



Interim condensed consolidated financial statements
for the six months ended June 30th 2021
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 2021 | for the period Jan 1 – Jun 30 2020 | for the period Apr 1 – Jun 30 2021 | for the period Apr 1 – Jun 30 2020 |
|--|------|--|--|--|--|
| Profit/loss | | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> |
| Revenue | 1 | 6,534,655 | 5,372,618 | 3,172,673 | 2,268,898 |
| Cost of sales | 2 | (5,244,064) | (4,193,867) | (2,550,193) | (1,782,592) |
| Gross profit | | 1,290,591 | 1,178,751 | 622,480 | 486,306 |
| Selling expenses | 2 | (492,393) | (480,124) | (242,638) | (225,194) |
| Administrative expenses | 2 | (407,570) | (406,984) | (214,919) | (208,314) |
| Other income | 3 | 29,536 | 108,302 | 21,028 | 87,994 |
| Other expenses | 4 | (37,623) | (27,578) | (16,836) | (16,509) |
| Operating profit | | 382,541 | 372,367 | 169,115 | 124,283 |
| Finance income | 5 | 61,480 | 9,532 | 39,436 | (7,695) |
| Finance costs | 6 | (110,463) | (71,974) | (3,592) | (20,965) |
| Net finance (cost)/income | | (48,983) | (62,442) | 35,844 | (28,660) |
| Share of profit of equity-accounted investees | | 8,046 | 7,080 | 4,571 | 3,613 |
| Profit before tax | | 341,604 | 317,005 | 209,530 | 99,236 |
| Income tax | 7 | (87,888) | (94,900) | (41,691) | (42,185) |
| Net profit | | 253,716 | 222,105 | 167,839 | 57,051 |
| Other comprehensive income | | | | | |
| Items that will not be reclassified to profit or loss | | | | | |
| Actuarial gains/(losses) from defined benefit plans | | 11,716 | (16,479) | 11,716 | (16,484) |
| Tax on items that will not be reclassified to profit or loss | 7 | (2,252) | 3,155 | (2,252) | 3,156 |
| | | 9,464 | (13,324) | 9,464 | (13,328) |

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 2021 | for the period Jan 1 – Jun 30 2020 | for the period Apr 1 – Jun 30 2021 | for the period Apr 1 – Jun 30 2020 |
|---|------|--|--|--|--|
| | | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> |
| Items that are or may be reclassified to profit or loss | | | | | |
| Cash flow hedging - effective portion of fair value changes | | (12,537) | (40,156) | 5,830 | 18,572 |
| Exchange differences on translating foreign operations | | (21,869) | 31,257 | (33,591) | (23,549) |
| Income tax relating to items that are or will be reclassified to profit or loss | 7.2 | (3,591) | 7,630 | (5,162) | (3,529) |
| | | (37,997) | (1,269) | (32,923) | (8,506) |
| Total other comprehensive income | | (28,533) | (14,593) | (23,459) | (21,834) |
| Comprehensive income for the period | | 225,183 | 207,512 | 144,380 | 35,217 |
| Net profit attributable to: | | | | | |
| Owners of the parent | | 230,645 | 195,224 | 143,075 | 44,115 |
| Non-controlling interests | | 23,071 | 26,881 | 24,764 | 12,936 |
| Comprehensive income for the period attributable to: | | | | | |
| Owners of the parent | | 207,568 | 182,431 | 123,051 | 24,054 |
| Non-controlling interests | | 17,615 | 25,081 | 21,329 | 11,163 |
| Earnings per share: | | | | | |
| | 8 | | | | |
| Basic (PLN) | | 2.33 | 1.97 | 1.44 | 0.44 |
| Diluted (PLN) | | 2.33 | 1.97 | 1.44 | 0.44 |

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

Interim condensed consolidated statement of financial position

| | Note | as at Jun 30 2021 <i>unaudited</i> | as at Dec 31 2020 <i>audited</i> |
|----------------------------------|------|--|--|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 9 | 11,534,222 | 10,573,104 |
| Right-of-use assets | 10 | 835,115 | 834,690 |
| Investment property | | 56,842 | 57,364 |
| Intangible assets | 11 | 1,004,230 | 1,027,310 |
| Goodwill | | 320,620 | 331,683 |
| Shares | | 9,168 | 9,168 |
| Equity-accounted investees | | 85,103 | 91,461 |
| Other financial assets | | 271 | 2,484 |
| Other receivables | 13 | 524,749 | 489,827 |
| Deferred tax assets | 7.4 | 92,315 | 94,125 |
| Other assets | | 509 | 509 |
| Total non-current assets | | 14,463,144 | 13,511,725 |
| Current assets | | | |
| Inventories | | 1,548,238 | 1,534,011 |
| Property rights | 12 | 81,455 | 529,199 |
| Derivative financial instruments | | 3,132 | 43,471 |
| Other financial assets | | 1,987 | - |
| Current tax assets | | 29,901 | 19,621 |
| Trade and other receivables | 13 | 3,079,793 | 1,628,244 |
| Cash and cash equivalents | 14 | 972,038 | 923,328 |
| Other assets | | 16,080 | 17,456 |
| Assets held for sale | | 95 | 95 |
| Total current assets | | 5,732,719 | 4,695,425 |
| Total assets | | 20,195,863 | 18,207,150 |

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 2021 | as at Dec 31 2020 |
|--|------|----------------------|----------------------|
| | | <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 | | (58,481) | (48,540) |
| Translation reserve | | 41,481 | 63,311 |
| Other capital reserves | | (17,700) | (17,700) |
| Retained earnings | | 4,667,296 | 4,427,756 |
| Equity attributable to owners of the parent | | 7,546,843 | 7,339,074 |
| Non-controlling interests | | 962,326 | 949,828 |
| Total equity | | 8,509,169 | 8,288,902 |
| Liabilities | | | |
| Borrowings | 15 | 3,431,418 | 3,322,320 |
| Lease liabilities | | 350,284 | 355,774 |
| Derivative financial instruments | | 67,438 | - |
| Other financial liabilities | 16 | 596,876 | 579,438 |
| Employee benefit obligations | 17 | 477,899 | 490,864 |
| Trade and other payables | | 21,515 | 18,609 |
| Provisions | 18 | 214,606 | 211,022 |
| Government grants received | 19 | 197,203 | 196,973 |
| Deferred tax liabilities | 7.4 | 540,570 | 529,419 |
| Total non-current liabilities | | 5,897,809 | 5,704,419 |
| Borrowings | 15 | 414,611 | 193,443 |
| Lease liabilities | | 61,746 | 71,422 |
| Derivative financial instruments | | 356 | 6,086 |
| Other financial liabilities | 16 | 1,623,135 | 670,459 |
| Employee benefit obligations | 17 | 54,690 | 54,863 |
| Current tax liabilities | | 59,430 | 70,013 |
| Trade and other payables | | 2,915,492 | 3,092,693 |
| Provisions | 18 | 41,330 | 40,504 |
| Government grants received | 19 | 618,095 | 14,346 |
| Total current liabilities | | 5,788,885 | 4,213,829 |
| Total liabilities | | 11,686,694 | 9,918,248 |
| Total equity and liabilities | | 20,195,863 | 18,207,150 |

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 2021

| | Share capital | Share premium | Hedging reserve | Translation reserve | Other capital reserves | Retained earnings | Equity attributable to owners of the parent | Non-controlling interests | Total equity |
|--|----------------|------------------|-----------------|---------------------|------------------------|-------------------|---|---------------------------|------------------|
| Balance as at Jan 1 2021 | 495,977 | 2,418,270 | (48,540) | 63,311 | (17,700) | 4,427,756 | 7,339,074 | 949,828 | 8,288,902 |
| <i>Profit or loss and other comprehensive income</i> | | | | | | | | | |
| Net profit | - | - | - | - | - | 230,645 | 230,645 | 23,071 | 253,716 |
| Other comprehensive income | - | - | (9,941) | (21,830) | - | 8,694 | (23,077) | (5,456) | (28,533) |
| Comprehensive income for the period | - | - | (9,941) | (21,830) | - | 239,339 | 207,568 | 17,615 | 225,183 |
| <i>Transactions with owners, recognised directly in equity</i> | | | | | | | | | |
| Dividends | - | - | - | - | - | - | - | (5,119) | (5,119) |
| Total contributions by and distributions to owners | - | - | - | - | - | - | - | (5,119) | (5,119) |
| Other | - | - | - | - | - | 201 | 201 | 2 | 203 |
| Balance as at Jun 30 2021 (unaudited) | 495,977 | 2,418,270 | (58,481) | 41,481 | (17,700) | 4,667,296 | 7,546,843 | 962,326 | 8,509,169 |

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 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 cash flows

| | for the period Jan 1 – Jun 30 2021 | for the period Jan 1 – Jun 30 2020 |
|--|--|--|
| | <i>unaudited</i> | <i>unaudited restated*</i> |
| Cash flows from operating activities | | |
| Profit before tax | 341,604 | 317,005 |
| <i>Adjustments for:</i> | | |
| Depreciation and amortisation | 383,798 | 380,424 |
| (Reversal of)/impairment losses on assets | 3,023 | (662) |
| (Gain)/loss from investing activities | (7,795) | 1,494 |
| Gain on disposal of financial assets | (2) | (287) |
| Share of profit of equity-accounted investees | (8,046) | (7,080) |
| Interest, foreign exchange gains or losses | (9,106) | 88,280 |
| Dividends | (193) | - |
| Fair value (gain)/loss on financial assets at fair value | (76,981) | 3,116 |
| (Increase)/decrease in trade and other receivables | (1,389,784) | 281,442 |
| Decrease in inventories and property rights | 426,385 | 100,531 |
| Increase/(Decrease) in trade and other payables | 1,992,464 | (211,965) |
| Increase in provisions | 13,670 | 6,138 |
| Increase/(decrease) in employee benefit obligations | (8,105) | 38,594 |
| Increase in grants | 589,720 | 227,593 |
| Other adjustments | 2,156 | (1,875) |
| Income tax paid | (74,934) | (35,757) |
| Net cash from operating activities | 2,177,874 | 1,186,991 |

*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 2021 | for the period Jan 1 – Jun 30 2020 |
|--|--|--|
| | <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 | 15,308 | 5,954 |
| Purchase of property, plant and equipment, intangible assets and investment property | (1,558,159) | (1,015,300) |
| Dividend received | 193 | - |
| Purchase of other financial assets | (1,997) | (80,667) |
| Proceeds from sale of other financial assets | - | 203,651 |
| Interest received | - | 14,623 |
| Government grants received | - | 1,026 |
| Repayments of loans advanced | 9 | 56 |
| Other proceeds/(disbursements) | (2,148) | (26,734) |
| Net cash from investing activities | (1,546,794) | (897,391) |
| Cash flows from financing activities | | |
| Net proceeds from non-controlling interests on account of issue of shares in a subsidiary | - | 205,172 |
| Dividends paid | (80) | (9,327) |
| Proceeds from borrowings | 1,000,415 | 661,708 |
| Repayment of borrowings | (596,402) | (197,548) |
| Interest paid | (42,041) | (115,133) |
| Payment of lease liabilities | (36,375) | (32,085) |
| Repayment of reverse factoring liabilities | (912,875) | (681,686) |
| Other financing cash proceeds/(disbursements) | 11,275 | 5,194 |
| Net cash from financing activities | (576,083) | (163,705) |
| Total net cash flows | 54,997 | 125,895 |
| Cash and cash equivalents at beginning of period | 923,328 | 770,087 |
| Effect of exchange rate fluctuations on cash held | (6,287) | 10,777 |
| Cash and cash equivalents at end of period | 972,038 | 906,759 |

*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 2021, 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 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 on the next pages.

Data of the Parent and its direct and indirect subsidiaries is consolidated using the full method.

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 comprises 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 2021.

Grupa Azoty PUŁAWY

| Company | Ownership interest (%) | Share capital |
|--|------------------------|---------------------|
| Agrochem Puławy Sp. z o.o. | 100.00 | PLN 68,639 thousand |
| SCF Natural Sp. z o.o. | 99.99 | PLN 15,001 thousand |
| Grupa Azoty Zakłady Fosforowe Gdańsk Sp. z o.o. | 99.19 | PLN 59,003 thousand |
| Grupa Azoty Zakłady Azotowe Chorzów S.A. | 96.48 | PLN 94,700 thousand |
| STO-ZAP Sp. z o.o. | 96.15 | PLN 1,117 thousand |
| Remzap Sp. z o.o. | 94.61 | PLN 1,812 thousand |
| Prozap Sp. z o.o. ¹⁾ | 78.86 | PLN 892 thousand |
| Bałtycka Baza Masowa Sp. z o.o. | 50.00 | PLN 19,500 thousand |
| Grupa Azoty KOLTAR Sp. z o.o. | 20.00 | PLN 54,600 thousand |
| Technochimserwis S.A. (closed joint-stock company), Russian Federation | 25.00 | RUB 800 thousand |

¹⁾ Grupa Azoty POLICE holds 7.35% of shares in Prozap Sp. z o.o.

Grupa Azoty Zakłady Azotowe Puławy S.A. and the subsidiaries in which it holds equity interests of more than 50%, with the exception of STO-ZAP Sp. z o.o., are consolidated using the full method. STO-ZAP Sp. z o.o. and Technochimserwis S.A. (closed joint-stock company) are excluded from consolidation due to immateriality. Bałtycka Baza Masowa Sp. z o.o. is consolidated using the equity method.

Grupa Azoty POLICE

| Company | Ownership interest (%) | Share capital |
|--|------------------------|------------------------------------|
| Supra Agrochemia Sp. z o.o. | 100.00 | PLN 19,721 thousand |
| Grupa Azoty Transtech Sp. z o.o. | 100.00 | PLN 9,783 thousand |
| Grupa Azoty Police Serwis Sp. z o.o. | 100.00 | PLN 9,618 thousand |
| Grupa Azoty Africa S.A. w likwidacji (in liquidation) | 99.99 | XOF ³⁾ 132,000 thousand |
| Zarząd Morskiego Portu Police Sp. z o.o. | 99.91 | PLN 32,642 thousand |
| Budchem Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankructcy) | 48.96 | PLN 1,201 thousand |
| Grupa Azoty Polyolefins S.A. ¹⁾ (Grupa Azoty POLYOLEFINS) | 34.41 | PLN 922,968 thousand |
| Kemipol Sp. z o.o. | 33.99 | PLN 3,445 thousand |
| Prozap Sp. z o.o. ²⁾ | 7.35 | PLN 892 thousand |

¹⁾ The Parent holds 30.52% of shares in Grupa Azoty POLYOLEFINS S.A.

²⁾ Grupa Azoty PUŁAWY holds 78.86% of shares in Prozap Sp. z o.o.

³⁾ XOF is the West African CFA franc.

Kemipol Sp. z o.o. and Budchem Sp. z o.o. are accounted for using the equity method. The other subsidiaries of Grupa Azoty Zakłady Chemiczne Police S.A. are fully consolidated.

Grupa Azoty KĘDZIERZYN

| Company | Ownership interest (%) | Share capital |
|---|-------------------------------|----------------------|
| ZAKSA S.A. ¹⁾ | 91.67 | PLN 6,000 thousand |
| Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. | 36.73 | PLN 85,631 thousand |
| Grupa Azoty KOLTAR Sp. z o.o. | 20.00 | PLN 54,600 thousand |

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

The subsidiary and associates of Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. are fully consolidated as all of them are subsidiaries of Grupa Azoty S.A.

Grupa Azoty PKCh Sp. z o.o.

| Company | Ownership interest (%) | Share capital |
|--|-------------------------------|----------------------|
| Grupa Azoty Jednostka Ratownictwa Chemicznego Sp. z o.o. ¹⁾ | 100.00 | PLN 21,749 thousand |
| Grupa Azoty Prorem Sp. z o.o. ²⁾ | 100.00 | PLN 11,567 thousand |
| Grupa Azoty Automatyka Sp. z o.o. | 77.86 | PLN 4,654 thousand |

¹⁾ Grupa Azoty Jednostka Ratownictwa Chemicznego Sp. z o.o. holds 12% of shares in EKOTAR Sp. z o.o.

²⁾ Grupa Azoty Prorem Sp. z o.o. holds 12% of shares in EKOTAR Sp. z o.o.

All subsidiaries of Grupa Azoty PKCh are fully consolidated.

Compo Expert Holding GmbH Group

| Company | Ownership interest (%) | Share capital |
|---------------------------------|-------------------------------|----------------------|
| COMPO EXPERT International GmbH | 100 | EUR 25 thousand |

COMPO EXPERT International GmbH

| Company | Ownership interest (%) | Share capital |
|---|-------------------------------|----------------------|
| COMPO EXPERT GmbH | 100.00 | EUR 25 thousand |
| COMPO EXPERT Italia S.r.l. | 100.00 | EUR 10 thousand |
| COMPO EXPERT Spain S.L. | 100.00 | EUR 3 thousand |
| COMPO EXPERT Portugal, Unipessoal Lda. | 100.00 | EUR 2 thousand |
| COMPO EXPERT France SAS | 100.00 | EUR 524 thousand |
| COMPO EXPERT Polska Sp. z o.o. | 100.00 | PLN 6 thousand |
| COMPO EXPERT Hellas S.A. | 100.00 | EUR 60 thousand |
| COMPO EXPERT UK Ltd. | 100.00 | 1 GBP |
| COMPO EXPERT Techn. (Shenzhen) Co. Ltd. | 100.00 | CNY 2,810 thousand |
| COMPO EXPERT Asia Pacific Sdn. Bhd. | 100.00 | MYR 500 thousand |
| COMPO EXPERT USA&CANADA Inc. | 100.00 | USD 1 |
| COMPO EXPERT Brasil Fertilizantes Ltda. ¹⁾ | 99.99 | BRL 26,199 thousand |

| | | |
|--|-------|---------------------------|
| COMPO EXPERT Chile Fertilizantes Ltda. ²⁾ | 99.99 | CLP 1,528,560 thousand |
| COMPO EXPERT India Private Limited | 99.99 | INR 2,500 thousand |
| COMPO EXPERT Benelux N.V. ³⁾ | 99.99 | EUR 7,965 thousand |
| COMPO EXPERT Mexico S.A. de C.V. ⁴⁾ | 99.99 | MXN 100 thousand |
| COMPO EXPERT Egypt LLC ⁵⁾ | 99.90 | EGP 100 thousand |
| COMPO EXPERT Turkey Tarim Sanai ve Ticaret Ltd. Şirketi ⁶⁾ | 96.17 | TRY 264,375 |
| COMPO EXPERT Argentina SRL ⁷⁾ | 90.00 | ARS 41,199 thousand |

¹⁾ 0.000003% of the share capital is held by COMPO EXPERT GmbH.

²⁾ 0.01% of the share capital is held by COMPO EXPERT GmbH.

³⁾ 0.0103% of the share capital is held by COMPO EXPERT GmbH.

⁴⁾ 0.000311% of the share capital is held by COMPO EXPERT GmbH.

⁵⁾ 0.1% of the share capital is held by COMPO EXPERT GmbH.

⁶⁾ 3.83% of the share capital is held by COMPO EXPERT GmbH.

⁷⁾ 10.000024% of the share capital is held by COMPO EXPERT GmbH.

In addition, COMPO EXPERT GmbH holds shares in:

| Company | Ownership interest (%) | Share capital |
|--------------------------------------|------------------------|-----------------|
| COMPO EXPERT South Africa (Pty) Ltd. | 100.00 | ZAR 100 |
| COMPO EXPERT Austria GmbH | 100.00 | EUR 35 thousand |

All companies of the COMPO EXPERT Holding GmbH Group are fully consolidated.

1.2. Changes in the Group's structure

Changes in the Group's structure in the first half of 2021

Cancellation of Prozap Sp. z o.o. shares

On February 9th 2021 two shares in Prozap Sp. z o.o., previously held by a deceased shareholder (employee of the company) were cancelled.

As a result, the percentage of voting rights held by Grupa Azoty PUŁAWY at the General Meeting of Prozap Sp. z o.o. rose from 80.30% to 80.39%. The share in the capital did not change.

Cancellation of Remzap Sp. z o.o. shares

On March 29th 2021, 18 shares of former employees of the company were cancelled. As a result, the percentage of voting rights held by Grupa Azoty PUŁAWY at the General Meeting of Remzap Sp. z o.o. increased from 97.05% to 97.12%.

Exit from EKO TECHNOLOGIES Consortium

With effect from April 21st 2021, Grupa Azoty Jednostka Ratownictwa Chemicznego Sp. z o.o. effectively exited the EKO TECHNOLOGIES Consortium on the basis of Art. 11.5 of the Consortium's Articles of Association.

Resolution to increase the share capital of COMPO EXPERT Turkey Tarim Sanai ve Ticaret Ltd. Şirketi

On May 25th 2021, the General Meeting of COMPO EXPERT Turkey Tarim Sanai ve Ticaret Ltd. Şirketi passed a resolution to increase the company's share capital from TL 264,375.00 to TL 8,375,000.00 and to amend its Articles of Association accordingly.

Merger of subsidiaries

In the first half of 2021, Grupa Azoty POLICE and Supra Agrochemia Sp. z o.o. published on their websites a merger plan providing for the acquisition of Supra Agrochemia Sp. z o.o. by Grupa Azoty POLICE.

The merger required relevant resolutions of the General Meetings of the merging companies. The acquiree was dissolved, without liquidation proceedings, in accordance with the procedure provided for in Art. 493.1 of the Commercial Companies Code on the day of its deletion from the Register of Business in the National Court Register.

On July 6th 2021, the District Court for Szczecin-Centrum of Szczecin, 13th Commercial Division of the National Court Register, being the court with jurisdiction over the acquirer, registered the merger of Grupa Azoty POLICE with Supra Agrochemia Sp. z o.o.

The merger was effected in accordance with Art. 492.1.1 of the Commercial Companies Code, i.e. by transferring to Grupa Azoty POLICE, as the sole shareholder of Supra Agrochemia Sp. z o.o., all assets of the acquiree (merger by acquisition) without increasing the share capital of Grupa Azoty POLICE since all the shares in the share capital of the acquiree were held by Grupa Azoty POLICE.

Following the merger, Grupa Azoty POLICE, pursuant to Art. 494.1 of the Commercial Companies Code, assumed all rights and obligations of Supra Agrochemia Sp. z o.o. as of the merger date.

Repurchase of Grupa Azoty SIARKOPOL shares

On July 27th 2021, the Annual General Meeting of the Company passed a resolution on repurchase of 120 Series A registered shares under Art. 418¹ of the Commercial Companies Code. The Parent is the shareholder obliged to repurchase the shares.

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 2021 and contain comparative data for the six months ended June 30th 2020 and as at December 31st 2020.

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 2021 as well as the comparative data for the six months ended June 30th 2020 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 2020, which were authorised for issue on April 12th 2021.

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 condensed interim consolidated 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 29 to these condensed interim consolidated financial statements.

a) Changes in International Financial Reporting Standards

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 IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16: Interest Rate Benchmark Reform - Phase II.**

The amendments to these standards were issued on August 27th 2020 to complement the first phase of reporting amendments resulting from the reform of interbank reference rates of September 2019. The amendments are effective for annual periods beginning on or after January 1st 2021. Phase II amendments address issues that might affect financial reporting, e.g. relating to valuation of financial instruments and lease liabilities, when an existing interest rate benchmark is replaced with a new benchmark (i.e. replacement issues).

Furthermore, as of January 1st 2021, following endorsement by the European Commission in October 2020, the Group applies the Amendment to IFRS 16 Leases: Covid-19-Related Rent Concessions. The amendment was issued on May 28th 2020 and is effective for annual periods beginning on or after June 1st 2020, with earlier application permitted. The amendment to IFRS 16 introduces a practical expedient permitting a lease modification not to be recognised in the event of any changes in lease payments occurring (by June 30th 2021) as a consequence of the COVID-19 pandemic or lessees are granted other concessions changing the original financial terms of leases due the pandemic. No such events occurred in the case of the Group.

January 1st 2021 is the effective date of amendments to IFRS 4, issued on June 25th 2020, to defer the effective date of IFRS 9 *Financial Instruments* for insurers until January 1st 2023, in accordance with the deferred effective date of IFRS 17 *Insurance Contracts*.

The application of the above standards had no material effect on the financial statements.

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

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

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

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

- **IFRS 17 Insurance Contracts**

The new standard was issued on May 18th 2017 and subsequently amended on June 25th 2020, and is effective for annual periods beginning on or after January 1st 2023. Early application is permitted as long as IFRS 15 and IFRS 9 are also applied. The standard supersedes earlier regulations on insurance contracts (IFRS 4). On June 25th 2020, IFRS 4 was also amended to defer the effective date of IFRS 9 *Financial Instruments* for insurers until January 1st 2023.

- **Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current**

Amendments to IAS 1 were issued on January 23rd 2020 with its effective date subsequently modified in July 2020, and are effective for annual periods beginning on or after January 1st 2023.

The amendment redefines the criteria for classifying liabilities as current. The amendment may affect the presentation of liabilities and their reclassification between current and non-current.

- **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.

- **Amendments to IAS 1 Disclosure of Accounting Policies and IAS 8 Definition of Accounting Estimates**

The amendments were issued on February 12th 2021, and are effective for annual periods beginning on or after January 1st 2023. The purpose of these amendments is to place greater emphasis on the disclosure of material accounting policies and to clarify how companies should distinguish between changes in accounting policies and changes in accounting estimates.

- **Amendment to IFRS 16 Leases - COVID-19-Related Rent Concessions granted after June 30th 2021**

The amendment to IFRS 16 was issued on March 31st 2021 and is effective for annual periods beginning on or after April 1st 2021. The only purpose of the amendment is to extend by one year (until June 30th 2022) the period in which the granting of COVID-19-related rent concessions does not need to involve a modification of the lease contract. This amendment is closely related to the already effective amendment to IFRS 16, issued in May 2020.

- **Amendment to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction**

The amendment to IAS 12 was issued on May 7th 2021 and is effective for annual periods beginning on or after April 1st 2023. The amendments clarify that the exemption relating to initial recognition of deferred tax does not apply to transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences and entities are required to recognise deferred tax on such transactions. The amendments thus address the emerging doubts as to whether the exemption applies to transactions such as leases and decommissioning obligations.

The IFRSs as endorsed by the EU do not differ materially from the regulations adopted by the International Accounting Standards Board (IASB), save for the following standards, interpretations and amendments thereto, which were not yet adopted by EU Member States as at the date of authorisation of these condensed interim consolidated financial statements for issue.

- IFRS 17 *Insurance Contracts* issued on May 18th 2017, as amended on June 25th 2020,
- Amendments to IAS 1 *Presentation of Financial Statements: Classification of liabilities as current and non-current*, issued on January 23rd 2020, as amended on July 15th 2020,

- Amendments to IAS 1 *Disclosure Initiative* and IAS 8 *Definition of Accounting Estimates*, issued on February 12th 2021.
- Amendment to IFRS 16 *Leases - COVID-19-Related Rent Concessions* granted after June 30th 2021, issued on March 31st 2021,
- Amendment to IAS 12 *Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, issued on May 7th 2021.

The Group will apply the amended standards as of their effective dates set by the EU. As at the date of these interim condensed consolidated financial statements, the Group did not complete its assessment of the effect of applying the amended standards on its financial statements.

1.3.2. Corrections of errors or comparative data presentation

Following changes in the presentation of data on the effect of changes in items of the statement of financial position in the consolidated statement of cash flows as at December 31st 2020, in order to provide more detailed information the Company presents below the relevant restatements as at June 30th 2020 relating to the interim statement of cash flows.

Interim condensed consolidated statement of cash flows

| | for the period Jan 1 – Jun 30 2020 | Change | for the period Jan 1 – Jun 30 2020 restated |
|--|--|-----------|--|
| Cash flows from operating activities | | | |
| Profit before tax | 317,005 | | 317,005 |
| <i>Adjustments for:</i> | | | |
| Depreciation and amortisation | 380,424 | - | 380,424 |
| Reversal of impairment losses | (662) | - | (662) |
| (Gain)/loss from investing activities | 1,494 | - | 1,494 |
| Gain on disposal of financial assets | (287) | | (287) |
| Share of profit of equity-accounted investees | (7,080) | - | (7,080) |
| Interest, foreign exchange gains or losses | 88,280 | - | 88,280 |
| Fair value (gain)/loss on financial assets at fair value | 3,116 | - | 3,116 |
| (Increase)/decrease in trade and other receivables | 269,568 | 11,874 | 281,442 |
| Decrease in inventories and property rights | 100,531 | - | 100,531 |
| Increase/(Decrease) in trade and other payables | 55,386 | (267,351) | (211,965) |
| Increase in provisions, accruals and government grants | 16,848 | (16,848) | - |
| Increase in provisions | - | 6,138 | 6,138 |
| Increase in employee benefit obligations | - | 38,594 | 38,594 |
| Increase in grants | - | 227,593 | 227,593 |
| Other adjustments | (1,875) | - | (1,875) |
| Income tax paid | (35,757) | - | (35,757) |
| Net cash from operating activities | 1,186,991 | - | 1,186,991 |

| | for the period Jan 1 – Jun 30 2020 | Change | for the period Jan 1 – Jun 30 2020 restated |
|--|--|----------|--|
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment, intangible assets and investment property | 5,954 | - | 5,954 |
| Purchase of property, plant and equipment, intangible assets and investment property | (1,015,300) | - | (1,015,300) |
| Purchase of other financial assets | (80,667) | - | (80,667) |
| Proceeds from sale of other financial assets | 203,651 | - | 203,651 |
| Interest received | 14,623 | - | 14,623 |
| Government grants received | 1,026 | - | 1,026 |
| Repayments of loans | 56 | - | 56 |
| Other proceeds/(disbursements) | (26,734) | - | (26,734) |
| Net cash from investing activities | (897,391) | - | (897,391) |
| Cash flows from financing activities | | | |
| Net share capital issue proceeds | 205,172 | - | 205,172 |
| Dividends paid | (9,327) | - | (9,327) |
| Proceeds from borrowings | 661,708 | - | 661,708 |
| Repayment of borrowings | (197,548) | - | (197,548) |
| Interest paid | (115,133) | - | (115,133) |
| Payment of lease liabilities | (32,085) | - | (32,085) |
| Repayment of reverse factoring liabilities | (681,686) | - | (681,686) |
| Other cash provided by financing activities | 5,580 | (5,580) | - |
| Other cash used in financing activities | (386) | 386 | - |
| Other financing cash proceeds/(disbursements) | - | 5,194 | 5,194 |
| Net cash from financing activities | (163,705) | - | (163,705) |
| Total net cash flows | 125,895 | - | 125,895 |
| Cash and cash equivalents at beginning of period | 770,087 | - | 770,087 |
| Effect of exchange rate fluctuations on cash held | 10,777 | - | 10,777 |
| Cash and cash equivalents at end of period | 906,759 | - | 906,759 |

1.3.3. Accounting estimates and judgments

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

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

The key judgements and estimates made by the Management Board in preparing these interim condensed consolidated financial statements, 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 2020.

CO₂ emission allowances

The Group expects to receive free CO₂ emission allowances. This expectation is confirmed by a non-final decision issued by the Ministry of Climate and Environment. The final size of the free allocation of CO₂ emission allowances will be adjusted on the basis of the average production volume in the two years preceding the year for which the emission allowances will be granted. For this reason the Group revised the estimate of the amount of free CO₂ emission allowances allocated. For detailed information, see Note 13 to these interim condensed consolidated financial statements.

2. Selected notes and supplementary information

Business segment reporting

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: Polifoska® and Amofoska®; 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 based on PA6 and other engineering resins (POM, PA66, PPC - polypropylene, PPH, PBT - polybutylene terephthalate),
 - Plastic products (PA pipes, PE pipes, polyamide casings),
 - Grupa Azoty POLYOLEFINS;
- 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.

Presentation change - transfer of Grupa Azoty POLYOLEFINS from Other Activities to the Plastics segment

As at December 31st 2020, given significant progress on the Polimery Police project, operations of Grupa Azoty POLYOLEFINS were transferred from Other Activities to the Plastics segment.

Data for the six months ended June 30th 2020 were restated accordingly.

Operating segments

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

| | Agro Fertilizers | Plastics | Chemicals | Energy | Other Activities | Total |
|---|---------------------|------------------|------------------|------------------|---------------------|-------------------|
| External revenue | 3,660,581 | 842,155 | 1,711,716 | 167,927 | 152,276 | 6,534,655 |
| Intersegment revenue | 1,609,849 | 191,537 | 591,764 | 1,849,948 | 467,433 | 4,710,531 |
| Total revenue | 5,270,430 | 1,033,692 | 2,303,480 | 2,017,875 | 619,709 | 11,245,186 |
| Operating expenses, including: (-) | (5,020,261) | (1,032,477) | (2,174,484) | (2,019,158) | (608,178) | (10,854,558) |
| <i>selling and distribution expenses (-)</i> | (370,321) | (33,365) | (87,293) | (80) | (1,334) | (492,393) |
| <i>administrative expenses (-)</i> | (190,886) | (90,785) | (98,634) | (9,390) | (17,875) | (407,570) |
| Other income | 4,319 | 2,844 | 4,243 | 2,946 | 15,184 | 29,536 |
| Other expenses (-) | (4,568) | (9,236) | (2,171) | (2,442) | (19,206) | (37,623) |
| Segment's EBIT* | 249,920 | (5,177) | 131,068 | (779) | 7,509 | 382,541 |
| Finance income | - | - | - | - | - | 61,480 |
| Finance costs (-) | - | - | - | - | - | (110,463) |
| Share of profit of equity-accounted investees | - | - | - | - | - | 8,046 |
| Profit before tax | - | - | - | - | - | 341,604 |
| Income tax | - | - | - | - | - | (87,888) |
| Net profit | - | - | - | - | - | 253,716 |
| EBIT | 249,920 | (5,177) | 131,068 | (779) | 7,509 | 382,541 |
| Depreciation and amortisation | 165,540 | 38,445 | 50,285 | 56,491 | 57,688 | 368,449 |
| Unallocated depreciation and amortisation | - | - | - | - | - | 15,349 |
| EBITDA | 415,460 | 33,268 | 181,353 | 55,712 | 65,197 | 766,339 |

* 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 2020 (unaudited) restated

| | Agro Fertilizers | Plastics | Chemicals | Energy | Other Activities | Total |
|---|---------------------|-----------------|------------------|------------------|---------------------|------------------|
| External revenue | 3,327,892 | 591,609 | 1,216,118 | 123,710 | 113,289 | 5,372,618 |
| Intersegment revenue | 973,124 | 160,049 | 415,638 | 1,313,359 | 431,026 | 3,293,196 |
| Total revenue | 4,301,016 | 751,658 | 1,631,756 | 1,437,069 | 544,315 | 8,665,814 |
| Operating expenses, including: (-) | (4,052,882) | (819,216) | (1,510,703) | (1,451,732) | (539,638) | (8,374,171) |
| <i>selling and distribution 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>(76,322)</i> | <i>(87,926)</i> | <i>(10,482)</i> | <i>(29,864)</i> | <i>(406,984)</i> |
| Other income | 47,716 | 10,017 | 29,211 | 10,049 | 11,309 | 108,302 |
| Other expenses (-) | (4,328) | (979) | (1,488) | (7,165) | (13,618) | (27,578) |
| Segment's EBIT* | 291,522 | (58,520) | 148,776 | (11,779) | 2,368 | 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 | (58,520) | 148,776 | (11,779) | 2,368 | 372,367 |
| Depreciation and amortisation | 162,269 | 36,884 | 53,526 | 54,946 | 55,305 | 362,930 |
| Unallocated depreciation and amortisation | - | - | - | - | - | 17,494 |
| EBITDA | 453,791 | (21,636) | 202,302 | 43,167 | 57,673 | 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 three months ended June 30th 2021 (unaudited)

| | Agro Fertilizers | Plastics | Chemicals | Energy | Other Activities | Total |
|---|---------------------|-----------------|------------------|------------------|---------------------|------------------|
| External revenue | 1,641,753 | 455,538 | 896,422 | 83,344 | 95,616 | 3,172,673 |
| Intersegment revenue | 848,740 | 101,245 | 292,502 | 944,616 | 262,982 | 2,450,085 |
| Total revenue | 2,490,493 | 556,783 | 1,188,924 | 1,027,960 | 358,598 | 5,622,758 |
| Operating expenses, including: (-) | (2,418,037) | (552,012) | (1,115,571) | (1,029,286) | (342,929) | (5,457,835) |
| <i>selling and distribution expenses (-)</i> | <i>(182,295)</i> | <i>(16,572)</i> | <i>(43,169)</i> | <i>(55)</i> | <i>(547)</i> | <i>(242,638)</i> |
| <i>administrative expenses (-)</i> | <i>(97,109)</i> | <i>(52,956)</i> | <i>(53,691)</i> | <i>(4,750)</i> | <i>(6,413)</i> | <i>(214,919)</i> |
| Other income | 2,014 | 1,788 | 1,986 | 1,845 | 13,395 | 21,028 |
| Other expenses (-) | (3,062) | (441) | 714 | (841) | (13,206) | (16,836) |
| Segment's EBIT* | 71,408 | 6,118 | 76,053 | (322) | 15,858 | 169,115 |
| Finance income | - | - | - | - | - | 39,436 |
| Finance costs (-) | - | - | - | - | - | (3,592) |
| Share of profit of equity-accounted investees | - | - | - | - | - | 4,571 |
| Profit before tax | - | - | - | - | - | 209,530 |
| Income tax | - | - | - | - | - | (41,691) |
| Net profit | - | - | - | - | - | 167,839 |
| EBIT | 71,408 | 6,118 | 76,053 | (322) | 15,858 | 169,115 |
| Depreciation and amortisation | 82,517 | 19,315 | 25,332 | 28,468 | 28,720 | 184,352 |
| Unallocated depreciation and amortisation | - | - | - | - | - | 7,786 |
| EBITDA | 153,925 | 25,433 | 101,385 | 28,146 | 44,578 | 361,253 |

* 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) restated

| | Agro Fertilizers | Plastics | Chemicals | Energy | Other Activities | Total |
|---|---------------------|-----------------|-----------------|----------------|---------------------|------------------|
| External revenue | 1,400,596 | 218,217 | 530,658 | 57,815 | 61,612 | 2,268,898 |
| Intersegment revenue | 421,295 | 74,641 | 169,759 | 592,387 | 228,353 | 1,486,435 |
| Total revenue | 1,821,891 | 292,858 | 700,417 | 650,202 | 289,965 | 3,755,333 |
| Operating expenses, including: (-) | (1,777,599) | (337,872) | (645,416) | (659,661) | (281,987) | (3,702,535) |
| <i>selling and distribution expenses (-)</i> | <i>(185,774)</i> | <i>(12,829)</i> | <i>(26,097)</i> | <i>139</i> | <i>(633)</i> | <i>(225,194)</i> |
| <i>administrative expenses (-)</i> | <i>(101,527)</i> | <i>(38,446)</i> | <i>(46,120)</i> | <i>(6,118)</i> | <i>(16,103)</i> | <i>(208,314)</i> |
| Other income | 40,027 | 7,807 | 27,815 | 5,349 | 6,996 | 87,994 |
| Other expenses (-) | (3,429) | (821) | (1,093) | (4,497) | (6,669) | (16,509) |
| Segment's EBIT* | 80,890 | (38,028) | 81,723 | (8,607) | 8,305 | 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 | (38,028) | 81,723 | (8,607) | 8,305 | 124,283 |
| Depreciation and amortisation | 80,615 | 18,422 | 26,860 | 27,331 | 28,448 | 181,676 |
| Unallocated depreciation and amortisation | - | - | - | - | - | 9,145 |
| EBITDA | 161,505 | (19,606) | 108,583 | 18,724 | 36,753 | 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' assets and liabilities as at June 30th 2021 (unaudited)

| | Agro Fertilizers | Plastics | Chemicals | Energy | Other Activities | Total |
|---------------------------|---------------------|------------------|------------------|------------------|---------------------|-------------------|
| Segment's assets | 7,472,639 | 4,514,385 | 1,573,863 | 2,751,027 | 1,421,187 | 17,733,101 |
| Unallocated assets | - | - | - | - | - | 2,377,659 |
| Investments in associates | - | - | - | - | - | 85,103 |
| Total assets | 7,472,639 | 4,514,385 | 1,573,863 | 2,751,027 | 1,421,187 | 20,195,863 |
| Segment's liabilities | 3,933,824 | 2,307,518 | 426,660 | 1,719,346 | 480,713 | 8,868,061 |
| Unallocated liabilities | - | - | - | - | - | 2,818,633 |
| Total liabilities | 3,933,824 | 2,307,518 | 426,660 | 1,719,346 | 480,713 | 11,686,694 |

Operating segments' assets and liabilities as at December 31st 2020 (audited)

| | Agro Fertilizers | Plastics | Chemicals | Energy | Other Activities | Total |
|---------------------------|---------------------|------------------|------------------|------------------|---------------------|-------------------|
| Segment's assets | 6,830,793 | 4,280,618 | 1,518,531 | 2,311,387 | 1,366,135 | 16,307,464 |
| Unallocated assets | - | - | - | - | - | 1,808,225 |
| Investments in associates | - | - | - | - | - | 91,461 |
| Total assets | 6,830,793 | 4,280,618 | 1,518,531 | 2,311,387 | 1,366,135 | 18,207,150 |
| Segment's liabilities | 3,201,045 | 2,134,096 | 365,360 | 1,366,281 | 552,482 | 7,619,264 |
| Unallocated liabilities | - | - | - | - | - | 2,298,984 |
| Total liabilities | 3,201,045 | 2,134,096 | 365,360 | 1,366,281 | 552,482 | 9,918,248 |

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

| | Agro Fertilizers | Plastics | Chemicals | Energy | Other Activities | Total |
|--|---------------------|----------------|---------------|----------------|---------------------|------------------|
| Expenditure on property, plant and equipment | 246,164 | 623,702 | 44,430 | 410,352 | 39,742 | 1,364,390 |
| Expenditure on intangible assets | - | - | - | - | 3 | 3 |
| Expenditure on investment property | 697 | 1,048 | 136 | 10,242 | 701 | 12,824 |
| Unallocated expenditure | - | - | - | - | - | 10,928 |
| Total expenditure | 246,861 | 624,750 | 44,566 | 420,594 | 40,446 | 1,388,145 |
| Segment's depreciation and amortisation | 165,540 | 38,445 | 50,285 | 56,491 | 57,688 | 368,449 |
| Unallocated depreciation and amortisation | - | - | - | - | - | 15,349 |
| Total depreciation and amortisation | 165,540 | 38,445 | 50,285 | 56,491 | 57,688 | 383,798 |

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 | 561,975 | 42,812 | 64,007 | 23,596 | 915,619 |
| Expenditure on intangible assets | 2,290 | 1,882 | 355 | 816 | 1,490 | 6,833 |
| Expenditure on investment property | 55 | 1 | - | - | 32 | 88 |
| Unallocated expenditure | - | - | - | - | - | 11,081 |
| Total expenditure | 225,574 | 563,858 | 43,167 | 64,823 | 25,118 | 933,621 |
| Segment's depreciation and amortisation | 162,269 | 36,884 | 53,526 | 54,946 | 55,305 | 362,930 |
| Unallocated depreciation and amortisation | - | - | - | - | - | 17,494 |
| Total depreciation and amortisation | 162,269 | 36,884 | 53,526 | 54,946 | 55,305 | 380,424 |

Geographical areas

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

Revenue

| | for the period Jan 1 – Jun 30 2021 | for the period Jan 1 – Jun 30 2020 | for the period Apr 1 – Jun 30 2021 | for the period Apr 1 – Jun 30 2020 |
|--------------------|--|--|--|--|
| | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> |
| Poland | 3,051,260 | 2,543,911 | 1,418,065 | 1,063,378 |
| Germany | 751,946 | 405,665 | 389,597 | 175,389 |
| Other EU countries | 1,682,498 | 1,475,769 | 831,958 | 561,879 |
| Asia | 162,366 | 196,394 | 74,551 | 114,243 |
| South America | 149,724 | 105,741 | 90,671 | 55,654 |
| Other countries | 736,861 | 645,138 | 367,831 | 298,355 |
| Total | 6,534,655 | 5,372,618 | 3,172,673 | 2,268,898 |

No single trading partner accounted for more than 10% of revenue in the first half of 2021 or the first half of 2020.

Note 1 Revenue from contracts with customers

| | for the period Jan 1 – Jun 30 2021 | for the period Jan 1 – Jun 30 2020 | for the period Apr 1 – Jun 30 2021 | for the period Apr 1 – Jun 30 2020 |
|--|--|--|--|--|
| | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> |
| Revenue from sale of products and services | 6,383,637 | 5,244,353 | 3,103,491 | 2,215,371 |
| Revenue from sale of merchandise and materials | 146,305 | 125,110 | 64,801 | 51,781 |
| Revenue from sale of property rights | 2,880 | 1,427 | 2,758 | 339 |
| Revenue from sale of licences | 1,833 | 1,728 | 1,623 | 1,407 |
| Total | 6,534,655 | 5,372,618 | 3,172,673 | 2,268,898 |

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

| | Agro Fertilizers | Plastics | Chemicals | Energy | Other Activities | Total |
|--|---------------------|----------------|------------------|----------------|---------------------|------------------|
| Main product lines | | | | | | |
| Revenue from sale of products and services | 3,574,970 | 842,078 | 1,701,873 | 130,027 | 134,689 | 6,383,637 |
| Revenue from sale of merchandise and materials | 83,778 | - | 9,843 | 35,097 | 17,587 | 146,305 |
| Revenue from sale of property rights | - | 77 | - | 2,803 | - | 2,880 |
| Revenue from sale of licences | 1,833 | - | - | - | - | 1,833 |
| Total | 3,660,581 | 842,155 | 1,711,716 | 167,927 | 152,276 | 6,534,655 |
| Geographical regions | | | | | | |
| Poland | 1,942,715 | 109,982 | 700,342 | 167,927 | 130,294 | 3,051,260 |
| Germany | 246,884 | 318,804 | 183,780 | - | 2,478 | 751,946 |
| Other EU countries | 762,364 | 312,696 | 594,673 | - | 12,765 | 1,682,498 |
| Asia | 112,893 | 45,185 | 4,225 | - | 63 | 162,366 |
| South America | 132,773 | 10,536 | 6,415 | - | - | 149,724 |
| Other countries | 462,952 | 44,952 | 222,281 | - | 6,676 | 736,861 |
| Total | 3,660,581 | 842,155 | 1,711,716 | 167,927 | 152,276 | 6,534,655 |
| Customer type | | | | | | |
| Legal persons | 3,643,834 | 842,155 | 1,711,619 | 167,465 | 150,167 | 6,515,240 |
| Individuals | 16,747 | - | 97 | 462 | 2,109 | 19,415 |
| Total | 3,660,581 | 842,155 | 1,711,716 | 167,927 | 152,276 | 6,534,655 |
| Agreement type | | | | | | |
| Fixed-price contracts | 912,472 | 216,150 | 294,390 | 78,989 | 64,870 | 1,566,871 |
| Time-and-materials contracts | - | 606,465 | - | - | 56,850 | 663,315 |
| Other | 2,748,109 | 19,540 | 1,417,326 | 88,938 | 30,556 | 4,304,469 |
| Total | 3,660,581 | 842,155 | 1,711,716 | 167,927 | 152,276 | 6,534,655 |
| Customer relations | | | | | | |
| Long-term | 1,291,922 | 327,887 | 548,131 | 129,844 | 47,232 | 2,345,016 |
| Short-term | 2,368,659 | 514,268 | 1,163,585 | 38,083 | 105,044 | 4,189,639 |
| Total | 3,660,581 | 842,155 | 1,711,716 | 167,927 | 152,276 | 6,534,655 |
| Revenue recognition timing | | | | | | |
| Revenue recognised at a point in time | 3,660,581 | 842,155 | 1,711,716 | 167,927 | 78,971 | 6,461,350 |
| Revenue recognised over time | - | - | - | - | 73,305 | 73,305 |
| Total | 3,660,581 | 842,155 | 1,711,716 | 167,927 | 152,276 | 6,534,655 |
| Sale channels | | | | | | |
| Direct sales | 1,409,657 | 621,490 | 1,584,423 | 159,831 | 147,277 | 3,922,678 |
| Intermediated sales | 2,250,924 | 220,665 | 127,293 | 8,096 | 4,999 | 2,611,977 |
| Total | 3,660,581 | 842,155 | 1,711,716 | 167,927 | 152,276 | 6,534,655 |

For the six months ended June 30th 2020 (unaudited)

| | Agro Fertilizers | Plastics | Chemicals | Energy | Other Activities | Total |
|--|---------------------|----------------|------------------|----------------|---------------------|------------------|
| Main product lines | | | | | | |
| Revenue from sale of products and services | 3,248,420 | 591,248 | 1,202,383 | 103,098 | 99,204 | 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 | 591,609 | 1,216,118 | 123,710 | 113,289 | 5,372,618 |
| Geographical regions | | | | | | |
| Poland | 1,751,295 | 70,910 | 498,981 | 123,710 | 99,015 | 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 | 591,609 | 1,216,118 | 123,710 | 113,289 | 5,372,618 |
| Customer type | | | | | | |
| Legal persons | 3,313,148 | 591,609 | 1,216,007 | 123,355 | 111,276 | 5,355,395 |
| Individuals | 14,744 | - | 111 | 355 | 2,013 | 17,223 |
| Total | 3,327,892 | 591,609 | 1,216,118 | 123,710 | 113,289 | 5,372,618 |
| Agreement type | | | | | | |
| Fixed-price contracts | 1,843,752 | 171,614 | 203,488 | 60,050 | 51,548 | 2,330,452 |
| Time-and-materials contracts | 364,626 | 417,451 | 448,505 | 63,558 | 40,953 | 1,335,093 |
| Other | 1,119,514 | 2,544 | 564,125 | 102 | 20,788 | 1,707,073 |
| Total | 3,327,892 | 591,609 | 1,216,118 | 123,710 | 113,289 | 5,372,618 |
| Customer relations | | | | | | |
| Long-term | 1,265,282 | 276,986 | 332,856 | 113,583 | 31,419 | 2,020,126 |
| Short-term | 2,062,610 | 314,623 | 883,262 | 10,127 | 81,870 | 3,352,492 |
| Total | 3,327,892 | 591,609 | 1,216,118 | 123,710 | 113,289 | 5,372,618 |
| Revenue recognition timing | | | | | | |
| Revenue recognised at a point in time | 3,327,892 | 591,609 | 1,216,118 | 122,166 | 67,902 | 5,325,687 |
| Revenue recognised over time | - | - | - | 1,544 | 45,387 | 46,931 |
| Total | 3,327,892 | 591,609 | 1,216,118 | 123,710 | 113,289 | 5,372,618 |
| Sale channels | | | | | | |
| Direct sales | 1,316,582 | 388,334 | 1,112,439 | 121,826 | 113,289 | 3,052,470 |
| Intermediated sales | 2,011,310 | 203,275 | 103,679 | 1,884 | - | 2,320,148 |
| Total | 3,327,892 | 591,609 | 1,216,118 | 123,710 | 113,289 | 5,372,618 |

The increase in revenue was mainly attributable to higher prices across all operating segments, with a concurrent increase in sales volumes.

Note 2 Operating expenses

| | for the period Jan 1 – Jun 30 2021 | for the period Jan 1 – Jun 30 2020 | for the period Apr 1 – Jun 30 2021 | for the period Apr 1 – Jun 30 2020 |
|--|--|--|--|--|
| | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> |
| Depreciation and amortisation | 381,460 | 378,047 | 190,946 | 189,636 |
| Raw materials and consumables used | 3,871,695 | 2,710,860 | 1,950,689 | 1,164,264 |
| Services | 639,788 | 581,239 | 330,329 | 292,369 |
| Taxes and charges | 294,261 | 275,825 | 100,138 | 130,551 |
| Salaries and wages | 758,838 | 741,046 | 408,050 | 397,184 |
| Social security and other employee benefits | 198,297 | 191,557 | 102,544 | 96,065 |
| Other expenses | 78,698 | 83,835 | 47,544 | 42,377 |
| Costs by nature of expense | 6,223,037 | 4,962,409 | 3,130,240 | 2,312,446 |
| Change in products (+/-) | (137,063) | 80,223 | (144,877) | (100,536) |
| Work performed by the entity and capitalised (-) | (53,206) | (64,210) | (22,866) | (37,610) |
| Selling and distribution expenses (-) | (492,393) | (480,124) | (242,638) | (225,194) |
| Administrative expenses (-) | (407,570) | (406,984) | (214,919) | (208,314) |
| Cost of merchandise and materials sold | 111,259 | 102,553 | 45,253 | 41,800 |
| Cost of sales | 5,244,064 | 4,193,867 | 2,550,193 | 1,782,592 |
| including excise duty | 2,566 | 2,680 | 1,209 | 1,299 |

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

- raw materials and consumables used - increase in prices and consumption volumes of gas and petroleum products,
- services - increase in transport costs as a result of a higher weight of products sold, higher R&D expenditure, and higher spending on subcontractors engaged to carry out maintenance works,
- salaries and wages - increase caused mainly by hiring staff to execute new investment projects,
- taxes and charges - increase in prices of CO₂ emission allowances,
- other expenses - decrease in business travel expenses as well as advertising and entertainment costs.

Note 3 Other income

| | for the period Jan 1 – Jun 30 2021 | for the period Jan 1 – Jun 30 2020 | for the period Apr 1 – Jun 30 2021 | for the period Apr 1 – Jun 30 2020 |
|---|--|--|--|--|
| | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> |
| Reversed impairment losses on: | | | | |
| Other receivables | 282 | 112 | 142 | 63 |
| Other | - | 11 | - | 10 |
| | 282 | 123 | 142 | 73 |
| 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 | 6,443 | 7,653 | 3,342 | 4,308 |
| Received compensation | 5,080 | 1,583 | 3,276 | 737 |
| Provisions reversed | 1,501 | 7,309 | 1,422 | 3,839 |
| Government grants received | 7,292 | 6,961 | 3,851 | 3,447 |
| Other | 8,938 | 5,080 | 8,995 | 2,631 |
| | 29,254 | 108,179 | 20,886 | 87,921 |
| | 29,536 | 108,302 | 21,028 | 87,994 |

As at June 30th 2020, the Group recognised in other income compensation of PLN 79,593 thousand for the increase in electricity prices due to higher prices of CO₂ emission allowances for 2019. As at June 30th 2021, the expected compensation amounts for the current period of PLN 7,827 thousand were recognised as a decrease in current costs of electricity used. Compensation amounts for the first half of 2020, which reduced costs of electricity used by PLN 44,556 thousand, were recognised in the same manner.

Note 4 Other expenses

| | for the period Jan 1 – Jun 30 2021 | for the period Jan 1 – Jun 30 2020 | for the period Apr 1 – Jun 30 2021 | for the period Apr 1 – Jun 30 2020 |
|---|--|--|--|--|
| | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> |
| Loss on disposal of assets: | | | | |
| Loss on disposal of property, plant and equipment | 7,929 | 2,122 | (725) | 573 |
| Loss on sale of intangible assets. | 218 | - | 218 | - |
| | 8,147 | 2,122 | (507) | 573 |
| Recognised impairment losses on: | | | | |
| Property, plant and equipment | 859 | 1,011 | 224 | 1,011 |
| Investment property | 131 | - | 131 | - |
| Other receivables | 571 | 662 | 398 | 1,760 |
| Other | - | 88 | - | 26 |
| | 1,561 | 1,761 | 753 | 2,797 |
| Other expenses: | | | | |
| Investment property maintenance costs | 6,816 | 6,253 | 3,617 | 3,179 |
| Fines and compensations | 1,684 | 211 | 1,224 | 180 |
| Plant outages | 833 | 929 | 413 | 456 |
| Failure recovery costs | 4,138 | 3,763 | 1,705 | 2,501 |
| Recognised provisions | 5,318 | 4,592 | 2,553 | 3,109 |
| Other | 9,126 | 7,947 | 7,078 | 3,714 |
| | 27,915 | 23,695 | 16,590 | 13,139 |
| | 37,623 | 27,578 | 16,836 | 16,509 |

Note 5 Finance income

| | for the period Jan 1 – Jun 30 2021 | for the period Jan 1 – Jun 30 2020 | for the period Apr 1 – Jun 30 2021 | for the period Apr 1 – Jun 30 2020 |
|---|--|--|--|--|
| | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> |
| Interest income: | | | | |
| Interest on bank deposits | - | 2,057 | - | 1,397 |
| Interest on cash pooling, loans | - | 2,148 | - | 436 |
| Interest on trade receivables | 1,183 | 1,133 | 670 | 797 |
| Other interest income | 209 | 832 | 145 | 14 |
| | 1,392 | 6,170 | 815 | 2,644 |
| Profit from sale of financial investments: | | | | |
| Gains on sale of financial investments | - | 287 | - | 287 |
| | - | 287 | - | 287 |
| Gains on measurement of financial assets and liabilities: | | | | |
| Gains on measurement of financial assets at fair value through profit or loss | - | - | - | (12,732) |
| | - | - | - | (12,732) |
| Other finance income: | | | | |
| Foreign exchange gains | 57,327 | - | 38,232 | - |
| Dividends received | 193 | - | 193 | - |
| Discounting of liabilities | 729 | 237 | 696 | 10 |
| Other finance income | 1,839 | 2,838 | (500) | 2,096 |
| | 60,088 | 3,075 | 38,621 | 2,106 |
| | 61,480 | 9,532 | 39,436 | (7,695) |

Foreign exchange gains of PLN 57,327 thousand (first half of 2020: foreign exchange losses of PLN 18,536 thousand) comprised:

- net realised foreign exchange gains of PLN 12,609 thousand (first half of 2020: net realised foreign exchange gains of PLN 3,400 thousand),
- net foreign exchange gains on realised transactions in currency derivatives of PLN 34,879 thousand (first half of 2020: net foreign exchange losses on realised transactions in currency derivatives of PLN 2,875 thousand),
- net foreign exchange gains on measurement of receivables and liabilities denominated in foreign currencies of PLN 12,432 thousand as at the reporting date (first half of 2020: net foreign exchange losses on measurement of receivables and liabilities denominated in foreign currencies of PLN 16,393 thousand as at the reporting date),
- net foreign exchange losses on measurement of other items of PLN 2,593 thousand as at the reporting date (first half of 2020: net foreign exchange losses on measurement of other items of PLN 2,668 thousand as at the reporting date).

Note 6 Finance costs

| | for the period Jan 1 – Jun 30 2021 | for the period Jan 1 – Jun 30 2020 | for the period Apr 1 – Jun 30 2021 | for the period Apr 1 – Jun 30 2020 |
|---|--|--|--|--|
| | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> |
| Interest expense: | | | | |
| Interest on bank borrowings and overdraft facilities | 24,021 | 28,089 | 13,586 | 11,676 |
| Interest on cash pooling, loans | 928 | 3,171 | 415 | 1,256 |
| Interest on liabilities under leases, factoring, discount of receivables | 9,755 | 9,583 | 5,211 | 4,209 |
| Interest on trade payables | 599 | 11 | 620 | - |
| Interest on public charges | 178 | 113 | 85 | 87 |
| Other interest expense | 3,148 | 2,384 | 2,880 | 2,058 |
| | 38,629 | 43,351 | 22,797 | 19,286 |
| Loss on measurement of financial assets and liabilities: | | | | |
| Loss on measurement of financial assets at fair value through profit or loss | 70,286 | 2,021 | (17,160) | 2,021 |
| Loss on measurement of financial liabilities at fair value through profit or loss | - | 537 | (977) | 537 |
| | 70,286 | 2,558 | (18,137) | 2,558 |
| Other finance costs: | | | | |
| Foreign exchange losses | - | 18,536 | - | (5,227) |
| Unwind of discount on provisions and loans | 558 | 2,495 | 467 | 2,412 |
| Sureties | 602 | 712 | 602 | 712 |
| Other finance costs: | 388 | 4,322 | (2,137) | 1,224 |
| | 1,548 | 26,065 | (1,068) | (879) |
| | 110,463 | 71,974 | 3,592 | 20,965 |

Losses on measurement of financial assets carried at fair value through profit or loss include a loss of PLN 79,444 thousand recorded by Grupa Azoty POLYOLEFINS on measurement of open forwards to purchase EUR and IRS contracts with a floor to hedge interest rates, and a gain of PLN 9,158 thousand on open hedging transactions and unrealised foreign exchange differences of other Group companies.

Note 7 Income tax

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

| | for the period Jan 1 – Jun 30 2021 | for the period Jan 1 – Jun 30 2020 | for the period Apr 1 – Jun 30 2021 | for the period Apr 1 – Jun 30 2020 |
|--|--|--|--|--|
| | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> |
| Current income tax: | | | | |
| Current income tax expense | 64,758 | 42,264 | 18,469 | 3,471 |
| Adjustments to current income tax for previous years | (3,834) | 3,875 | (3,834) | - |
| | 60,924 | 46,139 | 14,635 | 3,471 |
| Deferred income tax: | | | | |
| Deferred income tax associated with origination and reversal of temporary differences | 26,964 | 48,761 | 27,056 | 38,714 |
| | 26,964 | 48,761 | 27,056 | 38,714 |
| Income tax disclosed in the statement of profit or loss | 87,888 | 94,900 | 41,691 | 42,185 |

Note 7.2 Income tax disclosed in other comprehensive income

| | for the period Jan 1 – Jun 30 2021 | for the period Jan 1 – Jun 30 2020 | for the period Apr 1 – Jun 30 2021 | for the period Apr 1 – Jun 30 2020 |
|--|--|--|--|--|
| | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> |
| Tax on items that will not be reclassified to profit or loss (+/-) | | | | |
| Remeasurement of net defined benefit obligation/asset | 2,252 | (3,155) | 2,252 | (3,156) |
| Tax on items that are or may be reclassified to profit or loss (+/-) | | | | |
| Cash flow hedging - effective portion of fair value changes | 3,591 | (7,630) | 5,162 | 3,529 |
| Income tax disclosed in other comprehensive income | 5,843 | (10,785) | 7,414 | 373 |

Note 7.3 Effective tax rate

| | for the period Jan 1 – Jun 30 2021 | for the period Jan 1 – Jun 30 2020 | for the period Apr 1 – Jun 30 2021 | for the period Apr 1 – Jun 30 2020 |
|---|--|--|--|--|
| | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> |
| Profit before tax | 341,604 | 317,005 | 209,530 | 99,236 |
| Tax calculated at the applicable tax rate | 64,905 | 60,230 | 39,811 | 18,854 |
| Effect of tax rates in foreign jurisdictions | 6,557 | 4,539 | 3,278 | 2,269 |
| Effect of tax-exempt income (+/-) | (8,978) | 9,528 | (4,489) | 11,272 |
| Effect of non tax-deductible expenses (+/-) | 12,308 | (7,017) | 6,154 | (3,508) |
| Tax effect of inclusion of property, plant and equipment into operations in Special Economic Zone (+/-) | 951 | 937 | 475 | 468 |
| Tax effect of tax losses deducted in the period (+/-) | 37 | (165) | 18 | (82) |
| Recognition of state aid deductible in future periods (+/-) | 333 | (397) | 167 | (198) |
| Other (+/-) | 11,775 | 27,245 | (3,723) | 13,110 |
| Income tax disclosed in the statement of profit or loss | 87,888 | 94,900 | 41,691 | 42,185 |
| Effective tax rate | 25.7% | 29.9% | 19.9% | 42.5% |

Note 7.4 Deferred tax assets and liabilities

| | Assets (-) | | Liabilities (+) | |
|--|------------------|------------------|------------------|------------------|
| | Jun 30 2021 | Dec 31 2020 | Jun 30 2021 | Dec 31 2020 |
| | <i>unaudited</i> | <i>audited</i> | <i>unaudited</i> | <i>audited</i> |
| Property, plant and equipment | (83,104) | (70,867) | 436,183 | 432,702 |
| Right-of-use assets | (8,210) | (236) | 136,728 | 131,666 |
| Investment property | (1,725) | (1,778) | 8,676 | 8,866 |
| Intangible assets | (15,995) | (3,873) | 248,567 | 257,703 |
| Financial assets | (968) | (1,043) | 107 | 3,126 |
| Inventories and property rights | (13,633) | (17,820) | 51,024 | 54,428 |
| Trade and other receivables | (13,106) | (8,147) | 86,859 | 29,548 |
| Trade and other payables | (152,530) | (135,825) | 13,724 | 995 |
| Other assets | (113) | (34) | 1,399 | 94 |
| Employee benefits | (114,333) | (113,060) | 535 | 592 |
| Provisions | (55,780) | (58,692) | 4,613 | 6,252 |
| Borrowings | (1,787) | (2,182) | 183 | 110 |
| Other financial liabilities, including leases | (56,289) | (58,052) | 1,287 | 16 |
| Derivative financial instruments | (68) | - | 8,739 | - |
| Measurement of hedging instruments through hedge accounting | (7,548) | (11,483) | - | 8,258 |
| State aid deductible in future periods | (10,118) | (12,581) | - | - |
| Tax losses | (3,510) | (3,051) | - | - |
| Other | (19,358) | (6,509) | 7,806 | 6,171 |
| Deferred tax assets (-)/liabilities (+) | (558,175) | (505,233) | 1,006,430 | 940,527 |
| Offset | 465,860 | 411,108 | (465,860) | (411,108) |
| Deferred tax assets (-)/liabilities (+) recognised in the statement of financial position | (92,315) | (94,125) | 540,570 | 529,419 |

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 2021 | for the period Jan 1 – Jun 30 2020 | for the period Apr 1 – Jun 30 2021 | for the period Apr 1 – Jun 30 2020 |
|--|--|--|--|--|
| | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> | <i>unaudited</i> |
| Net profit | 230,645 | 195,224 | 143,075 | 44,115 |
| 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) | 2.33 | 1.97 | 1.44 | 0.44 |
| Diluted (PLN) | 2.33 | 1.97 | 1.44 | 0.44 |

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 2021 | as at Dec 31 2020 |
|--|----------------------|----------------------|
| | <i>unaudited</i> | <i>audited</i> |
| Land | 58,722 | 59,391 |
| Mineral deposits | 5,822 | 6,655 |
| Buildings and structures | 2,743,828 | 2,777,833 |
| Plant and equipment | 3,589,642 | 3,679,994 |
| Vehicles | 120,303 | 120,712 |
| Other property, plant and equipment | 158,071 | 162,216 |
| | 6,676,388 | 6,806,801 |
| Property, plant and equipment under construction | 4,857,834 | 3,766,303 |
| | 11,534,222 | 10,573,104 |

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 2021 | | | | | | | | |
| Gross carrying amount | 67,399 | 49,022 | 4,317,149 (1,511,261) | 7,542,177 | 311,536 | 407,561 | 4,930,931 | 17,625,775 |
| Accumulated depreciation (-) | - | (6,991) | () | (3,847,933) | (145,308) | (248,602) | - | (5,760,095) |
| Impairment (-) | (8,677) | (36,209) | (62,060) | (104,602) | (45,925) | (888) | (73,097) | (331,458) |
| Net carrying amount as at Jun 30 2021 (unaudited) | 58,722 | 5,822 | 2,743,828 | 3,589,642 | 120,303 | 158,071 | 4,857,834 | 11,534,222 |
| As at Dec 31 2020 | | | | | | | | |
| Gross carrying amount | 68,076 | 49,022 | 4,272,937 (1,432,822) | 7,413,026 | 300,258 | 397,657 | 3,839,069 | 16,340,045 |
| Accumulated depreciation (-) | - | (6,158) | () | (3,628,218) | (133,621) | (234,556) | - | (5,435,375) |
| Impairment (-) | (8,685) | (36,209) | (62,282) | (104,814) | (45,925) | (885) | (72,766) | (331,566) |
| Net carrying amount as at Dec 31 2020 (audited) | 59,391 | 6,655 | 2,777,833 | 3,679,994 | 120,712 | 162,216 | 3,766,303 | 10,573,104 |

In the six months ended June 30th 2021, the Group purchased property, plant and equipment with a value of PLN 1,327,228 thousand (six months ended June 30th 2020: PLN 923,098 thousand). In the six months ended June 30th 2021, the Group sold property, plant and equipment with a total value of PLN 1,437 thousand (six months ended June 30th 2020: PLN 1,875 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 2021, exchange differences resulted in a PLN 12,016 thousand decrease in property, plant and equipment (six months ended June 30th 2020: PLN 26,988 thousand increase in property, plant and equipment).

Impairment testing

As at June 30th 2021, 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 2020, 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 2020,
- the Group's EBITDA and cash flows for the six months to June 30th 2021 with respect to the major part of the tested CGUs were higher than those assumed in the impairment tests as at the end of 2020,
- the projected financial results for 2021 for the majority of the Group's CGUs were also higher than the planned results for the period underlying the impairment tests at the end of 2020,
- the risk-free interest rate (yield on 10-year Treasury bonds) rose from 1.23% at the end of 2020 to 1.63% at the end of June 2021, driving up the weighted average cost of capital for the Grupa Azoty Group, but the discount rate increase does not materially reduce the recoverable amount of individual CGUs,
- the gas cost dynamics were to a large extent reflected on the income side,
- simulations performed for the CGUs at the Parent and the key subsidiaries, based on the assumptions of the test carried out at the end of 2020, updated to reflect current price forecasts for products and raw materials (including prices of CO₂ emission allowances) and a higher discount rate, show that the recoverable amounts of the tested CGUs' assets exceed their carrying amounts.

Given the above, it was concluded that the recoverable amount estimates resulting from the previous tests remained valid as at June 30th 2021, 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.

For detailed information on the impairment tests and their results, see Note 10 to the consolidated financial statements of the Grupa Azoty Group for the 12 months ended December 31st 2020.

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

Grupa Azoty POLYOLEFINS reviews the need to update the key model assumptions and parameters on an ongoing basis. February 25th 2021 saw the financial closing, for the purpose of which the Company provided an updated financial model to the financing institutions. The scope of the updates was primarily related to the effect of transactions hedging the currency and interest rate risks.

Based on the updated, positive findings of the economic feasibility study resulting from the financial model referred to above, which Grupa Azoty POLYOLEFINS uses as a recoverable amount estimate for the purposes of asset impairment testing, the determination that assets of the Polimery Police project were not impaired was upheld as at June 30th 2021.

Note 10 Right-of-use assets

Carrying amount

| | as at Jun 30 2021 | as at Dec 31 2020 |
|--|----------------------|----------------------|
| | <i>unaudited</i> | <i>audited</i> |
| Perpetual usufruct of land | 662,534 | 645,621 |
| Land | 561 | 478 |
| Buildings and structures | 32,543 | 35,564 |
| Plant and equipment | 90,074 | 94,756 |
| Vehicles | 48,580 | 57,882 |
| Other fixtures and fittings, tools and equipment | 262 | 303 |
| | 834,554 | 834,604 |
| Right-of-use assets under construction | 561 | 86 |
| | 835,115 | 834,690 |

Note 11 Intangible assets

Carrying amount

| | as at Jun 30 2021 | as at Dec 31 2020 |
|-------------------------------------|----------------------|----------------------|
| | <i>unaudited</i> | <i>audited</i> |
| Trade marks | 280,470 | 284,456 |
| Corporate logo | 125,064 | 127,659 |
| Customer portfolio | 315,810 | 332,456 |
| Patents and licences | 78,045 | 81,292 |
| Software | 27,997 | 30,094 |
| Development costs | 4,001 | 2,595 |
| Other intangible assets | 52,265 | 57,085 |
| Intangible assets under development | 120,578 | 111,673 |
| | 1,004,230 | 1,027,310 |

Note 12 Property rights

| | as at Jun 30 2021 | as at Dec 31 2020 |
|---|----------------------|----------------------|
| | <i>unaudited</i> | <i>audited</i> |
| Emission allowances | 79,170 | 518,469 |
| Energy certificates | - | 5,725 |
| Other | 2,285 | 5,005 |
| Total property rights, including: | 81,455 | 529,199 |
| <i>carrying amount of property rights at fair value less cost to sell</i> | - | - |

CO₂ emission allowances held (number of units)

| | as at Jun 30 2021 | as at Dec 31 2020 |
|---|----------------------|----------------------|
| | <i>unaudited</i> | <i>audited</i> |
| Balance at beginning of period (units held) | 4,742,055 | 5,391,682 |
| Settled for the previous year | (7,129,415) | (6,990,365) |
| Free allocation of CO ₂ emission allowances granted during the reporting period | - | 4,400,993 |
| Purchased | 2,769,121 | 1,939,745 |
| Balance at end of period (units held) | 381,761 | 4,742,055 |
| Free allocation of CO ₂ emission allowances expected to be received for 2021 (recognised as receivables) | 4,723,167 | - |
| Emissions in the reporting period | 3,795,319 | 7,199,159 |

By June 30th 2021, no free CO₂ emission allowances due to the Group for 2021 were credited to the EU ETS installation accounts. For detailed information on estimating the amounts due, see Note 13 to these interim condensed consolidated financial statements.

Note 13 Trade and other receivables

| | as at Jun 30 2021 | as at Dec 31 2020 |
|--|----------------------|----------------------|
| | <i>unaudited</i> | <i>audited</i> |
| Trade receivables - related parties | 1,626 | 2,101 |
| Trade receivables - other entities | 1,231,528 | 974,979 |
| Receivables from state budget, except for income tax | 295,103 | 402,710 |
| Receivables under construction contracts - other entities | 15,574 | 11,943 |
| Prepayments for deliveries of property, plant and equipment and intangible assets - other entities | 272,628 | 304,976 |
| Prepayments for deliveries of materials, goods and services - other entities | 28,532 | 5,685 |
| Accrued expenses | 315,545 | 204,631 |
| Other receivables - related parties | 14,212 | - |
| Other receivables - other entities | 1,429,794 | 211,046 |
| | 3,604,542 | 2,118,071 |
| including | | |
| Long-term | 524,749 | 489,827 |
| Short-term | 3,079,793 | 1,628,244 |
| | 3,604,542 | 2,118,071 |

The increase in short-term receivables is attributable to higher sales volumes with deferred payment dates, with a concurrent increase in selling prices of products, and is an effect of recognising receivables from CO₂ emission allowances expected to be received.

Free allocation of CO₂ emission allowances expected to be received is recognised under other receivables from other entities, in the amount of PLN 1,203,575 thousand (December 31st 2020: PLN 0 thousand), as they have been credit to the installations' accounts. The need to recognise estimated amounts follows from the fact that no free CO₂ emission allowances for 2021 were allocated by the reporting date. On July 7th 2021, the Ministry of Climate and Environment published a list of installations together with an annual number of emission allowances allocated for 2021-2025. The list contains expected free allocations of CO₂ emission allowances to eligible companies of the Grupa Azoty Group. The final size of the free allocation of CO₂ emission allowances for individual installations will be adjusted on the basis of the average production volume in the two years preceding the year for which the emission allowances will be allocated. In the first half of 2021, the Grupa Azoty

Group companies submitted to the National Centre for Emissions Balancing and Management reports on actual emissions from their respective installations in 2019-2020, specifying the requested allocation for 2021-2025. The information contained in these reports will be the basis for adjusting free allocations of CO₂ emission allowances to the maximum level defined for each eligible installation in the published list referred to above. In view of the above, the expected allocation of free CO₂ emission allowances for 2021 was determined in accordance with the applications submitted.

Note 14 Cash and cash equivalents

| | as at Jun 30 2021 | as at Dec 31 2020 |
|---|----------------------|----------------------|
| | <i>unaudited</i> | <i>audited</i> |
| Cash in hand | 421 | 215 |
| Bank balances in PLN | 662,448 | 502,145 |
| Bank balances in foreign currencies (translated to PLN) | 204,206 | 341,385 |
| Bank deposits – up to 3 months | 102,367 | 63,537 |
| Other bank deposits | 2,554 | 15,897 |
| Other | 42 | 149 |
| | 972,038 | 923,328 |
| Cash and cash equivalents in the statement of financial position | 972,038 | 923,328 |
| Cash and cash equivalents in the statement of cash flows | 972,038 | 923,328 |

As at June 30th 2021, the amount of funds in the VAT account (split payment) was PLN 95,463 thousand (December 31st 2020: PLN 32,293 thousand).

Note 15 Borrowings

| | as at Jun 30 2021 | as at Dec 31 2020 |
|-----------------|----------------------|----------------------|
| | <i>unaudited</i> | <i>audited</i> |
| Bank borrowings | 3,380,581 | 3,097,555 |
| Loans | 465,448 | 418,208 |
| | 3,846,029 | 3,515,763 |
| including | | |
| Long-term | 3,431,418 | 3,322,320 |
| Short-term | 414,611 | 193,443 |
| | 3,846,029 | 3,515,763 |

At the beginning of 2021, the Group drew down a PLN 350m loan under the term facility advanced by a bank syndicate under the Credit Facility Agreement of April 23rd 2015 (as amended), in order to refinance its full contribution made previously to the Polimery Police project. On June 29th 2021, the Group drew down a loan of PLN 650m remaining under the credit facility in view of the approaching end date of the facility's availability, while repaying a loan of PLN 720m under the revolving credit facility.

As at June 30th 2021, the amounts available to be drawn by the Group totalled approximately PLN 7,434m, of which undrawn amounts under Grupa Azoty POLYOLEFINS' special purpose credit facilities for the financing of the Polimery Police project were PLN 4,984m, and the other undrawn amounts available to the Grupa Azoty Group amounted to PLN 2,450m (PLN 2,743m as at December 31st 2020 excluding Grupa Azoty POLYOLEFINS' special purpose credit facilities made available in the first quarter of 2021).

Maturities and currencies of borrowings

As at Jun 30 2021 (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 | 1,983,731 | 1,983,731 | 229,932 | 318,516 | 1,186,245 | 249,038 |
| EUR | variable / fixed | 414,756 | 1,604,271 | 166,424 | 161,599 | 1,094,817 | 181,431 |
| USD | variable | 84,411 | 239,772 | - | - | - | 239,772 |
| BLR | fixed | 23,834 | 18,255 | 18,255 | - | - | - |
| | | | 3,846,029 | 414,611 | 480,115 | 2,281,062 | 670,241 |

As at Dec 31 2020 (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 | 1,639,599 | 1,639,599 | 41,223 | 138,393 | 1,220,503 | 239,480 |
| EUR | variable / fixed | 386,829 | 1,666,873 | 139,368 | 169,718 | 1,171,606 | 186,181 |
| USD | variable | 52,000 | 196,439 | - | - | - | 196,439 |
| BLR | fixed | 17,735 | 12,852 | 12,852 | - | - | - |
| | | | 3,515,763 | 193,443 | 308,111 | 2,392,109 | 622,100 |

As part of debt under borrowings maturing in up to one year from the reporting date, i.e. by June 30th 2022, the Group presented PLN and EUR-denominated debt under umbrella working capital facilities as at June 30th 2021, of PLN 1 thousand (December 31st 2020: PLN 202,131 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 16 Other financial liabilities

| | as at Jun 30 2021 | as at Dec 31 2020 |
|--|----------------------|----------------------|
| | <i>unaudited</i> | <i>audited</i> |
| Liabilities under sale of receivables | 113,017 | 110,012 |
| Liabilities under reverse factoring agreements | 1,506,618 | 556,362 |
| Other obligations | 600,376 | 583,523 |
| | 2,220,011 | 1,249,897 |
| including | | |
| Long-term | 596,876 | 579,438 |
| Short-term | 1,623,135 | 670,459 |
| | 2,220,011 | 1,249,897 |

The increase in other financial liabilities was mainly attributable to an increase in reverse factoring liabilities of PLN 950,256 thousand and reflects the valuation of financial liabilities resulting from the equity contributions made to Grupa Azoty POLYOLEFINS, taken up by Grupa LOTOS, Hyundai and KIND (increase of PLN 20,032 thousand).

Note 17 Employee benefit obligations

| | as at Jun 30 2021 | as at Dec 31 2020 |
|---|----------------------|----------------------|
| | <i>unaudited</i> | <i>audited</i> |
| Pension benefit obligations | 234,352 | 236,820 |
| Jubilee benefit obligations | 258,545 | 256,705 |
| Pensioner Social Fund benefit obligations | 25,054 | 28,227 |
| Other obligations | 14,638 | 23,975 |
| | 532,589 | 545,727 |
| including | | |
| Long-term | 477,899 | 490,864 |
| Short-term | 54,690 | 54,863 |
| | 532,589 | 545,727 |

The decrease in employee benefit obligations follows from changes in actuarial assumptions, and mainly from an increase in the discount rate (to 1.63%) (December 31st 2020: 1.24%).

Note 18 Provisions

| | as at Jun 30 2021 | as at Dec 31 2020 |
|--|----------------------|----------------------|
| | <i>unaudited</i> | <i>audited</i> |
| Provision for litigation | 17,736 | 16,245 |
| Provision for environmental protection | 203,557 | 203,562 |
| Other provisions | 34,643 | 31,719 |
| | 255,936 | 251,526 |
| including | | |
| Long-term | 214,606 | 211,022 |
| Short-term | 41,330 | 40,504 |
| | 255,936 | 251,526 |

Note 19 Grants

| | as at Jun 30 2021 | as at Dec 31 2020 |
|----------------------------|----------------------|----------------------|
| | <i>unaudited</i> | <i>audited</i> |
| Government grants received | 815,298 | 211,319 |
| including | | |
| Long-term | 197,203 | 196,973 |
| Short-term | 618,095 | 14,346 |
| | 815,298 | 211,319 |

The increase in government grants received is attributable to the recognition by the Group of free CO₂ emission allowances due but not received for 2021, which are accounted for as a reduction in cost of sales (taxes and charges) during the year in proportion to estimated CO₂ emissions. As at June 30th 2021, the outstanding grant of free CO₂ emission allowances was PLN 600,875 thousand.

Note 20 Other material changes in the statement of financial position

The PLN 177,201 thousand decrease in short-term trade and other payables was attributable to repayment of amounts payable under purchase of non-financial non-current assets.

Note 21 Financial instruments

Categories of financial instruments

Financial assets

| | as at Jun 30 2021 | as at Dec 31 2020 |
|--|----------------------|----------------------|
| | <i>unaudited</i> | <i>audited</i> |
| At fair value through profit or loss | 50,038 | 43,471 |
| At amortised cost | 3,544,990 | 2,120,172 |
| At fair value through other comprehensive income | 84,296 | 14,871 |
| | 3,679,324 | 2,178,514 |
| Recognised in the statement of financial position as: | | |
| Derivative financial instruments | 3,132 | 43,471 |
| Shares | 9,168 | 9,168 |
| Trade and other receivables | 2,692,728 | 1,200,063 |
| Cash and cash equivalents | 972,038 | 923,328 |
| Other financial assets | 2,258 | 2,484 |
| | 3,679,324 | 2,178,514 |

Financial liabilities

| | as at Jun 30 2021 | as at Dec 31 2020 |
|--|----------------------|----------------------|
| | <i>unaudited</i> | <i>audited</i> |
| At fair value through profit or loss | 651,161 | 569,497 |
| At amortised cost | 7,625,329 | 6,556,519 |
| | 8,276,490 | 7,126,016 |
| Recognised in the statement of financial position as: | | |
| Long-term borrowings | 3,431,418 | 3,322,320 |
| Short-term borrowings | 414,611 | 193,443 |
| Derivative financial instruments | 67,794 | 6,086 |
| Trade and other payables | 1,730,626 | 1,927,074 |
| Non-current lease liabilities | 350,284 | 355,774 |
| Current lease liabilities | 61,746 | 71,422 |
| Other non-current financial liabilities | 596,876 | 579,438 |
| Other current financial liabilities | 1,623,135 | 670,459 |
| | 8,276,490 | 7,126,016 |

Credit risk

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

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

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

For financial assets included in the estimation of expected losses other than trade receivables, the Group measures the risk of default of the counterparties based on ratings assigned by credit rating

agencies (e.g. to financial institutions) or ratings assigned using an internal credit rating model (e.g. for intra-group loans 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 2021 | as at Dec 31 2020 |
|------------------|----------------------|----------------------|
| | <i>unaudited</i> | <i>audited</i> |
| Agro Fertilizers | 551,559 | 476,724 |
| Plastics | 248,778 | 184,810 |
| Chemicals | 349,177 | 273,364 |
| Energy | 31,703 | 31,105 |
| Other Activities | 51,937 | 11,077 |
| | 1,233,154 | 977,080 |

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 - the carrying amount of the instruments amounts to PLN 780,112 thousand, and their fair value is about PLN 803,406 thousand (Level 2 in the 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 2021 (unaudited):

| Hierarchy level | Level 1 | Level 2 | Level 3 |
|---|-----------|---------------|----------------|
| Financial assets at fair value, including: | 24 | 50,038 | 84,296 |
| at fair value through profit or loss | - | 17,471 | 39,213 |
| measured at fair value through other comprehensive income, including: | 24 | 32,567 | 45,083 |
| <i>shares</i> | - | - | 6,625 |
| <i>trade receivables</i> | - | - | 38,458 |
| <i>derivative financial instruments</i> | 24 | 32,567 | - |
| Financial liabilities at fair value, including: | - | 67,794 | 583,367 |
| at fair value through profit or loss | - | 67,794 | 583,367 |
| <i>derivative financial instruments</i> | - | 67,794 | - |
| <i>other financial liabilities</i> | - | - | 583,367 |

The table below presents Grupa Azoty's financial instruments, carried at fair value, by levels in the fair value hierarchy, as at December 31st 2020 (audited):

| Hierarchy level | Level 2 | Level 3 |
|---|---------------|----------------|
| Financial assets at fair value, including: | 43,471 | 14,871 |
| measured at fair value through other comprehensive income, including: | 43,471 | 14,871 |
| <i>shares</i> | - | 6,625 |
| <i>trade receivables</i> | - | 6,737 |
| <i>derivative financial instruments</i> | - | 1,509 |
| Financial liabilities at fair value, including: | 6,086 | 563,411 |
| at fair value through profit or loss, including: | 6,086 | 563,411 |
| <i>derivative financial instruments</i> | 6,086 | - |
| <i>other financial liabilities</i> | - | 563,411 |

There were no transfers between the levels in the first half of 2021 or in 2020.

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 2021 and 2020, 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.

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

Foreign currency derivatives

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.

As at June 30th 2021, the nominal value of Grupa Azoty's unrealised foreign currency derivatives (FX Forward) was EUR 66.5m (maturing in the periods until November 2021) and EUR 5m under options, maturing in the period July to December 2021, entered into by Grupa Azoty POLICE.

The total notional amount of Grupa Azoty's currency derivatives was EUR 71.5m.

In addition, Grupa Azoty POLICE held open currency derivatives (FX forwards) to exchange EUR 3m for USD, to be settled between July and September 2021.

In the case of USD, the notional amount of Grupa Azoty's unrealised FX forwards was USD 8m (with maturities until December 2021).

The above foreign currency derivatives include forward contracts to sell an expected excess cash in EUR or, to a lesser extent, USD.

In the six months ended June 30th 2021, Grupa Azoty POLYOLEFINS entered into FX forward contracts to buy EUR for USD and PLN for USD to hedge the expected expenditure in EUR and PLN under contractual payments for the Polimery Police project, to be covered from disbursements under the term facility. The FX forwards were the target security required under the Credit Facilities Agreement. They are a continuation of the temporary security executed in 2020.

As at June 30th 2021, Grupa Azoty POLYOLEFINS had the following open contracts:

- FX forward to buy approximately EUR 227m for USD (hedging expenditure planned to be covered with proceeds from the term facility made available under the Credit Facilities Agreement in USD),
- FX forward to buy approximately PLN 213m for USD (hedging expenditure planned to be covered with proceeds from the term facility made available under the Credit Facilities Agreement in USD).

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

As at June 30th 2021, the total result on the measurement of open FX forwards executed by Grupa Azoty POLYOLEFINS was PLN (41,249) thousand, including PLN (7,370) thousand attributable to the measurement of transactions designated as hedges for accounting purposes.

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

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

On May 31st 2020, the Parent, Grupa Azoty POLICE (jointly referred to as the "Original Sponsors") and Grupa Azoty POLYOLEFINS entered into agreements with Grupa LOTOS, Hyundai and KIND (where Grupa LOTOS, Hyundai and KIND are referred to jointly as the "Co-Sponsors", and together with the Original Sponsors and Grupa Azoty POLYOLEFINS as the "Parties") concerning the terms and conditions of an equity investment and subordinated debt financing ("Transaction Documents") in connection with Grupa Azoty's strategic Polimery Police project implemented by Grupa Azoty POLYOLEFINS.

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

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

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

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

2020)), KIND paid USD 5,000,000 (equivalent to PLN 18,891,000, as translated at the NBP rate for November 16th 2020 (Table 223/A/NBP/2020 of November 16th 2020)), and Grupa LOTOS paid PLN 300,000,000.

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

As at June 30th 2021, the Group continued to measure the recognised liability, charging it partly to property, plant and equipment under construction and partly to profit or loss.

The amount of the liability is PLN 234,739 thousand.

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

For details regarding repurchase of Grupa Azoty POLYOLEFINS shares from non-controlling shareholders, see Note 21.6 to the consolidated financial statements of the Grupa Azoty Group for the 12 months ended December 31st 2020.

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

The Shareholders' Agreement provides for additional exit mechanisms for the Co-Sponsors as shareholders of Grupa Azoty POLYOLEFINS. In particular, these mechanisms include a public issue of Grupa Azoty POLYOLEFINS shares; joint sale of Grupa Azoty POLYOLEFINS shares to third-party investors; first refusal rights over Grupa Azoty POLYOLEFINS shares granted to the Original Sponsors; an option for Grupa LOTOS to acquire a majority interest in Grupa Azoty POLYOLEFINS if the co-financing necessary to complete the Polimery Police project is not possible; and the exit mechanism for Grupa LOTOS, Hyundai and KIND, with respect to the shares not covered by the put option and the call option, through repurchase of such shares by Grupa Azoty POLYOLEFINS at fair value for subsequent cancellation. The shares should be repurchased using funds generated and accumulated by Grupa Azoty POLYOLEFINS once the senior debt financing has been fully repaid. The share repurchase is expected after 2035, in line with the current financial model adopted for the Polimery Police project. The repurchase price based on the future fair value of Grupa Azoty POLYOLEFINS shares as at the repurchase date, taking into account earlier dividend payments, will ensure that the Co-Sponsors receive the rate of return specified in the Shareholders' Agreement with respect to the contribution made on November 16th 2020 towards the Grupa Azoty POLYOLEFINS share capital increase, covered by the mechanism. If the rate of return is lower than agreed, the Original Sponsors will be jointly and severally obliged to make supplementary payments to the Co-Sponsors so as to increase the rate of return on the Co-Sponsors' investments covered by the share repurchase-based exit mechanism to the agreed level, but in any case by no more than a specified number of percentage points. Similarly, if the rate of return on the Co-Sponsors' investments in the shares covered by the share repurchase-based exit mechanism exceeds the level expected by the Co-Sponsors, they will be obliged to make payments to the Original Sponsors so as to reduce the rate of return on the Co-Sponsors' investments to the agreed level, but in any case by no more than a specified number of percentage points (the same as in the above-mentioned case where the rate of return on the Co-Sponsors' investments is increased by the Original Sponsors).

Therefore, Grupa Azoty POLYOLEFINS shares acquired by Grupa LOTOS, Hyundai and KIND, which may be repurchased in the future for subsequent cancellation in accordance with the Shareholders' Agreement, are recognised as a financial liability. As at June 30th 2021, the liability was initially measured at the carrying amount equal to the rate of return expected by the Co-Sponsors for the period from the contribution date to June 30th 2021. The liability is subsequently measured at fair value, taking into account the rate of return required by the Co-Sponsors.

The amount of the liability is PLN 348,628 thousand.

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

to the Original Sponsors) or negative (i.e. may become a financial liability if supplementary payments from the Original Sponsors to the Co-Sponsors are anticipated following the share repurchase).

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

As at June 30th 2021, given the status of the Polimery Police project, i.e. the stage of completion of approximately 67.6%, there are no indications of any material risks to the expected rate of return relative to the baseline scenario, a number of micro- and macroeconomic factors affecting the delivery and profitability of the Polimery Police project, as well as a distant date for the exercise of rights or discharge of obligations under the said rate-of-return stabilisation mechanism, which makes the estimation of final settlement highly uncertain, the Parent decided not to recognise a financial asset on that account. This decision will be reviewed and revised in subsequent periods, in keeping with the progress of the Polimery Police project.

On August 27th 2021, Grupa Azoty POLYOLEFINS received a letter from Hyundai Engineering Co., Ltd., the general contractor for the Polimery Police project, concerning the initiation of a procedure to amend the contract of May 11th 2019 for turnkey execution of the Polimery Police project. For details of the proposed amendments to the contract, see Note 26.

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 2021 to September 2028. The hedging covers currency risk. The hedge are two euro-denominated credit facilities of:

- EUR 72,648 thousand as at June 30th 2021 (December 31st 2020: EUR 81,729 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 2021 (December 31st 2020: EUR 100,000 thousand), repayable from September 2021 to September 2028 in 15 equal half-yearly instalments of EUR 6,666 thousand each.

As at June 30th 2021, the carrying amount of both these credit facilities was PLN 780,112 thousand (December 31st 2020: PLN 838,187 thousand). As at June 30th 2021, the hedging reserve included PLN (39,725) thousand (December 31st 2020: PLN (58,626) thousand) on account of the effective hedge. In the first half of 2021, the Group reclassified PLN 1,799 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.

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

As at June 30th 2021, the cash flow hedge reserve included PLN (7,370) thousand (December 31st 2020: no transactions designated for hedge accounting), PLN 18 thousand under settled foreign exchange hedging transactions for which the hedged item has not yet been realised, and PLN (25,704) thousand as a result of measurement of interest rate risk hedging transactions.

Note 22 Contingent liabilities, contingent assets, sureties and guarantees

Contingent assets

| | as at Jun 30 2021 | as at Dec 31 2020 |
|------------------------|----------------------|----------------------|
| | <i>unaudited</i> | <i>audited</i> |
| Contingent receivables | 30,095 | 29,960 |

Contingent liabilities and guarantees/sureties

| as at | as at |
|-------|-------|
|-------|-------|

| | Jun 30 2021 | Dec 31 2020 |
|--|--------------------|--------------------|
| | <i>unaudited</i> | <i>audited</i> |
| Other contingent liabilities, including guarantees | 45,569 | 34,064 |

Note 23 Related-party transactions

Transactions with associates and jointly-controlled entities

Trade transactions

| | Revenue | Receivables | Purchases | Liabilities |
|---|--------------|---------------|---------------|--------------|
| In the six months ended June 30th 2021 and as at that date (unaudited) | | | | |
| Related parties of Grupa Azoty POLICE | 7,317 | 15,803 | 4,210 | 1,204 |
| Related parties of Grupa Azoty PUŁAWY | 123 | 38 | 7,326 | 722 |
| | 7,440 | 15,841 | 11,536 | 1,926 |

| | Revenue | Purchases |
|---|--------------|---------------|
| In the six months ended June 30th 2020 (unaudited) | | |
| Related parties of Grupa Azoty POLICE | 9,493 | 4,644 |
| Related parties of Grupa Azoty PUŁAWY | 99 | 8,359 |
| | 9,592 | 13,003 |

| | Receivables | Liabilities |
|---------------------------------------|--------------|--------------|
| As at Dec 31 2020 (audited) | | |
| Related parties of Grupa Azoty POLICE | 2,053 | 1,394 |
| Related parties of Grupa Azoty PUŁAWY | 50 | 2,102 |
| | 2,103 | 3,496 |

Other transactions

| | In the six months ended June 30th 2021 (unaudited) | In the six months ended June 30th 2020 (unaudited) |
|---------------------------------------|--|--|
| Other income | | |
| Related parties of Grupa Azoty POLICE | 1 | - |
| Related parties of Grupa Azoty PUŁAWY | 422 | 27 |
| | 423 | 27 |

Note 24 Investment commitments

In the period ended June 30th 2021, 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 3,495,305 thousand (December 31st 2020: PLN 3,694,683 thousand).

The largest capital commitments are as follows:

| | as at Jun 30 2021 | as at Dec 31 2020 |
|---|----------------------|----------------------|
| Propane dehydrogenation (PDH) and polypropylene unit at Grupa Azoty POLICE | 2,419,532 | 2,016,029 |
| Construction of CHP plant at Grupa Azoty PUŁAWY | 426,302 | 771,981 |
| Modernisation of existing and construction of new nitric acid units at Grupa Azoty PUŁAWY | 104,368 | 112,568 |

Note 25 Accounting estimates and assumptions

Changes in impairment losses on property, plant and equipment

| | for the period Jan 1 – Jun 30 2021 <i>unaudited</i> | for the period Jan 1 – Jun 30 2020 <i>unaudited</i> | for the period Apr 1 – Jun 30 2021 <i>unaudited</i> | for the period Apr 1 – Jun 30 2020 <i>unaudited</i> |
|-------------------------------|--|--|--|--|
| At beginning of period | 331,566 | 333,085 | 332,187 | 332,507 |
| Recognised | 861 | 1,011 | 226 | 1,011 |
| Reversed (-) | (3) | (213) | - | - |
| Used (-) | (966) | (999) | (955) | (634) |
| At end of period | 331,458 | 332,884 | 331,458 | 332,884 |

Changes in inventory write-downs

| | for the period Jan 1 – Jun 30 2021 <i>unaudited</i> | for the period Jan 1 – Jun 30 2020 <i>unaudited</i> | for the period Apr 1 – Jun 30 2021 <i>unaudited</i> | for the period Apr 1 – Jun 30 2020 <i>unaudited</i> |
|-------------------------------|--|--|--|--|
| At beginning of period | 62,619 | 59,731 | 61,957 | 56,715 |
| Recognised | 19,471 | 22,495 | 12,236 | 19,131 |
| Acquisition of companies | 127 | - | 127 | - |
| Reversed (-) | (3,592) | (4,915) | (1,653) | (2,198) |
| Used (-) | (11,456) | (14,305) | (5,347) | (10,610) |
| Exchange differences | (343) | 328 | (494) | 296 |
| At end of period | 66,826 | 63,334 | 66,826 | 63,334 |

Changes in impairment losses on receivables

| | for the period Jan 1 – Jun 30 2021 <i>unaudited</i> | for the period Jan 1 – Jun 30 2020 <i>unaudited</i> | for the period Apr 1 – Jun 30 2021 <i>unaudited</i> | for the period Apr 1 – Jun 30 2020 <i>unaudited</i> |
|-------------------------------|--|--|--|--|
| At beginning of period | 86,252 | 84,477 | 86,043 | 87,208 |
| Recognised | 5,062 | 12,263 | 3,838 | 6,714 |
| Reversed (-) | (3,638) | (3,838) | (2,151) | (2,809) |
| Used (-) | (1,720) | (2,103) | (1,646) | (1,358) |
| Exchange differences | (209) | (576) | (337) | 468 |
| At end of period | 85,747 | 90,223 | 85,747 | 90,223 |

For information on estimated amounts due under free CO₂ emission allowances expected to be received, see Note 13 to these interim condensed consolidated financial statements.

Note 26 Events after the reporting date

Discontinuation of polyoxymethylene (POM) business

On June 9th 2021, the Management Board of the Parent decided that the Parent's activity in the polyoxymethylene business would be discontinued.

The analysis revealed that the POM business would not be economically viable in the foreseeable future, which is an indication that the Plastics Segment's POM business should be discontinued and its selected assets should be sold.

Consolidated revenue from sales of POM products to external customers in the first half of 2021 amounted to PLN 34.6m, accounting for 0.5% of the Group's total revenue (compared with PLN 54.1m, or 0.5%, in the first half of 2020). The discontinuation of the POM business will improve operating performance and reduce the Company's total CO₂ emissions.

The decision to exit the POM business will have no material impact on any other operations of the Plastics Segment.

The agreement to sell the POM business, comprising technology, customer relations, inventories and selected property, plant and equipment, was executed on July 9th 2021. Consequently, the POM business was discontinued as of August 2021 and its assets are being gradually disposed of or utilised otherwise.

Announcement of a list of installations and annual number of emission allowances

On July 7th 2021, acting pursuant to Art. 26e.3 of the Act on a Trading System for Greenhouse Gas Emissions Allowances of June 12th 2015 (Dz.U. of 2021, items 332 and 1047), the Ministry of Climate and Environment announced the list of installations and the number of emission allowances allocated for 2021-2025.

Hyundai's proposal to amend the EPC Contract

On August 27th 2021, the Company's Management Board announced that on August 27th 2021 Grupa Azoty POLYOLEFINS received a letter from Hyundai Engineering Co., Ltd., the general contractor for the Polimery Police project (the "Contractor"), concerning the initiation of a procedure to amend (the "Amendment Proposal") the contract of May 11th 2019 for turnkey execution of the Polimery Police project (the "EPC Contract").

The Contractor proposes to amend the EPC Contract by:

- increasing the Contractor's fee by a total amount of EUR 127.4m,
- changing the Polimery Police project execution schedule through extension of the project's execution period by 181 days.
- amending an appendix to the EPC Contract where it relates to, among others, the scope of work provided for in the EPC Contract.

In the Contractor's opinion, the reason for submitting the Amendment Proposal is, in particular, the impact of the COVID-19 pandemic on the Polimery Police project.

The Amendment Proposal will be thoroughly reviewed and verified in terms of its appropriateness under the EPC Contract, in accordance with the procedure provided for in the EPC Contract, and under other agreements between Grupa Azoty POLYOLEFINS and the Contractor, as well as in the light of facts.

Note 27 Dividends

On June 30th 2021, the Company's Annual General Meeting passed a resolution to allocate the entire amount of the Parent's net profit for the financial year 2020, of PLN 125,628 thousand, to the Company's reserve funds.

Note 28 Seasonality

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

Mineral fertilizers

The seasonality in the fertilizer segment in the first quarter of 2021 followed its usual pattern. It is typically a period of growing demand for fertilizers, driven by the spring application season that starts in March. The key factor is still the development of weather conditions. In the first half of 2021, it was characterised by periods of dynamic changes, which affected the timing of application of the first doses of nitrogen. 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. The first quarter is typically classified as a low season, a run-up to the slow beginning of a high season. However, in 2020 and 2021 buying patterns were slightly distorted due to the coronavirus pandemic and market conditions.

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 29 Information on the effects of the COVID-19 pandemic

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

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

The pandemic situation led to changes in the work organisation systems, designed to limit physical contacts between employees in order to minimise the risk of infection.

The Grupa Azoty Group companies provided additional protective and hygienic materials for the employees of the Group companies, and also enabled employees to do rapid COVID-19 tests in cases of suspected infection or contact with an infected person.

In June 2021, the Grupa Azoty Group organised preventive vaccinations against COVID-19 for employees of the Company and its subsidiaries and for their families.

In the six months to June 30th 2021, the Group was not affected by an increase in employee sick absence rates which would disrupt operations.

The Grupa Azoty Group is taking steps to minimise the impact of the COVID-19 pandemic on its 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.

In the reporting period, no significant disruptions were recorded in the supply chain of raw materials and products.

In the first half of 2021, the Group did not report any material adverse effects of the COVID-19 pandemic on its financial results.

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

Signatures of members of the Management Board

.....
Tomasz Hinc
President of the Management Board

.....
Mariusz Grab
Vice President of the Management Board

.....
Filip Grzegorzczak, PhD
Vice President of the Management Board

.....
Tomasz Hryniewicz
Vice President of the Management Board

.....
Grzegorz Kądziałowski, PhD
Vice President of the Management Board

.....
Marek Wadowski
Vice President of the Management Board

.....
Zbigniew Paprocki
*Member of the Management Board Director
General*

Person responsible for maintaining accounting records

.....
Piotr Kołodziej
Head of the Corporate Finance Department

Tarnów, September 9th 2021