



Interim condensed consolidated financial statements for
the six months ended
June 30th 2020, prepared in accordance with IAS 34
Interim Financial Reporting,
as endorsed by the European Union

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Interim condensed consolidated statement of profit or loss and other comprehensive income

	Note	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019	for the period Apr 1 – Jun 30 2020	for the period Apr 1– Jun 30 2019
Profit/loss		<i>unaudited</i>	<i>unaudited restated*</i>	<i>Unaudited</i>	<i>unaudited restated*</i>
Revenue	1	5,372,618	6,102,509	2,268,898	2,737,625
Cost of sales	2	(4,193,867)	(4,714,806)	(1,782,592)	(2,179,583)
Gross profit		1,178,751	1,387,703	486,306	558,042
Selling expenses	2	(480,124)	(457,543)	(225,194)	(221,788)
Administrative expenses	2	(406,984)	(426,902)	(208,314)	(224,088)
Other income	3	108,302	28,657	87,994	14,353
Other expenses	4	(27,578)	(61,328)	(16,509)	(45,373)
Operating profit/(loss)		372,367	470,587	124,283	81,146
Finance income	5	9,532	13,301	(7,695)	7,453
Finance costs	6	(71,974)	(43,741)	(20,965)	(25,967)
Net finance costs		(62,442)	(30,440)	(28,660)	(18,514)
Share of profit of equity-accounted investees		7,080	6,127	3,613	3,233
Profit before tax		317,005	446,274	99,236	65,865
Income tax	7.1	(94,900)	(103,890)	(42,185)	(31,249)
Net profit/(loss)		222,105	342,384	57,051	34,616
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Actuarial losses from defined benefit plans		(16,479)	(12,988)	(16,484)	(12,988)
Tax on items that will not be reclassified to profit or loss	7.2	3,155	2,468	3,156	2,468
		(13,324)	(10,520)	(13,328)	(10,520)

*as described in Section 1.3.2.

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

Interim condensed consolidated statement of profit or loss and other comprehensive income (continued)

	Note	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019	for the period Apr 1 – Jun 30 2020	for the period Apr 1– Jun 30 2019
		<i>unaudited</i>	<i>unaudited restated*</i>	<i>unaudited</i>	<i>unaudited restated*</i>
Items that are or may be reclassified to profit or loss					
Cash flow hedging - effective portion of fair value changes		(40,156)	8,067	18,572	8,286
Exchange differences on translating foreign operations		31,257	(10,939)	(23,549)	(11,775)
Income tax relating to items that are or will be reclassified to profit or loss	7.2	7,630	(1,533)	(3,529)	(1,575)
		(1,269)	(4,405)	(8,506)	(5,064)
Total other comprehensive income		(14,593)	(14,925)	(21,834)	(15,584)
Comprehensive income for the year		207,512	327,459	35,217	19,032
Net profit attributable to:					
Owners of the parent		195,224	312,325	44,115	32,046
Non-controlling interests		26,881	30,059	12,936	2,570
Comprehensive income for the year attributable to:					
Owners of the parent		182,431	298,143	24,054	17,207
Non-controlling interests		25,081	29,316	11,163	1,825
Earnings per share:					
	8				
Basic (PLN)		1.97	3.15	0.44	0.32
Diluted (PLN)		1.97	3.15	0.44	0.32

*as described in Section 1.3.2.

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Interim condensed consolidated statement of financial position

	Note	as at Jun 30 2020 <i>unaudited</i>	as at Dec 31 2019 <i>audited</i>
Assets			
Non-current assets			
Property, plant and equipment	9	8,771,262	8,142,751
Right-of-use assets	10	836,362	852,075
Investment property		51,824	62,014
Intangible assets	11	1,003,243	985,071
Goodwill		322,035	308,589
Shares		9,198	9,198
Equity-accounted investees		83,568	88,909
Other financial assets		2,797	2,406
Other receivables	16	641,051	156,867
Deferred tax assets		91,979	97,074
Other non-current assets		509	483
Total non-current assets		11,813,828	10,705,437
Current assets			
Inventories	16	1,551,827	1,669,809
Property rights		500,820	474,133
Derivative financial instruments		29,792	5,918
Other financial assets		50,696	174,724
Current tax assets		25,218	26,973
Trade and other receivables	16	1,535,367	1,615,486
Cash and cash equivalents	12	906,759	770,087
Other non-current assets		15,291	15,456
Assets held for sale		19,514	20,668
Total current assets		4,635,284	4,773,254
Total assets		16,449,112	15,478,691

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

Interim condensed consolidated statement of financial position (continued)

	Note	as at Jun 30 2020	as at Dec 31 2019
		<i>unaudited</i>	<i>audited</i>
Equity and liabilities			
Equity			
Share capital		495,977	495,977
Share premium		2,418,270	2,418,270
Hedging reserve		(26,654)	5,872
Exchange differences on translating foreign operations		23,030	(8,252)
Retained earnings, including:		4,300,711	4,124,507
<i>Net profit for the year</i>		<i>195,224</i>	<i>372,856</i>
Equity attributable to owners of the parent		7,211,334	7,036,374
Non-controlling interests		891,223	657,573
Total equity		8,102,557	7,693,947
Liabilities			
Borrowings	13	2,978,677	2,546,003
Lease liabilities		354,237	367,482
Other financial liabilities	16	15,830	18,357
Employee benefit obligations	14	503,745	469,351
Trade and other payables	16	28,386	27,252
Provisions	15	214,569	204,850
Government grants received	16	196,491	193,963
Deferred tax liabilities		510,021	461,124
Total non-current liabilities		4,801,956	4,288,382
Borrowings	13	345,191	205,908
Lease liabilities		56,875	59,530
Derivative financial instruments		4,180	15
Other financial liabilities	16	442,751	554,305
Employee benefit obligations	14	57,470	53,270
Current tax liabilities		51,543	44,672
Trade and other payables	16	2,303,468	2,516,567
Provisions	15	33,532	37,113
Government grants received	16	238,545	13,480
Liabilities directly associated with assets available for sale		11,044	11,502
Total current liabilities		3,544,599	3,496,362
Total liabilities		8,346,555	7,784,744
Total equity and liabilities		16,449,112	15,478,691

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

Interim condensed consolidated statement of changes in equity

for the period ended June 30th 2020

	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as at Jan 1 2020	495,977	2,418,270	5,872	(8,252)	4,124,507	7,036,374	657,573	7,693,947
<i>Profit or loss and other comprehensive income</i>								
Net profit	-	-	-	-	195,224	195,224	26,881	222,105
Other comprehensive income	-	-	(32,526)	31,282	(11,549)	(12,793)	(1,800)	(14,593)
Total profit or loss and other comprehensive income	-	-	(32,526)	31,282	183,675	182,431	25,081	207,512
<i>Transactions with owners, recognised directly in equity</i>								
Issue of ordinary shares	-	-	-	-	-	-	210,368	210,368
Dividends	-	-	-	-	-	-	(9,327)	(9,327)
Total contributions by and distributions to owners	-	-	-	-	-	-	201,041	201,041
Changes in the Group's structure	-	-	-	-	(8,475)	(8,475)	8,492	17
Total transactions with owners	-	-	-	-	(8,475)	(8,475)	8,492	17
Other	-	-	-	-	1,004	1,004	(964)	40
Balance as at Jun 30 2020 (unaudited)	495,977	2,418,270	(26,654)	23,030	4,300,711	7,211,334	891,223	8,102,557

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

Interim condensed consolidated statement of changes in equity (continued)

for the period ended June 30th 2019

	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as at Jan 1 2019	495,977	2,418,270	1,861	2,789	3,783,874	6,702,771	625,188	7,327,959
<i>Profit or loss and other comprehensive income</i>								
Net profit	-	-	-	-	312,325	312,325	30,059	342,384
Other comprehensive income	-	-	6,534	(10,937)	(9,779)	(14,182)	(743)	(14,925)
Total profit or loss and other comprehensive income	-	-	6,534	(10,937)	302,546	298,143	29,316	327,459
<i>Transactions with owners, recognised directly in equity</i>								
Dividends	-	-	-	-	-	-	(2,716)	(2,716)
Total contributions by and distributions to owners	-	-	-	-	-	-	(2,716)	(2,716)
Changes in the Group's structure	-	-	-	-	67	67	1,523	1,590
Total transactions with owners	-	-	-	-	67	67	(1,193)	(1,126)
Balance as at Jun 30 2019 (unaudited) restated*	495,977	2,418,270	8,395	(8,148)	4,086,487	7,000,981	653,311	7,654,292

*as described in Section 1.3.2.

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

Interim condensed consolidated statement of cash flows

	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019
	<i>unaudited</i>	<i>unaudited restated*</i>
Cash flows from operating activities		
Profit before tax	317,005	446,274
<i>Adjustments for:</i>	<i>465,285</i>	<i>443,726</i>
Depreciation and amortisation	380,424	405,449
Impairment losses	(662)	19,121
Loss on investing activities	1,494	4,471
Gain on disposal of financial assets	(287)	(478)
Share of profit of equity-accounted investees	(7,080)	(6,127)
Interest, foreign exchange gains or losses	88,280	23,533
Dividends	-	(653)
Fair value loss/(gain) on financial assets at fair value	3,116	(1,590)
	782,290	890,000
Decrease/(Increase) in trade and other receivables	269,568	(146,370)
Decrease/(Increase) in inventories and property rights	100,531	(195,810)
Increase/(Decrease) in trade and other payables	55,386	(54,911)
Increase in provisions, accruals and government grants	16,848	237,634
Other adjustments	(1,875)	(11,135)
Cash generated from operating activities	1,222,748	719,408
Income tax paid	(35,757)	(49,897)
Net cash from operating activities	1,186,991	669,511

*as described in Section 1.3.2.

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

Interim condensed consolidated statement of cash flows (continued)

	for the period Jan 1 – Jun 30 2020	for the period Jan 1 – Jun 30 2019
	<i>unaudited</i>	<i>unaudited restated*</i>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	5,954	5,605
Purchase of property, plant and equipment, intangible assets and investment property	(1,015,300)	(439,048)
Dividend received	-	11
Acquisition of financial assets	(80,667)	(146,252)
Proceeds from sale of financial assets	203,651	59,564
Interest received	14,623	11,156
Government grants received	1,026	244
Repayments of loans advanced	56	54
Other proceeds (disbursements)	(26,734)	(1,147)
Net cash from investing activities	(897,391)	(509,813)
Cash flows from financing activities		
Net proceeds from non-controlling interests on account of issue of shares in a subsidiary	205,172	-
Dividends paid	(9,327)	(2,718)
Proceeds from borrowings	661,708	5,009
Repayment of borrowings	(197,548)	(169,558)
Interest paid	(115,133)	(39,709)
Payment of lease liabilities	(32,085)	(31,759)
Repayment of reverse factoring	(681,686)	(212,365)
Other cash provided by financing activities	5,580	6,753
Other cash used in financing activities	(386)	(8,996)
Net cash from financing activities	(163,705)	(453,343)
Total net cash flows	125,895	(293,645)
Cash and cash equivalents at beginning of period	770,087	846,532
Effect of exchange rate fluctuations on cash held	10,777	(2,274)
Cash and cash equivalents at end of period	906,759	550,613

*as described in Section 1.3.2.

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

Supplementary information to the interim condensed consolidated financial statements

1. Description of the Group

1.1. Organisational structure of the Grupa Azoty Group

As at June 30th 2020, the Grupa Azoty Group (the **Group**) comprised Grupa Azoty Spółka Akcyjna (the **Parent, Grupa Azoty S.A.**) and its direct subsidiaries:

- COMPO EXPERT Holding GmbH (**COMPO EXPERT**) - wholly-owned,
- Grupa Azoty ATT Polymers GmbH - wholly-owned,
- Grupa Azoty Compounding Sp. z o.o. - wholly-owned,
- Grupa Azoty Folie Sp. z o.o. - wholly-owned,
- Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. (**Grupa Azoty SIARKOPOL**) - a 99.56% interest,
- Grupa Azoty Zakłady Azotowe Puławy S.A. (**Grupa Azoty PUŁAWY**) - a 95.98% interest,
- Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. (**Grupa Azoty KĘDZIERZYN**) - a 93.48% interest,
- Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. (**Grupa Azoty PKCh Sp. z o.o.**) - a 63.27% interest, with Grupa Azoty KĘDZIERZYN holding a 36.73% interest,
- Grupa Azoty Zakłady Chemiczne Police S.A. (**Grupa Azoty POLICE**) - a 62.86% interest,
- Grupa Azoty Koltar Sp. z o.o. (**Grupa Azoty KOLTAR**) - a 60% interest, with Grupa Azoty PUŁAWY and Grupa Azoty KĘDZIERZYN each holding a 20% interest,

as well as the indirect subsidiaries and associates presented in the charts showing the Group's structure on the next pages.

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

Since April 22nd 2013, the Parent has been trading under the name Grupa Azoty Spółka Akcyjna (abbreviated to Grupa Azoty S.A.).

The principal business of the Grupa Azoty Group companies is in particular:

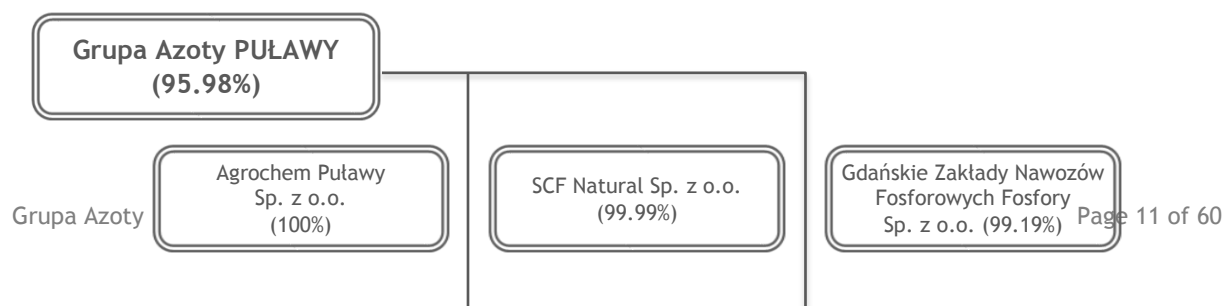
- processing of nitrogen products,
- manufacture and sale of mineral fertilizers,
- manufacture and sale of plastics,
- manufacture and sale of OXO alcohols,
- manufacture and sale of titanium white,
- manufacture and sale of melamine,
- production of sulfur and processing of sulfur-based products.

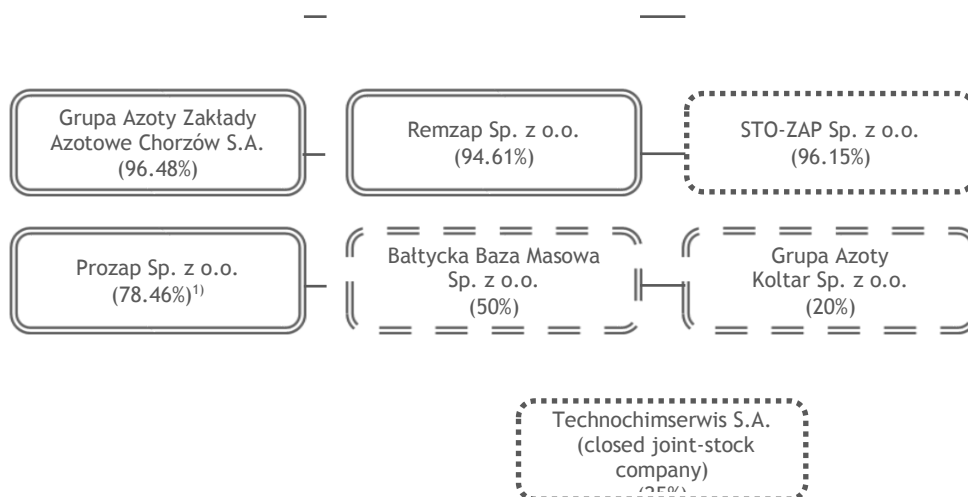
The Parent and the other Group companies were incorporated for an indefinite period.

These interim condensed consolidated financial statements were authorised for issue by the Parent's Management Board on September 9th 2020.

The structures of the Parent's subsidiary groups are shown in the charts on the following pages of these condensed consolidated financial statements.

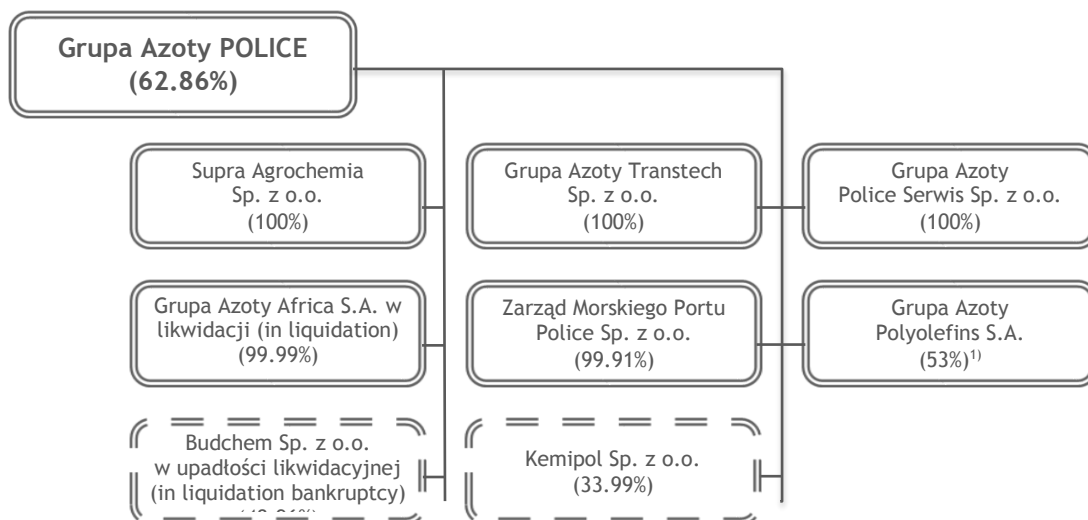
Structure of Grupa Azoty PUŁAWY as at June 30th 2020:








¹⁾ Grupa Azoty POLICE holds 7.35% of shares.

Structure of Grupa Azoty POLICE as at June 30th 2020:

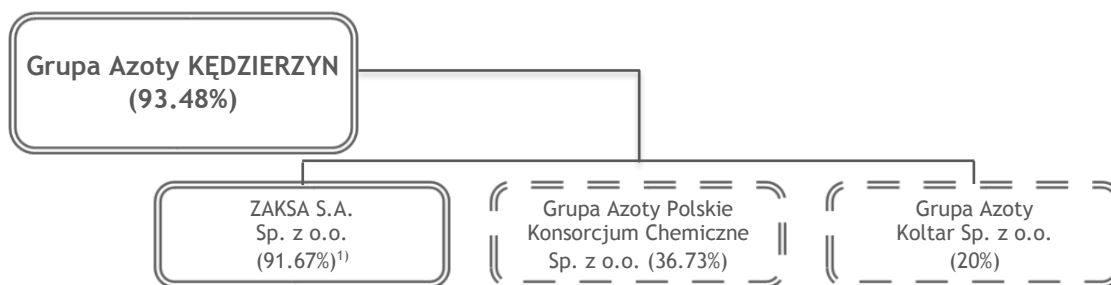


¹⁾ The Parent holds 47% of shares in Grupa Azoty Polyolefins S.A.

Legend:

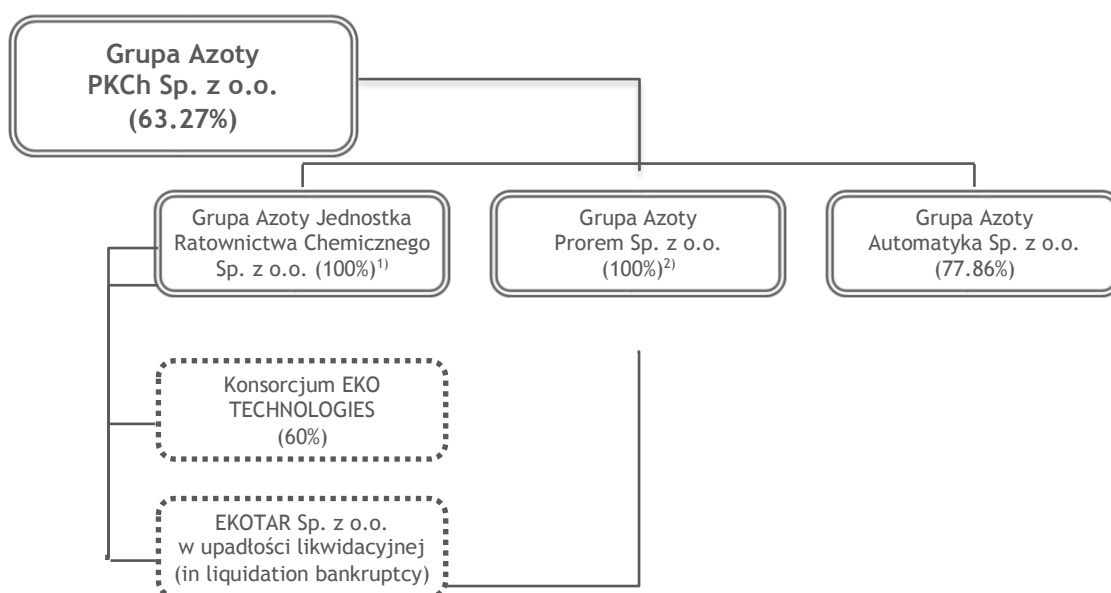
-  Fully-consolidated entities
-  Equity-accounted entities
-  Non-consolidated entities

Structure of Grupa Azoty KĘDZIERZYN as at June 30th 2020:



¹⁾ Grupa Azoty KOLTAR Sp. z o.o holds 0.783% of shares in ZAKSA S.A.

Structure of Grupa Azoty PKCh Sp. z o.o. as at June 30th 2020:



¹⁾ Grupa Azoty Jednostka Ratownictwa Chemicznego Sp. z o.o. holds 12% of the shares in EKOTAR Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy).

²⁾ Grupa Azoty Prorem Sp. z o.o. holds 12% of the shares in EKOTAR Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy).

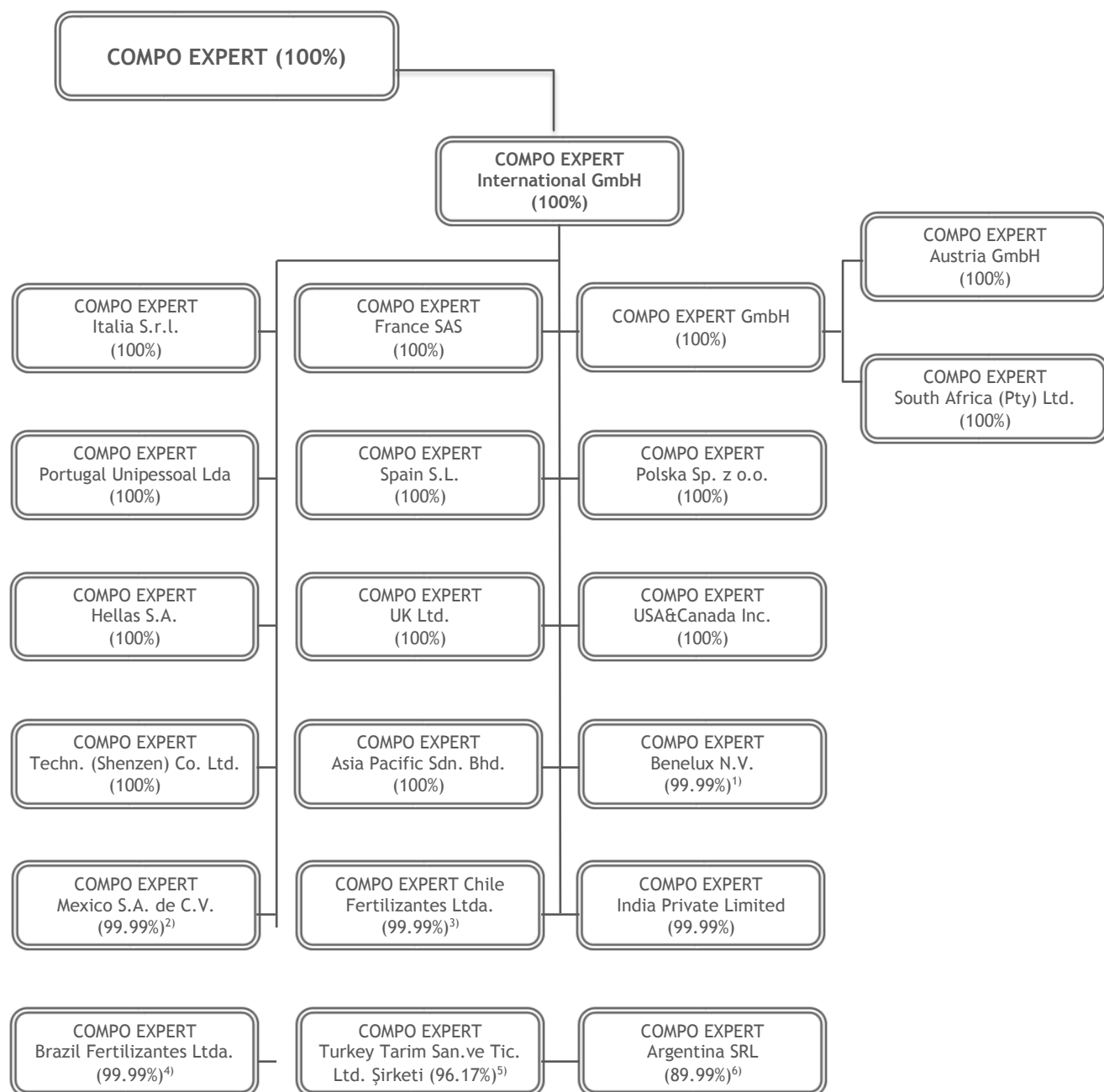
Legend:

 Fully-consolidated entities

 Equity-accounted entities

 Non-consolidated entities

Structure of COMPO EXPERT Group as at June 30th 2020



¹⁾ COMPO EXPERT Benelux N.V. - COMPO EXPERT GmbH holds 0.0103% of the shares.

²⁾ COMPO EXPERT Mexico S.A. de C.V. - COMPO EXPERT GmbH holds 0.000311% of the shares.

³⁾ COMPO EXPERT Chile Fertilizantes Ltda. - COMPO EXPERT GmbH holds 0.01% of the shares.

⁴⁾ COMPO EXPERT Brazil Fertilizantes Ltda. - COMPO EXPERT GmbH holds 0.000003% of the shares.

⁵⁾ COMPO EXPERT Turkey Tarim San.ve Tic. Ltd. Şirketi - COMPO EXPERT GmbH holds 3.83% of the shares.

⁶⁾ COMPO EXPERT Argentina SRL - COMPO EXPERT GmbH holds 10.000024% of the shares.

Legend:

 Fully-consolidated entities

 Equity-accounted entities

 Non-consolidated entities

1.2. Changes in the Group's structure

Changes in the Group's structure in H1 2020

Deregistration of Infrapark Police S.A. w likwidacji (in liquidation)

On January 9th 2020, the District Court for Szczecin-Centrum in Szczecin, 13th Commercial Division of the National Court Register, deleted Infrapark Police S.A. w likwidacji (in liquidation) from the Business Register of the National Court Register. As the company was not consolidated and the value of its shares was zero, the event had no financial effect on the Group's consolidated financial statements.

Registration of an increase in Grupa Azoty POLICE's share capital

On January 10th 2020, the District Court for Szczecin-Centrum of Szczecin, 13th Commercial Division of the National Court Register, registered an increase in the share capital and amendments to the Articles of Association of Grupa Azoty POLICE. The share capital was increased from PLN 750,000,000 to PLN 1,241,757,680 through an issue of 49,175,768 Series C ordinary bearer shares with a par value of PLN 10.00 per share.

After the registration of the increase, the share capital of Grupa Azoty POLICE amounts to PLN 1,241,757,680 and is divided into 124,175,768 shares with a par value of PLN 10.00 per share, including:

- 60,000,000 Series A shares,
- 15,000,000 Series B shares,
- 49,175,768 Series C shares.

The total number of voting rights attached to all the shares in issue is 124,175,768.

As a result of its participation in the public offering of new shares in Grupa Azoty POLICE, the Parent acquired 28,551,500 shares and now holds in aggregate 78,051,500 shares in Grupa Azoty POLICE, representing 62.86% of its share capital. Prior to the issue, the Parent's holding in Grupa Azoty POLICE represented 66% of its share capital. The reduction had no effect on the Group's net profit/(loss), but resulted in an increase of minority interests by PLN 3,764 thousand.

Increase in Grupa Azoty Polyolefins S.A.'s share capital

On January 24th 2020, an Extraordinary General Meeting of Grupa Azoty POLICE, and on February 17th 2020 - an Extraordinary General Meeting of the Parent approved the purchase by the companies of shares, for the issue price specified by the General Meeting of Grupa Azoty POLYOLEFINS, by way of a private placement, within the meaning of Art. 431.2.1 of the Commercial Companies Code, in a number ensuring that the companies' current percentage shareholdings in Grupa Azoty POLYOLEFINS are maintained.

On February 18th 2020, an Extraordinary General Meeting of Grupa Azoty POLYOLEFINS passed a resolution to increase the share capital by PLN 131,944,310.00 through the issue of 13,194,431 new Series F registered shares with a par value of PLN 10.00 per share. The issue price of each Series F share is PLN 47.90.

The new shares were to be acquired in a private placement by Grupa Azoty POLICE, which was to acquire 6,993,048 shares for a total issue price of PLN 334,968 thousand, and the Parent, which was to acquire 6,201,383 shares for a total issue price of PLN 297,047 thousand.

On March 18th 2020, the Parent's Management Board passed a resolution to acquire 6,201,383 shares in Grupa Azoty POLYOLEFINS as part of the issue of Series F shares, for the issue price of PLN 47.90 per share (total consideration of PLN 297,046,245.70). In order to implement the resolution, the Management Board requested the Supervisory Board to grant consent for the above actions.

On April 7th 2020, the Supervisory Board of the Parent approved the execution of an agreement to acquire Grupa Azoty POLYOLEFINS shares.

As Grupa Azoty POLYOLEFINS' requirement for funds was deferred in time, the above equity contributions were not made and on April 30th 2020 the Extraordinary General Meeting of Grupa Azoty POLYOLEFINS resolved to amend the resolutions and postpone the deadline for payment in respect of Grupa Azoty POLYOLEFINS' share issue until July 31st 2020.

On August 3rd 2020, the District Court for Szczecin-Centrum of Szczecin registered an increase in the company's share capital to PLN 599,283,310.00. The percentage interests in Grupa Azoty POLYOLEFINS' share capital held by its existing shareholders (the Parent and Grupa Azoty POLICE) remained unchanged.

Registration of merger of Koncept Sp. z o.o. and Prozap Sp. z o.o.

The merger was entered with the National Court Register on January 29th 2020. Following the merger, Grupa Azoty POLICE received, in exchange for 1,023 shares in Koncept Sp. z o.o., 131 shares in Prozap Sp. z o.o.

Following the merger, Grupa Azoty PUŁAWY and Grupa Azoty POLICE hold, respectively, 78.46% and 7.35% of shares in Prozap Sp. z o.o.

Repurchase of minority interests in Grupa Azoty SIARKOPOL

On March 26th 2020, an entry was made in the share register concerning acquisition by the Parent of 2,159 shares, by way of repurchase in accordance with Art. 418¹ of the Commercial Companies Code.

On March 30th 2020, the Parent received a declaration of the State Treasury's acceptance of a repurchase offer for 7,604 employee-stock shares in Grupa Azoty SIARKOPOL which had not been acquired by that company's eligible employees or their heirs. The payment for the shares was made on April 30th 2020. On May 8th 2020, a global certificate for the shares was delivered against a transfer report; accordingly, the Parent's interest in the share capital of Grupa Azoty SIARKOPOL increased to 99.56%.

On July 31st 2020, the Extraordinary General Meeting of Grupa Azoty SIARKOPOL passed a resolution to repurchase the shares under Art. 418¹ of the Commercial Companies Code. Based on the resolution, the Parent will repurchase 463 shares at a price of PLN 46.83 per share, i.e. a total price of PLN 21,682.29. On August 21st 2020, the Parent paid for the 463 registered shares.

Change of name of Zakłady Azotowe Chorzów S.A.

On May 26th 2020, a change of the name of Zakłady Azotowe Chorzów S.A. was registered in the National Court Register.

1.3. Basis of preparation of the interim condensed consolidated financial statements

1.3.1. Statement of compliance and general basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These interim condensed consolidated financial statements of the Group cover the six months ended June 30th 2020 and contain comparative data for the six months ended June 30th 2019 and as at December 31st 2019.

The interim condensed consolidated statement of profit or loss and other comprehensive income as well as notes to the interim condensed consolidated statement of profit or loss and other comprehensive income for the six months ended June 30th 2020 as well as the comparative data for the six months ended June 30th 2019 have not been reviewed by an auditor.

Interim condensed consolidated financial statements do not include all the information and disclosures required in full-year financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31st 2019, which were authorised for issue on April 7th 2020.

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

All amounts in these interim condensed consolidated financial statements are presented in thousands of zloty.

These interim condensed consolidated financial statements have been prepared on the assumption that the Group companies will continue as going concerns in the foreseeable future. As at the date of authorisation of these financial statements, no circumstances were identified which would indicate any threat to the Group companies continuing as going concerns.

For information on the impact of the COVID-19 pandemic on the Group companies' business, see Note 25 to these financial statements.

The amendments to International Financial Reporting Standards ("IFRSs") presented below have been applied in these interim condensed consolidated financial statements as of their effective dates, however, they had no material effect on the disclosed data:

- *Amendments to References to the Conceptual Framework in International Financial Reporting Standards* (issued on March 29th 2018) – effective for annual periods beginning on or after January 1st 2020;

- Amendments to IFRS 3 *Business Combinations* (issued on October 22nd 2018) - effective for annual periods beginning on or after January 1st 2020;
- Amendments to IAS 1 and IAS 8: *Definition of materiality* (published on October 31st 2018) - effective for annual periods beginning on or after January 1st 2020;
- Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest rate benchmark reform* (published on September 26th 2019) - effective for annual periods beginning on or after January 1st 2020;

a) New standards and interpretations which have been issued but are not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board, but are not yet effective:

- IFRS 14 *Regulatory Deferral Accounts* (issued on January 30th 2014) – pursuant to the European Commission’s decision, the process leading to the approval of a preliminary version of the standard will not be initiated until the issue of its final version (not endorsed by the EU by the date of authorisation of these financial statements for issue) - effective for annual periods beginning on or after January 1st 2016,
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued on September 11th 2014) – work leading to endorsement of the amendments was deferred by the EU for an indefinite period – effective date was deferred by the IASB for an indefinite period,
- IFRS 17 *Insurance Contracts* (issued on May 18th 2017) - effective for annual periods beginning on or after January 1st 2021;
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-Current* (issued on January 23rd 2020) - expected to be effective for periods beginning on or after January 1st 2022.
- Amendment to IFRS 16 *Leases: Covid-19-Related Rent Concessions* (issued on May 28th 2020), effective as of June 1st 2020. The amendment to IFRS 16 introduces a practical expedient permitting a lease modification not to be recognised e.g. in the event of any changes in lease payments occurring as a consequence of the Covid-19 pandemic.
- Amendments to IFRS 3, IAS 16, IAS 37 and Annual Improvements to IFRS Standards 2018-2020. The amendments were issued on May 14th 2020, and are effective for annual periods beginning on or after January 1st 2022. One of the amendments prohibits deducting from the cost of property, plant and equipment of any proceeds from selling items produced while the entity is developing/preparing the asset for its intended use.

The effective dates are set in the text of the standards issued by the International Accounting Standards Board. The effective dates of the standards in the European Union may differ from those specified in the text of the standards and are announced on approval of a standard by the European Union.

The Group does not expect the proposed amendments to IFRSs to have a material effect on its financial reporting.

1.3.2. Corrections of errors or comparative data presentation

In the reporting period, the Group made corrections of errors or comparative data presentation in the following areas:

a) Correction to accounting for CO₂ emission allowances received free of charge

In previous periods, grants in the form of CO₂ emission allowances allocated free of charge at the subsidiary Grupa Azoty PUŁAWY were accounted for and recognised in interim reporting periods based on actual emissions in a given period until the grant resulting from CO₂ emission allowances

allocated free of charge for a given year was exhausted. In the H1 2020 report, the grant received by Grupa Azoty PUŁAWY was accounted for in accordance with the Group’s accounting policy, i.e. the CO₂ emission allowances allocated free of charge for 2020 were accounted for by reference to actual emissions from installations for which the allowances (grant) were allocated, pro rata to emissions planned from these installations for the entire year. Irrespective of the change, grants are accounted for as a deduction from expenses. The change in accounting for grants will not affect the Group’s full-year results, as it relates to accounting for the allocation during a year.

Accordingly, comparative data was corrected and the Q1 2020 data was adjusted.

The change in accounting for grants with respect to comparative data was presented as Correction 1.

b) Change in presentation of reverse factoring in the statement of cash flows

Following a change in presentation of reverse factoring in the 2019 statement of cash flows, the comparative data for H1 2019 was restated accordingly.

In connection with the change, the entry into reverse factoring arrangements disclosed under operating activities was transferred from 'Other adjustments' to 'Change in trade and other payables'.

Under financing activities, a separate item was disclosed showing the amount repaid under reverse factoring in the reporting period.

Both before and after the change, reverse factoring is accounted for separately, i.e. the entry into a reverse factoring arrangement is recorded under operating cash flows, while its repayment - as a financing outflow.

The change in presentation of reverse factoring with respect to comparative data was presented as Correction 2.

c) Presentation change in other income and expenses

In Q2 2019, there was a change in the presentation of liquidated damages charged and recognition of the related impairment loss, previously accounted for separately on a net basis in other income/(expenses). The correction was already reflected in the H1 2019 report.

The change in presentation of damages received with respect to comparative data was presented as Correction 3.

The effect of the above corrections and presentation changes on the results for the respective reporting periods and comparative data is presented below.

Statement of profit or loss for the period Jan 1–Jun 30 2019

	for the period Jan 1– Jun 30 2019	Correction 1 (accounting for grants)	for the period Jan 1– Jun 30 2019
<i>Profit/loss</i>	<i>unaudited</i>		<i>unaudited (restated)</i>
Revenue	6,102,509	-	6,102,509
Cost of sales	(4,649,905)	(64,901)	(4,714,806)
Gross profit	1,452,604	(64,901)	1,387,703
Selling expenses	(457,543)	-	(457,543)
Administrative expenses	(426,902)	-	(426,902)
Other income	28,657	-	28,657
Other expenses	(61,328)	-	(61,328)
Operating profit/(loss)	535,488	(64,901)	470,587
Finance income	13,301	-	13,301
Finance costs	(43,741)	-	(43,741)
Net finance costs	(30,440)	-	(30,440)
Share of profit of equity-accounted investees	6,127	-	6,127
Profit before tax	511,175	(64,901)	446,274
Income tax	(116,221)	12,331	(103,890)
Net profit/(loss)	394,954	(52,570)	342,384
<i>Other comprehensive income</i>			
Items that will not be reclassified to profit or loss			
Actuarial losses from defined benefit plans	(12,988)	-	(12,988)
Tax on items that will not be reclassified to profit or loss	2,468	-	2,468
	(10,520)	-	(10,520)
Items that are or may be reclassified to profit or loss			
Cash flow hedging - effective portion of fair value changes	8,067	-	8,067
Exchange differences on translating foreign operations	(10,939)	-	(10,939)
Income tax relating to items that are or will be reclassified to profit or loss	(1,533)	-	(1,533)
	(4,405)	-	(4,405)
Total other comprehensive income	(14,925)	-	(14,925)
Comprehensive income for the year	380,029	(52,570)	327,459
Net profit attributable to:			
Owners of the parent	362,782	(50,457)	312,325
Non-controlling interests	32,172	(2,113)	30,059
Comprehensive income for the year attributable to:			
Owners of the parent	348,600	(50,457)	298,143
Non-controlling interests	31,429	(2,113)	29,316
Earnings per share:			
Basic (PLN)	3.66	(0.51)	3.15
Diluted (PLN)	3.66	(0.51)	3.15

Statement of cash flows for the period Jan 1–Jun 30 2019

	for the period Jan 1– Jun 30 2019 <i>Unaudited</i>	Correction 1 (accounting for grants)	Correction 2 (presentation of reverse factoring)	for the period Jan 1– Jun 30 2019 <i>unaudited (restated)</i>
Cash flows from operating activities				
Profit before tax	511,175	(64,901)	-	446,274
Adjustments for:	443,726	-	-	443,726
Depreciation and amortisation	405,449	-	-	405,449
Impairment losses	19,121	-	-	19,121
Loss on investing activities	4,471	-	-	4,471
Gain on disposal of financial assets	(478)	-	-	(478)
Share of profit of equity-accounted investees	(6,127)	-	-	(6,127)
Interest, foreign exchange gains or losses	23,533	-	-	23,533
Dividends	(653)	-	-	(653)
Net change in fair value of financial assets at fair value through profit or loss	(1,590)	-	-	(1,590)
	954,901	(64,901)	-	890,000
Increase in trade and other receivables	(146,370)	-	-	(146,370)
Increase in inventories and property rights	(195,810)	-	-	(195,810)
Decrease in trade and other payables	(365,876)	-	310,965	(54,911)
Increase in provisions, accruals and government grants	172,733	64,901	-	237,634
Other adjustments	299,830	-	(310,965)	(11,135)
Cash generated from operating activities	719,408	-	-	719,408
Income tax paid	(49,897)	-	-	(49,897)
Net cash from operating activities	669,511	-	-	669,511
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment, intangible assets and investment property	5,605	-	-	5,605
Purchase of property, plant and equipment, intangible assets and investment property	(439,048)	-	-	(439,048)
Dividend received	11	-	-	11
Acquisition of financial assets	(146,252)	-	-	(146,252)
Proceeds from sale of financial assets	59,564	-	-	59,564
Interest received	11,156	-	-	11,156
Government grants received	244	-	-	244

Repayments of loans advanced	54	-	-	54
Other disbursements	(1,147)	-	-	(1,147)
Net cash from investing activities	(509,813)	-	-	(509,813)
Cash flows from financing activities				
Dividends paid	(2,718)	-	-	(2,718)
Proceeds from borrowings	5,009	-	-	5,009
Repayment of borrowings	(169,558)	-	-	(169,558)
Interest paid	(39,709)	-	-	(39,709)
Repayment of reverse factoring	-	-	(212,365)	(212,365)
Payment of lease liabilities	(31,759)	-	-	(31,759)
Other cash provided by financing activities	-	-	6,753	6,753
Other cash used in financing activities	(214,608)	-	205,612	(8,996)
Net cash from financing activities	(453,343)	-	-	(453,343)
Total net cash flows	(293,645)	-	-	(293,645)
Cash and cash equivalents at beginning of period	846,532	-	-	846,532
Effect of exchange rate fluctuations on cash held	(2,274)	-	-	(2,274)
Cash and cash equivalents at end of period	550,613	-	-	550,613

Statement of profit or loss for the period Apr 1–Jun 30 2019

	for the period Apr 1– Jun 30 2019	Correction 1 (accounting for grants)	for the period Apr 1– Jun 30 2019
<i>Profit/loss</i>	<i>unaudited</i>		<i>unaudited (restated)</i>
Revenue	2,737,625	-	2,737,625
Cost of sales	(2,133,328)	(46,255)	(2,179,583)
Gross profit	604,297	(46,255)	558,042
Selling expenses	(221,788)	-	(221,788)
Administrative expenses	(224,088)	-	(224,088)
Other income	14,353	-	14,353
Other expenses	(45,373)	-	(45,373)
Operating profit/(loss)	127,401	(46,255)	81,146
Finance income	7,453	-	7,453
Finance costs	(25,967)	-	(25,967)
Net finance costs	(18,514)	-	(18,514)
Share of profit of equity-accounted investees	3,233	-	3,233
Profit before tax	112,120	(46,255)	65,865
Income tax	(40,038)	8,789	(31,249)
Net profit/(loss)	72,082	(37,466)	34,616
<i>Other comprehensive income</i>			
Items that will not be reclassified to profit or loss			
Actuarial losses from defined benefit plans	(12,988)	-	(12,988)
Tax on items that will not be reclassified to profit or loss	2,468	-	2,468

	(10,520)	-	(10,520)
Items that are or may be reclassified to profit or loss			
Cash flow hedging - effective portion of fair value changes	8,286	-	8,286
Exchange differences on translating foreign operations	(11,775)	-	(11,775)
Income tax relating to items that are or will be reclassified to profit or loss	(1,575)	-	(1,575)
	(5,064)	-	(5,064)
Total other comprehensive income	(15,584)	-	(15,584)
Comprehensive income for the year	56,498	(37,466)	19,032
Net profit attributable to:			0
Owners of the parent	68,006	(35,960)	32,046
Non-controlling interests	4,076	(1,506)	2,570
Comprehensive income for the year attributable to:			
Owners of the parent	53,167	(35,960)	17,207
Non-controlling interests	3,331	(1,506)	1,825
Earnings per share:			0
Basic (PLN)	0.69	(0.37)	0.32
Diluted (PLN)	0.69	(0.37)	0.32

Statement of profit or loss for the period Jan 1–Mar 31 2020

	for the period Jan 1 – Mar 31 2020	Correction 1 (accounting for grants)	for the period Jan 1 – Mar 31 2020
<i>Profit/loss</i>	<i>unaudited</i>		<i>unaudited (restated)</i>
Revenue	3,103,720	-	3,103,720
Cost of sales	(2,373,278)	(37,997)	(2,411,275)
Gross profit	730,442	(37,997)	692,445
Selling expenses	(254,930)	-	(254,930)
Administrative expenses	(198,670)	-	(198,670)
Other income	20,308	-	20,308
Other expenses	(11,069)	-	(11,069)
Operating profit/(loss)	286,081	(37,997)	248,084
Finance income	17,227	-	17,227
Finance costs	(51,009)	-	(51,009)
Net finance costs	(33,782)	-	(33,782)
Share of profit of equity-accounted investees	3,467	-	3,467
Profit before tax	255,766	(37,997)	217,769
Income tax	(59,934)	7,219	(52,715)
Net profit/(loss)	195,832	(30,778)	165,054
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial losses from defined benefit plans	5	-	5
Tax on items that will not be reclassified to profit or loss	(1)	-	(1)

	4	-	4
Items that are or may be reclassified to profit or loss			
Cash flow hedging - effective portion of fair value changes	(58,728)	-	(58,728)
Exchange differences on translating foreign operations	54,806	-	54,806
Income tax relating to items that are or will be reclassified to profit or loss	11,159	-	11,159
	7,237	-	7,237
Total other comprehensive income	7,241	-	7,241
Comprehensive income for the year	203,073	(30,778)	172,295
Net profit attributable to:			
Owners of the parent	180,650	(29,541)	151,109
Non-controlling interests	15,182	(1,237)	13,945
Comprehensive income for the year attributable to:			
Owners of the parent	187,918	(29,541)	158,377
Non-controlling interests	15,155	(1,237)	13,918
Earnings per share:			
Basic (PLN)	1.82	(0.30)	1.52
Diluted (PLN)	1.82	(0.30)	1.52

Statement of profit or loss for the period Jan 1–Mar 31 2019

	for the period Jan 1– Mar 31 2019	Correction 1 (accounting for grants)	Correction 3 (presentation change)	for the period Jan 1– Mar 31 2019
	<i>unaudited</i>			<i>unaudited (restated)</i>
Profit/loss				
Revenue	3,364,884	-	-	3,364,884
Cost of sales	(2,516,577)	(18,646)	-	(2,535,223)
Gross profit	848,307	(18,646)	-	829,661
Selling expenses	(235,755)	-	-	(235,755)
Administrative expenses	(202,814)	-	-	(202,814)
Other income	28,216	-	(13,912)	14,304
Other expenses	(29,867)	-	13,912	(15,955)
Operating profit/(loss)	408,087	(18,646)	-	389,441
Finance income	5,848	-	-	5,848
Finance costs	(17,774)	-	-	(17,774)
Net finance costs	(11,926)	-	-	(11,926)
Share of profit of equity-accounted investees	2,894	-	-	2,894
Profit before tax	399,055	(18,646)	-	380,409
Income tax	(76,183)	3,542	-	(72,641)
Net profit/(loss)	322,872	(15,104)	-	307,768
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Actuarial losses from defined benefit plans	-	-	-	-

Tax on items that will not be reclassified to profit or loss	-	-	-	-
	-	-	-	-
Items that are or may be reclassified to profit or loss				
Cash flow hedging - effective portion of fair value changes	(219)	-	-	(219)
Exchange differences on translating foreign operations	836	-	-	836
Income tax relating to items that are or will be reclassified to profit or loss	42	-	-	42
	659	-	-	659
Total other comprehensive income	659	-	-	659
Comprehensive income for the year	323,531	(15,104)	-	308,427
Net profit attributable to:				
Owners of the parent	294,776	(14,497)	-	280,279
Non-controlling interests	28,096	(607)	-	27,489
Comprehensive income for the year attributable to:				
Owners of the parent	295,433	(14,497)	-	280,936
Non-controlling interests	28,098	(607)	-	27,491
Earnings per share:				
Basic (PLN)	2.97	(0.15)	-	2.82
Diluted (PLN)	2.97	(0.15)	-	2.82

1.3.3. Judgements and estimates

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

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

The key judgements and estimates made by the Management Board in preparing these interim condensed consolidated financial statements, especially with respect to amortisation/depreciation periods, analysis of impairment and provisions, were not materially different from those made in preparing the consolidated financial statements for the financial year ended December 31st 2019.

2. Selected notes and supplementary information

2.1. Notes

Business segment reporting

Operating segments

The Group's business objectives are delivered through four main reportable segments, identified based on separate management strategies (production, sales, and marketing) adopted in each of the segments.

Operations of the Company's reportable segments:

- Agro Fertilizers segment comprises the manufacturing and marketing of the following products:
 - Speciality (fertilizing/fertilizer) products (liquid fertilizers for foliar feeding and fertigation, biostimulants, SRF and CRF fertilizers for precise fertilization, dedicated NPK fertilizers),
 - Compound fertilizers (NPK: Polifoski® and Amofoski®; NP: DAP; PK),
 - Nitrogen fertilizers with sulfur (solid: ammonium sulfate, ammonium sulfonitrite, urea-ammonium sulfate, calcium nitrate with sulfur; liquid: liquid: UAN- urea-ammonium nitrate solution, urea solution and ammonium sulfate solution,
 - Nitrogen fertilizers,
 - ammonia,
 - Technical-grade and concentrated nitric acid,
 - Industrial gases;
- Plastics segment comprises the manufacturing and marketing of the following products:
 - caprolactam (an intermediate product used to manufacture polyamide 6 (PA6),
 - Natural engineering plastics (PA 6, POM - polyacetal),
 - Modified plastics (PA 6, PA66, POM, PPC - polypropylene, PPH, PBT- polybutylene terephthalate),
 - Plastic products (PA pipes, PE pipes, polyamide casings);
- Chemicals segment comprises the manufacturing and marketing of the following products:
 - Melamine,
 - OXO products (OXO alcohols, plasticizers),
 - Sulfur,
 - Titanium white,
 - Iron sulfate,
 - Solutions based on urea and ammonia;
- Energy segment includes the 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 (mainly of electricity) to external customers. As part of its operations, the segment also purchases and distributes natural gas for process needs;
- Other Activities segment comprises the remaining activities:
 - Research and Development Centre,
 - laboratory services,
 - Catalyst production (iron-chromium catalyst, copper catalysts, iron catalysts),
 - rental of real estate, and
 - other activities not allocated to any of the segments specified above.

Operating segments

Operating segments' revenue, expenses and financial results for the six months ended June 30th 2020 (unaudited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	3,327,892	591,468	1,216,118	123,710	113,430	5,372,618
Intersegment revenue	973,124	160,049	415,638	1,313,359	431,026	3,293,196
Total revenue	4,301,016	751,517	1,631,756	1,437,069	544,456	8,665,814
Operating expenses, including: (-)	(4,052,882)	(808,918)	(1,510,703)	(1,451,732)	(549,936)	(8,374,171)
<i>selling expenses (-)</i>	<i>(383,757)</i>	<i>(31,818)</i>	<i>(63,419)</i>	<i>(96)</i>	<i>(1,034)</i>	<i>(480,124)</i>
<i>administrative expenses (-)</i>	<i>(202,390)</i>	<i>(67,023)</i>	<i>(87,926)</i>	<i>(10,482)</i>	<i>(39,163)</i>	<i>(406,984)</i>
Other income	47,716	9,857	29,211	10,049	11,469	108,302
Other expenses (-)	(4,328)	(968)	(1,488)	(7,165)	(13,629)	(27,578)
Segment's EBIT**	291,522	(48,512)	148,776	(11,779)	(7,640)	372,367
Finance income	-	-	-	-	-	9,532
Finance costs (-)	-	-	-	-	-	(71,974)
Share of profit of equity-accounted investees	-	-	-	-	-	7,080
Profit before tax	-	-	-	-	-	317,005
Income tax	-	-	-	-	-	(94,900)
Net profit	-	-	-	-	-	222,105
EBIT*	291,522	(48,512)	148,776	(11,779)	(7,640)	372,367
Depreciation and amortisation	162,269	36,663	53,526	54,946	55,526	362,930
Unallocated depreciation and amortisation	-	-	-	-	-	17,494
EBITDA**	453,791	(11,849)	202,302	43,167	47,886	752,791

* EBIT is calculated as operating profit (loss) as disclosed in the statement of profit or loss.

** EBITDA is calculated as operating profit (loss) before depreciation and amortisation.

Operating segments' revenue, expenses and financial results for the six months ended June 30th 2019 (unaudited) restated*

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	3,668,992	790,562	1,434,120	125,606	83,229	6,102,509
Intersegment revenue	1,136,088	187,611	491,772	1,457,390	432,162	3,705,023
Total revenue	4,805,080	978,173	1,925,892	1,582,996	515,391	9,807,532
Operating expenses, including: (-)	(4,386,876)	(939,793)	(1,820,769)	(1,596,201)	(560,635)	(9,304,274)
<i>selling expenses (-)</i>	(337,619)	(34,035)	(84,948)	(328)	(613)	(457,543)
<i>administrative expenses (-)</i>	(189,954)	(71,886)	(92,491)	(9,036)	(63,535)	(426,902)
Other income	11,070	697	2,321	5,878	8,691	28,657
Other expenses (-)	(3,934)	(1,482)	(15,349)	(15,179)	(25,384)	(61,328)
Segment's EBIT**	425,340	37,595	92,095	(22,506)	(61,937)	470,587
Finance income	-	-	-	-	-	13,301
Finance costs (-)	-	-	-	-	-	(43,741)
Share of profit of equity-accounted investees	-	-	-	-	-	6,127
Profit before tax	-	-	-	-	-	446,274
Income tax	-	-	-	-	-	(103,890)
Net profit	-	-	-	-	-	342,384
EBIT**	425,340	37,595	92,095	(22,506)	(61,937)	470,587
Depreciation and amortisation	161,935	33,045	56,207	56,425	52,264	359,876
Unallocated depreciation and amortisation	-	-	-	-	-	45,573
EBITDA***	587,275	70,640	148,302	33,919	(9,673)	876,036

* as described in Section 1.3.2.

** EBIT is calculated as operating profit (loss) as disclosed in the statement of profit or loss.

*** EBITDA is calculated as operating profit (loss) before depreciation and amortisation.

Operating segments' revenue, expenses and financial results for the three months ended June 30th 2020 (unaudited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	1,400,596	218,216	530,658	57,815	61,613	2,268,898
Intersegment revenue	421,295	74,641	169,759	592,387	228,353	1,486,435
Total revenue	1,821,891	292,857	700,417	650,202	289,966	3,755,333
Operating expenses, including: (-)	(1,777,599)	(332,008)	(645,416)	(659,661)	(287,851)	(3,702,535)
<i>selling expenses (-)</i>	(185,774)	(12,829)	(26,097)	139	(633)	(225,194)
<i>administrative expenses (-)</i>	(101,527)	(33,581)	(46,120)	(6,118)	(20,968)	(208,314)
Other income	40,027	7,848	27,815	5,349	6,955	87,994
Other expenses (-)	(3,429)	(821)	(1,093)	(4,497)	(6,669)	(16,509)
Segment's EBIT**	80,890	(32,124)	81,723	(8,607)	2,401	124,283
Finance income	-	-	-	-	-	(7,695)
Finance costs (-)	-	-	-	-	-	(20,965)
Share of profit of equity-accounted investees	-	-	-	-	-	3,613
Profit before tax	-	-	-	-	-	99,236
Income tax	-	-	-	-	-	(42,185)
Net profit	-	-	-	-	-	57,051
EBIT*	80,890	(32,124)	81,723	(8,607)	2,401	124,283
Depreciation and amortisation	80,615	18,312	26,860	27,331	28,558	181,676
Unallocated depreciation and amortisation	-	-	-	-	-	9,145
EBITDA**	161,505	(13,812)	108,583	18,724	30,959	315,104

* EBIT is calculated as operating profit (loss) as disclosed in the statement of profit or loss.

** EBITDA is calculated as operating profit (loss) before depreciation and amortisation.

Operating segments' revenue, expenses and financial results for the three months ended June 30th 2019 (unaudited) restated*

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	1,571,948	381,191	681,681	59,193	43,612	2,737,625
Intersegment revenue	501,517	91,960	218,336	665,622	232,009	1,709,444
Total revenue	2,073,465	473,151	900,017	724,815	275,621	4,447,069
Operating expenses, including: (-)	(1,978,220)	(470,554)	(862,942)	(734,105)	(289,082)	(4,334,903)
<i>selling expenses (-)</i>	(160,053)	(16,644)	(44,137)	(298)	(656)	(221,788)
<i>administrative expenses (-)</i>	(96,938)	(41,409)	(48,621)	(4,818)	(32,302)	(224,088)
Other income	8,436	339	394	1,439	3,745	14,353
Other expenses (-)	(182)	(779)	(14,702)	(11,503)	(18,207)	(45,373)
Segment's EBIT**	103,499	2,157	22,767	(19,354)	(27,923)	81,146
Finance income	-	-	-	-	-	7,453
Finance costs (-)	-	-	-	-	-	(25,967)
Share of profit of equity-accounted investees	-	-	-	-	-	3,233
Profit before tax	-	-	-	-	-	65,865
Income tax	-	-	-	-	-	(31,249)
Net profit	-	-	-	-	-	34,616
EBIT**	103,499	2,157	22,767	(19,354)	(27,923)	81,146
Depreciation and amortisation	82,351	17,358	28,175	28,254	26,141	182,279
Unallocated depreciation and amortisation	-	-	-	-	-	22,863
EBITDA***	185,850	19,515	50,942	8,900	(1,782)	286,288

* as described in Section 1.3.2.

** EBIT is calculated as operating profit (loss) as disclosed in the statement of profit or loss.

*** EBITDA is calculated as operating profit (loss) before depreciation and amortisation.

Operating segments' assets and liabilities as at June 30th 2020 (unaudited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Segment's assets	6,421,816	1,364,944	1,575,755	1,793,361	2,653,455	13,809,331
Unallocated assets	-	-	-	-	-	2,556,213
Investments in associates	-	-	-	-	-	83,568
Total assets	6,421,816	1,364,944	1,575,755	1,793,361	2,653,455	16,449,112
Segment's liabilities	2,872,231	305,280	332,691	848,149	1,295,923	5,654,274
Unallocated liabilities	-	-	-	-	-	2,692,281
Total liabilities	2,872,231	305,280	332,691	848,149	1,295,923	8,346,555

Operating segments' assets and liabilities as at December 31st 2019 (audited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Segment's assets	6,477,774	1,414,573	1,524,812	1,855,654	1,945,846	13,218,659
Unallocated assets	-	-	-	-	-	2,171,123
Investments in associates	-	-	-	-	-	88,909
Total assets	6,477,774	1,414,573	1,524,812	1,855,654	1,945,846	15,478,691
Segment's liabilities	2,589,279	332,759	333,591	793,075	758,895	4,807,599
Unallocated liabilities	-	-	-	-	-	2,977,145
Total liabilities	2,589,279	332,759	333,591	793,075	758,895	7,784,744

Other segmental information for the six months ended June 30th 2020 (unaudited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Expenditure on property, plant and equipment	223,229	34,259	42,812	64,007	551,312	915,619
Expenditure on intangible assets	2,290	-	355	816	3,372	6,833
Expenditure on investment property	55	-	-	-	33	88
Unallocated expenditure	-	-	-	-	-	11,081
Total expenditure	225,574	34,259	43,167	64,823	554,717	933,621
Segment's depreciation and amortisation	162,269	36,663	53,526	54,946	55,526	362,930
Unallocated depreciation and amortisation	-	-	-	-	-	17,494
Total depreciation and amortisation	162,269	36,663	53,526	54,946	55,526	380,424

Other segmental information for the six months ended June 30th 2019 (unaudited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Expenditure on property, plant and equipment	170,780	39,179	46,093	39,188	38,599	333,839
Expenditure on intangible assets	3,688	-	507	24	14,581	18,800
Unallocated expenditure	-	-	-	-	-	33,241
Total expenditure	174,468	39,179	46,600	39,212	53,180	385,880
Segment's depreciation and amortisation	161,935	33,045	56,207	56,425	52,264	359,876
Unallocated depreciation and amortisation	-	-	-	-	-	45,573
Total depreciation and amortisation	161,935	33,045	56,207	56,425	52,264	405,449

Geographical areas

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

Revenue

	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019	for the period Apr 1 – Jun 30 2020	for the period Apr 1– Jun 30 2019
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Poland	2,543,911	2,942,678	1,063,378	1,258,473
Germany	405,665	478,559	175,389	218,295
Other EU countries	1,475,769	1,751,325	561,879	804,623
Asia	196,394	243,867	114,243	123,968
South America	105,741	152,283	55,654	80,159
Other countries	645,138	533,797	298,355	252,107
Total	5,372,618	6,102,509	2,268,898	2,737,625

No single trading partner accounted for more than 10% of revenue in H1 2020 or H1 2019.

Note 1 Revenue from contracts with customers

	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019	for the period Apr 1 – Jun 30 2020	for the period Apr 1– Jun 30 2019
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Revenue from sale of products and services	5,244,353	5,976,361	2,215,371	2,676,390
Revenue from sale of merchandise and materials	125,110	118,146	51,781	59,068
Revenue from sale of property rights	1,427	6,132	339	297
Revenue from sale of licences	1,728	1,870	1,407	1,870
	5,372,618	6,102,509	2,268,898	2,737,625

For the period Jan 1–Jun 30 2020

	Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Main product lines						
Revenue from sale of products and services	3,248,420	591,107	1,202,383	103,098	99,345	5,244,353
Revenue from sale of merchandise and materials	77,744	-	13,735	19,546	14,085	125,110
Revenue from sale of property rights	-	361	-	1,066	-	1,427
Revenue from sale of licences	1,728	-	-	-	-	1,728
Total	3,327,892	591,468	1,216,118	123,710	113,430	5,372,618
Geographical regions						
Poland	1,751,295	70,769	498,981	123,710	99,156	2,543,911
Germany	233,743	30,506	138,793	-	2,623	405,665
Other EU countries	693,115	335,750	436,376	-	10,528	1,475,769
Asia	114,349	81,430	504	-	111	196,394
South America	95,990	8,487	1,264	-	-	105,741
Other countries	439,400	64,526	140,200	-	1,012	645,138
Total	3,327,892	591,468	1,216,118	123,710	113,430	5,372,618

For the period Jan 1–Jun 30 2019

	Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Main product lines						
Revenue from sale of products and services	3,601,145	790,002	1,412,741	98,716	73,757	5,976,361
Revenue from sale of merchandise and materials	65,977	395	21,379	20,923	9,472	118,146
Revenue from sale of property rights	-	165	-	5,967	-	6,132
Revenue from sale of licences	1,870	-	-	-	-	1,870
Total	3,668,992	790,562	1,434,120	125,606	83,229	6,102,509
Geographical regions						
Poland	2,062,308	100,254	577,973	125,606	76,537	2,942,678
Germany	245,232	86,481	146,248	-	598	478,559
Other EU countries	770,724	422,385	553,872	-	4,344	1,751,325
Asia	137,928	105,493	446	-	-	243,867
South America	133,025	12,199	7,059	-	-	152,283
Other countries	319,775	63,750	148,522	-	1,750	533,797
Total	3,668,992	790,562	1,434,120	125,606	83,229	6,102,509

The decline in revenue was attributable to the lower selling prices of Agro Fertilizer products compared with the same period of 2019, when the prices of natural gas were at historical highs, which was reflected in the market prices of fertilizer products prevailing at that time. Concurrently, the sales volume in H1 2020 increased year on year. The Plastics and Chemicals segments were also a negative contributor to top-line performance - due to the combination of lower prices and significantly reduced sales volumes, strongly affected by the COVID-19 pandemic.

Note 2 Operating expenses

	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019	for the period Apr 1 – Jun 30 2020	for the period Apr 1– Jun 30 2019
	<i>unaudited</i>	<i>unaudited restated*</i>	<i>unaudited</i>	<i>unaudited restated*</i>
Depreciation and amortisation	378,047	403,490	189,636	204,142
Raw materials and consumables used	2,710,860	3,354,697	1,164,264	1,507,695
Services	581,239	551,499	292,369	274,789
Taxes and charges	275,825	252,515	130,551	128,711
Salaries and wages	741,046	699,174	397,184	358,927
Social security and other employee benefits	191,557	183,066	96,065	94,835
Other expenses	83,835	81,715	42,377	49,765
Costs by nature of expense	4,962,409	5,526,156	2,312,446	2,618,864
Change in inventories of finished goods (+/-)	80,223	34,440	(100,536)	(8,917)
Work performed by the entity and capitalised (-)	(64,210)	(57,272)	(37,610)	(36,897)
Selling expenses (-)	(480,124)	(457,543)	(225,194)	(221,788)
Administrative expenses (-)	(406,984)	(426,902)	(208,314)	(224,088)
Cost of merchandise and materials sold	102,553	95,927	41,800	52,409
Cost of sales	4,193,867	4,714,806	1,782,592	2,179,583
including excise duty	2,680	2,626	1,299	1,241

*as described in Section 1.3.2.

The lower operating expenses were mainly attributable to reduced costs of raw materials and consumables used, as the prices of key raw materials fell, combined with higher costs of services (transport, repairs), taxes and charges (CO₂) and labour costs (an increase in employee benefits).

Note 3 Other income

	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019	for the period Apr 1 – Jun 30 2020	for the period Apr 1– Jun 30 2019
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Gains on disposal of assets:				
Gain on disposal of property, plant and equipment	-	174		(589)
		174		(589)
Reversed impairment losses on:				
Investment property		-		-
Other receivables	112	487	63	183
Other	11	-	10	-
	123	487	73	183
Other income:				
Compensation for the increase in electricity prices due to higher prices of CO ₂ emission allowances	79,593	-	72,959	-
Income from lease of investment property	7,653	8,418	4,308	3,593
Received compensation	1,583	5,820	737	2,842
Provisions reversed	7,309	6,802	3,839	4,593
Government grants received	6,961	6,738	3,447	3,583
Other	5,080	218	2,631	148
	108,179	27,996	87,921	14,759
	108,302	28,657	87,994	14,353

As at June 30th 2020, the Group recognised, under other income, compensation of PLN 79,593 thousand for 2019, granted under the Act on the Compensation Scheme for Energy-Intensive Sectors and Subsectors of July 19th 2019. Entities in these sectors, including key Grupa Azoty Group companies, may be eligible for public aid for passing on the costs of emission allowances to the prices of electricity used to make their products.

The compensation was recognised under other income as it related to the previous year, and as at December 31st 2019 was recognised as contingent assets given the uncertainty as to the reliable estimation of its amount, as the compensation scheme had only recently been brought into operation. Compensation expected to be received for 2020 is recognised as a deduction of current costs of electric energy consumed.

The expected compensation for H1 2020, accounted for as a deduction of costs, was PLN 44,556 thousand. As a result, the total amount of income from compensation for energy-intensive businesses recognised in H1 2020 was PLN 124,149 thousand.

Note 4 Other expenses

	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019	for the period Apr 1 – Jun 30 2020	for the period Apr 1– Jun 30 2019
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited restated*</i>
Loss on disposal of assets:				
Loss on disposal of property, plant and equipment	2,122	-	573	-
	2,122	-	573	-
Recognised impairment losses on:				
Property, plant and equipment	1,011	4,428	1,011	4,285
Intangible assets	-	126	-	126
Right-of-use assets	-	18,417	-	18,417
Other receivables	662	2,695	1,760	2,245
Other	88	549	26	539
	1,761	26,215	2,797	25,612
Other expenses:				
Investment property maintenance costs	6,253	5,743	3,179	2,718
Fines and compensations	211	2,525	180	1,384
Plant outages	929	1,307	456	650
Failure recovery costs	3,763	4,809	2,501	2,447
Recognised provisions	4,592	14,691	3,109	12,174
Other	7,947	6,038	3,714	388
	23,695	35,113	13,139	19,761
	27,578	61,328	16,509	45,373

*as described in Section 1.3.2.

Note 5 Finance income

	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019	for the period Apr 1 – Jun 30 2020	for the period Apr 1– Jun 30 2019
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Interest income:				
Interest on bank deposits	2,057	3,145	1,397	1,855
Interest on cash pooling, loans	2,148	354	436	28
Interest on trade receivables	1,133	1,089	797	711
Other interest income	832	193	14	170
	6,170	4,781	2,644	2,764
Profit from sale of financial investments:				
Profits from sale of financial investments	287	-	287	(478)
	287	-	287	(478)
Gains on measurement of financial assets and liabilities:				
Gains on measurement of financial assets at fair value through profit or loss	-	171	(12,732)	(429)
Gains on measurement of financial liabilities at fair value through profit or loss	-	991	-	921
	-	1,162	(12,732)	492
Other finance income:				
Foreign exchange gains	-	4,386	-	3,254
Dividends received	-	653	-	653
Discounting of liabilities	237	47	10	25
Other finance income	2,838	2,272	2,096	743
	3,075	7,358	2,106	4,675
	9,532	13,301	(7,695)	7,453

Note 6 Finance costs

	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019	for the period Apr 1 – Jun 30 2020	for the period Apr 1– Jun 30 2019
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Interest expense:				
Interest on bank borrowings and overdraft facilities	28,089	24,994	11,676	12,613
Interest on cash pooling, loans	3,171	2,309	1,256	1,732
Interest on liabilities under leases, factoring, discount of receivables	9,583	9,179	4,209	5,807
Interest on trade payables	11	11	-	(68)
Interest on public charges	113	451	87	303
Other interest expense	2,384	2,809	2,058	2,731
	43,351	39,753	19,286	23,118
Loss on sale of financial investments:				
Loss on sale of financial investments:	-	837	-	837
	-	837	-	837
Loss on measurement of financial assets and liabilities:				
Loss on measurement of financial assets at fair value through profit or loss	2,021	-	2,021	-
Loss on measurement of financial liabilities at fair value through profit or loss	537	-	537	-
	2,558	-	2,558	-
Other finance costs:				
Foreign exchange losses	18,536	-	(5,227)	-
Unwind of discount on provisions and loans	2,495	1,495	2,412	1,481
Other finance costs:	5,034	1,656	1,936	531
	26,065	3,151	(879)	2,012
	71,974	43,741	20,965	25,967

Note 7 Income tax

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

	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019	for the period Apr 1 – Jun 30 2020	for the period Apr 1– Jun 30 2019
	<i>unaudited</i>	<i>unaudited restated*</i>	<i>unaudited</i>	<i>unaudited restated*</i>
Current income tax:				
Current income tax expense	42,264	95,655	3,471	29,489
Adjustments to current income tax for previous years	3,875	(244)	-	(244)
	46,139	95,411	3,471	29,245
Deferred income tax:				
Deferred income tax associated with origination and reversal of temporary differences	48,761	8,479	38,714	2,004
	48,761	8,479	38,714	2,004
Income tax disclosed in the statement of profit or loss	94,900	103,890	42,185	31,249

*as described in Section 1.3.2.

Note 7.2 Income tax disclosed in other comprehensive income

	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019	for the period Apr 1 – Jun 30 2020	for the period Apr 1– Jun 30 2019
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Tax on items that will not be reclassified to profit or loss (+/-)	(3,155)	(2,468)	(3,156)	(2,468)
Remeasurement of net defined benefit obligation/asset	(3,155)	(2,468)	(3,156)	(2,468)
Tax on items that are or may be reclassified to profit or loss (+/-)	(7,630)	1,533	3,529	1,575
Cash flow hedging - effective portion of fair value changes	(7,630)	1,533	3,529	1,575
Income tax disclosed in other comprehensive income	(10,785)	(935)	373	(893)

Note 7.3 Effective tax rate

	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019	for the period Apr 1 – Jun 30 2020	for the period Apr 1– Jun 30 2019
	<i>unaudited</i>	<i>unaudited restated*</i>	<i>unaudited</i>	<i>unaudited restated*</i>
Profit before tax	317,005	446,274	99,236	65,865
Tax calculated at the applicable tax rate	60,230	84,790	18,854	12,513
Effect of tax rates in foreign jurisdictions	4,539	6,140	2,269	3,007
Effect of tax-exempt income (+/-)	9,528	(4,195)	11,272	(4,195)
Effect of non tax-deductible expenses (+/-)	(7,017)	9,694	(3,508)	5,739
Tax effect of inclusion of property, plant and equipment into operations in Special Economic Zone (+/-)	937	1,203	468	719
Tax effect of tax losses deducted in the period (+/-)	(165)	(7,602)	(82)	(7,602)
Recognition of state aid deductible in future periods (+/-)	(397)	3,263	(198)	4,425
Other (+/-)	27,245	10,597	13,110	16,643
Income tax disclosed in the statement of profit or loss	94,900	103,890	42,185	31,249
Effective tax rate	29.9%	23.3%	42.5%	47.4%

*as described in Section 1.3.2.

Note 7.4 Deferred tax assets and liabilities

	Assets (-)		Liabilities (+)	
	Jun 30 2020	Dec 31 2019	Jun 30 2020	Dec 31 2019
	<i>unaudited</i>	<i>audited</i>	<i>unaudited</i>	<i>audited</i>
Property, plant and equipment	(74,761)	(71,614)	425,504	410,463
Right-of-use assets	(13)	(47)	129,156	138,784
Investment property	(1,682)	(1,616)	10,015	9,203
Intangible assets	(4,068)	(4,089)	250,420	242,439
Financial assets	(526)	(979)	3,179	2,909
Inventories and property rights	(20,255)	(20,138)	51,909	40,771
Trade and other receivables	(8,832)	(6,567)	26,295	1,147
Trade and other payables	(99,324)	(122,676)	1,063	1,228
Other non-current assets	(524)	(585)	91	155
Employee benefits	(113,747)	(108,919)	15	714
Provisions	(64,199)	(60,072)	1,054	371
Borrowings	(576)	(852)	109	157
Other financial liabilities, including leases	(63,080)	(53,932)	2,470	3,821
Measurement of hedging instruments through hedge accounting	(6,410)	-	-	1,377
State aid deductible in future periods	(22,911)	(28,286)	-	-
Tax losses	(4,725)	(9,114)	-	-
Other	(3,643)	(188)	6,038	185
Deferred tax assets (-)/liabilities (+)	(489,276)	(489,674)	907,318	853,724
Offset	397,297	392,600	(397,297)	(392,600)
Deferred tax assets (-)/liabilities (+) recognised in the statement of financial position	(91,979)	(97,074)	510,021	461,124

Note 8 Earnings per share

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

	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019	for the period Apr 1 – Jun 30 2020	for the period Apr 1– Jun 30 2019
	<i>unaudited</i>	<i>unaudited restated*</i>	<i>unaudited</i>	<i>unaudited restated*</i>
Net profit	195,224	312,325	44,115	32,046
Number of shares at beginning of period	99,195,484	99,195,484	99,195,484	99,195,484
Number of shares at end of period	99,195,484	99,195,484	99,195,484	99,195,484
Weighted average number of shares in the period	99,195,484	99,195,484	99,195,484	99,195,484
Earnings per share:				
Basic (PLN)	1.97	3.15	0.44	0.32
Diluted (PLN)	1.97	3.15	0.44	0.32

*as described in Section 1.3.2.

Diluted earnings per share

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

Note 9 Property, plant and equipment

Carrying amount

	as at Jun 30 2020	as at Dec 31 2019
	<i>unaudited</i>	<i>audited</i>
Land	57,904	54,951
Mineral deposits	7,603	8,259
Buildings and structures	2,715,204	2,735,310
Plant and equipment	3,684,223	3,785,984
Vehicles	118,267	118,900
Other property, plant and equipment	156,679	160,532
	6,739,880	6,863,936
Property, plant and equipment under construction	2,031,382	1,278,815
	8,771,262	8,142,751

The increase in property, plant and equipment under construction reflected mainly the expenditure made on strategic investment projects, in particular *Polimery Police*, as well as capex projects undertaken by Grupa Azoty PUŁAWY.

Property, plant and equipment by type

	Land	Mineral deposits	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
As at Jun 30 2020								
Gross carrying amount	66,589	49,009	4,134,092 (1,355,548)	7,210,743	294,770	378,512	2,103,999	14,237,714
Accumulated depreciation (-)	-	(5,197))	(3,420,090)	(130,578)	(220,943)	-	(5,132,356)
Impairment (-)	(8,685)	(36,209)	(63,340)	(106,430)	(45,925)	(890)	(72,617)	(334,096)
Net carrying amount as at Jun 30 2020 (unaudited)	57,904	7,603	2,715,204	3,684,223	118,267	156,679	2,031,382	8,771,262
As at Dec 31 2019								
Gross carrying amount	63,636	49,009	4,077,644 (1,278,994)	7,095,251	288,444	369,166	1,351,432	13,294,582
Accumulated depreciation (-)	-	(4,541))	(3,203,848)	(123,619)	(207,744)	-	(4,818,746)
Impairment (-)	(8,685)	(36,209)	(63,340)	(105,419)	(45,925)	(890)	(72,617)	(333,085)
Net carrying amount as at Dec 31 2019 (audited)	54,951	8,259	2,735,310	3,785,984	118,900	160,532	1,278,815	8,142,751

In the six months ended June 30th 2020, the Group purchased property, plant and equipment with a value of PLN 923,098 thousand (six months ended June 30th 2019: PLN 598,421 thousand). In the six months ended June 30th 2020, the Group sold property, plant and equipment with a total value of PLN 1,875 thousand (six months ended June 30th 2019: PLN 939 thousand).

Loss on disposal of property, plant and equipment was presented in Note 4.

The value of property, plant and equipment is also affected by changes in the EUR exchange rate in the case of assets located abroad, particularly in the European Union. In the six months ended June 30th 2020, exchange differences resulted in a PLN 26,988 thousand increase in property, plant and equipment (six months ended June 30th 2019: PLN 6,357 thousand decrease in property, plant and equipment).

Impairment testing

As at June 30th 2020, one of the triggers listed in paragraph 12d of IAS 36 *Impairment of Assets* occurred in respect of all of the Group's non-current assets - the carrying amount of the Group's net assets was higher than the market capitalisation of the Parent. Therefore, the Parent and the key subsidiaries analysed the validity of the assumptions adopted for the previous impairment tests as at December 31st 2019, and the results of those tests. The analysis showed that:

- the adopted operating strategy and the key assumptions did not change,
- the definition of cash generating units (CGUs) within the Group and the value of assets of each CGU did not change materially relative to the respective amounts as at December 31st 2019,
- the Group's EBITDA and cash flows for the six months to June 30th 2020 with respect to the major part of the tested CGUs were higher than those assumed in the impairment tests as at the end of 2019,
- the projected financial results for 2020 for the majority of the Group's CGUs were also higher than the corresponding results for the period underlying the impairment tests at the end of 2019,
- there were symptoms of the risk that the macroeconomic outlook and market conditions could deteriorate, including as a result of the SARS CoV-2 coronavirus pandemic, especially in the segment of plastics for automotive applications, but the Group assessed their impact as limited, not warranting any material adjustment to its long-term projections of financial performance relative to the levels assumed in the tests,
- the risk-free interest rate (yield on 10-year Treasury bonds) fell from 2.11% at the end of 2019 to 1.36% at the end of June 2020, and the NBP's reference rate was reduced over the period from 1.5% to 0.1%. The result was a decrease in the weighted average cost of capital for the Grupa Azoty Group.

Given the above, it was concluded that the recoverable amount estimates resulting from the previous tests remained valid as at June 30th 2020, and therefore no additional impairment losses needed to be recognised and no indicators existed that any impairment losses on assets recognised in prior periods should be reversed.

It should be noted that the impact of COVID-19 will be far-reaching and will affect all business areas, although it is still impossible to accurately estimate its consequences for the future business and condition of the Grupa Azoty Group companies. For information on risks related to the consequences of COVID-19 and preventive actions taken by the Group companies, see Note 25 to these interim condensed consolidated financial statements.

For detailed information on the impairment tests and their results, see Note 10 to the consolidated financial statements of Grupa Azoty Spółka Akcyjna for the 12 months ended December 31st 2019.

Grupa Azoty POLYOLEFINS, the subsidiary responsible for the implementation of the strategic capex project *Polimery Police*, monitors the projected profitability of this 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 subsidiary reviews the need to update the key model assumptions and parameters on an ongoing basis. The scope of revisions made in the first half of 2020 covered primarily selected aspects of financial assumptions, including those agreed during ongoing discussions with the syndicate of financing institutions and the process of obtaining corporate approvals to meet the conditions precedent laid down by the project co-sponsors and financing institutions.

For an overview of the implementation status of the *Polimery Police* project, see the Directors' Report. For information on the request received from the project's general contractor, Hyundai Engineering Co. Ltd. of South Korea (the "General Contractor"), to amend the EPC Contract by, *inter alia*, extending the completion deadline and increasing the price payable to the General Contractor, see Note 22. The analysis performed, taking account of the risks involved in these newly emerged circumstances, identified no need to recognised impairment losses. Accordingly, as at June

30th 2020, the conclusions of the analysis performed at the end of 2019, which indicated that no impairment of the Group's assets related to the implementation of the Polimery Police project needed to be recognised, were upheld.

Note 10 Right-of-use assets

Carrying amount

	as at Jun 30 2020	as at Dec 31 2019
	<i>unaudited</i>	<i>audited</i>
Perpetual usufruct of land	640,202	639,025
Land	593	639
Buildings and structures	43,655	45,173
Plant and equipment	98,748	108,578
Vehicles	52,789	55,029
Other fixtures and fittings, tools and equipment	317	3,615
	836,304	852,059
Right-of-use assets under construction	58	16
	836,362	852,075

Note 11 Intangible assets

Carrying amount

	as at Jun 30 2020	as at Dec 31 2019
	<i>unaudited</i>	<i>audited</i>
Trade marks	278,147	269,349
Corporate logo	123,552	117,825
Customer portfolio	331,570	329,418
Patents and licences	83,280	85,993
Software	27,608	28,746
Development costs	1,768	1,934
Other intangible assets	58,890	60,149
	904,815	893,414
Intangible assets under development	98,428	91,657
	1,003,243	985,071

Note 12 Cash and cash equivalents

	as at Jun 30 2020	as at Dec 31 2019
	<i>unaudited</i>	<i>audited</i>
Cash in hand	472	493
Bank balances in PLN	639,350	143,707
Bank balances in foreign currencies (translated to PLN)	202,629	566,994
Bank deposits – up to 3 months	55,692	50,493

Other bank deposits	6,735	6,944
Other	1,881	1,456
	906,759	770,087
Cash and cash equivalents in the statement of financial position	906,759	770,087
Cash and cash equivalents in the statement of cash flows	906,759	770,087

Note 13 Borrowings

	as at Jun 30 2020	as at Dec 31 2019
	<i>unaudited</i>	<i>audited</i>
Bank borrowings		
Long-term	2,978,677	2,546,003
Short-term	345,191	205,908
	3,323,868	2,751,911

In H1 2020, the Group drew down a PLN 500m loan under the term facility advanced by a bank syndicate under the Credit Facility Agreement of April 23rd 2015 (as amended), in order to finance its contribution to the *Polimery Police* project.

As at June 30th 2020, the Group had access to credit limits of approximately PLN 2,550m (December 31st 2019: PLN 3,255m).

Maturities and currencies of borrowings

As at Jun 30 2020 (unaudited)

Currency	Reference rate	Amount as at the reporting date		Up to 1 year	1-2 years	2-5 years	Over 5 years
		in foreign currency	in PLN				
PLN	variable / fixed	1,450,999	1,450,999	33,116	90,956	1,280,612	46,315
EUR	variable / fixed	422,424	1,858,690	297,896	165,309	1,184,535	210,950
BRL	fixed	19,356	14,179	14,179	-	-	-
			3,323,868				
		-	8	345,191	256,265	2,465,147	257,265

As at Dec 31 2019 (audited)

Currency	Reference rate	Amount as at the reporting date		Up to 1 year	1-2 years	2-5 years	Over 5 years
		in foreign currency	in PLN				
PLN	variable / fixed	1,026,146	1,026,146	50,928	50,663	141,318	783,237
EUR	variable / fixed	405,131	1,725,254	154,469	127,995	445,170	997,620
BRL	fixed	2,540	511	511	-	-	-
			2,751,911				
		-	1	205,908	178,658	586,488	1,780,857

As part of debt under borrowings maturing in up to one year from the reporting date, i.e. by June 30th 2021, the Group presented PLN and EUR-denominated debt under umbrella working capital facilities as at June 30th 2020, of PLN 202,131 thousand (December 31st 2019: PLN 45,901 thousand).

The umbrella working capital facility agreements are effective until September 30th 2022. However, the related liabilities are classified as current, because they are used to finance the Group's day-to-day operations and because of their half-yearly allocation and availability periods. The Group expects to refinance or extend these instruments in the following periods.

Note 14 Employee benefit obligations

	as at Jun 30 2020	as at Dec 31 2019
	<i>unaudited</i>	<i>audited</i>
Pension benefit obligations	234,147	219,189
Jubilee benefit obligations	273,540	254,551
Pensioner Social Fund benefit obligations	26,603	24,110
Other obligations	26,925	24,771
	561,215	522,621
including		
Long-term	503,745	469,351
Short-term	57,470	53,270
	561,215	522,621

The increase in employee benefit obligations follows from changes in actuarial assumptions and, mainly, from a reduction in discount rate (to 1.40%) (December 31st 2019: 2.05%).

Note 15 Provisions

	as at Jun 30 2020	as at Dec 31 2019
	<i>unaudited</i>	<i>audited</i>
Provision for litigation	10,394	10,566
Provision for environmental protection	201,159	196,529
Other provisions	36,548	34,868
	248,101	241,963
including		
Long-term	214,569	204,850
Short-term	33,532	37,113
	248,101	241,963

Note 16 Other material changes in the statement of financial position

The PLN 80,119 thousand decrease in short-term **Trade and other receivables** was mainly an effect of accounting for the subscription by the Parent for new shares in the subsidiary Grupa Azoty POLICE (PLN 291m), coupled with a drop in trade receivables due to the lower prices and a decline in the sales of Plastics, a post-season decline in the sales of Fertilizers, as well as an effect of the recognition of compensation for energy-intensive businesses estimated as receivable for 2019 and H1 2020.

The PLN 484,184 thousand increase in long-term **Other receivables** was attributable to activities related to the investment project carried out at Grupa Azoty POLYOLEFINS (mainly prepayments for property, plant and equipment under construction as part of the Polimery Police project, of PLN 420m).

The PLN 117,982 thousand decrease in **Inventories** resulted from the lower purchase prices of key feedstocks used by the Plastics segment and a seasonal drop in the inventories of Fertilizer products.

The PLN 211,965 thousand decrease in **Trade and other payables** was attributable to accounting for the provision for redemption of CO₂ emission allowances for 2019, the reduction in the Plastics segment's feedstock prices and the falling natural gas prices, as well as a seasonal decline in the volume of gas purchases and prices of petroleum products.

The PLN 114,081 thousand decrease in **Other financial liabilities** was attributable to lower usage of reverse factoring due to a decrease in total trade payables subject to deferred payment terms.

The PLN 227,593 thousand increase in **Grants** reflected mainly the receipt of CO₂ emission allowances. The grant will be accounted for pro rata to the emissions until the end of 2020.

Note 17 Financial instruments

Categories of financial instruments

Financial assets

	as at Jun 30 2020	as at Dec 31 2019
	<i>unaudited</i>	<i>audited</i>
At fair value through profit or loss	29,792	5,918
At amortised cost	2,173,397	2,296,048
At fair value through other comprehensive income	13,395	16,314
	2,216,584	2,318,280
Recognised in the statement of financial position as:		
Derivative financial instruments	29,792	5,918
Shares	9,198	9,198
Trade and other receivables	1,217,342	1,355,947
Cash and cash equivalents	906,759	770,087
Other financial assets	53,493	177,130
	2,216,584	2,318,280

Financial liabilities

	as at Jun 30 2020	as at Dec 31 2019
	<i>unaudited</i>	<i>audited</i>
At fair value through profit or loss	4,180	15
At amortised cost	5,734,780	5,263,975
	5,738,960	5,263,990
Recognised in the statement of financial position as:		
Long-term borrowings	2,978,677	2,546,003
Short-term borrowings	345,191	205,908
Derivative financial instruments	4,180	15
Trade and other payables	1,541,219	1,512,390
Non-current lease liabilities	354,237	367,482
Current lease liabilities	56,875	59,530
Other non-current financial liabilities	15,830	18,357
Other current financial liabilities	442,751	554,305
	5,738,960	5,263,990

Credit risk

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

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

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

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

Trade receivables

The credit risk structure of trade receivables by the Group's product groups is presented in the table below:

	as at Jun 30 2020	as at Dec 31 2019
	<i>unaudited</i>	<i>audited</i>
Agro Fertilizers	538,740	520,943
Plastics	120,016	144,305
Chemicals	264,483	261,417
Energy	29,524	31,279
Other Activities	39,392	50,675
	992,155	1,008,619

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

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

Trade credit limit is granted primarily on the basis of the insurance 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 Group and a customer, or where transactions are occasional and the credit limit cannot be insured, the customer is required to make a prepayment or provide security.

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

Fair value of financial instruments

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

- cash and cash equivalents, short-term bank deposits and short-term bank borrowings, factoring and reverse factoring transactions, and sale and discount of receivables - the carrying amount of the instruments approximates their fair value due to their short maturities,
- trade receivables, other receivables and trade payables - the carrying amount of the instruments approximates their fair value due to their short-term nature,
- long-term variable rate borrowings - the carrying amount of the instruments approximates their fair value due to the variable nature of their interest rates.
- Long-term fixed-rate borrowings. Carrying amount of these instruments is PLN 851,638 thousand, and their fair value is ca. PLN 858,137 thousand (Level 2 in the fair value hierarchy).
- foreign currency derivatives - the carrying amount of the instruments equals their fair value.

The table below presents Grupa Azoty's financial instruments, carried at fair value, by levels in the fair value hierarchy, as at June 30th 2020:

Hierarchy level (unaudited)	Level 1	Level 2	Level 3
Financial assets at fair value, including:			
at fair value through profit or loss	-	29,792	-

measured at fair value through other comprehensive income, including:			
<i>shares</i>	-	-	13,395
<i>trade receivables</i>	-	-	7,720
	-	-	5,675
	-	29,792	13,395
Financial liabilities at fair value, including:			
at fair value through profit or loss	-	4,180	-
	-	4,180	-

The table below presents Grupa Azoty's financial instruments, carried at fair value, by levels in the fair value hierarchy, as at December 31st 2019:

Hierarchy level (audited)	Level 1	Level 2	Level 3
Financial assets at fair value, including:			
at fair value through profit or loss	-	5,918	-
measured at fair value through other comprehensive income, including:			
<i>shares</i>	-	-	16,314
<i>trade receivables</i>	-	-	6,767
	-	-	9,547
	-	5,918	16,314

There were no transfers between the levels in H1 2020 or in 2019.

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.

In H1 2020 and 2019, no financial instruments were transferred between Level 2 and Level 3 of the classification of financial instruments measured at fair value.

The fair value of foreign currency contracts presented in Level 2 is determined on the basis of a valuation carried out by brokers or 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.

In the six months to June 30th 2020, Grupa Azoty POLYOLEFINS entered into forward contracts for the purchase of EUR 174,947 thousand for PLN, hedging expected payments in EUR under the contract for turnkey execution of the Polimery Police project, which are to be made through PLN contributions from the Parent and Grupa Azoty POLICE in the form of a share capital increase and subordinated loans.

In the first half of 2020, the subsidiary Grupa Azoty POLYOLEFINS also purchased FX options to purchase EUR 169,600 thousand for PLN and options to purchase EUR 300,500 thousand for USD in respect of the Polimery Police Co-Sponsors' planned contribution in PLN and USD, respectively, and partly for the USD-denominated senior facility. The transactions allow the company to hedge the Polimery Police project's budget in accordance with its financial model.

In the reporting period, the amount purchased under currency forward contracts was EUR 32,600 thousand. In addition, the EUR/PLN FX options for EUR 60,000 thousand expired without being exercised. Forward contracts were executed for a part of the notional amount of the expired options and new options were also acquired to partly replace them, subsequently converted into forward contracts after the reporting date.

As at the issue date of these financial statements, new forward contracts for EUR 158,519 thousand were concluded, of which EUR 90,845 thousand related to the EUR/USD currency pair.

In addition, as at the issue date of these financial statements, options for a total amount of EUR 135,675 thousand were sold or expired, of which EUR 112,500 thousand related to the EUR/USD currency pair.

As at June 30th 2020, the net fair value of outstanding forward contracts and options executed by Grupa Azoty POLYOLEFINS was PLN 29,792 thousand (including forward contracts: PLN 19,268 thousand, and call option: PLN 10,524 thousand).

As at June 30th 2020, the total notional value of currency forward contracts was EUR 142,316 thousand, while that of EUR/PLN and EUR/USD FX options was EUR 109,603 thousand and EUR 300,500 thousand, respectively. As at June 30th 2020, Grupa Azoty POLYOLEFINS did not apply hedge accounting.

The fair value of outstanding currency derivatives (forward contracts and call option) entered into by Grupa Azoty POLYOLEFINS was determined based on the valuation models used with respect to financial instruments by the banks with which the contracts had been executed. The models rely on the generally available exchange rates, interest rates, forward curves and currency volatility levels sourced from active markets. The fair value of derivatives is determined by reference to future discounted cash flows connected with the transactions, calculated based on the difference between the forward rate and the transaction price. The valuations are reviewed for completeness. The fair value of transactions in the portfolio of Grupa Azoty POLYOLEFINS corresponds to the price the company would receive or pay if a given transaction was settled at the valuation date.

The fair value measurement methods generally adopted for FX derivatives, such as currency forwards and call options, are based on models relying on all significant inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either indirectly or directly. According to the fair value hierarchy, the use of such data for valuation purposes results in its classification within Level 2.

At the other Group companies, foreign currency derivatives include forward contracts to sell an expected excess cash in EUR or, to a lesser extent, USD.

Such contracts are only entered into with reliable banks under master agreements. All the contracts reflect actual cash flows in foreign currencies. Currency forwards and derivative contracts are executed to match the currency exposure.

Hedge accounting

The Group applies cash flow hedge accounting. The hedged item are highly probable future proceeds from sale transactions in the euro, which will be recognised in profit or loss in the period from July 2020 to September 2028. The hedging covers currency risk. The hedge are two euro-denominated credit facilities of:

- EUR 90,810 thousand as at June 30th 2020 (December 31st 2019: EUR 99,891 thousand), repayable in the period from December 2018 to June 2025 in 14 equal half-yearly instalments of EUR 9,081 thousand each;
- EUR 100,000 thousand as at June 30th 2020 (December 31st 2019: EUR 100,000 thousand), repayable from March 2021 to September 2028 in 15 equal half-yearly instalments of EUR 6,666 thousand each.

As at June 30th 2020, the carrying amount of both these credit facilities was PLN 852,709 thousand (December 31st 2019: PLN 850,648 thousand). In H1 2020, the hedging reserve included PLN (32,906) thousand (2019: PLN 7,250 thousand) on account of the effective hedge. In 2019, the Group reclassified PLN 781 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 currency loan instalments against proceeds from sales in the euro.

Note 18 Contingent liabilities, contingent assets, sureties and guarantees

Contingent assets

	as at Jun 30 2020	as at Dec 31 2019
	<i>unaudited</i>	<i>audited</i>
Contingent receivables	30,622	114,213

As at the reporting date, contingent receivables comprised primarily receivables related to the claim raised against Ciech S.A. for payment of PLN 18,864 thousand for breach of the warranties made by Ciech S.A. in the agreement for purchase of shares in GZNF Fosfory Sp. z o.o. (a subsidiary of Grupa Azoty PUŁAWY). On October 30th 2012, Grupa Azoty PUŁAWY filed a suit with the Regional Court in Warsaw. The case is pending.

As at December 31st 2019, contingent receivables included the compensation for energy-intensive businesses of PLN 83,399 thousand estimated as receivable for 2019. The eligible Group companies received the compensation in August 2020. Therefore, as at June 30th 2020, they presented receivables under the compensation for energy-intensive businesses due for 2019 and estimated for H1 2020 under other receivables.

Contingent liabilities and guarantees/sureties

	as at Jun 30 2020	as at Dec 31 2019
	<i>unaudited</i>	<i>audited</i>
Other contingent liabilities, including guarantees	32,381	31,651

Support loan provision guarantee agreement

On May 31st 2020, in connection with the Credit Facility Agreement for financing the *Polimery Police* project, the Parent and Grupa Azoty POLICE entered into a support loan provision guarantee agreement with Grupa Azoty POLYOLEFINS and Bank Polska Kasa Opieki S.A. (acting as the facility agent and security agent) for up to EUR 105m in the form of a subordinated loan, the main objective of which is to cover a potential liquidity deficit, construction cost overruns, operating costs and debt service costs in the operation phase.

As at the issue date of these financial statements, the above loan provision guarantee was not yet provided. It will be provided on the date of fulfilment of the conditions precedent under the Credit Facility Agreement for financing the *Polimery Police* project.

Note 19 Related-party transactions

Trade transactions with associates

Trade transactions

	Receivables			
	Revenue	s	Purchases	Liabilities
In the six months ended June 30th 2020 and as at that date (unaudited)				
Related parties of Grupa Azoty POLICE	9,493	15,123	4,644	1,571
Related parties of Grupa Azoty PUŁAWY	99	27	8,359	1,285
	9,592	15,150	13,003	2,856

	Revenue	Purchases
In the six months ended June 30th 2019 (unaudited)		
Related parties of Grupa Azoty POLICE	4,499	3,738
Related parties of Grupa Azoty PUŁAWY	108	7,013
	4,607	10,751

Trade transactions with associates and jointly-controlled entities

Trade transactions

	Receivables	Liabilities
As at Dec 31 2019 (audited)		
Related parties of Grupa Azoty POLICE	910	1,384
Related parties of Grupa Azoty PUŁAWY	51	1,612
	961	2,996

Other transactions

	In the six months ended June 30th 2020 (unaudited)	In the six months ended June 30th 2019 (unaudited)
Other income		
Related parties of Grupa Azoty POLICE		
Related parties of Grupa Azoty PUŁAWY	27	2
	27	2

Transactions with owners

As at June 30th 2020, the Group had two loan facilities for a total amount of PLN 216,467 thousand contracted with the EBRD (December 31st 2019: PLN 228,273 thousand).

Note 20 Investment commitments

In the period ended June 30th 2020, the Group signed contracts for new investment projects and for continuation of ongoing projects. The projects involve mainly the provision of chemical, construction, mechanical and electrical services, design services, and project supervision. The estimated value of these liabilities was PLN 4,886,924 thousand (December 31st 2019: PLN 5,537,548 thousand).

The largest capital commitments are as follows:

	as at Jun 30 2020	as at Dec 31 2019
PDH and polypropylene unit at Grupa Azoty POLICE	3,311,062	3,868,889
Construction of CHP plant at Grupa Azoty PUŁAWY	1,140,732	1,159,900
Construction of nitric acid units at Grupa Azoty PUŁAWY	119,894	144,243

Note 21 Accounting estimates and assumptions

Changes in impairment losses on property, plant and equipment

	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019	for the period Apr 1 – Jun 30 2020	for the period Apr 1– Jun 30 2019
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
At beginning of period	333,085	351,730	332,507	348,811
Recognised	1,011	4,428	1,011	4,285
Reversed (-)	(213)	-	-	-
Used (-)	(999)	(3,062)	(634)	-
At end of period	332,884	353,096	332,884	353,096

Changes in inventory write-downs

	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019	for the period Apr 1 – Jun 30 2020	for the period Apr 1– Jun 30 2019
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
At beginning of period	59,731	48,739	56,715	44,995
Recognised	22,495	14,199	19,131	10,491
Reversed (-)	(4,915)	(3,877)	(2,198)	(3,157)
Used (-)	(14,305)	(13,029)	(10,610)	(6,297)
Exchange differences	328	(20)	296	(20)
At end of period	63,334	46,012	63,334	46,012

Changes in impairment losses on receivables

	for the period Jan 1 – Jun 30 2020	for the period Jan 1– Jun 30 2019	for the period Apr 1 – Jun 30 2020	for the period Apr 1– Jun 30 2019
	<i>unaudited</i>	<i>Unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
At beginning of period	84,477	82,290	87,208	82,741
Recognised	12,263	20,289	6,714	17,319
Reversed (-)	(3,838)	(4,353)	(2,809)	(1,973)
Used (-)	(2,103)	(2,871)	(1,358)	(2,732)
Exchange differences	(576)	86	468	86
At end of period	90,223	95,441	90,223	95,441

Note 22 Events after the reporting period

Share capital increase at subsidiary

On August 3rd 2020, the District Court for Szczecin-Centrum of Szczecin, 13th Commercial Division of the National Court Register, registered an increase in the share capital of Grupa Azoty POLYOLEFINS.

Following the registration, the share capital of Grupa Azoty POLYOLEFINS was increased from PLN 467,339,000 to PLN 599,283,310. Currently, the total number of shares of all issues is 59,928,331 (previously: 46,733,900). Their par value is PLN 10 per share.

The Parent holds a direct 47.00% interest in the share capital of Grupa Azoty POLYOLEFINS. The other shareholder of Grupa Azoty POLYOLEFINS is Grupa Azoty POLICE, the Parent's subsidiary.

Corporate approvals to execute transaction documents for financing of *Polimery Police* project

On July 30th 2020, the Parent's Supervisory Board endorsed the proposal of the Parent's Management Board that the Company's General Meeting grant consent for the Parent to execute legal transactions that could result in disposal of the Company's non-current assets with a market value exceeding 5% of the Company's total assets, as provided for in the assumptions for the Share Pledge Agreement and the Assignment Agreement.

The Extraordinary General Meeting of the Parent held on August 20th 2020 passed a resolution to approve the above legal transactions. The Extraordinary General Meeting also authorised the Management Board to take all formal and legal steps to execute the Share Pledge Agreement and the Assignment Agreement. Execution of the pledge agreement will be another stage related to the *Polimery Police* financing agreement executed with a syndicate of Polish and international financial institutions on May 31st 2020.

Submission of request by general contractor for *Polimery Police* project, following outbreak of COVID-19 pandemic

In June 2020, the General Contractor notified Grupa Azoty POLYOLEFINS of the need to commence talks to discuss possible amendments to the EPC Contract due to the occurrence of unforeseen circumstances during the Project implementation, resulting from the outbreak of the SARS-CoV-2 pandemic and some other factors. On July 28th 2020, Grupa Azoty POLYOLEFINS received a request from the General Contractor to amend the EPC Contract by, *inter alia*, extending the Project completion deadline and increasing the price payable to the General Contractor. As at the date of authorisation of these interim condensed consolidated financial statements for issue, negotiations were under way with all parties involved in the Project regarding possible amendments to the EPC Contract. Signing a relevant annex to the EPC Contract will depend on whether the negotiations held with all the parties involved are concluded, including whether the requisite approvals are given by the syndicate of institutions financing the *Polimery Police* project and the required corporate approvals are obtained.

Remuneration policy for the Parent's management and supervisory bodies

On August 20th 2020, the Extraordinary General Meeting of the Parent passed a resolution to adopt the Remuneration Policy for Members of the Management Board and Supervisory Board of Grupa Azoty S.A. The remuneration policy defines the rules and terms of remuneration for members of the Management Board and Supervisory Board of Grupa Azoty S.A. within the meaning of the Act on Rules of Remunerating Persons Directing Certain Companies of June 9th 2016, as well as the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005 (consolidated text: Dz.U. of 2019, item 623, as amended). Implementation of this Policy supports and ensures the implementation of the Company's business strategy, pursuit of the Company's long-term interests, stability and growth of the Company and increase in its value.

Registration of new company within the COMPO EXPERT Group

On August 10th 2020, a new company under the name of COMPO EXPERT Egypt LLC was registered (owned in 99.9% by COMPO EXPERT International GmbH, and in 0.1% - by COMPO EXPERT GmbH). The newly established company is to serve as a platform for expansion of the COMPO EXPERT Group's business on the Egyptian market, one of the largest agricultural markets in Africa.

Note 23 Dividends

On June 29th 2020, the Company's Annual General Meeting passed a resolution to allocate the entire amount of the Parent's net profit for the financial year 2019, of PLN 58,249 thousand, to the Company's reserve funds.

Note 24 Seasonality

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

Mineral fertilizers

The first half of each year is a period of increased field work activity in the agricultural sector, preceded by increased demand for means of agricultural production (including mineral fertilizers). The Group follows a policy of mitigating seasonality through optimum volume allocation:

- As part of all-year supplies to the distribution network, and
- by partial sales of products on geographical markets with different seasonality patterns.

Titanium white market

Because of its chief application (as a component of paints and varnishes), titanium white is a seasonal product used in structural construction. The demand for titanium white depends on the situation on the application markets, especially the construction market. It usually starts to rise at the end of the first quarter and falls as the construction season ends in autumn.

In the case of other Grupa Azoty Group's products, seasonality does not have a material effect on the Group's performance as they represent a small proportion of total output.

Note 25 Information on the effects of the COVID-19 pandemic

In connection with the Act of March 2nd 2020 on special arrangements to prevent, counteract and combat the COVID-19 infectious disease, other infectious diseases and crisis situations caused by them (Dz.U. of 2020, item 374, as amended) and the pandemic announced by the World Health Organisation due to the spread of coronavirus SARS-CoV-2 which causes the COVID-19 disease, the Group has taken immediate measures to protect its business against the consequences of the pandemic. In order to enable the Parent and other Group companies to operate in a possibly smooth manner, procedures have been put in place to ensure prompt response by relevant units. In addition, the Grupa issued instructions to mitigate the risk of infection among its employees, including in particular:

- detailed instructions and guidelines on monitoring the health of the Group's employees and the health of trading partners' employees who come in physical contact with the Group's employees,
- reducing the number of meetings as well as domestic and foreign business travel, and using teleconferencing, videoconferencing and instant messengers as much as possible,
- instructions to enable remote work to the extent it does not disrupt the work of individual organisational units,
- instructions to provide the Group employees with additional personal protection and hygiene supplies.

The Group also monitors the market situation with respect to sales of products and supplies of key raw materials and feedstock, as well as the situation on financial markets in the context of its currency and interest rate risk exposures. Measures of this type have been taken at the Parent and all its subsidiaries, including the COMPO EXPERT Group, with respect to operations at all locations where the companies are present.

Plastics

The Grupa Azoty Group's operations in the Plastics segment are directly related to the electrical engineering and automotive industries, where the effects of the pandemic have been the strongest. Administrative restrictions introduced at the end of March 2020 to limit the spread of COVID-19 affected demand and caused a drop in caprolactam and polyamide prices, both on the European and Asian markets. Before the demand for Grupa Azoty products declined, in March 2020 production activities were discontinued by certain manufacturers in all segments of the plastics value chain. In Q2 2020, the plastics segment reported a 43% year-on-year decline in revenue, attributable to the COVID-19 pandemic and disruption to the demand and supply balance on the market. A gradual recovery is expected after the traditional slowdown in summer months.

Agro Fertilizers

The COVID-19 pandemic had no material effect on the implementation of contract sales schedules in the second quarter of 2020. In Q2 2020, revenue fell by approximately 11% year on year despite higher sales volumes, due to lower prices.

However, there were delays in payments for the goods supplied, but their scale in the second quarter of 2020 was not significant.

Situation in the second half of 2020 will largely depend on the financial condition of the agricultural sector, where weaker competition is being recorded, which may adversely affect demand for fertilizers.

Chemicals

In April 2020, the prices of oxo products fell as the result of a downtrend in propylene prices and lower market demand caused by the COVID-19 situation. Since early June 2020, a recovery has been seen in the market of alcohols and plasticizers, accompanied by an increase in prices driven by higher prices of propylene. In Q2 2020, production of oxo alcohols was maintained at maximum levels, and in the case of plasticisers 75% of the production capacity was utilised. The Q2 2020 revenue from oxo alcohols was 32% down on the corresponding period of the previous year.

Deteriorated demand and price levels were also seen in the melamine market. In Q2 2020, revenue from melamine sales was 38% lower year on year. In H2 2020, demand for melamine is expected to recover gradually.

In the titanium white area, no significant impact of COVID-19 was identified in relation to the scale of the Grupa Azoty Group's business, despite a marked decline in demand on certain markets.

The crisis related to the spread of the COVID-19 pandemic also affected the RedNOx product market. Lower fuel consumption suppressed demand for NOx products (the main product in this business area). In other industries, such as power plants or glass, paper and cement manufacturers, where the segment's products are also used, revenue was also lower. In the case of RedNOx products, in Q2 2020 sales were down 5% year on year.

The Grupa Azoty Group is taking steps to minimise the impact of the COVID-19 pandemic on the Group's operations, for instance by using solutions available on the market to support working capital management, optimise the costs of feedstock procurement and adjust the production volumes to sales opportunities. Having recorded revenue declines, the Parent and some of its subsidiaries took steps to benefit from the wage subsidy scheme under the Guaranteed Employee Benefits Fund. The estimated amount of support for the Grupa Azoty Group is approximately PLN 50m, and the funds are expected to be received by the Group companies mostly in Q3 2020.

It should be noted that the Group's financial condition is stable. The Group has additional sources of liquidity, namely cash held, whose amount as at June 30th 2020 was PLN 957m (including cash held as bank deposits), undrawn credit facilities, whose amount as at June 30th 2020 was PLN 2,550m, and available reverse factoring limit of PLN 242m, adding up to a total of PLN 3,749m. As at August 31st 2020, the amount of cash held was PLN 353m, the amount of available credit limits was PLN 2,443m, and the available limit of the reverse factoring facility was PLN 421m, adding up to a total of PLN 3,217m.

The decrease in the Group's total cash and available limits after the reporting date was largely attributable to the financing of expenditure on the *Polimery Police* project.

In the opinion of the Parent's Management Board, the preventive measures taken have mitigated the risk to business continuity, but the observed impacts of the COVID-19 pandemic are bound to have a materially adverse short- and medium-term effect on the operations of the Grupa Azoty Group, especially in the Plastics and Chemicals segment. However, these effects will not jeopardise the Group's market position, its liquidity or ability to pursue strategic investment projects.

Signatures of members of the Management Board

Signed with qualified electronic signature

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Wojciech Wardacki, PhD

President of the Management Board

Signed with qualified electronic signature

.....

Mariusz Grab

Vice President of the Management Board

Signed with qualified electronic signature

.....

Grzegorz Kądziałowski, PhD

Vice President of the Management Board

Signed with qualified electronic signature

.....

Artur Kopec

Member of the Management Board

Signed with qualified electronic signature

.....

Witold Szczypiński

*Vice President of the Management Board,
Director General*

Signed with qualified electronic signature

.....

Tomasz Hryniewicz

Vice President of the Management Board

Signed with qualified electronic signature

.....

Paweł Łapiński

Vice President of the Management Board

Person responsible for maintaining accounting records

Signed with qualified electronic signature

.....

Piotr Kołodziej

Head of the Corporate Finance Department

Tarnów, September 9th 2020