEN S.A. (as of August 1st 2022 Polski Koncern Naftowy ORLEN S.A., renamed as ORLEN S.A. (“ORLEN”), assumed all rights and obligations of Grupa LOTOS S.A.), Hyundai and KIND (ORLEN, Hyundai and KIND are jointly referred to as the “Co-Sponsors”, and together with the Original Sponsors and Grupa Azoty POLYOLEFINS as the “Parties”) concerning the terms and conditions of an equity investment and subordinated debt financing (“Transaction Documents”) in connection with Grupa Azoty’s strategic Polimery Police project implemented by Grupa Azoty POLYOLEFINS.

As part of the Transaction Documentation, investment agreements, loan agreements, shareholders’ agreement between all of the Parties (the “Shareholders’ Agreement”) were signed.

In the Shareholders’ Agreement, the Parties agreed that the lock-up period during which Hyundai and KIND would not be able, as a rule, to dispose of their Grupa Azoty POLYOLEFINS shares would last until the expiry of three years from the date of the Polimery Police project completion, and in the case of ORLEN - until full repayment of all liabilities under the Debt Financing Agreement, but not longer than until December 15th 2035. The Parties also agreed on a procedure for sale of Grupa Azoty POLYOLEFINS shares by the Co-Sponsors after expiry of the lock-up periods.

The Transaction Documents provide that the Original Sponsors may carry out a public offering of Grupa Azoty POLYOLEFINS shares after the expiry of the lock-up period. In addition, the Parties agreed on a put option for Hyundai and KIND towards the Original Sponsors and a call option for the Original Sponsors towards Hyundai, in each case with respect to Grupa Azoty POLYOLEFINS shares, with a total value (calculated based on the price originally paid by Hyundai and KIND for the shares) of up to USD 70,000,000, for the same amount expressed in USD, and in the case of the put option - additionally reduced by any dividends paid to Hyundai and KIND by the put option exercise date. The Parties agreed that the options would expire on or before December 31st 2035.

On November 16th 2020, each of the Co-Sponsors entered into a subscription agreement with Grupa Azoty POLYOLEFINS, under which 15,348,963 Series G shares were taken up by Hyundai, 1,052,184 Series G shares - by KIND, and 15,967,352 Series G shares - by ORLEN. Following the execution of the subscription agreements, the Co-Sponsors made cash contributions to pay for the new shares in Grupa Azoty POLYOLEFINS as follows: Hyundai paid USD 73,000,000 (equivalent to PLN 275,808,600, as translated at the NBP rate for November 16th 2020 (Table 223/A/NBP/2020 of November 16th 2020)), KIND paid USD 5,000,000 (equivalent to PLN 18,891,000, as translated at the NBP rate for November 16th 2020 (Table 223/A/NBP/2020 of November 16th 2020)), and ORLEN paid PLN 300,000,000.

As at November 16th 2020, the share of non-controlling interests on account of the shares covered by the put option was reduced by PLN 212,426 thousand and the other financial liabilities were increased by PLN 230,126 thousand, with PLN 17,700 thousand recognised in other capital reserves. Subsequent measurement of the recognised liability as at December 31st 2020 was partly charged to property, plant and equipment under construction and partly to profit or loss.

As at June 30th 2023, the Group continued to measure the recognised liability, charging it partly to property, plant and equipment under construction and partly to profit or loss. The amount of the liability is PLN 408,068 thousand (as at December 31st 2022: PLN 280,496 thousand).

The call option over Grupa Azoty POLYOLEFINS shares granted to the Parent and Grupa Azoty POLICE is a derivative instrument relating to the entity’s own equity instrument from the perspective of the Group’s consolidated financial statements, and is therefore excluded from the scope of IFRS 9 *Financial Instruments* and not recognised in the financial statements.

For details regarding repurchase of Grupa Azoty POLYOLEFINS shares from non-controlling shareholders, see Note 19.6 to the consolidated financial statements of the Grupa Azoty Group for the 12 months ended December 31st 2022.

Recognition of a future obligation to repurchase shares in Grupa Azoty POLYOLEFINS from non-controlling shareholders for subsequent cancellation, involving a rate-of-return stabilisation mechanism

The Shareholders’ Agreement provides for additional exit mechanisms for the Co-Sponsors as shareholders of Grupa Azoty POLYOLEFINS. In particular, these mechanisms include a public issue of Grupa Azoty POLYOLEFINS shares; joint sale of Grupa Azoty POLYOLEFINS shares to third-party investors; first refusal rights over Grupa Azoty POLYOLEFINS shares granted to the Original Sponsors; an option for ORLEN to acquire a majority interest in Grupa Azoty POLYOLEFINS if the co-financing necessary to complete the Polimery Police project is not possible; and the exit mechanism for ORLEN, Hyundai and KIND, with respect to the shares not covered by the put option and the call option, through repurchase of such shares by Grupa Azoty POLYOLEFINS at fair value for subsequent cancellation. The shares should be repurchased using funds generated and accumulated by Grupa Azoty POLYOLEFINS once the senior debt financing has been fully repaid. The share repurchase is expected after 2035, in line with the current financial model adopted for the Polimery Police project. The repurchase price based on the future fair value of Grupa Azoty POLYOLEFINS shares as at the repurchase date, taking into account earlier dividend payments, will ensure that the Co-Sponsors receive the rate of return specified in the Shareholders’ Agreement with respect to the contribution made on November 16th 2020 towards the Grupa Azoty POLYOLEFINS share capital increase, covered by the mechanism. If the rate of return is lower than agreed, the Original Sponsors will be jointly and severally obliged to make supplementary payments to the Co-Sponsors so as to increase the

rate of return on the Co-Sponsors' investments covered by the share repurchase-based exit mechanism to the agreed level, but in any case by no more than a specified number of percentage points. Similarly, if the rate of return on the Co-Sponsors' investments in the shares covered by the share repurchase-based exit mechanism exceeds the level expected by the Co-Sponsors, they will be obliged to make payments to the Original Sponsors so as to reduce the rate of return on the Co-Sponsors' investments to the agreed level, but in any case by no more than a specified number of percentage points (the same as in the above-mentioned case where the rate of return on the Co-Sponsors' investments is increased by the Original Sponsors).

In view of the above, the Grupa Azoty POLYOLEFINS shares taken up for by ORLEN, Hyundai and KIND, which can be bought back in the future for cancellation in accordance with the Shareholders' Agreement, are recognised as a financial liability. As at June 30th 2023, the liability was initially measured at the carrying amount equal to the rate of return expected by the Co-Sponsors for the period from the contribution date to June 30th 2023. The liability is subsequently measured at fair value, taking into account the rate of return required by the Co-Sponsors.

The amount of the liability is PLN 264,460 thousand (as at December 31st 2022: PLN 280,496 thousand).

The mechanism described above, intended to stabilise the rate of return on the Co-Sponsors' investments in Grupa Azoty POLYOLEFINS shares covered by the share repurchase-based exit mechanism, results in the creation of a financial instrument at the Original Sponsors, whose value may be either positive (i.e., may become a financial asset if the Co-Sponsors anticipate a rate of return higher than agreed in the Shareholders' Agreement and, consequently, return payments to be made to the Original Sponsors) or negative (i.e., may become a financial liability if supplementary payments from the Original Sponsors to the Co-Sponsors are anticipated following the share repurchase).

Under the current baseline financial model of the Polimery Police project, which served as the basis for investment and credit decisions, it is expected that the Co-Sponsors will achieve a rate of return not lower than specified in the Shareholders' Agreement. Therefore, no supplementary payments are currently expected to be made by the Original Sponsors to the Co-Sponsors after the shares are repurchased for cancellation following repayment of the senior debt financing.

At the same time, despite the overall stage of completion of the Polimery Police project, which was 99.69% as at June 30th 2023, a range of micro- and macroeconomic factors affecting the implementation and profitability of the Polimery Police project, including temporary differences in the prices of key raw materials and selling prices of polypropylene relative to the baseline scenario, as well as a very distant date for the exercise of rights or performance of potential obligations under the profitability stabilisation mechanism, the estimation of the expected settlement result is highly uncertain. For this reason, the Parent has decided not to recognise a financial asset in this respect. This decision will be reviewed and revised in subsequent periods as the Polimery Police project is brought to completion.

Hedge accounting

The Group applies cash flow hedge accounting. The hedged item are highly probable future proceeds from sale transactions in the euro, which will be recognised in profit or loss in the period from July 2023 to March 2029. The hedging covers currency risk. The hedge are two euro-denominated credit facilities held by the Parent:

- EUR 36,324 thousand as at June 30th 2023 (December 31st 2022: EUR 45,405 thousand), repayable in the period from December 2018 to June 2025 in 14 equal half-yearly instalments of EUR 9,081 thousand each;
- EUR 109,333 thousand as at June 30th 2023 (December 31st 2022: EUR 119,000 thousand), repayable in the period from September 2021 to March 2029 in 16 half-yearly instalments, including: the first instalment of EUR 6,666 thousand, 14 instalments of EUR 9,666.7 thousand each, and the last instalment of EUR 3,000 thousand.

As at June 30th 2023, the carrying amount of both these credit facilities was PLN 648,005 thousand (December 31st 2022: PLN 770,777 thousand). The hedging reserve includes the effect of valuation as at June 30th 2023 in the amount of PLN (12,574) thousand (December 31st 2022: PLN (53,899) thousand), which entirely represents the effective hedge.

In the six months ended June 30th 2023, the Parent offset a hedging relationship with respect to payment of instalments of a foreign currency credit facility against proceeds from sales in the euro for the amount PLN 5,817 thousand (PLN 7,752 thousand in the period ended June 30th 2023).

Also Grupa Azoty POLYOLEFINS applies cash flow hedge accounting with respect to currency risk and interest rate risk. In currency risk hedges, the hedged item are future highly probable cash flows related to PLN-denominated costs attributable to a project, financed with drawdowns under the USD-denominated credit facility. In interest rate risk hedges, the hedged item are future highly probable cash flows arising from interest on the term loan denominated in EUR and USD.

As at June 30th 2023, Grupa Azoty POLYOLEFINS recognised in the hedge reserve PLN (1,481) thousand on measurement of FX hedging transactions and PLN 401,747 thousand on measurement of interest rate risk hedging transactions. PLN 409,048 thousand is recognised in the opening balance sheet, while PLN (8,782) thousand is recognised as a cash flow hedge.

Note 22. Contingent liabilities, contingent assets, sureties and guarantees

Contingent assets

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Contingent receivables	20,845	132,952

Contingent liabilities and guarantees/sureties

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Other contingent liabilities, including guarantees	37,381	28,072

Note 23. Related-party transactions

Related-party transactions accounted for using the equity method and not consolidated

Trade transactions

	Revenue	Receivables	Purchases	Liabilities
In the six months ended June 30th 2023 and as at that date (unaudited)				
Related parties of Grupa Azoty POLICE	9,890	20,228	4,007	1,203
Related parties of Grupa Azoty PUŁAWY	200	47	7,347	531
	10,090	20,275	11,354	1,734

	Revenue	Purchases
In the six months ended June 30th 2022 (unaudited)		
Related parties of Grupa Azoty POLICE	8,273	2,122
Related parties of Grupa Azoty PUŁAWY	200	8,528
	8,473	10,650

	Receivables	Liabilities
As at Dec 31 2022 (audited)		
Related parties of Grupa Azoty POLICE	9,801	1,576
Related parties of Grupa Azoty PUŁAWY	42	1,135
	9,843	2,711

Other transactions

	Other income	Other expenses	Finance income	Finance costs
In the six months ended June 30th 2023 (unaudited)				
Related parties of Grupa Azoty PUŁAWY	41	-	-	1,332
	41	-	-	1,332

	Other income	Other expenses	Finance income	Finance costs
In the six months ended June 30th 2022 (unaudited)				
Related parties of Grupa Azoty PUŁAWY	35	125	-	298
	35	125	-	298

Note 24. Investment commitments

In the period ended June 30th 2023, the Group signed contracts to continue ongoing projects and to commence new projects. The projects involve mainly the provision of construction, mechanical, electrical, and engineering design services.

The largest capital commitments were:

	As at Jun 30 2023 unaudited	As at Dec 31 2022 audited
Propane dehydrogenation (PDH) and polypropylene unit at Grupa Azoty POLICE	617,149	1,338,888
Construction of CHP plant at Grupa Azoty PUŁAWY	173,717	179,073
Construction of nitric acid units at Grupa Azoty PUŁAWY	103,362	103,451

As at June 30th 2023, the total amount of investment commitments under the contracts was PLN 1,422,140 thousand (December 31st 2022: PLN 2,097,283 thousand).

Note 25. Accounting estimates and assumptions

Changes in impairment losses on property, plant and equipment

	For the period Jan 1 – Jun 30 2023 unaudited	For the period Jan 1 – Jun 30 2022 unaudited	For the period Apr 1 – Jun 30 2023 unaudited	For the period Apr 1 – Jun 30 2022 unaudited
At beginning of period	1,433,562	620,956	1,430,676	622,210
Recognised	336	1,424	150	169
Reversed (-)	-	(3)	-	(3)
Used (-)	(3,886)	(107)	(1,991)	(106)
Presentation change	(2,913)	-	(1,736)	-
At end of period	1,427,099	622,270	1,427,099	622,270

Changes in inventory write-downs

	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>	For the period Apr 1 – Jun 30 2023 <i>unaudited</i>	For the period Apr 1 – Jun 30 2022 <i>unaudited</i>
At beginning of period	518,025	89,217	483,687	89,102
Recognised	921,452	20,854	556,809	8,529
Reversed (-)	(251,287)	(6,439)	(183,320)	(3,503)
Used (-)	(660,778)	(15,237)	(329,506)	(5,452)
Exchange differences	(1,892)	831	(2,150)	550
At end of period	525,520	89,226	525,520	89,226

Changes in impairment losses on receivables

	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Jun 30 2022 <i>unaudited</i>	For the period Apr 1 – Jun 30 2023 <i>unaudited</i>	For the period Apr 1 – Jun 30 2022 <i>unaudited</i>
At beginning of period	91,942	87,907	90,742	87,420
Recognised	5,245	4,852	3,460	2,826
Reversed (-)	(5,376)	(2,687)	(3,400)	(1,208)
Used (-)	(4,020)	(2,061)	(2,821)	(153)
Exchange differences	30	1,047	(160)	173
At end of period	87,821	89,058	87,821	89,058

Note 26. Events after the reporting date

Consent to waiver of selected covenants under Grupa Azoty Group's Financing Agreements and to the issue of a Guarantee by COMPO EXPERT

For a detailed description, see Section 3.5 of these financial statements.

Execution of an agreement with COMPO EXPERT

The Parent signed a new trade agreement with COMPO EXPERT whereby the range of Grupa Azoty fertilizers to be distributed by COMPO EXPERT in foreign markets will be significantly increased and the portfolio of offered products will include all nitrogen and compound fertilizers. The agreement was concluded for an indefinite period and the distribution schedule covers the period from October 1st 2023 to December 31st 2024.

As part of the expanded cooperation, COMPO EXPERT will market Grupa Azoty products internationally, ultimately via its extensive sales network, comprising offices in 22 countries and sales operations spanning over 100 countries, primarily in Europe, but also in South and North America, Africa, and Asia.

The agreement also outlines joint marketing efforts for fertilizer sales and the promotion of the Grupa Azoty brand.

Temporary production suspension at subsidiary due to plant failure

On September 5th 2023, the Parent's Management Board was notified by Grupa Azoty KĘDZIERZYN of a failure at the ammonia unit. As a result of the failure, production processes at the subsidiary's key units, which include the production of fertilizers, nitric acid, UAN, urea, and OXO alcohols, have been temporarily suspended.

The production of nitric acid at Grupa Azoty KĘDZIERZYN will be resumed in the 39th week of 2023, followed by the production of mineral fertilizers at minimum loads. The restart of other units and ramp-up of production back to full capacity will continue until around mid-October 2023, when repair work on the ammonia plant's boiler system is scheduled for completion.

The financial impact of the plant failure at the operating level has been provisionally estimated at about PLN 20m, comprising lost profits on sales of products (fertilizers, nitric acid, UAN, urea and OXO alcohols) that would have likely been earned had the units operated at normal rates. The cost of repairing the ammonia plant is estimated at approximately PLN 1.4m.

The amounts presented above are estimates and may be subject to change.

Extension of Polimery Police project duration

On August 29th 2023, Grupa Azoty POLYOLEFINS received a letter from Hyundai Engineering Co., Ltd, which is the General Contractor on the Polimery Police project, notifying the investor that the duration of the project will be extended by a period of two to three months.

The General Contractor cited unforeseen equipment problems during the commissioning phase of certain units as the reason for the delay in completing the project work.

Amendments executed by subsidiary to contract to purchase propane

On September 14th 2023, Grupa Azoty POLYOLEFINS executed Amendment 1 and Amendment 2 to the contract for the purchase of propane with Trafigura PTE Ltd. of Singapore.

The amendments are aimed at aligning the contract with the Subsidiary's current needs reflecting the progress made on the Polimery Police project, whose duration is expected to be extended. Under the amendments, the propane deliveries schedule has been revised, additional propane deliveries have been contracted, and the contract term has been extended until December 12th 2025.

The value of the additional deliveries is estimated at approximately USD 80m.

Execution of a turnkey contract for a project to construct a coal-fired power generation unit

On July 14th 2023, the Management Board of Grupa Azoty PUŁAWY was notified that on July 13th 2023 the other party signed an annex to the EPC contract for the project to construct a coal-fired power generation unit, concluded between Grupa Azoty PUŁAWY and a consortium of Polimex-Mostostal S.A., Polimex Energetyka Sp. z o.o., and SBB Energy S.A., the general contractor for the project (the "Contractor").

The annex increases the Contractor's remuneration under the contract by PLN 35m (up to PLN 1,196,655 thousand, VAT exclusive) and extends the contract term by 223 days until June 3rd 2023. These changes satisfy the Contractor's claims announced by Grupa Azoty PUŁAWY in its current reports. The annex took effect on the date of its execution by the Parties.

On September 26th 2023, Grupa Azoty PUŁAWY announced that had received from the Contractor an updated work schedule according to which the project is to be completed in mid-December 2023.

Return of surplus emission allowances

In September 2023, Grupa Azoty PUŁAWY and Grupa Azoty POLICE returned 340,082 surplus emission allowances with a total value of PLN 152,389 thousand. In the financial statements for the six months ended June 30th 2023, the allowances are recognised under "Property rights" and "Trade and other payables".

Signatures of members of the Management Board

Tomasz Hinc
President of the Management Board

Mariusz Grab
Vice President of the Management Board

Filip Grzegorzcyk
Vice President of the Management Board

Grzegorz Kądziaławski
Vice President of the Management Board

Marcin Kowalczyk
Vice President of the Management Board

Marek Wadowski
Vice President of the Management Board

Zbigniew Paprocki
Member of the Management Board
Director General

Person responsible for maintaining accounting records

Marek Michalski
Head of the Corporate
Finance Department

Tarnów, September 27th 2023