



**Interim condensed financial statements of Grupa Azoty  
Spółka Akcyjna for the six months ended June 30th 2022,  
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 2022	for the period Jan 1 – Jun 30 2021	for the period Jan 1 – Jun 30 2022	for the period Jan 1 – Jun 30 2021
Revenue	2,073,197	994,227	446,550	218,646
Operating profit	279,757	10,070	60,257	2,215
Profit before tax	560,800	124,087	120,792	27,289
Net profit	512,977	118,360	110,491	26,029
Comprehensive income for the period	511,200	137,365	110,108	30,209
Number of shares	99,195,484	99,195,484	99,195,484	99,195,484
Earnings per ordinary share (PLN)	5.17	1.19	1.11	0.26
Net cash from operating activities	189,730	481,228	40,866	105,830
Net cash from investing activities	14,976	6,739	3,226	1,482
Net cash from financing activities	(1,451,552)	(210,200)	(312,653)	(46,226)
Total net cash flows	(1,246,846)	277,767	(268,561)	61,085
Cash and cash equivalents at beginning of period	1,816,416	464,174	391,241	102,079
Cash and cash equivalents at end of period	569,781	741,899	122,726	163,155
	as at Jun 30 2022	as at Dec 31 2021	as at Jun 30 2022	as at Dec 31 2021
Non-current assets	8,671,226	8,672,145	1,852,588	1,885,495
Current assets	2,319,850	2,995,716	495,631	651,328
Non-current liabilities	2,760,988	2,996,495	589,879	651,497
Current liabilities	2,597,472	3,549,950	554,944	771,829
Equity	5,632,616	5,121,416	1,203,396	1,113,497
Share capital	495,977	495,977	105,964	107,835

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 2022 was EUR 1 = PLN 4.6806 (table No. 125/A/NBP/2022);  
the exchange rate as at December 31st 2021 was EUR 1 = PLN 4.5994 (table No. 254/A/NBP/NBP/2021).
- 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 2022, the average exchange rate was EUR 1 = PLN 4.6427;  
in the period January 1st-June 30th 2021, the average exchange rate was EUR 1 = PLN 4.5472.

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

## Interim condensed statement of comprehensive income

	Note	for the period Jan 1 – Jun 30 2022 <i>unaudited</i>	for the period Jan 1 – Jun 30 2021 <i>unaudited</i>	for the period Apr 1 – Jun 30 2022 <i>unaudited</i>	for the period Apr 1 – Jun 30 2021 <i>unaudited</i>
<b>Profits and losses</b>					
Revenue	1	2,073,197	994,227	963,184	473,100
Cost of sales	2	(1,601,285)	(834,645)	(763,520)	(414,408)
<b>Gross profit</b>		<b>471,912</b>	<b>159,582</b>	<b>199,664</b>	<b>58,692</b>
Selling and distribution expenses	2	(72,500)	(48,914)	(37,232)	(21,576)
Administrative expenses	2	(107,398)	(99,052)	(59,071)	(54,781)
Other income	3	6,777	7,299	4,168	3,787
Other expenses	4	(19,034)	(8,845)	(12,796)	(4,468)
<b>Operating profit</b>		<b>279,757</b>	<b>10,070</b>	<b>94,733</b>	<b>(18,346)</b>
Finance income	5	362,487	143,971	320,453	121,132
Finance costs	6	(81,444)	(29,954)	(46,134)	(9,993)
<b>Net finance income</b>		<b>281,043</b>	<b>114,017</b>	<b>274,319</b>	<b>111,139</b>
<b>Profit before tax</b>		<b>560,800</b>	<b>124,087</b>	<b>369,052</b>	<b>92,793</b>
Income tax	7	(47,823)	(5,727)	(14,441)	360
<b>Net profit</b>		<b>512,977</b>	<b>118,360</b>	<b>354,611</b>	<b>93,153</b>
<b>Other comprehensive income</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Actuarial gains from defined benefit plans		10,518	4,562	10,518	4,562
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	(1,510)	(867)	(1,510)	(867)
<b>Total items that will not be reclassified to profit or loss</b>		<b>6,439</b>	<b>3,695</b>	<b>6,439</b>	<b>3,695</b>
<b>Items that are or may be reclassified to profit or loss</b>					
Cash flow hedges - effective portion of fair-value change		(10,143)	18,901	(2,132)	27,170
Income tax relating to items that are or will be reclassified to profit or loss	7.3	1,927	(3,591)	405	(5,162)
<b>Total items that are or may be reclassified to profit or loss</b>		<b>(8,216)</b>	<b>15,310</b>	<b>(1,727)</b>	<b>22,008</b>
<b>Total other comprehensive income</b>		<b>(1,777)</b>	<b>19,005</b>	<b>4,712</b>	<b>25,703</b>
<b>Comprehensive income for the period</b>		<b>511,200</b>	<b>137,365</b>	<b>359,323</b>	<b>118,856</b>
<b>Earnings per share:</b>					
Basic (PLN)		5.17	1.19	3.57	0.94
Diluted (PLN)		5.17	1.19	3.57	0.94

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

## Interim condensed statement of financial position

	Note	as at Jun 30 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
<b>Non-current assets</b>			
Property, plant and equipment	8	1,778,643	1,745,022
Right-of-use assets	9	52,158	33,285
Investment property		20,246	20,179
Intangible assets	10	45,706	47,869
Shares	11.1	5,719,609	5,710,173
Other financial assets	11.2	1,045,951	1,090,218
Other receivables	13	8,913	25,399
<b>Total non-current assets</b>		<b>8,671,226</b>	<b>8,672,145</b>
<b>Current assets</b>			
Inventories		468,531	332,205
Property rights	12	225,145	203,075
Other financial assets	11.2	191,429	186,962
Trade and other receivables	13	864,964	457,058
Cash and cash equivalents	14	569,781	1,816,416
<b>Total current assets</b>		<b>2,319,850</b>	<b>2,995,716</b>
<b>Total assets</b>		<b>10,991,076</b>	<b>11,667,861</b>
<b>Equity</b>			
Share capital		495,977	495,977
Share premium		2,418,270	2,418,270
Hedging reserve		(47,484)	(39,268)
Retained earnings		2,765,853	2,246,437
<b>Total equity</b>		<b>5,632,616</b>	<b>5,121,416</b>
<b>Liabilities</b>			
Borrowings	15	2,560,183	2,810,252
Lease liabilities		42,996	30,522
Other financial liabilities	16	21,495	29,834
Employee benefit obligations	17	44,529	55,839
Provisions	19	32,986	18,224
Government grants	20	49,969	49,699
Deferred tax liabilities	7.4	8,830	2,125
<b>Total non-current liabilities</b>		<b>2,760,988</b>	<b>2,996,495</b>
Borrowings	15	1,761,122	2,297,455
Lease liabilities		14,287	7,580
Derivative financial instruments		1,282	1,310
Other financial liabilities	16	26,903	409,366
Employee benefit obligations	17	5,409	5,025
Current tax liabilities		38,014	16,941
Trade and other payables	18	622,201	779,150
Provisions	19	25,011	30,598
Government grants	20	103,243	2,525
<b>Total current liabilities</b>		<b>2,597,472</b>	<b>3,549,950</b>
<b>Total liabilities</b>		<b>5,358,460</b>	<b>6,546,445</b>
<b>Total equity and liabilities</b>		<b>10,991,076</b>	<b>11,667,861</b>

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

## Interim condensed statement of changes in equity

For the period ended June 30th 2022

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
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

For the period ended June 30th 2021

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
As at Jan 1 2021	495,977	2,418,270	(47,487)	2,042,406	4,909,166
<i>Profit or loss and other comprehensive income</i>					
Net profit	-	-	-	118,360	118,360
Other comprehensive income	-	-	15,310	3,695	19,005
Comprehensive income for the period	-	-	15,310	122,055	137,365
Balance as at Jun 30 2021 ( <i>unaudited</i> )	495,977	2,418,270	(32,177)	2,164,461	5,046,531

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 2022 <i>unaudited</i>	for the period Jan 1 – Jun 30 2021 <i>unaudited</i>
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>560,800</b>	<b>124,087</b>
Depreciation and amortisation	67,513	70,992
Impairment losses	479	476
Loss on investing activities	459	552
Interest, foreign exchange gains or losses	35,137	(13,511)
Dividends	(273,501)	(97,319)
Fair value gain on financial assets	(32,352)	(10,233)
Increase in trade and other receivables	(134,599)	(264,383)
Increase in inventories and property rights	(158,396)	(15,833)
Increase in trade and other payables	38,582	615,936
Increase in provisions	9,175	672
Decrease in employee benefit obligations	(408)	(167)
Increase in grants	99,470	63,841
Other adjustments	(3,000)	(3,500)
Income tax paid/(refunded)	(19,629)	9,618
<b>Net cash from operating activities</b>	<b>189,730</b>	<b>481,228</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	961	798
Purchase of property, plant and equipment, intangible assets and investment property	(86,544)	(60,125)
Purchase of other financial assets	(12,005)	-
Interest received	19,848	7,793
Repayments of loans	93,626	59,528
Other investing proceeds/(disbursements)	(910)	(1,255)
<b>Net cash from investing activities</b>	<b>14,976</b>	<b>6,739</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	-	1,000,000
Repayment of borrowings	(821,615)	(786,102)
Interest paid	(57,453)	(24,853)
Commission fees on bank borrowings	(2,220)	(1,356)
Payment of lease liabilities	(7,148)	(7,128)
Payment of reverse factoring liabilities	(564,133)	(397,093)
Other financing proceeds/(disbursements)	1,017	6,332
<b>Net cash from financing activities</b>	<b>(1,451,552)</b>	<b>(210,200)</b>
<b>Total net cash flows</b>	<b>(1,246,846)</b>	<b>277,767</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>1,816,416</b>	<b>464,174</b>
Effect of exchange rate fluctuations on cash held	211	(42)
<b>Cash and cash equivalents at end of period</b>	<b>569,781</b>	<b>741,899</b>

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

## Notes to the interim condensed financial statements

### 1. Basis of preparation of 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 2022 and contain comparative data for the six months ended June 30th 2021 and as at December 31st 2021.

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 term.

Grupa Azoty's business includes in particular:

- Manufacture of basic chemicals,
- Manufacture of fertilizers and nitrogen compounds,
- Manufacture of plastics in primary forms,
- Manufacture of plastics.

These interim condensed financial statements of the Company for the six months ended June 30th 2022 were authorised for issue by the Management Board on September 28th 2022.

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 2021, prepared in accordance with International Financial Reporting Standards as endorsed by the European Union and authorised for issue on April 27th 2022.

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 zloty.

These interim condensed financial statements have been prepared on the assumption that the Company will continue as a going concern for the foreseeable future. For information on the impact of the COVID-19 pandemic on the Company's situation, see section [2.3 Effects of the COVID-19 pandemic](#). For information on the impact of the war in Ukraine on the Company's business, see section [2.4](#). Considering the circumstances described in those sections, the Company's Management Board concluded that they did not represent a threat to its going concern assumption.

#### 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 2021.



**a) Amendments to International Financial Reporting Standards**

The following standards effective as of 2021 have no material impact on the Company's operations or its financial reporting:

Standard	Description of amendments	Effect on financial statements
<b>IFRS 3 Business Combinations</b> <b>IAS 16 Property, Plant and Equipment</b> <b>IAS 37 Provisions, Contingent Liabilities and Contingent Assets and Annual Improvements 2018-2020 Cycle (Annual improvements)</b>	<p>The amendments were issued on May 14th 2020, and are effective for annual periods beginning on or after January 1st 2022. The amendments prohibit deducting from the cost of property, plant and equipment of any proceeds from selling test products manufactured while the entity is developing/preparing the asset for its intended use, and clarify what costs the entity takes into account when assessing whether a contract will generate losses.</p>	<p>As at January 1st 2022, the application of the new standards IFRS 3, IAS 16 and IAS 37 had no material effect on Company's financial statements. There was no need to make any adjustments to data for the previous reporting periods.</p>
<b>IFRS 16 Leases:</b> <b>Covid-19-Related Rent Concessions beyond 30 June 2021.</b>	<p>The amendment to IFRS 16 was issued on March 31st 2021 and is effective for annual periods beginning on or after April 1st 2021. The only purpose of the amendment is to extend by one year (until June 30th 2022) the period in which the granting of COVID-19-related rent concessions does not need to involve a modification of the lease contract. This amendment is closely related to the already effective amendment to IFRS 16, issued in May 2020.</p>	<p>The amendment to the standard has no impact on the financial statements of Company.</p>

**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:

In these financial statements, the Company has not opted to early apply any standards or interpretations which have been issued but are not yet effective.

The following standards and interpretations have been issued by the International Accounting Standards Board or the International Financial Reporting Interpretations Committee but are not effective as at the reporting date:

Standard	Description of amendments	Effect on financial statements
<b>IFRS 17 Insurance Contracts</b>	<p>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.</p>	<p>Not applicable</p>

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<p><b>IAS 1 Presentation of Financial Statements:</b> <i>Classification of Liabilities as Current or Non-current</i></p>	<p>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.</p> <p>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.</p>	<p>The Company has not yet completed the analysis of the effect of this amendment on the financial statements.</p>
<p><b>IAS 1 Presentation of Financial Statements:</b> <i>Disclosure of Accounting Policies</i></p> <p><b>IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors:</b> <i>Definition of Accounting Estimates</i></p>	<p>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.</p>	<p>The Company has not yet completed the analysis of the effect of this amendment on the financial statements.</p>
<p><b>IAS 12 Income Taxes:</b> <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i></p>	<p>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.</p>	<p>The Company has not yet completed the analysis of the effect of this amendment on the financial statements.</p>
<p><b>IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9</b> – <i>Comparative Information</i></p>	<p>The amendment to IFRS 17 was issued on December 9th 2021 and is effective for annual periods beginning on or after April 1st 2023. It provides a transition option for comparative information on financial assets presented on initial application of IFRS 17. The amendment is intended to help entities avoid temporary accounting mismatches between financial assets and insurance contract liabilities.</p>	<p>The Company has not yet completed the analysis of the effect of this amendment on the financial statements.</p>

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**c) Presentation changes**

Following the accounting policy update made in 2021, changes were made to the presentation of EBITDA resulting in a change to the Company's segment performance information for the six months ended June 30th 2021 to exclude the effects of impairment charges from affecting EBITDA. As a result, EBITDA for the six months ended June 30th 2021 was increased by PLN 476 thousand, which is the equivalent of impairment losses made in 2021 in the segments (Agro Fertilizers: PLN 8 thousand, Plastics: PLN 150 thousand, Energy: PLN 7 thousand, Other Activities: PLN 311 thousand).

In accordance with the updated Accounting Policy, EBITDA is the Company's separate operating profit (loss) determined in accordance with IAS/IFRS for a reporting period, plus (less) the Company's separate depreciation and amortisation expense for that period, excluding the effect of one-off items.

One-off items are any exceptional, one-off, non-recurring and extraordinary losses or gains resulting from, respectively, recognition or reversal of impairment losses on non-current assets (property, plant and equipment, intangible assets, right-of-use assets or investment property).

Effective January 1st 2022, the Company changed its method of accounting for general and administrative expenses by reportable segment. Previously, these expenses were accounted for based on the share of cost of individual products in the total cost of products sold. The existing allocation key takes into account the approach based on the share of margin on variable costs earned by each segment in the total margin on variable costs of the entity in which the reportable segments have been identified. The margin based on variable segment costs includes variable costs of products sold as well as selling and distribution expenses. The change in the allocation key based on the share of general and administrative expenses in the total cost of products sold more accurately reflects the allocation of this cost to the individual segments.

The presentation of these expenses in the operating segments for the period ended June 30th 2021 was changed.

The effect of inter-segment transfers is presented below:

Operating segments' income, expenses and financial results for the six months ended June 30th 2021 (unaudited, restated\*)

	Agro Fertilizers	Plastics	Energy	Other Activities	Total
External revenue	-	-	-	-	-
Intersegment revenue	-	-	-	-	-
<b>Total revenue</b>	-	-	-	-	-
Operating expenses, including: (-)	(4,326)	4,825	-	(499)	-
<i>selling and distribution expenses (-)</i>	-	-	-	-	-
<i>administrative expenses (-)</i>	(4,326)	4,825	-	(499)	-
Other income	-	-	-	-	-
Other expenses (-)	-	-	-	-	-
<b>Segment's EBIT</b>	<b>(4,326)</b>	<b>4,825</b>	-	<b>(499)</b>	-
Finance income	-	-	-	-	-
Finance costs (-)	-	-	-	-	-
<b>Profit before tax</b>	-	-	-	-	-
Income tax	-	-	-	-	-
<b>Net profit</b>	-	-	-	-	-
EBIT	(4,326)	4,825	-	(499)	-
Depreciation and amortisation	-	-	-	-	-
Impairment losses	-	-	-	-	-
<b>EBITDA</b>	<b>(4,326)</b>	<b>4,825</b>	-	<b>(499)</b>	-

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 2021, 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 of activities
 Agro Fertilizers	Manufacture or sale of: <ul style="list-style-type: none"> <li>• Nitrogen fertilizers with sulfur (solid: ammonium sulfate, ammonium sulfonitrite, urea-ammonium sulfate, calcium nitrate with sulfur; liquid:),</li> <li>• Ammonia,</li> <li>• Technical-grade and concentrated nitric acid,</li> <li>• Industrial gases.</li> </ul>
 Plastics	Manufacture or sale of: <ul style="list-style-type: none"> <li>• Caprolactam (an intermediate product used to manufacture polyamide 6 (PA6),</li> <li>• Natural engineering plastics (PA 6),</li> <li>• Plastic products (PA pipes, PE pipes, polyamide casings).</li> </ul>
 Energy	Power utilities: <ul style="list-style-type: none"> <li>• production of energy carriers: (electricity, heat, water, process and instrument air, nitrogen) for the purposes of chemical units and, to a lesser extent, for resale to external customers (mainly electricity). As part of its operations, the segment also purchases and distributes natural gas for process needs;</li> </ul>
 Other Activities	<ul style="list-style-type: none"> <li>• Research and Development Centre,</li> <li>• Laboratory services,</li> <li>• Catalyst production (iron-chromium catalyst, copper catalysts, iron catalysts),</li> <li>• Rental of real estate, and</li> <li>• Other activities not allocated to any of the segments specified above.</li> </ul>

## Operating segments

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

	Agro Fertilizers	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
<b>Total revenue</b>	<b>1,565,135</b>	<b>1,259,133</b>	<b>811,674</b>	<b>96,288</b>	<b>3,732,230</b>
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)
<b>Segment's EBIT</b>	<b>181,529</b>	<b>60,385</b>	<b>(3,234)</b>	<b>41,077</b>	<b>279,757</b>
Finance income	-	-	-	-	362,487
Finance costs (-)	-	-	-	-	(81,444)
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>560,800</b>
Income tax	-	-	-	-	(47,823)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>512,977</b>
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
<b>EBITDA</b>	<b>207,616</b>	<b>82,568</b>	<b>3,239</b>	<b>54,325</b>	<b>347,748</b>

Operating segments' income, expenses and financial results for the six months ended June 30th 2021 (unaudited, restated\*)

	Agro Fertilizers	Plastics	Energy	Other Activities	Total
External revenue	358,363	582,049	23,205	30,610	994,227
Intersegment revenue	156,348	171,689	302,855	21,401	652,293
<b>Total revenue</b>	<b>514,711</b>	<b>753,738</b>	<b>326,060</b>	<b>52,011</b>	<b>1,646,520</b>
Operating expenses, including: (-)	(534,402)	(730,672)	(326,148)	(43,682)	(1,634,904)
<i>selling and distribution expenses (-)</i>	<i>(35,460)</i>	<i>(12,997)</i>	<i>(69)</i>	<i>(388)</i>	<i>(48,914)</i>
<i>administrative expenses (-)</i>	<i>(44,466)</i>	<i>(50,885)</i>	<i>(1,266)</i>	<i>(2,435)</i>	<i>(99,052)</i>
Other income	272	1,035	1,787	4,205	7,299
Other expenses (-)	(816)	(923)	(2,032)	(5,074)	(8,845)
<b>Segment's EBIT</b>	<b>(20,235)</b>	<b>23,178</b>	<b>(333)</b>	<b>7,460</b>	<b>10,070</b>
Finance income	-	-	-	-	143,971
Finance costs (-)	-	-	-	-	(29,954)
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>124,087</b>
Income tax	-	-	-	-	(5,727)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>118,360</b>
EBIT	(20,235)	23,178	(333)	7,460	10,070
Depreciation and amortisation	29,207	22,148	7,022	12,615	70,992
Impairment losses	8	150	7	311	476
<b>EBITDA</b>	<b>8,980</b>	<b>45,476</b>	<b>6,696</b>	<b>20,386</b>	<b>81,538</b>

In accordance with the information provided in section 1.2c).

Operating segments' assets and liabilities as at June 30th 2022 (*unaudited*)

	Agro Fertilizers	Plastics	Energy	Other Activities	Total
Segment's assets	1,222,902	1,124,241	434,373	251,837	3,033,353
Unallocated assets	-	-	-	-	7,957,723
<b>Total assets</b>	<b>1,222,902</b>	<b>1,124,241</b>	<b>434,373</b>	<b>251,837</b>	<b>10,991,076</b>
Segment's liabilities	331,298	172,306	260,118	126,725	890,447
Unallocated liabilities	-	-	-	-	4,468,013
<b>Total liabilities</b>	<b>331,298</b>	<b>172,306</b>	<b>260,118</b>	<b>126,725</b>	<b>5,358,460</b>

Operating segments' assets and liabilities as at December 31st 2021 (*audited*)

	Agro Fertilizers	Plastics	Energy	Other Activities	Total
Segment's assets	969,692	996,913	497,648	232,636	2,696,889
Unallocated assets	-	-	-	-	8,970,972
<b>Total assets</b>	<b>969,692</b>	<b>996,913</b>	<b>497,648</b>	<b>232,636</b>	<b>11,667,861</b>
Segment's liabilities	329,782	292,773	570,825	103,842	1,297,222
Unallocated liabilities	-	-	-	-	5,249,223
<b>Total liabilities</b>	<b>329,782</b>	<b>292,773</b>	<b>570,825</b>	<b>103,842</b>	<b>6,546,445</b>



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

	Agro Fertilizers	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
<b>Total expenditure</b>	<b>32,838</b>	<b>15,773</b>	<b>21,053</b>	<b>20,327</b>	<b>92,370</b>
Segment's depreciation and amortisation	26,086	22,114	6,463	12,850	67,513
<b>Total depreciation and amortisation</b>	<b>26,086</b>	<b>22,114</b>	<b>6,463</b>	<b>12,850</b>	<b>67,513</b>

Other segmental information for the six months ended June 30th 2021 (*unaudited*)

	Agro Fertilizers	Plastics	Energy	Other Activities	Total
Expenditure on property, plant and equipment	39,626	10,575	24,656	2,425	77,282
Expenditure on intangible assets	-	-	64	-	64
Unallocated expenditure	-	-	-	-	6,590
<b>Total expenditure</b>	<b>39,626</b>	<b>10,575</b>	<b>24,720</b>	<b>2,425</b>	<b>83,936</b>
Segment's depreciation and amortisation	29,207	22,148	7,022	12,615	70,992
<b>Total depreciation and amortisation</b>	<b>29,207</b>	<b>22,148</b>	<b>7,022</b>	<b>12,615</b>	<b>70,992</b>

## 2.2. Impairment testing

As at June 30th 2022, two of the external impairment indicators listed in par. 12 of IAS 36 Impairment of Assets were identified,

- i.e., the carrying amount of the Company's net assets was higher than its market capitalisation,
- market interest rates increased during the period and the increase affected the discount rate applied to calculate the value in use of relevant cash generating units, significantly reducing that value.

Therefore, the Company analysed the validity of the assumptions adopted for previous impairment tests and the results of those tests.

The analysis showed that:

- the adopted strategy and the key assumptions did not change,
- the definition of cash generating units (CGUs) at the Company and the value of assets of each CGU did not change materially relative to the respective amounts as at December 31st 2021,
- the cost dynamics were to a large extent reflected on the income side,
- for CGUs identified at the Company, EBITDA for the first six months of 2022 was higher than planned,
- the projected financial results for 2022 are higher for the Fertilizers CGU and lower for the Plastics CGU relative to the planned results for the period, underlying the impairment tests at the end of 2021.

The risk-free interest rate (yield on 10-year Treasury bonds) rose from 3.64% at the end of 2021 to 6.87% at the end of June 2022. This drove up the weighted average cost of capital for the Company, which amounted to:

- for the Fertilizers CGU - 13.18% for the period of detailed projections and 10.40% for the residual period,
- for the Plastics CGU - 12.21% for the period of detailed projections and 9.49% for the residual period.

The lower discount rate in the residual period follows from the assumption that the current high yield on 10-year Treasury bonds is chiefly due to high inflation. Assuming that in the long term inflation rates will return to a level consistent with the inflation target of the National Bank of Poland (2.5%), the bond yields will also decrease.

The increase in discount rates reduced the recoverable amounts of individual CGUs, but for the Fertilizers CGU the higher discount rates did not reduce recoverable amounts of its assets to below the carrying amounts. As a result of an analysis of the effect of the higher discount rates and other financial parameters updated as at June 30th 2022 relative to the end of 2021, an excess of the recoverable amount over the carrying amount of assets was also identified for the Plastics CGU. The key financial parameters included: foreign exchange rates, net changes in working capital, forecast revenue and expenses for the period July-December 2022, as well as forecasts of the prices of raw materials and products (including benzene, phenol, sulfur, coal, electricity, CO<sub>2</sub> emission allowances, caprolactam and polyamide) over the entire period covered by the cash flow projection.

Taking into account the above circumstances, as well as the wording of par. 16(b) of IAS 36 Impairment of Assets, decision was made to not prepare a formal estimate of recoverable amounts as at June 30th 2022, considering that the estimates of recoverable amounts determined in previous tests remained valid as at June 30th 2022 and therefore no additional impairment losses were necessary; further, none of the circumstances provided any rationale for reversing impairment losses recognised in prior periods.

### Impairment test of Grupa Azoty Polyolefins Spółka Akcyjna shares

Grupa Azoty Polyolefins Spółka Akcyjna ("Grupa Azoty POLYOLEFINS"), the subsidiary responsible for the implementation of the strategic capex project Polimery Police, monitors the projected profitability of its investment using a financial model for the project developed in cooperation with reputable advisory firms. The key assumptions developed for the purposes of the financial model, including technological assumptions and market forecasts, are based on independent studies, such as technical documentation provided by recognised engineering companies (including technology licensors) and market advisor reports.

The model was updated in December 2021 to reflect the modification of the EPC contract schedule and value made following the General Contractor's claim submitted in the second half of 2021, which was analysed and reviewed by the subsidiary. The financial model, updated to account for the negotiated changes, was submitted to the investors and financing institutions together with documentation requiring their approval. Having obtained confirmation from the financing institutions and the required corporate approvals, on January 28th 2022 the subsidiary executed Annex No. 3 to the contract with the General Contractor.

The updated and approved financial model takes into account the provisions of Annex No. 3, in particular a EUR 72.48m increase in the contract price, update of the payment schedule, and extension of the project completion date by six months.

Based on the positive findings of the economic feasibility study carried out on the basis of the financial model referred to above, which Grupa Azoty POLYOLEFINS uses as a recoverable amount estimate for the purposes of asset impairment testing, the determination that assets of the Polimery Police project were not impaired was upheld as at June 30th 2022, which warrants the conclusion that no impairment has occurred in respect of the shares in Grupa Azoty POLYOLEFINS held by the Company or loans advanced by the Company to Grupa Azoty POLYOLEFINS.

For detailed information on the impairment tests and the results thereof, see Note 2 to the Company's financial statements for the 12 months ended December 31st 2021.

### 2.3. Effects of the COVID-19 pandemic

The Company is constantly monitoring the epidemic situation in Poland and analysing various scenarios relating to the current and projected consequences of the public health emergency which may affect its business. The analyses and forecasts consider the introduced legislative changes and changes in the market environment.

In order to enable the Company to operate in a possibly smooth manner, procedures have been put in place to mitigate the risk of employees being infected and to ensure appropriate response in case of infection.

In the opinion of the Company's Management Board, the preventive measures in place help minimise the economic consequences of the COVID-19 pandemic, mitigate the risk of business disruption, and allow the Company to maintain its market position, financial liquidity and ability to implement strategic investment projects.

### 2.4. Impact of the war in Ukraine

Following the invasion of Ukraine by the armed forces of the Russian Federation in February 2022, a number of countries, in particular the countries of the European Union and the United States of America, provided political, military and humanitarian assistance to Ukraine and imposed a number of very extensive economic sanctions on the Russian Federation and the Republic of Belarus, from whose territory the attack on Ukraine also took place. These sanctions include a ban on the sale of dual-use materials and military technology, the exclusion of some Russian banks from the SWIFT international clearing system, the freezing of the Russian Federation's foreign assets, as well as a ban on cooperation with a number of citizens and entities from the Russian Federation.

On February 25th 2022, a coordination team was appointed at the Group in view of the threat to operational safety and continuity of production in connection with Russia's aggression in Ukraine. The team comprises organisational unit directors/heads in charge of key areas of the Company's operations, in particular production, procurement, logistics, as well as support functions: safety, IT, finance, market protection, compliance management and investor relations.

The Company has identified areas of potential risk that may materially affect its future financial results. Below are presented the key areas of risk analysis and their status by the date of authorisation of these financial statements for issue.

#### 1. Potential risk of disruption in natural gas supply to Grupa Azoty Group companies

Natural gas is supplied under a contract with Polskie Górnictwo Naftowe i Gazownictwo S.A. (PGNiG). As described in more detail in [Note 26](#), the gas supply contract with PGNiG in force, as at the reporting date, until October 1st 2022 was on July 7th 2022 extended until September 30th 2023. As announced by PGNiG on April 27th 2022, supplies of natural gas from Russia to Poland were withheld as a result of PGNiG's refusal to make payments for gas in the Russian currency.

As at the date of authorisation of these financial statements for issue, there were no interruptions in the supply of natural gas to the Company. The Company monitors the situation around gas supplies on an ongoing basis. Contingency scenarios have also been developed in case manufacturing operations would have to be curtailed in the event of a reduction in natural gas supplies, including in particular for reduction of the load on production units and acceleration of annual maintenance shutdowns.

In the context of the strong growth of energy commodity prices after Russia's invasion on Ukraine, it should be noted that since the Company purchases natural gas in transactions with fixed delivery prices entered into as part of the natural gas price hedging policy, the impact of the market turbulence on the Company in the first half of 2022 was limited and had no adverse effect on the volume of production. Since mid-June 2022, a strong upward trend in natural gas prices has been observed, from approximately EUR 80/MWh to more than EUR 200/MWh, with the prices significantly above EUR 300/MWh on several days in August 2022. One of the reasons for this increase is the reduction of supplies from the Russian Federation to Germany. High prices of natural gas in the summer season have a material effect on the ability to pass them on to selling prices in the summer season, in particular in the fertilizer segment. Therefore, on August 22nd 2022 the Company's Management Board decided to temporarily halt or cut production on the main process lines. The subsidiaries Grupa Azoty Zakłady Azotowe Puławy S.A. and Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. made similar decisions. For more information, see [Note 26](#).

#### 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 in particular to the supply of potassium carbonate, and it may materialise due to the military hostilities in Ukraine, the economic and financial sanctions, lower availability, price increases, as well as

problems in the area of logistics and financial settlements. Intensive efforts to secure supplies of raw materials from alternative sources have been undertaken and are continuing. As regards propylene, as mentioned in the previous financial statements, supplies from the eastern direction were fully replaced with supplies from alternative sources. As at the date of authorisation of these financial statements for issue, the sanctions did not have any impact on deliveries to the Group companies and no production constraints were identified.

In addition, a major and growing risk is related to the availability of hard coal, which was largely imported from Russia. The imports have been suspended due to the sanctions. Companies of the Grupa Azoty Group did not import hard coal from Russia. Hard coal is the key feedstock for the plants operated by the Group's main companies, necessary to produce process steam for production purposes. The strong increase in natural gas prices triggered growth of electricity prices, which significantly increased the economic feasibility and volumes of coal-fired electricity generation in Europe, translating directly into a major rise in coal consumption. The increased demand for hard coal and lack of coal supplies from Russia have led to a price surge, but also to logistics problems related to ensuring the supply of coal to Europe from sources alternative to Russia.

The Group monitors the situation with respect to securing hard coal supplies by negotiating deliveries with domestic coal producers and looking for alternative import sources. As a result of preventive measures being undertaken, as at the date of authorisation of these financial statements for issue there was no material risk to the continuity of coal supply to the production plants operated by the Group's main companies.

### **3. Potential risk to timely implementation of projects carried out at the Company and the Grupa Azoty Group due to possible issues related to unavailability or constrained availability of contractor staff following the general mobilisation order in Ukraine.**

As at the date of authorisation of these financial statements for issue, the Company and its subsidiaries did not observe any significant impact of the risk on their investment and maintenance activities. For information on claims raised on April 22nd 2022 by the general contractor for the "Construction of coal-fired power generating unit" project at Grupa Azoty Zakłady Azotowe Puławy Spółka Akcyjna ("Grupa Azoty PUŁAWY"), caused by the consequences of the war in Ukraine, see [Note 21](#).

### **4. Higher risk of an increase in financing costs, interest rate rises 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 outbreak of war in Ukraine was the rise of concerns in the financial markets, resulting in a significant appreciation of the US dollar and euro exchange rates against the currencies of emerging markets, including Poland. At the same time, the rapid inflation growth that started before the beginning of the war brought about interest rate increases. Those factors increase the currency risk and the cost of debt service in the złoty. The Company and the Grupa Azoty Group have in place a policy for the management of the currency and interest rate risks. Despite a decrease in debt following repayment of working capital and term facilities and repayment of reverse factoring, financing costs rose significantly compared with the first half of 2021 in the wake of interest rate hikes. Due to the spikes in natural gas prices observed from the end of the second quarter of 2022, temporary production shutdowns and cuts by the Company and its subsidiaries (Grupa Azoty Zakłady Azotowe Puławy S.A. and Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.), as well as forecasts of economic slowdown in Poland and in the eurozone, the Company's liquidity position in subsequent periods may deteriorate, which will result in higher debt and a corresponding increase in financing costs.

In addition to the above detailed risk description, it should be noted that the Company and its subsidiaries do not hold any material assets in Ukraine, Russia or Belarus. In the first half of 2022, sales to Ukraine accounted for 1.8% of the Company's revenue and were mainly sales of mineral fertilizers. Sales to Russia and Belarus did not exceed 0.01% of revenue, with deliveries executed mostly on a pre-paid basis or secured with trade credit insurance policies. Since the outbreak of war in Ukraine, sales of products by the Company to customers in Russia and Belarus have been suspended. Sales to the Ukrainian market have been reduced due to the unavailability of trade receivables insurance and the financial condition of the buyers. Accordingly, the outbreak of war in Ukraine did not have a material effect on the value of the Company's sales or assets.

Grupa Azoty S.A. monitors the political and economic situation caused by Russia's aggression against Ukraine, analyses the impact of these circumstances on the Group's business and takes appropriate measures in response.

## **2.5. Information on sanctions**

### **Sanctions imposed on a minority shareholder of the Company**

On April 6th 2022, Mr Vyacheslav Moshe Kantor, who holds a controlling 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 entities through which he controls 19.82% of Grupa Azoty shares - on the Polish sanction 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 Parent 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.

#### Embargo on Russian commodities

A ban on the import of coal from the Russian Federation was introduced by the European Union (under the applicable Council Regulation) on April 8th 2022 and by Poland (under the applicable act) on April 13th 2022. In both cases the relevant legal regulations entered into force. The Polish embargo has been in effect as of April 16th and the EU embargo will become effective as of August 10th 2022.

Those sanctions, together with the increase in coal demand due to high natural gas prices, led to a significant reduction in the availability of thermal coal and a surge in its prices. Coal supplies are further limited by logistics constraints related to handling capacities in ports and railway transport capacities. This risk may have a material effect on the Company's operations in subsequent periods.

## 2.6. Notes

### Note 1. Revenue from contracts with customers

	for the period Jan 1 – Jun 30 2022 <i>unaudited</i>	for the period Jan 1 – Jun 30 2021 <i>unaudited</i>	for the period Apr 1 – Jun 30 2022 <i>unaudited</i>	for the period Apr 1 – Jun 30 2021 <i>unaudited</i>
Revenue from sale of products and services	2,046,096	973,071	948,911	459,812
Revenue from sale of merchandise and materials	27,101	21,079	14,273	13,288
Revenue from sale of property rights	-	77	-	-
	<b>2,073,197</b>	<b>994,227</b>	<b>963,184</b>	<b>473,100</b>

In the six months ended June 30th 2022, the Company earned revenue of PLN 2,073m, an increase of 109% (PLN 1,079 million) year on year. The key driver of the increase are higher product prices (PLN 1,025m) due to rising prices of raw materials, including mainly record-high gas prices, additionally exacerbated by supply and demand imbalances (supply constraints due to limited European production capacities, geopolitical situation leading to disruptions in the supply chain).

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

Description	Agro Fertilizers	Plastics	Energy	Other Activities	Total
<b>Main product lines</b>					
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
<b>Total</b>	<b>1,107,881</b>	<b>860,958</b>	<b>30,087</b>	<b>74,271</b>	<b>2,073,197</b>
<b>Geographical regions</b>					
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
<b>Total</b>	<b>1,107,881</b>	<b>860,958</b>	<b>30,087</b>	<b>74,271</b>	<b>2,073,197</b>
<b>Customer type</b>					
Legal persons	1,107,402	860,958	29,573	74,266	2,072,199
Individuals	479	-	514	5	998
<b>Total</b>	<b>1,107,881</b>	<b>860,958</b>	<b>30,087</b>	<b>74,271</b>	<b>2,073,197</b>
<b>Agreement type</b>					
Fixed-price contracts	1,107,881	860,958	19,571	74,271	2,062,681
Other	-	-	10,516	-	10,516
<b>Total</b>	<b>1,107,881</b>	<b>860,958</b>	<b>30,087</b>	<b>74,271</b>	<b>2,073,197</b>
<b>Customer relations</b>					
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
<b>Total</b>	<b>1,107,881</b>	<b>860,958</b>	<b>30,087</b>	<b>74,271</b>	<b>2,073,197</b>
<b>Revenue recognition timing</b>					
Revenue recognised at a point in time	1,107,881	860,958	30,087	74,271	2,073,197
<b>Total</b>	<b>1,107,881</b>	<b>860,958</b>	<b>30,087</b>	<b>74,271</b>	<b>2,073,197</b>
<b>Sale channels</b>					
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
<b>Total</b>	<b>1,107,881</b>	<b>860,958</b>	<b>30,087</b>	<b>74,271</b>	<b>2,073,197</b>

For the six months ended June 30th 2021 (unaudited)

Description	Agro Fertilizers	Plastics	Energy	Other Activities	Total
<b>Main product lines</b>					
Revenue from sale of products and services	358,363	572,737	14,382	27,589	973,071
Revenue from sale of merchandise and materials	-	9,235	8,823	3,021	21,079
Revenue from sale of property rights	-	77	-	-	77
<b>Total</b>	<b>358,363</b>	<b>582,049</b>	<b>23,205</b>	<b>30,610</b>	<b>994,227</b>
<b>Geographical regions</b>					
Poland	236,002	93,574	23,205	24,713	377,494
Germany	40,588	203,053	-	359	244,000
Other EU countries	25,379	211,240	-	21	236,640
Asia	-	38,032	-	-	38,032
South America	8,394	9,477	-	-	17,871
Other countries	48,000	26,673	-	5,517	80,190
<b>Total</b>	<b>358,363</b>	<b>582,049</b>	<b>23,205</b>	<b>30,610</b>	<b>994,227</b>
<b>Customer type</b>					
Legal persons	358,011	582,049	22,753	30,608	993,421
Individuals	352	-	452	2	806
<b>Total</b>	<b>358,363</b>	<b>582,049</b>	<b>23,205</b>	<b>30,610</b>	<b>994,227</b>
<b>Agreement type</b>					
Fixed-price contracts	358,363	581,972	15,109	30,610	986,054
Other	-	77	8,096	-	8,173
<b>Total</b>	<b>358,363</b>	<b>582,049</b>	<b>23,205</b>	<b>30,610</b>	<b>994,227</b>
<b>Customer relations</b>					
Long-term	314,409	546,615	8,712	14,186	883,922
Short-term	43,954	35,434	14,493	16,424	110,305
<b>Total</b>	<b>358,363</b>	<b>582,049</b>	<b>23,205</b>	<b>30,610</b>	<b>994,227</b>
<b>Revenue recognition timing</b>					
Revenue recognised at a point in time	358,363	582,049	23,205	30,610	994,227
<b>Total</b>	<b>358,363</b>	<b>582,049</b>	<b>23,205</b>	<b>30,610</b>	<b>994,227</b>
<b>Sale channels</b>					
Direct sales	36,689	544,981	15,109	25,611	627,389
Intermediated sales	321,674	37,068	8,096	4,999	366,838
<b>Total</b>	<b>358,363</b>	<b>582,049</b>	<b>23,205</b>	<b>30,610</b>	<b>994,227</b>

## 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.

As a rule, the customary payment terms for this revenue stream are 30 days.

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. In the case of electricity sale contracts, the payment terms average 17 days.

## Note 2. Operating expenses

	for the period Jan 1 – Jun 30 2022 <i>unaudited</i>	for the period Jan 1 – Jun 30 2021 <i>unaudited</i>	for the period Apr 1 – Jun 30 2022 <i>unaudited</i>	for the period Apr 1 – Jun 30 2021 <i>unaudited</i>
Depreciation and amortisation	66,962	70,204	33,802	35,339
Raw materials and consumables used	1,464,907	659,853	734,793	356,010
Services	137,693	116,249	73,109	60,000
Taxes and charges	51,855	35,464	23,915	12,301
Salaries and wages	117,357	106,401	63,157	58,316
Social security and other employee benefits	28,240	27,765	14,134	14,805
Other	14,066	11,742	9,890	7,178
<b>Costs by nature of expense</b>	<b>1,881,080</b>	<b>1,027,678</b>	<b>952,800</b>	<b>543,949</b>
Change in inventories of finished goods (+/-)	(121,110)	(62,865)	(103,465)	(64,525)
Work performed by the entity and capitalised (-)	(1,372)	(1,265)	(584)	(540)
Selling and distribution expenses (-)	(72,500)	(48,914)	(37,232)	(21,576)
Administrative expenses (-)	(107,398)	(99,052)	(59,071)	(54,781)
Cost of merchandise and materials sold	22,585	19,063	11,072	11,881
<b>Cost of sales</b>	<b>1,601,285</b>	<b>834,645</b>	<b>763,520</b>	<b>414,408</b>
including excise duty	1,000	534	121	252

### Changes in costs:

- increase in raw materials and consumables used, attributable to higher prices of key feedstocks (gas, ammonia and petrochemical feedstocks) and energy purchased,
- higher cost of services, driven mainly by higher sales volumes recorded by the Fertilizers Business Unit,
- increase in taxes and charges as a consequence of higher costs related to CO<sub>2</sub> emission allowances,
- increase in salaries and wages due to higher employee benefits,
- increase in other expenses attributable to higher advertising expenditure and inventory revaluation write-downs,
- change in products attributable to an increase in inventories compared with the corresponding period of the previous year - higher costs due to high commodity prices, further increased by higher inventory levels (a long scheduled maintenance shutdown in the previous year).



### Note 3. Other income

	for the period Jan 1 – Jun 30 2022 <i>unaudited</i>	for the period Jan 1 – Jun 30 2021 <i>unaudited</i>	for the period Apr 1 – Jun 30 2022 <i>unaudited</i>	for the period Apr 1 – Jun 30 2021 <i>unaudited</i>
Gain on sale of property, plant and equipment	-	-	-	(332)
Reversed impairment losses - other receivables	18	9	6	5
Income from lease of investment property	3,798	3,604	1,962	1,843
Received compensation	1,218	2,086	1,217	1,522
Government grants	1,312	1,325	686	662
Other	431	275	297	87
	<b>6,777</b>	<b>7,299</b>	<b>4,168</b>	<b>3,787</b>

### Note 4. Other expenses

	for the period Jan 1 – Jun 30 2022 <i>unaudited</i>	for the period Jan 1 – Jun 30 2021 <i>unaudited</i>	for the period Apr 1 – Jun 30 2022 <i>unaudited</i>	for the period Apr 1 – Jun 30 2021 <i>unaudited</i>
Loss on disposal of property, plant and equipment	84	381	84	381
Loss on sale of right-of-use assets, Recognised impairment losses - property, plant and equipment, investment property	314	-	70	-
Recognised impairment losses - other receivables	478	476	70	132
Investment property maintenance costs	74	82	74	8
costs	2,525	2,748	1,283	1,279
finances and compensations,	119	10	24	3
Downtime costs	258	280	128	139
Failure recovery costs	6,227	4,494	2,526	2,179
Recognised provisions	4,946	-	4,946	-
Other expenses	4,009	374	3,591	347
	<b>19,034</b>	<b>8,845</b>	<b>12,796</b>	<b>4,468</b>

The increase in costs related to recognised provisions for future liabilities was driven by the recognition of environmental provisions.

## Note 5. Finance income

	for the period Jan 1 – Jun 30 2022 <i>unaudited</i>	for the period Jan 1 – Jun 30 2021 <i>unaudited</i>	for the period Apr 1 – Jun 30 2022 <i>unaudited</i>	for the period Apr 1 – Jun 30 2021 <i>unaudited</i>
Interest on cash pooling, bank deposits	8,855	942	5,192	412
Interest on non-bank borrowings	37,157	19,605	30,227	16,150
Other interest income	66	31	23	20
Gains on measurement of financial assets and liabilities at fair value through profit or loss	39,970	12,033	10,036	(5,534)
Foreign exchange gains	-	11,355	-	11,355
Dividends received	273,501	97,319	273,501	97,319
Other	2,938	2,686	1,474	1,410
	<b>362,487</b>	<b>143,971</b>	<b>320,453</b>	<b>121,132</b>

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.

Gains 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 27,722 thousand (first half of 2021: PLN 7,103 thousand).

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 Zakłady Azotowe Kędzierzyn Spółka Akcyjna (“Grupa Azoty KĘDZIERZYN”) - PLN 152,419 thousand,
- Grupa Azoty PUŁAWY - PLN 121,082 thousand.

Dividends received for the six months ended June 30th 2021 totalled PLN 97,319 thousand and comprised dividends due from the following Companies:

- Grupa Azoty KĘDZIERZYN - PLN 66,084 thousand,
- COMPO EXPERT Holding GmbH - PLN 27,181 thousand,
- Grupa Azoty Compounding Sp. z o.o. - PLN 4,000 thousand.

## Note 6. Finance costs

	for the period Jan 1 – Jun 30 2022 <i>unaudited</i>	for the period Jan 1 – Jun 30 2021 <i>unaudited</i>	for the period Apr 1 – Jun 30 2022 <i>unaudited</i>	for the period Apr 1 – Jun 30 2021 <i>unaudited</i>
Interest on bank borrowings	51,603	21,299	29,867	12,252
Interest on cash pooling	13,952	1,882	9,619	1,017
Interest on factoring, receivables discounting and leases	2,103	2,071	693	1,027
Other interest expense	912	473	838	257
Loss on sale of financial investments	-	-	(152)	-
Foreign exchange losses	10,377	-	3,714	(6,279)
Other	2,497	4,229	1,555	1,719
	<b>81,444</b>	<b>29,954</b>	<b>46,134</b>	<b>9,993</b>

Foreign exchange losses of PLN 10,377 thousand (first half of 2021: foreign exchange gains of PLN 11,355 thousand) comprised:

- net realised foreign exchange losses of PLN 10,210 thousand (first half of 2021: net realised foreign exchange losses of PLN 2,151 thousand),
- net foreign exchange losses on realised transactions in currency derivatives of PLN 215 thousand (first half of 2021: net foreign exchange losses of PLN 515 thousand),
- net foreign exchange losses on measurement of receivables and liabilities denominated in foreign currencies of PLN 58 thousand as at the reporting date (first half of 2021: net foreign exchange gains on measurement of receivables and liabilities denominated in foreign currencies of PLN 13,979 thousand as at the reporting date),
- net foreign exchange gains on measurement of other items of PLN 106 thousand as at the reporting date (first half of 2021: net foreign exchange gains on measurement of other items of PLN 42 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 2022 <i>unaudited</i>	for the period Jan 1 – Jun 30 2021 <i>unaudited</i>	for the period Apr 1 – Jun 30 2022 <i>unaudited</i>	for the period Apr 1 – Jun 30 2021 <i>unaudited</i>
Current income tax:				
Current income tax expense	42,472	(10)	16,659	(10)
Adjustments to current income tax for previous years	(1,771)	-	(1,771)	-
	<b>40,701</b>	<b>(10)</b>	<b>14,888</b>	<b>(10)</b>
Deferred income tax:				
Deferred income tax associated with origination and reversal of temporary differences	7,122	5,737	(447)	(350)
	<b>7,122</b>	<b>5,737</b>	<b>(447)</b>	<b>(350)</b>
<b>Income tax expense disclosed in the statement of profit or loss</b>	<b>47,823</b>	<b>5,727</b>	<b>14,441</b>	<b>(360)</b>

### Note 7.2. Effective tax rate

	for the period Jan 1 – Jun 30 2022 <i>unaudited</i>	for the period Jan 1 – Jun 30 2021 <i>unaudited</i>	for the period Apr 1 – Jun 30 2022 <i>unaudited</i>	for the period Apr 1 – Jun 30 2021 <i>unaudited</i>
<b>Profit before tax</b>	<b>560,800</b>	<b>124,087</b>	<b>369,052</b>	<b>92,793</b>
Tax calculated at the applicable tax rate	106,552	23,577	70,120	17,631
Effect of tax-exempt income (+/-)	(55,511)	(19,805)	(52,511)	(21,896)
Effect of non tax-deductible expenses (+/-)	(520)	1,714	(2,450)	2,851
Tax effect of inclusion of property, plant and equipment into operations in Special Economic Zone (+/-)	-	951	-	481
Other (+/-)	(2,698)	(710)	(718)	573
<b>Income tax expense disclosed in the statement of profit or loss</b>	<b>47,823</b>	<b>5,727</b>	<b>14,441</b>	<b>(360)</b>
<b>Effective tax rate</b>	<b>8.53%</b>	<b>4.62%</b>	<b>3.91%</b>	<b>(0.39%)</b>

**Note 7.3. Income tax expense disclosed in other comprehensive income**

	for the period Jan 1 – Jun 30 2022 <i>unaudited</i>	for the period Jan 1 – Jun 30 2021 <i>unaudited</i>	for the period Apr 1 – Jun 30 2022 <i>unaudited</i>	for the period Apr 1 – Jun 30 2021 <i>unaudited</i>
<b>Tax on items that will not be reclassified to profit or loss (+/-)</b>	<b>1,510</b>	<b>867</b>	<b>1,510</b>	<b>867</b>
Actuarial gains from defined benefit plans	1,998	867	1,998	867
Other	(488)	-	(488)	-
<b>Tax on items that are or may be reclassified to profit or loss (+/-)</b>	<b>(1,927)</b>	<b>3,591</b>	<b>(405)</b>	<b>5,162</b>
Measurement of hedging instruments through hedge accounting	(1,927)	3,591	(405)	5,162
<b>Income tax expense disclosed in other comprehensive income</b>	<b>(417)</b>	<b>4,458</b>	<b>1,105</b>	<b>6,029</b>

**Note 7.4. Deferred tax assets and liabilities**

	Assets (-)		Liabilities (+)	
	Jun 30 2022 <i>unaudited</i>	Dec 31 2021 <i>audited</i>	Jun 30 2022 <i>unaudited</i>	Dec 31 2021 <i>audited</i>
Property, plant and equipment	(10,109)	(10,137)	61,997	52,779
Right-of-use assets	-	-	10,568	6,988
Investment property	-	-	703	766
Intangible assets	(96)	(90)	5,597	5,815
Financial assets	(796)	(308)	110	265
Inventories and property rights	(1,556)	(2,446)	41,536	38,584
Trade and other receivables	(1,247)	(1,236)	1,726	1,569
Trade and other payables	(45,039)	(43,365)	391	393
Employee benefits	(18,611)	(18,785)	-	-
Provisions	(10,981)	(9,170)	2,209	1,100
Borrowings	(8,553)	(5,074)	3,934	1,556
Lease liabilities	(10,622)	(6,891)	-	-
Other financial liabilities	-	(64)	-	-
Derivative financial instruments	(244)	(249)	-	-
Measurement of hedging instruments through hedge accounting	(11,138)	(9,211)	-	-
Other	(973)	(689)	24	25
<b>Deferred tax assets (-)/liabilities (+)</b>	<b>(119,965)</b>	<b>(107,715)</b>	<b>128,795</b>	<b>109,840</b>
<b>Offset</b>	<b>119,965</b>	<b>107,715</b>	<b>(119,965)</b>	<b>(107,715)</b>
<b>Deferred tax assets (-)/liabilities (+) recognised in the statement of financial position</b>	<b>-</b>	<b>-</b>	<b>8,830</b>	<b>2,125</b>

## 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 2022	667	484,935	957,304	2,105	56,914	243,097	1,745,022
<b>Increase, including:</b>	-	5,352	31,021	180	5,079	91,511	133,143
Purchase, production, commissioning	-	5,352	31,021	-	5,079	91,511	132,963
Reclassification from other items	-	-	-	180	-	-	180
<b>Decrease, including: (-)</b>	-	(12,434)	(41,802)	(169)	(3,665)	(41,452)	(99,522)
Depreciation	-	(11,394)	(41,750)	(168)	(3,663)	-	(56,975)
Disposal or retirement	-	-	-	(1)	-	-	(1)
Commissioning	-	-	-	-	-	(41,452)	(41,452)
Recognition of impairment loss	-	(332)	(52)	-	(2)	-	(386)
Reclassification to investment property	-	(708)	-	-	-	-	(708)
<b>Net carrying amount as at Jun 30 2022 (unaudited)</b>	<b>667</b>	<b>477,853</b>	<b>946,523</b>	<b>2,116</b>	<b>58,328</b>	<b>293,156</b>	<b>1,778,643</b>

	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 2021	572	484,094	998,570	594	47,270	111,595	1,642,695
<b>Increase, including:</b>	<b>95</b>	<b>27,423</b>	<b>48,737</b>	<b>1,700</b>	<b>15,797</b>	<b>225,352</b>	<b>319,104</b>
Purchase, production, commissioning	-	27,008	48,737	207	15,797	225,352	317,101
Reclassification from investment property	-	415	-	-	-	-	415
Reclassification from other items	95	-	-	1,493	-	-	1,588
<b>Decrease, including: (-)</b>	<b>-</b>	<b>(26,582)</b>	<b>(90,003)</b>	<b>(189)</b>	<b>(6,153)</b>	<b>(93,850)</b>	<b>(216,777)</b>
Depreciation	-	(25,667)	(87,721)	(188)	(6,107)	-	(119,683)
Disposal or retirement	-	-	(1,226)	(1)	-	-	(1,227)
Commissioning	-	-	-	-	-	(93,208)	(93,208)
Recognition of impairment loss	-	(915)	(1,056)	-	(46)	(642)	(2,659)
<b>Net carrying amount as at Dec 31 2021 (audited)</b>	<b>667</b>	<b>484,935</b>	<b>957,304</b>	<b>2,105</b>	<b>56,914</b>	<b>243,097</b>	<b>1,745,022</b>

## Note 9. Right-of-use assets

### Carrying amount

	as at Jun 30 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
Perpetual usufruct of land	21,684	21,844
Land	14	-
Buildings and structures	1,712	2,140
Plant and equipment	32	65
Vehicles	28,710	9,236
	<b>52,152</b>	<b>33,285</b>
Right-of-use assets under construction	6	-
	<b>52,158</b>	<b>33,285</b>

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 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
Patents and licences	28,575	28,574
Software	5,281	5,664
Development costs	157	174
Other intangible assets	1,752	1,886
	<b>35,765</b>	<b>36,298</b>
Intangible assets under development	9,941	11,571
	<b>45,706</b>	<b>47,869</b>

## 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 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
Shares in subsidiaries	5,711,609	5,699,604
Shares in other entities	8,000	10,569
	<b>5,719,609</b>	<b>5,710,173</b>
including		
Long-term	5,719,609	5,710,173
	<b>5,719,609</b>	<b>5,710,173</b>

For information on shares held, see Note 13 to the financial statements of Grupa Azoty Spółka Akcyjna for the 12 months ended December 31st 2021.

The increase in the value of shares in subsidiaries is mainly attributable to the formation of Grupa Azoty Energia Sp. z o.o., a new subsidiary in which the Company subscribed for 100% of the shares by paying up PLN 12m for the subsidiary's share capital and statutory reserve funds.

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 2022, no need to recognise or reverse impairment of shares held was identified.

#### Note 11.2. Other financial assets

	as at Jun 30 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
Loans	1,160,619	1,225,113
Other	76,761	52,067
	<b>1,237,380</b>	<b>1,277,180</b>
including		
Long-term	1,045,951	1,090,218
Short-term	191,429	186,962
	<b>1,237,380</b>	<b>1,277,180</b>

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 74,714 thousand. For a detailed description of the option, Note 22.

#### Note 12. Property rights

	as at Jun 30 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
CO <sub>2</sub> emission allowances	223,901	202,553
Energy certificates	1,244	522
<b>Total property rights</b>	<b>225,145</b>	<b>203,075</b>

#### Note 12.1. CO<sub>2</sub> emission allowances

CO<sub>2</sub> emission allowances held (number of units)

	as at Jun 30 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
<b>Balance at beginning of period (units held)</b>	<b>759,207</b>	<b>665,205</b>
Allocated	510,685	511,921
Purchased	369,668	497,985
Redeemed	(875,183)	(915,904)
<b>Balance at end of period (units held)</b>	<b>764,377</b>	<b>759,207</b>
Emissions in the reporting period	442,632	871,291

During the reporting period, 510,685 CO<sub>2</sub> emission allowances were issued free of charge to EU ETS installation accounts, of which at least 17,022 are to be returned. The excess emission allowances will be returned once the European Commission has approved the adjusted final annual quantity of emission allowances allocated to the installations for 2022.



### Note 13. Trade and other receivables

	as at Jun 30 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
Trade receivables - related parties	348,767	261,440
Trade receivables - other entities	150,099	76,831
Receivables from state budget, except for income tax	58,863	104,979
Prepayments for deliveries of property, plant and equipment - related parties	6,575	22,333
Prepayments for deliveries of property, plant and equipment - other entities	2,338	3,066
Prepayments for deliveries of materials, goods and services	11,364	968
Accrued expenses	12,115	2,613
Other receivables	275,542	2,163
Receivables under the Act on Compensation Scheme for Energy-Intensive Sectors and Subsectors	8,214	8,064
	<b>873,877</b>	<b>482,457</b>
including		
Long-term	8,913	25,399
Short-term	864,964	457,058
	<b>873,877</b>	<b>482,457</b>

Other receivables from related parties include dividend receivable of PLN 273,501 thousand.

### Note 14. Cash

	as at Jun 30 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
Cash in hand	180	31
Bank balances in PLN	8,417	8,114
Bank balances in foreign currencies (translated to PLN)	100,247	35,315
Bank deposits – up to 3 months	31,123	1,675,266
Cash and cash equivalents under cash pooling	429,814	97,690
	<b>569,781</b>	<b>1,816,416</b>
Cash and cash equivalents in the statement of financial position	<b>569,781</b>	<b>1,816,416</b>
Cash and cash equivalents in the statement of cash flows	<b>569,781</b>	<b>1,816,416</b>

As at June 30th 2022 and December 31st 2021, the Company held no restricted cash.

As at June 30th 2022, the amount of funds in the VAT account (split payment) was PLN 59 thousand (December 31st 2021: PLN 647 thousand).

### Note 15. Borrowings

	as at Jun 30 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
Bank borrowings	3,118,665	3,357,864
Loans	1,202,640	1,749,843
	<b>4,321,305</b>	<b>5,107,707</b>
including		
Long-term	2,560,183	2,810,252
Short-term	1,761,122	2,297,455
	<b>4,321,305</b>	<b>5,107,707</b>

Credit agreements of Grupa Azoty S.A. and maturities of the facilities as at June 30th 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	-	288	288	-	-	-
Syndicated Credit Facility	EUR	Variable	83,181	384,999	-	-	384,999	-
Syndicated Term Loan Facility	PLN	Variable	-	1,365,537	285,602	277,217	802,718	-
Overdraft facility with PKO BP	PLN	Variable	-	380	380	-	-	-
Term loan facility with EIB	EUR	Fixed	54,486	254,948	84,967	84,982	84,999	-
Term loan facility with EBRD	PLN	Variable	-	69,322	23,198	23,056	23,068	-
Term loan facility II with EIB	EUR	Fixed	128,961	603,367	91,797	90,433	271,370	149,767
Term loan facility II with EBRD	PLN	Variable	-	439,824	73,683	66,493	199,686	99,962
Liabilities under cash pooling arrangements	PLN	Variable	-	577,791	577,791	-	-	-
Liabilities under cash pooling arrangements	EUR	Variable	123,557	578,324	578,324	-	-	-
Liabilities under cash pooling arrangements	USD	Variable	10,379	46,525	46,525	-	-	-
				<b>4,321,305</b>	<b>1,762,555</b>	<b>542,181</b>	<b>1,766,840</b>	<b>249,729</b>

Credit agreements of Grupa Azoty S.A. and maturities of the facilities as at December 31st 2021

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	-	238	238	-	-	-
Syndicated Credit Facility	EUR	Variable	83,178	377,509	-	-	377,509	-
Syndicated Term Loan Facility	PLN	Variable	-	1,499,148	280,771	276,994	941,383	-
Overdraft facility with PKO BP	PLN	Variable	-	2,600	2,600	-	-	-
Term loan facility with EIB	EUR	Fixed	63,567	292,264	83,484	83,500	125,280	-
Term loan facility with EBRD	PLN	Variable	-	80,779	23,132	23,050	34,597	-
Term loan facility II with EIB	EUR	Fixed	138,656	637,447	88,882	87,411	269,534	191,620
Term loan facility II with EBRD	PLN	Variable	-	467,880	68,506	66,476	199,634	133,264
Liabilities under cash pooling arrangements	PLN	Variable	-	1,336,550	1,336,550	-	-	-
Liabilities under cash pooling arrangements	EUR	Variable	87,980	404,654	404,654	-	-	-
Liabilities under cash pooling arrangements	USD	Variable	2,128	8,638	8,638	-	-	-
				<b>5,107,707</b>	<b>2,297,455</b>	<b>537,431</b>	<b>1,947,937</b>	<b>324,884</b>

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 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
Reverse factoring liabilities	23,403	405,866
Valuation of PUT options on shares in Grupa Azoty POLYOLEFINS	12,481	16,354
Liabilities of the Polish National Foundation	12,514	16,980
	<b>48,398</b>	<b>439,200</b>
including		
Long-term	21,495	29,834
Short-term	26,903	409,366
	<b>48,398</b>	<b>439,200</b>

#### Note 17. Employee benefit obligations

	as at Jun 30 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
Pension benefit obligations	29,032	37,238
Jubilee benefit obligations	16,737	17,797
Pensioner Social Fund benefit obligations	1,945	3,124
Other	2,224	2,705
	<b>49,938</b>	<b>60,864</b>
including		
Long-term	44,529	55,839
Short-term	5,409	5,025
	<b>49,938</b>	<b>60,864</b>

#### Changes in defined employee benefit obligations

	for the period Jan 1 – Jun 30 2022 <i>unaudited</i>	for the period Jan 1 – Dec 31 2021 <i>audited</i>
At beginning of period	43,067	52,888
Current service cost (+)	917	2,513
Interest expense (+)	741	634
Remeasurement of net defined benefit obligation/asset, resulting from:		
- changes in demographic estimates (+/-)	(10,518)	(11,169)
- changes in financial assumptions (+/-)	(10,288)	(10,506)
Benefits paid (-)	(1,006)	(1,799)
At end of period	<b>33,201</b>	<b>43,067</b>

#### Changes in other long-term employee benefit obligations

	for the period Jan 1 – Jun 30 2022 <i>unaudited</i>	for the period Jan 1 – Dec 31 2021 <i>audited</i>
At beginning of period	17,797	22,129
Current service cost (+)	331	878
Interest expense (+)	312	263
Actuarial gains and losses recognised in profit or loss for the period (+/-)	(1,193)	(3,138)
Benefits paid (-)	(510)	(2,335)
At end of period	<b>16,737</b>	<b>17,797</b>

#### Note 18. Trade and other payables

	as at Jun 30 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
Trade payables - related parties	125,612	94,919
Trade payables - other entities	242,218	341,788
Liabilities to state budget, except for income tax	22,725	22,000
Salaries and wages payable	9,785	8,871
Liabilities under purchases of property, plant and equipment, intangible assets, investment properties - related parties	10,866	18,768
Liabilities under purchases of property, plant and equipment, intangible assets, investment properties - other entities	11,073	18,000
Prepayments for deliveries - other entities	5,694	7,058
Other liabilities - related parties	55	55
Other liabilities - other entities	16,952	7,910
Accrued expenses	169,947	253,194
Liabilities under bonuses	7,029	6,241
Deferred income	245	346
<b>Total current liabilities</b>	<b>622,201</b>	<b>779,150</b>

#### Note 19. Provisions

	as at Jun 30 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
Provision for litigation	9,932	9,076
Provision for environmental liabilities	40,906	35,960
Other	7,159	3,786
	<b>57,997</b>	<b>48,822</b>
including		
Long-term	32,986	18,224
Short-term	25,011	30,598
	<b>57,997</b>	<b>48,822</b>

#### Note 20. Government grants

	as at Jun 30 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
Government grants	52,458	52,187
Other	100,754	37
	<b>153,212</b>	<b>52,224</b>
including		
Long-term	49,969	49,699
Short-term	103,243	2,525
	<b>153,212</b>	<b>52,224</b>

As at June 30th 2022, grants increased following the recognition by the Company of the outstanding grant of CO<sub>2</sub> emission allowances of PLN 100,721 thousand.

## Note 21. Other information

### Dividend

On June 29th 2022, the Annual General Meeting passed a resolution to allocate the entire amount of the Company's net profit for the financial year 2021, of PLN 191,789,688.13, to the Company's statutory reserve funds.

### Lease liabilities

In the six months ended June 30th 2022 the Company did not enter into any material lease contracts.

### Receipt of contract amendment request from the contractor executing the project "Construction of coal-fired power generation unit" by Grupa Azoty PUŁAWY

On April 22nd 2022, Grupa Azoty PUŁAWY received from Polimex Mostostal S.A., the general contractor under the EPC contract for the 'Construction of coal-fired power generation unit', a request to increase the contract price by a total amount of PLN 188.7m (VAT exclusive).

In the opinion of the contractor, the request is justified by the occurrence of force majeure events, including the COVID-19 epidemic and Russia's invasion of Ukraine. In the opinion of the contractor, these force majeure events have caused an extraordinary increase in project costs which could not have been foreseen (the increase having been caused by higher prices of materials and services and an increase in the PLN/EUR exchange rate).

The proposed amendments are being thoroughly reviewed and assessed for validity under the contract, as well as in the light of relevant facts.

## Note 22. Financial instruments

### Categories of financial instruments

#### Financial assets

	as at Jun 30 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
At fair value through profit or loss	74,714	50,865
At amortised cost	2,383,256	3,324,464
At fair value through other comprehensive income	116,817	64,910
	<b>2,574,787</b>	<b>3,440,239</b>
<b>Recognised in the statement of financial position as:</b>		
Shares	7,999	10,568
Trade and other receivables	759,627	336,075
Cash and cash equivalents	569,781	1,816,416
Other financial assets	1,237,380	1,277,180
	<b>2,574,787</b>	<b>3,440,239</b>

#### Financial liabilities

	as at Jun 30 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
Financial liabilities at fair value through profit or loss	13,763	17,664
At amortised cost	4,831,450	6,065,100
	<b>4,845,213</b>	<b>6,082,764</b>
<b>Recognised in the statement of financial position as:</b>		
Long-term borrowings	2,560,183	2,810,252
Short-term borrowings	1,761,122	2,297,455
Non-current lease liabilities	42,996	30,522
Current lease liabilities	14,287	7,580
Derivative financial instruments	1,282	1,310
Other non-current financial liabilities	21,495	29,834
Other current financial liabilities	26,903	409,366
Trade and other payables	416,945	496,445
	<b>4,845,213</b>	<b>6,082,764</b>

## 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 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
At fair value through profit or loss	74,714	50,865
At amortised cost	2,383,256	3,324,464
At fair value through other comprehensive income	108,818	54,342
	<b>2,566,788</b>	<b>3,429,671</b>

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 2022 <i>unaudited</i>	Percentage of expected impairment as at Dec 31 2021 <i>audited</i>
Not past due	0.07%	0.00%
Past due up to 90 days	0.09%	0.28%
Past due 91-180 days	7.14%	16.67%
Past due 181-360 days	100.00%	100.00%
Past due more than 360 days	99.97%	99.93%

## Fair value of financial instruments

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

- cash and cash equivalents, short-term bank deposits and short-term bank borrowings, factoring and reverse factoring transactions, and sale and discount of receivables - the carrying amount of the instruments approximates their fair value due to their short maturities,
- trade receivables, other receivables and trade payables - the carrying amount of the instruments approximates their fair value due to their short-term nature,
- long-term variable rate borrowings - the carrying amount of the instruments approximates their fair value due to their variable nature and market interest rates,
- long-term fixed rate borrowings - the carrying amount of the instruments amounts to PLN 856,938 thousand, and their fair value is about PLN 806,853 thousand (Level 2 in the hierarchy),
- 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 2022:

Hierarchy level	Level 2	Level 3
Financial assets at fair value, including:	-	191,531
at fair value through profit or loss - derivative financial instruments	-	74,714
measured at fair value through other comprehensive income, including:	-	116,817
<i>shares</i>	-	7,999
<i>trade receivables</i>	-	108,818
Financial liabilities at fair value, including:	1,282	12,481
at fair value through profit or loss - derivative financial instruments	1,282	12,481

The table below presents financial instruments of the Company, carried at fair value, by levels in the fair value hierarchy, as at December 31st 2021:

Hierarchy level	Level 2	Level 3
Financial assets at fair value, including:	-	115,775
at fair value through profit or loss - derivative financial instruments	-	50,865
measured at fair value through other comprehensive income, including:	-	64,910
<i>shares</i>	-	10,568
<i>trade receivables</i>	-	54,342
Financial liabilities at fair value, including:	1,310	16,354
at fair value through profit or loss - derivative financial instruments	1,310	16,354

In the first half of 2022 and in 2021, 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 2022, the notional amount of open currency derivatives (forwards) was EUR 13m, with maturity dates falling in 2022 and 2023. As at December 31st 2021, the notional amount of open currency derivatives (forwards) was EUR 13m.

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. ("Grupa LOTOS"), Hyundai Engineering Co. Ltd ("Hyundai") and Korea Overseas Infrastructure & Urban Development Corporation ("KIND") (where Grupa LOTOS, 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 shareholders' agreement ("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 LOTOS - 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 2022 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)	158,966	74,714	84,252
Put option (financial liability)	26,556	12,481	14,075

In the financial statements, the Company recognised financial assets on account of a derivative instrument (call option), of PLN 74,714 thousand, and financial liabilities on account of a derivative instrument (put option) of PLN 12,481 thousand. The effect on profit or loss was PLN 27,722 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 Grupa LOTOS 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 Grupa LOTOS, 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, given the current status of the Polimery Police project, i.e., the overall stage of completion of the work, is 94.25% as at June 30th 2022 (96.33% as at August 31st 2022), there are no indications of any material risks to the expected rate of return relative to the baseline scenario, a number of micro- and macroeconomic factors affecting the delivery and profitability of the Polimery Police project, as well as a distant date for the exercise of rights or discharge of obligations under the said rate-of-return stabilisation mechanism, which makes the estimation of final settlement highly uncertain, Group Azoty S.A. decided not to recognise a financial asset on that account. This decision will be reviewed and revised in subsequent periods, in keeping with the progress of the Polimery Police project.

### 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 2022 to March 2029. The hedging covers currency risk. The hedge are two euro-denominated credit facilities of:

- 1) EUR 54,486 thousand as at June 30th 2022 (December 31st 2021: EUR 63,567 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 128,667 thousand as at June 30th 2022 (December 31st 2021: EUR 138,334 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 2022, the carrying amount of both these credit facilities was PLN 856,938 thousand (December 31st 2021: PLN 928,228 thousand). In the six months ended June 30th 2022, the hedging reserve included PLN (58,622) thousand (2021: PLN (48,479) thousand) on account of the effective hedge. In the six months ended June 30th 2022, the Company reclassified PLN 7,752 thousand (2021: PLN 5,658 thousand) from other comprehensive income to the statement of profit or loss in connection with the settlement of a hedging relationship with respect to payment of foreign currency loan instalments against proceeds from sales in the euro.

### 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 2022 <i>unaudited</i>	as at Dec 31 2021 <i>audited</i>
Sureties	8,425	8,339

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 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	-	-
	<b>872,773</b>	<b>629,665</b>	<b>540,939</b>	<b>137,353</b>

In the six months ended June 30th 2021 and as at that date (*unaudited*)

	Revenue	Receivables	Purchases	Liabilities
Related parties of Grupa Azoty S.A.	523,300	342,130	233,593	60,473
Related parties of Grupa Azoty POLICE	154	72	14	-
Related parties of Grupa Azoty PUŁAWY	7,195	520	2,183	549
Related entities of Grupa Azoty PKCh	2,075	2,727	40,947	21,743
Related parties of COMPO EXPERT Group	56	158	-	-
	<b>532,780</b>	<b>345,607</b>	<b>276,737</b>	<b>82,765</b>

**Other transactions**

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
	<b>1,536</b>	<b>1,386</b>	<b>317,706</b>	<b>16,671</b>

In the six months ended June 30th 2021 (unaudited)

	Other income	Other expenses	Finance income	Finance costs
Related parties of Grupa Azoty S.A.	1,227	96	107,668	4,255
Related parties of Grupa Azoty POLICE	7	-	12,609	71
Related parties of Grupa Azoty PUŁAWY	-	-	175	105
Related entities of Grupa Azoty PKCh	902	2,471	-	118
	<b>2,136</b>	<b>2,567</b>	<b>120,452</b>	<b>4,549</b>

#### Trade transactions with jointly-controlled entities

##### Trade transactions

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.

In the six months ended June 30th 2021, the amount of purchase transactions with an entity jointly controlled through Grupa Azoty PUŁAWY was PLN 1,482 thousand, while payables to the entity amounted to PLN 173 thousand.

##### Loans to related parties

In the six months ended June 30th 2022, the Company did not grant any loans to related parties. The Company capitalised interest and commission fees on a loan granted to Grupa Azoty POLYOLEFINS. As at June 30th 2022, capitalised interest was PLN 55,235 thousand (December 31st 2021: PLN 34,628 thousand), and capitalised fees as at June 30th 2022 were PLN 5,626 thousand (December 31st 2021: PLN 5,626 thousand).

##### Borrowings from related parties

None.

##### Cash pooling

As at June 30th 2022, the Company presented cash provided to other Grupa Azoty Group companies participating in the cash pooling mechanism as cash equivalents of PLN 429,814 thousand (December 31st 2021: PLN 97,690 thousand), whereas cash received by the Company from other Group companies is presented as short-term borrowings of PLN 1,202,640 thousand as at June 30th 2022 (December 31st 2021: PLN 1,749,843 thousand).

##### Terms of related-party transactions

In the six months ended June 30th 2022 and in 2021, 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 2022 (unaudited)	for the period Jan 1 - Jun 30 2021 (unaudited)
Short-term benefits	7,165	4,991
Termination benefits	-	360
	<b>7,165</b>	<b>5,351</b>

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

	for the period Jan 1 - Jun 30 2022 (unaudited)	for the period Jan 1 - Jun 30 2021 (unaudited)
Short-term benefits	1,520	987

#### Note 25. Investment commitments

In the period ended June 30th 2022, 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:

- upgrade of heating water mains - as at June 30th 2022, commitments under executed contracts amounted to PLN 9,896 thousand (December 31st 2021: PLN 19,596 thousand),
- upgrade of fertilizer logistics - as at June 30th 2022, commitments under executed contracts amounted to PLN 8,987 thousand (December 31st 2021: none),
- construction of a concentrated nitric acid plant - as at June 30th 2022, commitments under executed contracts amounted to PLN 5,974 thousand (December 31st 2021: PLN 18,234 thousand),
- upgrade of in-house power generation: peak-load/reserve boiler - as at June 30th 2022, the total amount of commitments under executed contracts was PLN 1,761 thousand (December 31st 2021: PLN 17,091 thousand),
- retrofit of blower - as at June 30th 2022, the total amount of commitments under executed contracts was PLN 2,909 thousand (December 31st 2021: PLN 3,722 thousand),
- bringing the oleum storage facilities into compliance with the applicable regulations - as at June 30th 2022, the total amount of commitments under executed contracts was PLN 1,821 thousand (December 31st 2021: PLN 2,933 thousand).

As at June 30th 2022, the total amount of investment commitments under the contracts was PLN 46,573 thousand (December 31st 2021: PLN 73,368 thousand).

## Note 26. Events after the reporting date

### Extension of Individual Contracts with PGNiG S.A.

On July 7th 2022, the Company and its subsidiaries: Grupa Azoty PUŁAWY, Grupa Azoty POLICE, Grupa Azoty KĘDZIERZYN and Grupa Azoty SIARKOPOL (collectively the “Grupa Azoty Group Customers”) executed an annex to the Gas Sale Framework Agreement of April 13th 2016 and annexes to Individual Contracts.

As a result of the execution of the annexes to the Individual Contracts, PGNiG will remain the strategic supplier of gas fuel for the Grupa Azoty Group Customers until September 30th 2023.

The total value of the annexes executed with the Azoty Group Customers for the term of extension of the Individual Contracts is estimated at PLN 13.4bn. The pricing formula applied in the Individual Contracts is based on gas market price indices.

### Execution of an agreement to negotiate potential acquisition of shares in a company developing a PV farm project

On July 20th 2022 the Company entered into an agreement with VSB Holding GmbH of Dresden, Germany, Janusz Franciszek Siemieniec (collectively the “Sellers”) and Solarfarm Brzezinka Sp. z o.o. of Wrocław (“Solarfarm”) (the Company, the Sellers and Solarfarm are collectively referred to as the “Parties”) to conduct negotiations, on an exclusive basis, regarding the potential acquisition of 100% of shares in the share capital of Solarfarm Brzezinka sp. z o.o. (the “Agreement”).

The Parties expressed their interest in collaborating on a project to build the Brzezinka solar PV power plant with a capacity of approximately 270 MWp that is being developed by Solarfarm, comprising preparatory, construction and installation work, grid connection, commissioning and potential operation of the power plant (the “PV Project”). Once the Parties have agreed on the target business model and technical and economic parameters and once the conditions precedent agreed upon during negotiations have been met, the PV Project may be acquired by the Company or its subsidiary Grupa Azoty Energia Sp. z o.o. through the acquisition of 100% of the shares in Solarfarm, unless the Parties agree on a different transaction model.

The Agreement sets out the terms and conditions of the negotiations to be conducted by the Parties on an exclusive basis with a view to closing the transaction and defining the terms of the collaboration, as well as the key parameters necessary for closing the transaction and enabling the collaboration, including the financial model and technical and economic parameters of the PV Project, the purchase price of Solarfarm shares, the price payment terms and price adjustment methods, if applicable.

If the transaction is closed, it will significantly contribute to achieving the goals outlined in the part of the Grupa Azoty Strategy 2021-2030 where it provides for the acquisition of own renewable energy sources.

### Melamine production cut and temporary shutdown of some units

In view of the prevailing market conditions, i.e., growing prices of natural gas and achievable product selling prices which were not sufficient to cover costs to the required extent, the Company and the subsidiaries Grupa Azoty PUŁAWY and Grupa Azoty KĘDZIERZYN decided to temporarily reduce or suspend production on selected process lines.

On July 8th 2022, the Management Board of Grupa Azoty PUŁAWY decided to reduce melamine production, and on August 10th 2022, given the record-high prices of natural gas and declining demand for melamine - to suspend the production of melamine completely until further notice. Obligations to supply melamine under trade contracts, being largely of a short-term nature, will be performed in reliance on the accumulated stocks.

On August 22nd 2022, the Company’s Management Board decided to temporarily shut down the units producing nitrogen fertilizers, caprolactam and polyamide 6. The Company continues to produce catalysts, polyamide casings, humic acids, thermoplastic starch and concentrated nitric acid.

During the announced temporary shutdown of production units, investment and repair work is being carried out, including the scheduled overhaul of the Polyamide unit.

On August 22nd 2022, the subsidiary Grupa Azoty PUŁAWY introduced temporary production cuts. The subsidiary reduced its ammonia output to about 10% of capacity. Production activities in the Plastics and Agro Segments has also been halted, with the exception of production of ammonium sulfate from the FGD Plant, NOx<sup>®</sup>, Likam and PULNOX<sup>®</sup>.

During the temporary shutdown of the subsidiary’s production units, investment and repair work is being carried out.

On August 23rd 2022, the Management Board of the subsidiary Grupa Azoty KĘDZIERZYN decided to reduce, as of August 24th 2022, the operation of production units to a minimum, i.e., to 43% in the case of the Fertilizers Unit.

The decisions are due to the extraordinary and unprecedented increase in natural gas prices.

The current situation in the gas market, which determines the profitability of production activities, is extraordinary and completely beyond the control of the Grupa Azoty Group, and could not have been predicted.

The purpose of the production cuts on certain process lines is to optimise the Group’s financial performance. To that end, intensive efforts are being made to sell the existing inventories at prices sufficient to cover production costs and to reduce expenses. In addition, the Group’s performance is being affected by sales of products which continue to be manufactured. Also some maintenance tasks were accelerated relative to original plans, which will increase the availability of the plant’s capacities in future periods.

The Group companies keep monitoring the level of natural gas prices and conditions prevailing on the buyer market. Given the seasonal nature of the fertilizer market, the production scaledown is not having a material impact on the security of supply for the time being. If the market environment improves to an extent ensuring economically feasible production, the units will be re-started.

On September 20th 2022, the Polish Council of Ministers adopted a draft law on the rules of implementation of business support programmes in view of the situation on the energy market in 2022-2024. Mechanisms proposed to be implemented are intended to partially compensate for the impact of high energy costs on the business and financial performance of enterprises, particularly energy-intensive ones. As at the date of issue of these financial statements, the legislative work was in progress and therefore it was not possible to determine the potential effect of the proposed regulations on the business and financial performance of the Company and its subsidiaries. As at the date of issue of these financial statements, the legislative work was in progress and therefore it was not possible to determine the potential effect of the proposed regulations on the business and financial performance of the Company.

#### **Approaching the State Treasury with a proposal regarding acquisition and integration of ZEW Niedzica S.A. into the Grupa Azoty Group**

On September 12th 2022, having completed a due diligence and valuation of the business of Zespół Elektrowni Wodnych Niedzica S.A. ("ZEW Niedzica") and considering the Grupa Azoty Group's Strategy for 2021-2030 envisaging, among other things, the Group's transition towards renewable energy sources, the Management Board of the Company decided to request the Polish State Treasury, as the sole shareholder in ZEW Niedzica, to initiate a process leading to its potential acquisition and merger into the Grupa Azoty Group.

The principal business of ZEW Niedzica is the generation of renewable energy from hydropower assets - the pumped-storage hydroelectric power station in Niedzica, and the hydroelectric power plants in Sromowce Wyżne on the Dunajec River, and in Łączany and Smolice on the Vistula River. Their annual electricity output is approximately 100 GWh.

Further steps in the potential transaction and its optimal structure will be subject to specific arrangements with the State Treasury.

#### **Execution of coal purchase contract**

On September 19th 2022, following a tender procedure, the Company entered into a framework contract for the purchase of coal with the successful bidder Polska Grupa Importowa Premium Sp. z o.o.

The contract provides for the supply of imported thermal coal. Coal deliveries to be made under the contract will be complementary to other sources of coal used by the Company for energy generation purposes.

The contract has been concluded for an indefinite period and contains general terms and conditions of cooperation related to the supply and offtake of coal. The total value of coal to be delivered in 2022 is estimated at approximately PLN 110m, VAT-exclusive.

Framework contracts for the purchase of coal with Polska Grupa Importowa Premium Sp. z o.o. were also executed by the subsidiaries: Grupa Azoty PUŁAWY, Grupa Azoty POLICE and Grupa Azoty KĘDZIERZYN. Coal deliveries to be made under the respective contracts will be complementary to deliveries received by the subsidiaries from their strategic suppliers. The contracts also permit the customers to redirect contracted coal supplies between themselves.

The total value of deliveries to be made by the seller to the subsidiaries in 2022 is estimated at approximately PLN 160m (exclusive of VAT).

The Company may order further deliveries under the contract in the future.

#### **Annex 8 to the multi-purpose credit facility (MPCF) agreement with PKO BP S.A.**

On September 26th 2022, the Company and its subsidiaries signed an annex to the PLN 240m multi-purpose credit facility agreement with PKO BP S.A. Under the annex:

- the term of the MPCF agreement, originally expiring on September 30th 2022, was extended until September 30th 2025, with the option to extend it for subsequent 12-month periods,
- the credit limit under the MPCF agreement was increased to PLN 1bn,
- an overdraft facility was made available within the facility limit to the Company,
- a revolving working capital facility, bank guarantees and bank letters of credit were made available within the facility limit to the Company and the Group companies being parties to the MPCF agreement;
- the following companies: Grupa Azoty PUŁAWY, Grupa Azoty KĘDZIERZYN and Grupa Azoty POLICE were released from their obligations under a surety agreement for the MPCF agreement of June 29th 2018.

As at the annex date, the following limits and sub-limits were set within the facility limit with effect from September 30th 2022:

- limit of the overdraft facility for the Company: up to PLN 300m;
- sub-limits of the revolving facility, bank guarantees and bank letters of credit: up to PLN 575m for the Company, up to PLN 62m for Grupa Azoty POLICE, up to PLN 1m for Grupa Azoty PUŁAWY, up to PLN 30m for Grupa Azoty KĘDZIERZYN, and up to a total of PLN 32m for the other Group companies being borrowers under the MPCF agreement.

The annex to the MPCF agreement is part of a long-term financing package designed to finance general corporate needs and to ensure security of financing for the Group companies through the umbrella nature of limit allocation and actual intra-Group redistribution.

The MPCF agreement as amended by the annex supersedes and consolidates the existing overdraft facility agreements for up to PLN 310m and up to EUR 75m (or its equivalent in USD), both executed with PKO BP, expiring on September 30th 2022.

For detailed information on the annex to the multi-purpose credit facility agreement, refer to Current Report No. 30/2022 of September 26th 2022.

**Physical cash pooling (PCP) agreement with PKO BP S.A.**

On September 26th 2022, the Company and the Group companies executed a new PLN, EUR and USD physical cash pooling agreement with PKO BP S.A. with a term running until September 30th 2025.

The CPR agreement supersedes and consolidates the existing PLN physical cash pooling agreement and the PLN, EUR and USD physical cash pooling agreement, both executed with PKO BP S.A., expiring on September 30th 2022.

For detailed information on the physical cash pooling agreement, refer to Current Report No. 30/2022 of September 26th 2022.



**Signatures of members of the Management Board**

*Signed with qualified electronic signature*

.....

Tomasz Hinc  
*President of the Management Board*

*Signed with qualified electronic signature*

.....

Mariusz Grab  
*Vice President of the Management Board*

*Signed with qualified electronic signature*

.....

Filip Grzegorzczuk, PhD  
*Vice President of the Management Board*

*Signed with qualified electronic signature*

.....

Tomasz Hryniewicz  
*Vice President of the Management Board*

*Signed with qualified electronic signature*

.....

Grzegorz Kądziaławski, PhD  
*Vice President of the Management Board*

*Signed with qualified electronic signature*

.....

Marek Wadowski  
*Vice President of the Management Board*

*Signed with qualified electronic signature*

.....

Zbigniew Paprocki  
*Member of the Management Board Director General*

**Person responsible for maintaining accounting records**

*Signed with qualified electronic signature*

.....

Piotr Kołodziej  
*Head of the Corporate Finance Department*

Tarnów, September 28th 2022