



Interim condensed financial statements
of Grupa Azoty Spółka Akcyjna 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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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	1,161,365	2,073,197	251,759	446,550
Operating (loss)/profit	(261,671)	279,757	(56,725)	60,257
(Loss)/profit before tax	(145,038)	560,800	(31,441)	120,792
Net (loss)/profit	(105,246)	512,977	(22,815)	110,491
Comprehensive income for the period	(80,760)	511,200	(17,507)	110,108
Number of shares	99,195,484	99,195,484	99,195,484	99,195,484
Earnings/(loss) per ordinary share (PLN)	(1.06)	5.17	(0.23)	1.11
Net cash from operating activities	381,424	189,730	82,685	40,866
Net cash from investing activities	46,244	14,976	10,025	3,226
Net cash from financing activities	(699,469)	(1,451,552)	(151,630)	(312,653)
Total net cash flows	(271,801)	(1,246,846)	(58,921)	(268,561)
Cash and cash equivalents at beginning of period	1,341,688	1,816,416	290,849	391,241
Cash and cash equivalents at end of period	1,069,782	569,781	231,906	122,726
	As at		As at	
	Jun 30 2023 <i>unaudited</i>	Dec 31 2022 <i>audited</i>	Jun 30 2023 <i>unaudited</i>	Dec 31 2022 <i>audited</i>
Non-current assets	8,738,019	8,752,737	1,963,467	1,866,295
Current assets	2,373,581	2,606,300	533,353	555,726
Non-current liabilities	230,870	2,487,605	51,877	530,417
Current liabilities	5,493,160	3,403,102	1,234,335	725,624
Equity	5,387,570	5,468,330	1,210,608	1,165,980
Share capital	495,977	495,977	111,448	105,754

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 złoty by the exchange rate.

Interim condensed 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	1,161,365	2,073,197	509,488	963,184
Cost of sales	2	(1,321,107)	(1,601,285)	(668,559)	(763,520)
Gross (loss)/profit		(159,742)	471,912	(159,071)	199,664
Selling and distribution expenses	2	(53,251)	(72,500)	(25,579)	(37,232)
Administrative expenses	2	(97,124)	(107,398)	(51,768)	(59,071)
Other income	3	59,606	6,777	3,968	4,168
Other expenses	4	(11,160)	(19,034)	(7,195)	(12,796)
Operating (loss)/profit		(261,671)	279,757	(239,645)	94,733
Finance income	5	277,754	362,487	237,755	320,453
Finance costs	6	(161,121)	(81,444)	(89,709)	(46,134)
Net finance income		116,633	281,043	148,046	274,319
(Loss)/profit before tax		(145,038)	560,800	(91,599)	369,052
Income tax	7	39,792	(47,823)	60,741	(14,441)
Net (loss)/profit		(105,246)	512,977	(30,858)	354,611
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial (losses)/gains from defined benefit plans		(11,095)	10,518	(11,095)	10,518
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	2,108	(1,510)	2,108	(1,510)
Total items that will not be reclassified to profit or loss		(8,987)	6,439	(8,987)	6,439
Items that are or will be reclassified to profit or loss					
Cash flow hedges - effective portion of fair-value change		41,325	(10,143)	36,025	(2,132)
Income tax relating to items that are or will be reclassified to profit or loss	7.3	(7,852)	1,927	(6,845)	405
Total items that are or will be reclassified to profit or loss		33,473	(8,216)	29,180	(1,727)
Total other comprehensive income		24,486	(1,777)	20,193	4,712
Comprehensive income for the period		(80,760)	511,200	(10,665)	359,323
(Loss)/earnings per share:					
Basic (PLN)		(1.06)	5.17	(0.31)	3.57
Diluted (PLN)		(1.06)	5.17	(0.31)	3.57

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

Interim condensed statement of financial position

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Non-current assets		
Property, plant and equipment	1,709,848	1,715,567
Right-of-use assets	74,016	47,445
Investment property	26,264	19,688
Intangible assets	42,907	44,122
Shares	5,719,622	5,719,622
Other financial assets	1,078,051	1,155,408
Other receivables	28,817	29,189
Deferred tax assets	58,494	21,696
Total non-current assets	8,738,019	8,752,737
Current assets		
Inventories	364,276	497,333
Property rights	237,621	225,725
Derivative financial instruments	1,487	981
Other financial assets	167,095	141,405
Trade and other receivables	533,320	399,168
Cash and cash equivalents	1,069,782	1,341,688
Total current assets	2,373,581	2,606,300
Total assets	11,111,600	11,359,037
Equity		
Share capital	495,977	495,977
Share premium	2,418,270	2,418,270
Hedging reserve	(10,185)	(43,658)
Retained earnings	2,483,508	2,597,741
Total equity	5,387,570	5,468,330
Liabilities		
Borrowings	-	2,291,834
Lease liabilities	71,293	39,308
Other financial liabilities	14,802	23,340
Employee benefit obligations	68,743	55,930
Provisions	28,359	28,358
Grants	47,673	48,835
Total non-current liabilities	230,870	2,487,605
Borrowings	4,547,905	2,245,834
Lease liabilities	15,295	14,677
Other financial liabilities	328,091	192,339
Employee benefit obligations	6,157	5,987
Current tax liabilities	10	19,532
Trade and other payables	463,159	898,085
Provisions	13,971	24,127
Grants	118,572	2,521
Total current liabilities	5,493,160	3,403,102
Total liabilities	5,724,030	5,890,707
Total equity and liabilities	11,111,600	11,359,037

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

Interim condensed statement of changes in equity

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
As at Jan 1 2023	495,977	2,418,270	(43,658)	2,597,741	5,468,330
<i>Profit or loss and other comprehensive income</i>					
Net loss	-	-		(105,246)	(105,246)
Other comprehensive income	-	-	33,473	(8,987)	24,486
Comprehensive income for the period	-	-	33,473	(114,233)	(80,760)
Balance as at Jun 30 2023 (<i>unaudited</i>)	495,977	2,418,270	(10,185)	2,483,508	5,387,570
As at Jan 1 2022	495,977	2,418,270	(39,268)	2,246,437	5,121,416
<i>Profit or loss and other comprehensive income</i>					
Net profit	-	-	-	512,977	512,977
Other comprehensive income	-	-	(8,216)	6,439	(1,777)
Comprehensive income for the period	-	-	(8,216)	519,416	511,200
Balance as at Jun 30 2022 (<i>unaudited</i>)	495,977	2,418,270	(47,484)	2,765,853	5,632,616

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

Interim condensed 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	(145,038)	560,800
Depreciation and amortisation	72,808	67,513
Impairment losses	195	479
Loss on investing activities	377	459
Interest, foreign exchange gains or losses	54,804	35,137
Dividends	(183,862)	(273,501)
Loss/(gain) on change in fair value of financial assets	6,980	(32,352)
Decrease/(increase) in trade and other receivables	49,709	(134,599)
Decrease/(increase) in inventories and property rights	121,161	(158,396)
Increase in trade and other payables	322,361	38,582
Increase/(decrease) in provisions	(10,156)	9,175
Increase/(decrease) in employee benefit obligations	1,888	(408)
Increase in grants	114,736	99,470
Other adjustments	(2,267)	(3,000)
Income tax paid	(22,272)	(19,629)
Net cash from operating activities	381,424	189,730
Cash flows from investing activities		
Proceeds from sale of intangible assets, property, plant and equipment, and investment property	562	961
Acquisition of intangible assets, property, plant and equipment, and investment property	(64,866)	(86,544)
Acquisition of other financial assets	-	(12,005)
Interest received	49,001	19,848
Repayments of loans	62,482	93,626
Other investing proceeds/(disbursements)	(935)	(910)
Net cash from investing activities	46,244	14,976
Cash flows from financing activities		
Proceeds from borrowings	1,447,420	-
Repayment of borrowings	(1,380,244)	(821,615)
Interest paid	(145,365)	(57,453)
Commission fees on bank borrowings	(2,114)	(2,220)
Payment of lease liabilities	(9,254)	(7,148)
Payment of reverse factoring liabilities	(608,831)	(564,133)
Other financing proceeds/(disbursements)	(1,081)	1,017
Net cash from financing activities	(699,469)	(1,451,552)
Total net cash flows	(271,801)	(1,246,846)
Cash and cash equivalents at beginning of period	1,341,688	1,816,416
Effect of exchange rate fluctuations on cash held	(105)	211
Cash and cash equivalents at end of period	1,069,782	569,781

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

Notes to the interim condensed financial statements

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

1.1. Compliance statement

Grupa Azoty Spółka Akcyjna (the “**Company**”) is a joint stock company with its registered office in Tarnów, Poland. The Company shares are publicly traded on the Warsaw Stock Exchange.

These interim condensed financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These interim condensed financial statements of the Company 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 Company is entered in the Register of Businesses in the National Court Register maintained by the District Court in Kraków, 12th Commercial Division of the National Court Register, under No. KRS 0000075450. The Company’s REGON number for public statistics purposes is 850002268.

The Company has been established for an indefinite period.

Grupa Azoty’s business includes in particular:

- manufacture of basic chemicals,
- manufacture of fertilizers and nitrogen compounds,
- manufacture of plastics and synthetic rubber in primary forms,
- manufacture of plastics.
- managing of subsidiaries.

These interim condensed financial statements of the Company for the six months ended June 30th 2023 were authorised for issue by the Management Board on September 27th 2023.

The interim condensed 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 full-year financial statements of Grupa Azoty Spółka Akcyjna for the 12 months ended December 31st 2022, prepared in accordance with International Financial Reporting Standards as endorsed by the European Union and 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 financial statements are presented in thousands of złoty.

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

As at the date of authorisation of these condensed interim financial statements, the Company’s Management Board did not identify any circumstances which could indicate any uncertainty as to the ability of the Company and the Grupa Azoty Group (“**Grupa Azoty**”, “**Grupa Azoty Group**”, the “**Group**”) 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 Company’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 2.3](#) and [Note 15](#). For information on the impact of the war in Ukraine on the Company’s situation, see [Section 2.4](#) and the discussion of the individual areas of the Group’s business contained in the Directors’ Report on the Group’s operations.

Furthermore, the Company and the other 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 Holding GmbH (“**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.

1.2. Accounting policies and data presentation

The accounting policies applied to prepare these interim condensed financial statements are consistent with those applied to draw up the Company's full-year 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 Company's operations 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	The amendments have no material effect on the financial statements.

mismatches between financial assets and insurance contract liabilities.

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 Company has not elected to apply them early:

Standard	Description of amendments	Effect on financial statements
IFRS 16 <i>Leases: Lease liability in a sale and leaseback</i>	<p>The amendments to IFRS 16 was issued on September 22nd 2022 and are effective for annual periods beginning on or after January 1st 2024.</p> <p>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.</p>	The Company is analysing the effect of the amendment on its financial statements.

c) Presentation changes

Since January 1st 2023, the Company has applied hedge accounting in accordance with IFRS 9 *Financial Instruments* ("IFRS 9"). Before that date, the Company 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 Company decided to continue applying the principles of hedge accounting set out in IAS 39. As of January 1st 2023, the Company designated IFRS 9 to be applied to hedge accounting in accordance with its requirements. The Company 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 Company 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 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 financial statements were the same as those made in preparing the 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.


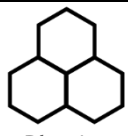


2. Selected additional information and notes

2.1. Business segment reporting

Operating segments

The Company 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 Company'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: <ul style="list-style-type: none"> • Nitrogen fertilizers with sulfur (solid: ammonium sulfate, ammonium sulfonitrite, urea-ammonium sulfate, calcium nitrate with sulfur;), • Ammonia, • Technical-grade and concentrated nitric acid, • Industrial gases.
 Plastics	Manufacture or sale of: <ul style="list-style-type: none"> • Caprolactam (an intermediate product used to manufacture polyamide 6 (PA6)), • Natural engineering plastics (PA 6), • Plastic products (PA pipes, PE pipes, polyamide casings).
 Energy	Production of energy carriers: <ul style="list-style-type: none"> • (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	<ul style="list-style-type: none"> • 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	Energy	Other Activities	Total
External revenue	612,000	441,286	37,045	71,034	1,161,365
Intersegment revenue	320,346	302,338	752,066	24,356	1,399,106
Total revenue	932,346	743,624	789,111	95,390	2,560,471
Operating expenses, including: (-)	(1,088,297)	(881,233)	(824,930)	(76,128)	(2,870,588)
<i>selling and distribution expenses (-)</i>	<i>(43,291)</i>	<i>(9,455)</i>	<i>(93)</i>	<i>(412)</i>	<i>(53,251)</i>
<i>administrative expenses (-)</i>	<i>(68,197)</i>	<i>(25,138)</i>	<i>(1,719)</i>	<i>(2,070)</i>	<i>(97,124)</i>
Other income	45,168	7,857	549	6,032	59,606
Other expenses (-)	(1,937)	(1,442)	(1,904)	(5,877)	(11,160)
Segment's EBIT	(112,720)	(131,194)	(37,174)	19,417	(261,671)
Finance income	-	-	-	-	277,754
Finance costs (-)	-	-	-	-	(161,121)
Loss before tax	-	-	-	-	(145,038)
Income tax	-	-	-	-	39,792
Net loss	-	-	-	-	(105,246)
EBIT	(112,720)	(131,194)	(37,174)	19,417	(261,671)
Depreciation and amortisation	29,443	21,338	8,150	13,877	72,808
Impairment losses	-	187	-	7	194
EBITDA	(83,277)	(109,669)	(29,024)	33,301	(188,669)

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

	Agro	Plastics	Energy	Other Activities	Total
External revenue	1,107,881	860,958	30,087	74,271	2,073,197
Intersegment revenue	457,254	398,175	781,587	22,017	1,659,033
Total revenue	1,565,135	1,259,133	811,674	96,288	3,732,230
Operating expenses, including: (-)	(1,381,970)	(1,196,433)	(812,205)	(49,608)	(3,440,216)
<i>selling and distribution expenses (-)</i>	<i>(55,533)</i>	<i>(16,000)</i>	<i>(86)</i>	<i>(881)</i>	<i>(72,500)</i>
<i>administrative expenses (-)</i>	<i>(71,949)</i>	<i>(33,434)</i>	<i>(548)</i>	<i>(1,467)</i>	<i>(107,398)</i>
Other income	320	376	1,759	4,322	6,777
Other expenses (-)	(1,956)	(2,691)	(4,462)	(9,925)	(19,034)
Segment's EBIT	181,529	60,385	(3,234)	41,077	279,757
Finance income	-	-	-	-	362,487
Finance costs (-)	-	-	-	-	(81,444)
Profit before tax	-	-	-	-	560,800
Income tax	-	-	-	-	(47,823)
Net profit	-	-	-	-	512,977
EBIT	181,529	60,385	(3,234)	41,077	279,757
Depreciation and amortisation	26,086	22,114	6,463	12,850	67,513
Impairment losses	1	69	10	398	478
EBITDA	207,616	82,568	3,239	54,325	347,748

Operating segments' assets and liabilities as at June 30th 2023 (*unaudited*)

	Agro	Plastics	Energy	Other Activities	Total
Segment's assets	836,318	826,976	642,098	347,904	2,653,296
Unallocated assets	-	-	-	-	8,458,304
Total assets	836,318	826,976	642,098	347,904	11,111,600
Segment's liabilities	148,216	163,107	605,553	140,921	1,057,797
Unallocated liabilities	-	-	-	-	4,666,233
Total liabilities	148,216	163,107	605,553	140,921	5,724,030

Operating segments' assets and liabilities as at December 31st 2022 (*audited*)

	Agro	Plastics	Energy	Other Activities	Total
Segment's assets	1,128,658	896,122	465,722	311,761	2,802,263
Unallocated assets	-	-	-	-	8,556,774
Total assets	1,128,658	896,122	465,722	311,761	11,359,037
Segment's liabilities	321,324	159,009	614,991	115,364	1,210,688
Unallocated liabilities	-	-	-	-	4,680,019
Total liabilities	321,324	159,009	614,991	115,364	5,890,707

Other segmental information for the six months ended June 30th 2023 (*unaudited*)

	Agro	Plastics	Energy	Other Activities	Total
Expenditure on property, plant and equipment	35,057	21,201	3,371	6,965	66,594
Expenditure on intangible assets	-	-	469	-	469
Unallocated expenditure	-	-	-	-	12,012
Total expenditure	35,057	21,201	3,840	6,965	79,075
Segment's depreciation and amortisation	29,443	21,338	8,150	13,877	72,808
Total depreciation and amortisation	29,443	21,338	8,150	13,877	72,808

Other segmental information for the six months ended June 30th 2022 (*unaudited*)

	Agro	Plastics	Energy	Other Activities	Total
Expenditure on property, plant and equipment	32,785	15,773	21,053	20,327	89,938
Expenditure on intangible assets	53	-	-	-	53
Unallocated expenditure	-	-	-	-	2,379
Total expenditure	32,838	15,773	21,053	20,327	92,370
Segment's depreciation and amortisation	26,086	22,114	6,463	12,850	67,513
Total depreciation and amortisation	26,086	22,114	6,463	12,850	67,513

2.2. Impairment testing

Impairment testing of property, plant and equipment, intangible assets, investment property, and rights-of-use assets

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 Company's net assets was higher than the Company's market capitalisation and during the reporting period there occurred adverse market changes related to a drop in demand for the Company's products, leading to a deterioration in its financial performance. 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 cash generating units (CGUs), that is the Fertilizers CGU and Plastics CGU, relative to the test conducted as at the end of 2022. An analysis 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 was performed. In the case of the Fertilizers CGU, the impact of lower discount rates and projected revenue and expenses for 2023 did not reduce its recoverable amount to below the carrying amount, while in the case of the Plastics CGU the analysis showed that its recoverable amount was below the carrying amount.

Accordingly, the Company performed an impairment test for the Plastics CGU as at June 30th 2023.

The assets of the Plastics CGU were tested for impairment. Other Segments' expenses (Energy and Other Activities), mainly costs of utilities and general overheads, were charged to operating profit/loss of the tested CGU, while the segments' assets were fully allocated to the tested CGU based on:

- Energy - energy consumption,
- Other Activities - share of the Plastics CGU assets in total assets (Plastics CGU and Fertilizers CGU).

The tests showed that there was no need to recognise an impairment loss on assets of the Plastics CGU and no rationale for reversing impairment losses recognised in prior periods.

Item	Description
<i>CGU/Nominal weighted average cost of capital (WACC) (%)</i>	Plastics CGU: 10.57% for the detailed projection period, 8.92% for the residual period
<i>Recognition of impairment loss</i>	None
<i>Reversal of impairment loss</i>	None
<i>Key assumptions</i>	Indefinite period of operation of the CGU. 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 margin for the Plastics CGU was assumed at market levels close to those observed in the past, based on forecast price trends. Administrative expenses were allocated pro rata to the margin earned by a CGU on variable costs. Cash flow projections reflect the impact of the war in Ukraine to the extent possible based on past experience and available forecasts. The growth rate during the residual period was assumed at the level of the long-term inflation target of the National Bank of Poland.

Impairment testing of shares

As at June 30th 2023, asset impairment tests were performed at Grupa Azoty Zakłady Chemiczne Police S.A. ("Grupa Azoty POLICE"), Grupa Azoty Zakłady Azotowe Puławy S.A. ("Grupa Azoty PUŁAWY") and Grupa Azoty ATT Polymers GmbH ("Grupa Azoty ATT POLYMERS"). The tests took into account available information regarding the impact of the war in Ukraine on the results and financial flows at the subsidiaries. The Company believes that the war in Ukraine, as further described in Section 0 of these financial statements, has not materially affected financial performance and cash flows of the subsidiaries and impairment charges are required to reflect the impact of the hostilities. However, no assurance can be given that the situation will not deteriorate in the future.

As the tests did not identify any need to recognise impairment losses on non-current assets at the companies, no impairment losses on shares in the companies specified above need to be recognised in the Company's financial statements. In the case of the companies in which the recoverable amount of the individual CGUs was below the carrying amount (the Plastics CGU at Grupa Azoty PUŁAWY and the Fertilizers CGU at Grupa Azoty POLICE) there was no need to write down the value of shares in the Company's financial statements either, due to the fact that the sum of the recoverable amounts of the CGUs identified at these companies was positive and exceeded the carrying amount of the shares held.

A detailed summary of the aggregate recoverable amount of the CGUs identified at the subsidiaries compared with the carrying amounts of the shares held by the Company is set out in the table below.

	Ownership interest	Carrying amount	Recoverable amount of shares attributable to the Company
Grupa Azoty PUŁAWY	95.98	2,496,673	5,263,477
Grupa Azoty POLICE	62.86	860,475	1,096,148
Grupa Azoty ATT POLYMERS	100.00	16,057	312,240

In the case of Grupa Azoty Zakłady Azotowe Kędzierzyn S.A., Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A., COMPO EXPERT Holding GmbH, Grupa Azoty Koltar Spółka z o.o. and Grupa Azoty Polyolefins S.A., Grupa Azoty Compounding Spółka z o.o., Grupa Azoty PKCh Sp. z o.o. and Grupa Azoty Energia Sp. z o.o., no evidence of impairment was found, therefore no impairment tests were carried out both for non-current assets and shares in these subsidiaries presented in the Company's statement of financial position.

2.3. 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 Company'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 Factoring 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 Company's 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 Company (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 Company and its subsidiaries.

2.4. Impact of the war in Ukraine

For information on the impact of the war in Ukraine on the Company'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 Company 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 financial statements and the 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 to 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 Company 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.

2.5. Information on sanctions

Sanctions imposed on a minority shareholder of the Company

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 Grupa Azoty S.A. shares - on the Polish sanctions list. Mr Kantor is a minority shareholder who has no influence over the activities of Grupa Azoty or the right to nominate members of the Company's governing bodies, and therefore, despite his shareholding, Mr. Kantor does not own or control the Company within the meaning of Council Regulation (EU) No. 269/2014 of March 17th 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 Company 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 Company,
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 Company,
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 Company.

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

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 Company 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 Company shares held by them.

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

The acquisition of control over the aforementioned Company shares by Radosław 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 Company shares held by them is necessary as a means of protecting important public interest and economic interest and ensuring national security.

2.6. 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 Company received PLN 52,285 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.

The aid received was included in other income, in the amount credited to the bank account. Under the Programme, use of the aid was to be accounted for by June 30th 2023.

In a letter of June 30th 2023 sent to the Management Board of the Company, NFOŚiGW stated that the Company 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 Company 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 which the Company registered with the National Court Register and to which the Company's revenue is assigned.

In the Company's opinion, the Company's business activities, i.e. manufacture of basic chemicals, fertilisers 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 Company is convinced that NFOŚiGW's claims are without merit.

The Company 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 Company and key subsidiaries, that is in Plastics and Chemicals.

In view of the situation, in the first quarter of 2023 the Company 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 Company 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 Company.

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.

2.7. 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	1,152,988	2,046,096	504,507	948,911
Revenue from sale of merchandise and materials	8,377	27,101	4,981	14,273
	1,161,365	2,073,197	509,488	963,184

In the six months ended June 30th 2023, the Company earned revenue of PLN 1,161m, a decrease of 912m year on year.

The main reason behind the decline in the Company's performance was low demand for Grupa Azoty products, leading to decreases in both sales volumes and product prices.

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

Description	Agro	Plastics	Energy	Other Activities	Total
Main product lines					
Revenue from sale of products and services	612,000	441,259	31,475	68,254	1,152,988
Revenue from sale of merchandise and materials	-	27	5,570	2,780	8,377
Total	612,000	441,286	37,045	71,034	1,161,365
Geographical regions					
Poland	373,828	90,231	37,045	69,759	570,863
Germany	59,023	187,428	-	1,001	247,452
Other EU countries	83,703	141,389	-	274	225,366
Asia	-	213	-	-	213
South America	-	3,268	-	-	3,268
Other countries	95,446	18,757	-	-	114,203
Total	612,000	441,286	37,045	71,034	1,161,365
Customer type					
Legal persons	611,899	441,286	36,525	71,022	1,160,732
Individuals	101	-	520	12	633
Total	612,000	441,286	37,045	71,034	1,161,365
Agreement type					
Fixed-price contracts	612,000	441,286	31,901	71,034	1,156,221
Other	-	-	5,144	-	5,144
Total	612,000	441,286	37,045	71,034	1,161,365
Customer relations					
Long-term	479,545	253,839	18,530	58,672	810,586
Short-term	132,455	187,447	18,515	12,362	350,779
Total	612,000	441,286	37,045	71,034	1,161,365
Revenue recognition timing					
Revenue recognised at a point in time	612,000	441,286	37,045	71,034	1,161,365
Total	612,000	441,286	37,045	71,034	1,161,365
Sale channels					
Direct sales	209,797	432,315	18,530	70,518	731,160
Intermediated sales	402,203	8,971	18,515	516	430,205
Total	612,000	441,286	37,045	71,034	1,161,365

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

Description	Agro	Plastics	Energy	Other Activities	Total
Main product lines					
Revenue from sale of products and services	1,107,780	847,057	18,803	72,456	2,046,096
Revenue from sale of merchandise and materials	101	13,901	11,284	1,815	27,101
Total	1,107,881	860,958	30,087	74,271	2,073,197
Geographical regions					
Poland	727,221	131,810	30,087	68,956	958,074
Germany	139,597	286,397	-	3,215	429,209
Other EU countries	163,020	378,246	-	201	541,467
Asia	-	4,228	-	1,898	6,126
South America	23,249	6,045	-	-	29,294
Other countries	54,794	54,232	-	1	109,027
Total	1,107,881	860,958	30,087	74,271	2,073,197
Customer type					
Legal persons	1,107,402	860,958	29,573	74,266	2,072,199
Individuals	479	-	514	5	998
Total	1,107,881	860,958	30,087	74,271	2,073,197
Agreement type					
Fixed-price contracts	1,107,881	860,958	19,571	74,271	2,062,681
Other	-	-	10,516	-	10,516
Total	1,107,881	860,958	30,087	74,271	2,073,197
Customer relations					
Long-term	916,364	616,342	9,845	53,809	1,596,360
Short-term	191,517	244,616	20,242	20,462	476,837
Total	1,107,881	860,958	30,087	74,271	2,073,197
Revenue recognition timing					
Revenue recognised at a point in time	1,107,881	860,958	30,087	74,271	2,073,197
Total	1,107,881	860,958	30,087	74,271	2,073,197
Sale channels					
Direct sales	95,886	840,090	9,845	72,173	1,017,994
Intermediated sales	1,011,995	20,868	20,242	2,098	1,055,203
Total	1,107,881	860,958	30,087	74,271	2,073,197

Revenue from sale of products, services, merchandise and materials

As a rule, revenue from sale of products, merchandise and materials is recognised by the Company at a specific point in time, in accordance with the Incoterms rules set forth in the agreement (usually upon release from the warehouse or upon delivery to the point indicated by the customer). For deliveries under selected Incoterms (CIF, CIP, CFR, CPT), the Company identifies the transport service or the transport and insurance service as a separate performance obligation towards a customer after passing control of the good/product to the customer. Revenue from sale of services is recognised when the performance of the service is completed.

When recognising revenue, the Company takes into account specific issues, such as: determination whether the Company is acting as the principal or an agent in the transaction, product return rights, recognition of discounts being part of variable consideration, recognition of discounts representing a material right, bill-and-hold arrangements, and recognition of revenue from take-or-pay contracts. For most of the contracts containing discounts that are part of variable consideration, the estimated amount of the discount is fully recognised in liabilities under bonuses, a component of trade and other payables.

The Company also enters into comprehensive contracts with customers for the sale of electricity and electricity distribution services, where the Group purchases high-voltage electricity and sells it after conversion over medium and low-voltage grids. Also in this case the Company believes that under such contracts, which contain two performance obligations, the Group acts as the principal, and recognises both the sale of electricity and the distribution service under revenue from sale of products and services.

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	72,212	66,962	36,486	33,802
Raw materials and consumables used	941,275	1,464,907	352,059	734,793
Services	128,607	137,693	64,478	73,109
Taxes and charges	58,804	51,855	21,616	23,915
Salaries and wages	114,214	117,357	56,551	63,157
Social security and other employee benefits	28,789	28,240	13,922	14,134
Other	15,102	14,066	8,457	9,890
Costs by nature of expense	1,359,003	1,881,080	553,569	952,800
Change in inventories of finished goods (+/-)	105,498	(121,110)	186,728	(103,465)
Work performed by the entity and capitalised (-)	(1,241)	(1,372)	(369)	(584)
Selling and distribution expenses (-)	(53,251)	(72,500)	(25,579)	(37,232)
Administrative expenses (-)	(97,124)	(107,398)	(51,768)	(59,071)
Cost of merchandise and materials sold	8,222	22,585	5,978	11,072
Cost of sales	1,321,107	1,601,285	668,559	763,520
including excise duty	271	1,000	25	121

Changes in costs:

- Decrease in raw materials and consumables used due to curtailment of production and price declines (mainly gas and ammonia prices). Higher coal and electricity prices.
- decrease in services due to lower export volumes,
- increase in taxes and charges as a consequence of higher prices of CO₂ emission allowances,
- decrease in salaries and wages due to the lack of grounds for recognising a provision for the annual bonus,
- increase in other expenses attributable to higher advertising expenditure,
- change in products as a result of a year-on-year decrease in inventories - lower costs due to falling prices of commodities, further supported by lower inventory of nitrate fertilizers.

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 on investment property and other receivables	180	18	174	6
Income from lease of investment property	4,186	3,798	2,142	1,962
Received compensation	434	1,218	222	1,217
Provisions reversed	369	-	369	-
Grants	1,244	1,312	626	686
Compensation as part of state aid programme for energy-intensive sectors related to sudden increases in natural gas and electricity prices	52,285	-	-	-
Other	908	431	435	297
	59,606	6,777	3,968	4,168

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	377	84	212	84
Loss on sale of right-of-use assets, Recognised impairment losses - property, plant and equipment, investment property	-	314	-	70
Recognised impairment losses - other receivables	204	478	18	70
Investment property maintenance costs	63	74	61	74
finances and compensations	2,983	2,525	1,325	1,283
Downtime costs	142	119	3	24
Failure recovery costs	257	258	129	128
Recognised provisions	5,892	6,227	4,731	2,526
Other expenses	433	4,946	433	4,946
	809	4,009	283	3,591
	11,160	19,034	7,195	12,796

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 cash pooling, bank deposits	22,345	8,855	13,871	5,192
Interest on non-bank borrowings	60,320	37,157	46,575	30,227
Other interest income	76	66	49	23
Gains on measurement of financial assets and liabilities at fair value through profit or loss	9,670	39,970	(6,748)	10,036
Dividends received	183,862	273,501	183,862	273,501
Other	1,481	2,938	146	1,474
	277,754	362,487	237,755	320,453

The increase in interest earned on loans was mostly due to the accrual and capitalisation of interest on the long-term loan to Grupa Azoty POLYOLEFINS granted at the end of 2020.

Dividends received for the six months ended June 30th 2023 totalled PLN 183,862 thousand and comprised dividends due from Grupa Azoty Zakłady Azotowe Kędzierzyn Spółka Akcyjna ("Grupa Azoty KĘDZIERZYN").

Dividends received for the six months ended June 30th 2022 totalled PLN 273,501 thousand and comprised dividends due from the following companies:

- Grupa Azoty KĘDZIERZYN - PLN 152,419 thousand,
- Grupa Azoty PUŁAWY - PLN 121,082 thousand.

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 borrowings	94,412	51,603	53,812	29,867
Interest on cash pooling	35,736	13,952	15,893	9,619
Interest on factoring, receivables discounting and leases	12,796	2,103	6,033	693
Other interest expense	2,064	912	2,004	838
Loss on measurement of financial assets at fair value through profit or loss	10,832	-	10,832	-
Foreign exchange losses	2,206	10,377	(278)	3,714
Other	3,075	2,497	1,413	1,403
	161,121	81,444	89,709	46,134

Losses on measurement of financial assets and liabilities included the effect of valuation of the call and put options over shares in Grupa Azoty POLYOLEFINS, totalling PLN 10,832 thousand (first half of 2022: total gain on valuation of PLN 27,722 thousand).

Foreign exchange losses of PLN 2,206 thousand (first half of 2022: foreign exchange losses of PLN 10,377 thousand) comprised:

- net realised foreign exchange losses of PLN 13,575 thousand (first half of 2022: net realised foreign exchange losses of PLN 10,210 thousand),
- net foreign exchange gains on realised transactions in currency derivatives of PLN 917 thousand (first half of 2022: net foreign exchange losses on realised transactions in currency derivatives of PLN 215 thousand),
- net foreign exchange gains on measurement of receivables and liabilities denominated in foreign currencies of PLN 10,209 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 58 thousand as at the reporting date),
- net foreign exchange gains on measurement of other items of PLN 243 thousand as at the reporting date (first half of 2022: net foreign exchange gains on measurement of other items of PLN 106 thousand as at the reporting date).

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	62	42,472	30	16,659
Adjustments to current income tax for previous years	2,688	(1,771)	2,822	(1,771)
	2,750	40,701	2,852	14,888
Deferred income tax:				
Deferred income tax associated with origination and reversal of temporary differences	(42,542)	7,122	(63,593)	(447)
	(42,542)	7,122	(63,593)	(447)
Income tax expense disclosed in the statement of profit or loss	(39,792)	47,823	(60,741)	14,441

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>
Profit before tax	(145,038)	560,800	(91,599)	369,052
Tax calculated at the applicable tax rate	-	106,552	-	70,120
Effect of tax-exempt income (+/-)	(33,240)	(55,511)	(34,867)	(52,511)
Effect of non tax-deductible expenses (+/-)	110	(520)	(937)	(2,450)
Other (+/-)	(6,662)	(2,698)	(24,937)	(718)
Income tax expense disclosed in the statement of profit or loss	(39,792)	47,823	(60,741)	14,441
Effective tax rate	27.44%	8.53%	66.31%	3.91%

The high effective tax rate of 66.31% in the second quarter of 2023 is attributable to the recognition of a tax loss asset to be deducted in subsequent periods and an asset for debt financing costs.

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 (+/-)	(2,108)	1,510	(2,108)	1,510
Actuarial gains from defined benefit plans	(2,108)	1,998	(2,108)	1,998
Other	-	(488)	-	(488)
Tax on items that are or may be reclassified to profit or loss (+/-)	7,852	(1,927)	6,845	(405)
Measurement of hedging instruments through hedge accounting	7,852	(1,927)	6,845	(405)
Income tax expense disclosed in other comprehensive income	5,744	(417)	4,737	1,105

Note 7.4. Deferred tax assets and liabilities

	Assets (-)		Liabilities (+)	
	Jun 30 2023 <i>unaudited</i>	Dec 31 2022 <i>audited</i>	Jun 30 2023 <i>unaudited</i>	Dec 31 2022 <i>audited</i>
Property, plant and equipment	(9,278)	(9,212)	61,410	52,298
Right-of-use assets	-	-	16,105	9,648
Investment property	-	-	733	671
Intangible assets		(90)	5,276	5,492
Financial assets	(796)	(796)	105	551
Inventories and property rights	(23,483)	(14,616)	44,734	41,832
Trade and other receivables	(557)	(1,114)	4,564	2,421
Trade and other payables	(52,100)	(51,718)	348	407
Employee benefits	(19,782)	(20,606)	-	-
Provisions	(10,026)	(9,970)	215	137
Borrowings	(13,074)	(13,582)	14,702	7,018
Lease liabilities	(16,069)	(9,814)	-	-
Other financial liabilities	(147)	(207)	-	-
Measurement of hedging instruments through hedge accounting	(2,389)	(10,241)	-	-
Tax losses	(31,951)	-	-	-
Debt financing costs	(27,817)	-	-	-
Other	(741)	(860)	1,524	655
Deferred tax assets (-)/liabilities (+)	(208,210)	(142,826)	149,716	121,130
Offset	149,716	121,130	(149,716)	(121,130)
Deferred tax assets (-)/liabilities (+) recognised in the statement of financial position	(58,494)	(21,696)	-	-

Note 8. Property, plant and equipment

Property, plant and equipment by type

	Land	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	667	451,505	901,625	2,531	60,208	299,031	1,715,567
<i>Increase, including:</i>	-	73,849	74,060	309	3,315	55,523	207,056
Purchase, production, commissioning	-	73,570	74,060	151	3,315	55,523	206,619
Reclassification from investment property	-	279	-	-	-	-	279
Reclassification from other items	-	-	-	158	-	-	158
<i>Decrease, including: (-)</i>	-	(12,203)	(45,565)	(246)	(3,665)	(151,096)	(212,775)
Depreciation and amortisation	-	(12,127)	(45,440)	(246)	(3,659)	-	(61,472)
Disposal or retirement	-	-	(3)	-	-	-	(3)
Commissioning	-	-	-	-	-	(151,096)	(151,096)
Recognition of impairment loss	-	(76)	(122)	-	(6)	-	(204)
Net carrying amount as at Jun 30 2023 (unaudited)	667	513,151	930,120	2,594	59,858	203,458	1,709,848

	Land	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	667	484,935	957,304	2,105	56,914	243,097	1,745,022
<i>Increase, including:</i>	-	17,222	95,744	798	10,908	179,655	304,327
Purchase, production, commissioning	-	16,911	95,744	157	10,908	179,655	303,375
Reversal and use of impairment losses	-	311	-	-	-	-	311
Reclassification from other items	-	-	-	641	-	-	641
<i>Decrease, including: (-)</i>	-	(50,652)	(151,423)	(372)	(7,614)	(123,721)	(333,782)
Depreciation and amortisation	-	(23,050)	(90,220)	(371)	(7,608)	-	(121,249)
Disposal or retirement	-	-	(2)	(1)	-	-	(3)
Commissioning	-	-	-	-	-	(123,721)	(123,721)
Recognition of impairment loss	-	(26,894)	(61,200)	-	(6)	-	(88,100)
Reclassification to investment property	-	(708)	(1)	-	-	-	(709)
Net carrying amount as at Dec 31 2022 (audited)	667	451,505	901,625	2,531	60,208	299,031	1,715,567

Note 9. 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	52,193	21,524
Land	15	-
Buildings and structures	966	1,284
Vehicles	20,785	24,529
	73,959	47,337
Right-of-use assets under construction	57	108
	74,016	47,445

The Company applies the following depreciation periods for right-of-use assets:

- perpetual usufruct right to land - a definite period determined based on the statutory period of use as at January 1st 2019, that is 71 years,
- other groups of assets with definite-term contracts - a period equal to the contract term, that is between three and five years,
- other groups of assets with indefinite-term contracts - the Company assumes that for the majority of contracts their terms may be amended within three years.

Note 10. Intangible assets

Carrying amount

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Patents and licences	26,624	27,841
Software	5,343	4,921
Development costs	1,860	140
Other intangible assets	1,608	1,707
	35,435	34,609
Intangible assets under development	7,472	9,513
	42,907	44,122

Note 11. Financial assets

Shares include shares in subsidiaries and other entities. Shares in subsidiaries are recognised in the statement of financial position at cost less impairment losses recognised in accordance with IAS 36 *Impairment*

Note 11.1. Shares

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Shares in subsidiaries	5,711,623	5,711,623
Shares in other entities	7,999	7,999
	5,719,622	5,719,622
including		
Long-term	5,719,622	5,719,622
	5,719,622	5,719,622

For information on shares held, see Note 13 to the financial statements of Grupa Azoty Spółka Akcyjna for the 12 months ended December 31st 2022.

Following an analysis of the validity of the estimate of impairment of shares held, consistent with an analysis of impairment of property, plant and equipment of subsidiaries as at June 30th 2023, no need to recognise or reverse impairment of shares held was identified. For a detailed description, see Section [2.2](#).

Note 11.2. Other financial assets

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Loans	1,192,216	1,227,709
Other	52,930	69,104
	1,245,146	1,296,813
including		
Long-term	1,078,051	1,155,408
Short-term	167,095	141,405
	1,245,146	1,296,813

The amount of other financial assets comprises mainly loans advanced by the Company to subsidiaries and the valuation of the call option over shares in Grupa Azoty POLYOLEFINS in the amount of PLN 52,930 thousand (as at December 31st 2022: PLN 69,104 thousand). See [Note 22](#) for a detailed description of this financial instrument.

Note 12. Property rights

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
CO ₂ emission allowances	237,102	223,901
Energy certificates	519	1,824
Total property rights	237,621	225,725

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)	764,377	759,207
Allocated	492,427	510,685
Purchased	203,078	369,668
Surrendered	(17,022)	-
Redeemed	(849,380)	(875,183)
Balance at end of period (units held)	593,480	764,377
Emissions in the reporting period	397,528	846,983

As at June 30th 2023, the Company did not have a sufficient surplus (taking into account the executed futures contracts) of CO₂ emission allowances necessary to redeem allowances for 2023. The number of missing allowances as at June 30th 2023 is 69,870.

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	218,892	186,933
Trade receivables - other entities	35,241	113,660
Receivables from state budget, except for income tax	47,950	79,715
Prepayments for deliveries of property, plant and equipment - related parties	27,775	28,848
Prepayments for deliveries of property, plant and equipment - other entities	1,042	341
Prepayments for deliveries of materials, goods and services	5,612	1,579
Accrued expenses	19,827	4,827
Other receivables	185,264	1,147
Receivables under the Act on Compensation Scheme for Energy-Intensive Sectors and Subsectors	20,534	11,307
	562,137	428,357
including		
Long-term	28,817	29,189
Short-term	533,320	399,168
	562,137	428,357

Other receivables from related parties include dividend receivable of PLN 183,862 thousand.

Note 14. Cash

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Cash in hand	51	58
Bank balances in PLN	4,295	33,572
Bank balances in foreign currencies (translated to PLN)	438,978	128,801
Bank deposits – up to 3 months	213	743,693
Cash and cash equivalents under cash pooling	626,245	435,564
	1,069,782	1,341,688
Cash and cash equivalents in the statement of financial position	1,069,782	1,341,688
Cash and cash equivalents in the statement of cash flows	1,069,782	1,341,688

As at June 30th 2023 and December 31st 2022, the Company held no restricted cash.

As at June 30th 2023, the amount of funds in the VAT account (split payment) was PLN 605 thousand (December 31st 2022: PLN 521 thousand).

Note 15. Borrowings

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Bank borrowings	3,974,192	2,853,697
Loans	573,713	1,683,971
	4,547,905	4,537,668
including		
Long-term	-	2,291,834
Short-term	4,547,905	2,245,834
	4,547,905	4,537,668

Further to Section 2.3 of these financial statements, with respect to the Waiver and Amendment Agreements signed on August 31st 2023, as at June 30th 2023 the Company reclassified borrowings of PLN 3,075,382 thousand from non-current to current borrowings, which will have a significant effect on the calculation of liquidity ratios.

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

In the first half of 2023, all liabilities under borrowings were paid when due. The Company 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 Company in accordance with changes in funding requirements of any of the Group's subsidiaries.

The aggregate amount of the Company's undrawn overdraft and multi-purpose credit facilities as at June 30th 2023 was PLN 635m. At the same time, the Company had undrawn limits under corporate credit facilities of PLN 30m.

As at June 30th 2023, under the agreements specified above the Company had access to total credit limits of approximately PLN 665m.

Security for borrowings

As at June 30th 2023, the Company's and 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).

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.

Credit agreements of Grupa Azoty S.A. and maturities of the facilities as at June 30th 2023

Credit facility/loan	Currency	Rate of interest	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
Syndicated Credit Facility	PLN	variable	-	1,098,081	1,098,081	-	-	-
Syndicated Credit Facility	EUR	variable	83,188	369,484	369,484	-	-	-
Syndicated Term Loan Facility	PLN	variable	-	1,087,288	1,087,288	-	-	-
Overdraft facility with PKO BP S.A.	PLN	variable	-	349,949	349,949	-	-	-
Term loan facility with EIB	EUR	fixed	36,324	161,616	161,616	-	-	-
Term loan facility with EBRD	PLN	variable	-	46,225	46,225	-	-	-
Term loan facility II with EIB	EUR	fixed	109,583	487,501	487,501	-	-	-
Term loan facility II with EBRD	PLN	variable	-	374,049	374,049	-	-	-
Liabilities under cash pooling arrangements	PLN	variable	-	288,214	288,214	-	-	-
Liabilities under cash pooling arrangements	EUR	variable	54,001	240,320	240,320	-	-	-
Liabilities under cash pooling arrangements	USD	variable	11,001	45,178	45,178	-	-	-
				4,547,905	4,547,905	-	-	-

Credit agreements of Grupa Azoty S.A. and maturities of the facilities as at December 31st 2022

Credit facility/loan	Currency	Rate of interest	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
Syndicated Credit Facility	PLN	variable	-	297	297	-	-	-
Syndicated Credit Facility	EUR	variable	83,178	386,539	56	-	386,483	-
Syndicated Term Loan Facility	PLN	variable	-	1,227,372	285,989	277,440	663,943	-
Overdraft facility with PKO BP S.A.	PLN	variable	-	1,163	1,163	-	-	-
Term loan facility with EIB	EUR	fixed	45,405	212,888	85,144	85,158	42,586	-
Term loan facility with EBRD	PLN	variable	-	57,790	23,193	23,062	11,535	-
Term loan facility II with EIB	EUR	fixed	119,272	559,162	90,435	89,172	274,819	104,736
Term loan facility II with EBRD	PLN	variable	-	408,486	75,586	66,511	199,739	66,650
Liabilities under cash pooling arrangements	PLN	variable	-	1,541,144	1,541,144	-	-	-
Liabilities under cash pooling arrangements	EUR	variable	23,200	108,806	108,806	-	-	-
Liabilities under cash pooling arrangements	USD	variable	7,729	34,021	34,021	-	-	-
				4,537,668	2,245,834	541,343	1,579,105	171,386

The amount in PLN includes adjustments for the measurement of credit facilities at adjusted cost, i.e., inclusive of facility commission fees.

Note 16. Other financial liabilities

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Reverse factoring liabilities	324,591	188,839
Valuation of PUT options on shares in Grupa Azoty POLYOLEFINS	9,006	14,348
Liabilities of the Polish National Foundation	9,296	12,492
	342,893	215,679
including		
Long-term	14,802	23,340
Short-term	328,091	192,339
	342,893	215,679

Note 17. Employee benefit obligations

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Pension benefit obligations	53,565	42,342
Jubilee benefit obligations	15,174	14,257
Pensioner Social Fund benefit obligations	3,161	2,422
Other	3,000	2,896
	74,900	61,917
including		
Long-term	68,743	55,930
Short-term	6,157	5,987
	74,900	61,917

Changes in defined employee benefit obligations

	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	for the period Jan 1 – Dec 31 2022 <i>audited</i>
At beginning of period	47,660	43,067
Current service cost (+)	1,039	1,872
Interest expense (+)	1,529	1,495
Remeasurement of net defined benefit obligation/asset, resulting from:		
- changes in demographic estimates (+/-)	11,095	3,303
- changes in financial assumptions (+/-)	(1)	(289)
	11,096	3,592
Benefits paid (-)	(1,597)	(2,077)
At end of period	59,726	47,660

Changes in other long-term employee benefit obligations

	For the period Jan 1 – Jun 30 2023 <i>unaudited</i>	For the period Jan 1 – Dec 31 2022 <i>audited</i>
At beginning of period	14,257	17,797
Current service cost (+)	249	668
Interest expense (+)	462	620
Actuarial gains and losses recognised in profit or loss for the period (+/-)	928	(2,726)
Benefits paid (-)	(722)	(2,102)
At end of period	15,174	14,257

Note 18. Trade and other payables

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Trade payables - related parties	37,334	91,273
Trade payables - other entities	167,796	396,120
Liabilities to state budget, except for income tax	17,336	25,657
Salaries and wages payable	11,024	10,798
Liabilities under purchases of property, plant and equipment, intangible assets, investment properties - related parties	14,869	9,089
Liabilities under purchases of property, plant and equipment, intangible assets, investment properties - other entities	10,420	28,599
Prepayments for deliveries - other entities	3,589	8,163
Other liabilities - related parties	1,556	3,700
Other liabilities - other entities	14,403	15,291
Accrued expenses	178,437	296,300
Liabilities under bonuses	5,926	12,781
Deferred income	469	314
Total current liabilities	463,159	898,085

Note 19. Provisions

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Provision for litigation	1,130	11,123
Provision for environmental liabilities	40,499	40,499
Other	701	863
	42,330	52,485
including		
Long-term	28,359	28,358
Short-term	13,971	24,127
	42,330	52,485

Note 20. Grants

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Government grants	166,245	51,323
Other	-	33
	166,245	51,356
including		
Long-term	47,673	48,835
Short-term	118,572	2,521
	166,245	51,356

The increase in grants as at June 30th 2023 was attributable to the measurement of CO₂ emission allowances granted for 2023, of which PLN 116,038 thousand remains to be settled by the end of the year. After the reporting date, the Company received additional 1,177 CO₂ emission allowances measured at PLN 465 thousand.

Note 21. Other information

Dividend

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

Lease liabilities

In the six months ended June 30th 2023 the Company did not enter into any material lease contracts.

Note 22. 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	54,417	70,085
At amortised cost	2,682,768	2,784,532
At fair value through other comprehensive income	20,947	79,823
	2,758,132	2,934,440
Recognised in the statement of financial position as:		
Shares	7,999	7,999
Trade and other receivables	433,718	286,959
Cash and cash equivalents	1,069,782	1,341,688
Derivative financial instruments	1,487	981
Other financial assets	1,245,146	1,296,813
	2,758,132	2,934,440

Financial liabilities

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Financial liabilities at fair value through profit or loss	9,006	14,348
At amortised cost	5,231,600	5,360,527
	5,240,606	5,374,875
Recognised in the statement of financial position as:		
Long-term borrowings	-	2,291,834
Short-term borrowings	4,547,905	2,245,834
Non-current lease liabilities	71,293	39,308
Current lease liabilities	15,295	14,677
Other non-current financial liabilities	14,802	23,340
Other current financial liabilities	328,091	192,339
Trade and other payables	263,220	567,543
	5,240,606	5,374,875

Credit risk

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

Maximum exposure to credit risk

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
At fair value through profit or loss	54,417	70,085
At amortised cost	2,682,768	2,784,532
At fair value through other comprehensive income	12,948	71,824
	2,750,133	2,926,441

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

A part of the Company's 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 Company.

Trade credit limit is granted primarily on the basis of the insurance company's 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 Company 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 Company's internal financial staff (individually for each trading partner) and, if a receivable is insured, also by insurance companies' credit analysts.

Provision matrix for trade receivables

	Percentage of expected impairment as at Jun 30 2023 <i>unaudited</i>	Percentage of expected impairment as at Dec 31 2022 <i>audited</i>
Not past due	0.11%	0.39%
Past due up to 90 days	0.09%	7.52%
Past due 91-180 days	3.86%	5.47%
Past due 181-360 days	88.18%	60.00%
Past due more than 360 days	99.89%	99.94%

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 - 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 their variable nature and market interest rates,
- long-term fixed-rate borrowings,
- foreign currency derivatives - the carrying amount of the instruments equals their fair value.

The table below presents the Company's financial instruments 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:	1,487	73,877
at fair value through profit or loss - derivative financial instruments	-	52,930
measured at fair value through other comprehensive income, including:	1,487	20,947
<i>shares</i>	-	7,999
<i>trade receivables</i>	-	12,948
<i>currency futures and forward contracts</i>	1,487	-
Financial liabilities at fair value, including:	-	9,006
at fair value through profit or loss - derivative financial instruments	-	9,006

The table below presents financial instruments of the Company, 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:	981	148,927
at fair value through profit or loss - derivative financial instruments	-	69,104
measured at fair value through other comprehensive income, including:	981	79,823
<i>shares</i>	-	7,999
<i>trade receivables</i>	-	71,824
<i>currency futures and forward contracts</i>	981	-
Financial liabilities at fair value, including:	-	14,348
at fair value through profit or loss - derivative financial instruments	-	14,348

In the first half of 2023 and in 2022, no financial instruments were transferred between Level 2 and Level 3 of the classification of financial instruments measured at fair value.

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 foreign currency contracts presented in Level 2 is determined on the basis of a valuation carried out by banks with which the relevant contracts have been concluded. 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 the shares (equity investments) was measured using the discounted cash flow method.

Derivative financial instruments

Foreign currency derivatives

As at June 30th 2023, the notional amount of open currency derivatives (forwards) was EUR 2.5m, with maturity dates falling in 2023. As at December 31st 2022, the notional amount of open currency derivatives (forwards) was EUR 4.5m.

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 Company's net currency exposure and their purpose is to limit the effect of exchange rate fluctuations on profit or loss.

Derivatives under Grupa Azoty POLYOLEFINS shareholder agreement

Right and obligation to repurchase shares in Grupa Azoty POLYOLEFINS from non-controlling shareholders - call and put options

On May 31st 2020, the Company, Grupa Azoty Zakłady Chemiczne Police S.A. ("Grupa Azoty POLICE") (jointly referred to as the "Original Sponsors") and Grupa Azoty POLYOLEFINS entered into agreements with Grupa LOTOS S.A. - currently ORLEN S.A. (as of August 1st 2022 Polski Koncern Naftowy ORLEN S.A. and, following name change, ORLEN S.A. ("ORLEN") assumed all rights and obligations of Grupa LOTOS S.A.), Hyundai Engineering Co. Ltd ("Hyundai") and Korea Overseas Infrastructure & Urban Development Corporation ("KIND") (where ORLEN, Hyundai and KIND are referred to jointly 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, the Parties signed investment agreements, loan agreements, and a shareholders' agreement (the "Shareholders' Agreement").

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.

Therefore, the put option granted to Hyundai and KIND and the call option granted to the Original Sponsors are, from the Company's perspective, financial derivatives whose value depends on the value of the underlying asset, i.e. the value of Grupa Azoty POLYOLEFINS shares, market parameters and the duration of the options.

The call and put options were remeasured as at June 30th 2023 and the result of the remeasurement was charged to the statement of profit or loss.

Based on the above assumptions, the following valuation results were obtained (PLN '000):

Instrument	Total valuation	Company's interest (47%)	Grupa Azoty POLICE's interest (53%)
Call option (financial asset)	112,617	52,930	59,687
Put option (financial liability)	19,162	9,006	10,156

In the financial statements, the Company recognised financial assets on account of a derivative instrument (call option), of PLN 52,930 thousand, and financial liabilities on account of a derivative instrument (put option) of PLN 9,006 thousand. The effect on profit or loss was PLN (10,832) thousand.

Recognition of an instrument resulting from the mechanism to stabilise the return on the Co-Sponsors' investment in Grupa Azoty POLYOLEFINS shares not covered by the call or put option

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).

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 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 Company 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 of:

- 1) 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;
- 2) 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 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 Company 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 2022).

Note 23. Contingent liabilities, contingent assets, sureties and guarantees

Contingent assets

The Company has no contingent assets.

Contingent liabilities and guarantees/sureties

	As at Jun 30 2023 <i>unaudited</i>	As at Dec 31 2022 <i>audited</i>
Sureties	8,011	8,442

The surety provided by the Company is to secure a grant advanced to Grupa Azoty ATT Polymers GmbH by Investitionsbank des Landes Brandenburg (ILB) to finance 20% of capital expenditure on the construction of a logistics centre in Guben, Germany.

The new logistics centre with office facilities provides storage, packaging and distribution services for the Grupa Azoty Group's products.

For information on contingent liabilities under the Shareholders' Agreement of Grupa Azoty POLYOLEFINS related to the Polimery Police project, see [Note 22](#).

Note 24. Related-party transactions

Trade transactions with subsidiaries

Trade transactions

In the six months ended June 30th 2023 and as at that date (unaudited)

	Revenue	Receivables	Purchases	Liabilities
Related parties of Grupa Azoty S.A.	490,342	421,484	164,855	31,925
Related parties of Grupa Azoty KĘDZIERZYN	1	1	-	-
Related parties of Grupa Azoty POLICE	1,600	1,036	11	-
Related parties of Grupa Azoty PUŁAWY	22,134	7,502	891	556
Related parties of Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. ("Grupa Azoty PKCH")	4,069	894	40,435	21,494
Related parties of COMPO EXPERT Holding GmbH ("COMPO EXPERT")	991	1,014	-	-
	519,137	431,931	206,192	53,975

In the six months ended June 30th 2022 and as at that date (unaudited)

	Revenue	Receivables	Purchases	Liabilities
Related parties of Grupa Azoty S.A.	840,407	620,784	506,250	123,585
Related parties of Grupa Azoty POLICE	787	576	16	4
Related parties of Grupa Azoty PUŁAWY	28,411	7,064	264	340
Related parties of Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. ("Grupa Azoty PKCH")	2,581	640	34,409	13,424
Related parties of COMPO EXPERT Holding GmbH ("COMPO EXPERT")	587	601	-	-
	872,773	629,665	540,939	137,353

Other transactions

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

	Other income	Other expenses	Finance income	Finance costs
Related parties of Grupa Azoty S.A.	546	19	229,408	19,946
Related parties of Grupa Azoty POLICE	-	-	33,195	910
Related parties of Grupa Azoty PUŁAWY	3	-	4,265	1,271
Related entities of Grupa Azoty PKCh	1,104	1,258	5	1,153
	1,653	1,277	266,873	23,280

In the six months ended June 30th 2022 (unaudited)

	Other income	Other expenses	Finance income	Finance costs
Related parties of Grupa Azoty S.A.	553	112	295,460	14,078
Related parties of Grupa Azoty POLICE	-	-	20,639	480
Related parties of Grupa Azoty PUŁAWY	2	-	1,607	1,208
Related entities of Grupa Azoty PKCh	981	1,274	-	905
	1,536	1,386	317,706	16,671

Trade transactions with jointly-controlled entities

Trade transactions

In the six months ended June 30th 2023 the value of transactions with jointly-controlled entities was:

- through Grupa Azoty PUŁAWY - purchase transactions: PLN 2,588 thousand; liabilities: PLN 137 thousand; revenue: PLN 1 thousand,
- through Grupa Azoty POLICE - purchase transactions: PLN 62 thousand.

In the six months ended June 30th 2022, the amount of purchase transactions with an entity jointly controlled through Grupa Azoty PUŁAWY was PLN 1,365 thousand.

Loans to related parties

In the six months ended June 30th 2023, the Company did not grant any loans to related parties.

In 2022, the Company advanced a loan of PLN 100,000 thousand to Grupa Azoty POLICE.

The Company capitalised interest and commission fees on a loan granted to Grupa Azoty POLYOLEFINS. As at June 30th 2023, capitalised interest was PLN 86,368 thousand (December 31st 2022: PLN 86,368 thousand), and capitalised fees as at June 30th 2023 were PLN 8,439 thousand (December 31st 2022: PLN 8,439 thousand).

Borrowings from related parties

None.

Cash pooling

As at June 30th 2023, the Company presented cash provided to other Grupa Azoty Group companies participating in the cash pooling mechanism as cash equivalents of PLN 626,245 thousand (December 31st 2022: PLN 435,564 thousand), whereas cash received by the Company from other Group companies is presented as short-term borrowings of PLN 573,713 thousand as at June 30th 2023 (December 31st 2022: PLN 1,683,971 thousand).

Terms of related-party transactions

In the six months ended June 30th 2023 and in 2022, the Company did not execute any related-party transactions otherwise than on arm's length terms.

Remuneration of the Management Board members for holding office at the Company

	For the period Jan 1 - Jun 30 2023 (unaudited)	For the period Jan 1 - Jun 30 2022 (unaudited)
Short-term benefits	7,959	7,165
Termination benefits	660	-
	8,619	7,165

Remuneration of the Supervisory Board members for holding office at the Company

	For the period Jan 1 - Jun 30 2023 (unaudited)	For the period Jan 1 - Jun 30 2022 (unaudited)
Short-term benefits	1,673	1,520

Note 25. Investment commitments

In the period ended June 30th 2023, the Company signed contracts relating to the continuation of ongoing and commencement of new projects. The projects involve mainly the provision of construction, mechanical, electrical, and engineering design services. The most important investment projects underway include:

- Construction of a neutralisation unit (ammonium nitrate) - as at June 30th 2023, the total amount of commitments under executed contracts was PLN 71,175 thousand (December 31st 2022: PLN 4,714 thousand),
- construction of a neutralisation and precipitation unit - as at June 30th 2023, the total amount of commitments under executed contracts was PLN 64,000 thousand (December 31st 2022: PLN 64,800 thousand),
- construction of a new tower - as at June 30th 2023, the total amount of commitments under executed contracts was PLN 19,233 thousand (December 31st 2022: PLN 9,050 thousand),
- adaptation of a shop floor to a new classification of explosive atmosphere zones - as at June 30th 2023, the total amount of commitments under executed contracts was PLN 7,332 thousand (December 31st 2022: PLN 0 thousand),
- modernisation of the unit for preparing milk of lime for the purposes of the industrial water decarbonisation unit - as at June 30th 2023, the total amount of commitments under executed contracts was PLN 5,488 thousand (December 31st 2022: PLN 0 thousand),
- modernisation of heating water mains - as at June 30th 2023, commitments under executed contracts amounted to PLN 4,656 thousand (December 31st 2022: PLN 7,138 thousand),

- construction of a unit for drying sludge from the wastewater treatment facility - as at June 30th 2023, the total amount of commitments under executed contracts was PLN 4,252 thousand (December 31st 2022: PLN 4,428 thousand).

As at June 30th 2023, the total amount of investment commitments under the contracts was PLN 195,669 thousand (December 31st 2022: PLN 120,313 thousand).

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 [2.3](#).

Execution of an agreement with COMPO EXPERT

The Company 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 Company'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.

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