



Consolidated interim report for Q3 2016

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Key financial results

Consolidated financial information

	PLN '000		EUR '000	
	for the period Jan 1– Sep 30 2016	for the period Jan 1– Sep 30 2015* restated	for the period Jan 1– Sep 30 2016	for the period Jan 1– Sep 30 2015* restated
Revenue	6,633,345	7,506,986	1,518,345	1,805,215
Operating profit	439,017	641,303	100,489	154,215
Profit before tax	447,809	640,088	102,502	153,923
Net profit	345,730	539,695	79,136	129,781
Total comprehensive income	341,733	535,753	78,221	128,833
Number of shares	99,195,484	99,195,484	99,195,484	99,195,484
Earnings per ordinary share (PLN)	3.17	4.80	0.73	1.15
Net cash from/(used in) operating activities	754,410	1,220,605	172,681	293,521
Net cash from/(used in) investing activities	(961,735)	(1,042,760)	(220,137)	(250,754)
Net cash from/(used in) financing activities	126,197	31,244	28,886	7,513
Net increase/(decrease) in cash and cash equivalents	(81,128)	209,089	(18,570)	50,280
Cash at beginning of period	753,144	558,603	172,392	134,328
Cash at end of period	672,101	768,012	153,841	184,685
	as at Sep 30 2016	as at Dec 31 2015* restated	as at Sep 30 2016	as at Dec 31 2015* restated
Non-current assets	7,696,648	7,224,923	1,784,937	1,695,394
Current assets	3,387,492	3,552,411	785,596	833,606
Non-current liabilities	1,966,312	1,785,146	456,009	418,901
Current liabilities	1,770,718	1,855,967	410,649	435,520
Equity	7,347,110	7,136,221	1,703,875	1,674,580
Share capital	495,977	495,977	115,022	116,386
Non-controlling interests	753,915	768,933	174,841	180,437

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary Information to the interim condensed consolidated financial statements.

Separate financial information

	PLN '000		EUR '000	
	for the period Jan 1– Sep 30 2016	for the period Jan 1– Sep 30 2015* restated	for the period Jan 1– Sep 30 2016	for the period Jan 1– Sep 30 2015* restated
Revenue	1,158,965	1,333,418	265,282	320,649
Operating profit/(loss)	(16,181)	23,954	(3,704)	5,760
Profit before tax	243,922	234,324	55,833	56,348
Net profit	241,063	230,090	55,178	55,330
Total comprehensive income	235,648	228,962	53,939	55,059
Number of shares	99,195,484	99,195,484	99,195,484	99,195,484
Earnings per ordinary share (PLN)	2.43	2.32	0.56	0.56
Net cash from/(used in) operating activities	6,853	122,288	1,569	29,407
Net cash from/(used in) investing activities	(117,683)	(67,817)	(26,937)	(16,308)
Net cash from/(used in) financing activities	71,098	50,769	16,274	12,208
Net increase/(decrease) in cash and cash equivalents	(39,732)	105,240	(9,094)	25,307
Cash at beginning of period	111,942	27,431	25,623	6,596
Cash at end of period	72,210	132,671	16,529	31,904
	as at Sep 30 2016	as at Dec 31 2015* restated	as at Sep 30 2016	as at Dec 31 2015* restated
Non-current assets	5,552,087	5,240,330	1,287,590	1,229,691
Current assets	557,827	616,295	129,366	144,619
Non-current liabilities	1,171,813	1,043,852	271,756	244,949
Current liabilities	403,006	430,002	93,462	100,904
Equity	4,535,095	4,382,771	1,051,738	1,028,457
Share capital	495,977	495,977	115,022	116,386

* Financial data restated as described in the 'Supplementary information to the interim condensed separate financial statements'.

Selected items of the statement of profit or loss and other comprehensive income, statement of financial position and statement of cash flows have been translated into the euro using the applicable method specified below:

- items of assets and equity and liabilities in the statement of financial position have been translated at the exchange rate effective for the last day of the reporting period:
the exchange rate as at December 31st 2015 was EUR 1 = PLN 4.2615 (table No. 254/A/NBP/2015),
the exchange rate as at September 30th 2016 was EUR 1 = PLN 4.3120 (table No. 190/A/NBP/2016),
- items of the statement of profit or loss and other comprehensive income and statement of cash flows have been translated using the arithmetic averages of the EUR/PLN rates quoted by the National Bank of Poland as effective for the last day of each month in the reporting period:
in January 1st-September 30th 2015, the average exchange rate was EUR 1 = PLN 4.1585,
in January 1st-September 30th 2016, the average exchange rate was EUR 1 = PLN 4.3688.

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

Interim condensed consolidated financial statements
for the three and nine months
ended September 30th 2016 prepared in accordance
with IAS 34 *Interim Financial Reporting*,
as endorsed by the European Union

STATEMENT OF THE MANAGEMENT BOARD

The Management Board of Grupa Azoty S.A. presents the interim condensed consolidated financial statements for the three and nine months ended September 30th 2016, comprising:

- Condensed consolidated statement of profit or loss and other comprehensive income for the period July 1st-September 30th 2016 and January 1st-September 30th 2016,
- Condensed consolidated statement of financial position as at September 30th 2016,
- Condensed consolidated statement of changes in equity for the period January 1st-September 30th 2016,
- Condensed consolidated statement of cash flows for the period January 1st-September 30th 2016,
- Supplementary information to the interim condensed consolidated financial statements.

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as endorsed by the European Union, and give a fair and clear view of the assets, financial position and performance of the Grupa Azoty Group.

Signatures of Members of the Management Board

.....
Mariusz Bober
*President of the
Management Board*

.....
Witold Szczypiński
*Vice President of the
Management Board
Director General*

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

.....
Paweł Łapiński
*Vice President of the
Management Board*

.....
Józef Rojek
*Vice President of the
Management Board*

.....
Artur Kopeć
*Member of the
Management Board*

Person responsible for maintaining accounting records

.....
Ewa Gładysz
*Head of Corporate Finance
Department*

Tarnów, November 4th 2016

Condensed consolidated statement of profit or loss and other comprehensive income

	for the period Jul 1 – Sep 30 2016	for the period Jan 1 – Sep 30 2016	for the period Jul 1 – Sep 30 2015* restated	for the period Jan 1 – Sep 30 2015* restated
Profit or loss	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Revenue	1,999,510	6,633,345	2,396,455	7,506,986
Cost of sales	(1,665,809)	(5,124,315)	(1,951,187)	(5,859,926)
Gross profit	333,701	1,509,030	445,268	1,647,060
Selling and distribution expenses	(143,849)	(488,821)	(155,721)	(465,594)
Administrative expenses	(165,470)	(531,314)	(175,785)	(531,316)
Other income	9,646	25,816	10,417	37,875
Other expenses	(32,911)	(75,694)	(17,558)	(46,722)
Operating profit	1,117	439,017	106,621	641,303
Finance income	139	27,725	7,565	25,587
Finance costs	670	(29,814)	(9,265)	(36,702)
Net finance income/(costs)	809	(2,089)	(1,700)	(11,115)
Share of profit of equity-accounted associates	2,918	10,881	2,422	9,900
Profit before tax	4,844	447,809	107,343	640,088
Income tax	(14,619)	(102,079)	(25,283)	(100,393)
Net (loss)/profit	(9,775)	345,730	82,060	539,695
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Remeasurement of net defined benefit obligation	-	(8,332)	(440)	(2,760)
Tax on items that will never be reclassified to profit or loss	-	1,582	-	441
	-	(6,750)	(440)	(2,319)

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary information to the interim condensed consolidated financial statements.

The supplementary information and notes are an integral part of these interim condensed consolidated financial statements.

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

	for the period Jul 1 – Sep 30 2016	for the period Jan 1– Sep 30 2016	for the period Jul 1– Sep 30 2015* restated	for the period Jan 1– Sep 30 2015* restated
	<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 change in fair-value measurement	7,215	(985)	(677)	(677)
Exchange differences on translating foreign operations	(5,516)	3,738	4,941	(946)
	1,699	2,753	4,264	(1,623)
Total other comprehensive income	1,699	(3,997)	3,824	(3,942)
Total profit or loss and other comprehensive income	(8,076)	341,733	85,884	535,753
Net (loss)/profit attributable to:				
Owners of the Parent	(1,917)	314,805	73,590	476,348
Non-controlling interests	(7,858)	30,925	8,470	63,347
Total profit or loss and other comprehensive income attributable to:				
Owners of the Parent	1,877	309,010	74,891	473,114
Non-controlling interests	(9,953)	32,723	10,993	62,639
Earnings/(loss) per share:				
Basic (PLN)	(0.02)	3.17	0.74	4.80
Diluted (PLN)	(0.02)	3.17	0.74	4.80

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary information to the interim condensed consolidated financial statements.

The supplementary information and notes are an integral part of these interim condensed consolidated financial statements.

Condensed consolidated statement of financial position

	as at Sep 30 2016	as at Dec 31 2015* restated
	<i>unaudited</i>	<i>audited</i>
Assets		
Non-current assets		
Property, plant and equipment	6,429,279	5,945,284
Perpetual usufruct of land	482,023	484,483
Investment property	53,216	52,204
Intangible assets	537,191	532,798
Goodwill	10,057	12,550
Investments in subordinated entities	109,172	111,095
Available-for-sale financial assets	12,775	12,370
Other financial assets	1,726	4,347
Other receivables	7,569	7,023
Deferred tax assets	53,566	62,769
Other current assets	74	-
Total non-current assets	7,696,648	7,224,923
Current assets		
Inventories	841,452	958,769
Property rights	175,516	226,931
Derivatives	9,708	4,174
Other financial assets	593,405	498,711
Current tax assets	727	2,156
Trade and other receivables	1,086,301	1,096,286
Cash and cash equivalents	672,101	753,144
Other current assets	7,942	9,117
Assets held for sale	340	3,123
Total current assets	3,387,492	3,552,411
Total assets	11,084,140	10,777,334

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary information to the interim condensed consolidated financial statements.

The supplementary information and notes are an integral part of these interim condensed consolidated financial statements.

Condensed consolidated statement of financial position (continued)

	as at Sep 30 2016	as at Dec 31 2015* restated
	<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	(920)	65
Exchange differences on translating foreign operations	2,948	752
Retained earnings, including:	3,676,920	3,452,224
<i>net profit for the period</i>	314,805	609,499
Equity attributable to owners of the Parent	6,593,195	6,367,288
Non-controlling interests	753,915	768,933
Total equity	7,347,110	7,136,221
Liabilities		
Borrowings	1,186,547	1,047,450
Other financial liabilities	15,227	16,112
Employee benefit obligations	334,097	326,968
Trade and other payables	860	972
Provisions	101,856	100,740
Government grants	60,851	47,036
Deferred tax liabilities	266,874	245,868
Total non-current liabilities	1,966,312	1,785,146
Borrowings	274,107	118,880
Derivatives	9,840	986
Other financial liabilities	59,378	56,672
Employee benefit obligations	27,925	33,167
Current tax liabilities	27,352	18,986
Trade and other payables	1,289,736	1,576,538
Provisions	44,718	45,647
Government grants	37,662	5,091
Total current liabilities	1,770,718	1,855,967
Total liabilities	3,737,030	3,641,113
Total equity and liabilities	11,084,140	10,777,334

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary information to the interim condensed consolidated financial statements.

The supplementary information and notes are an integral part of these interim condensed consolidated financial statements.

Condensed consolidated statement of changes in equity for the period ended September 30th 2016

	Share capital	Share premium	Hedging reserve	Exchange differences on translating foreign operations	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
Balance as at January 1st 2016	495,977	2,418,270	65	752	3,452,224	6,367,288	768,933	7,136,221
<i>Profit or loss and other comprehensive income</i>								
Net profit	-	-			314,805	314,805	30,925	345,730
Other comprehensive income	-	-	(985)	2,196	(7,006)	(5,795)	1,798	(3,997)
Total profit or loss and other comprehensive income	-	-	(985)	2,196	307,799	309,010	32,723	341,733
<i>Transactions with owners, recognised directly in equity</i>								
Dividends	-	-	-	-	(83,324)	(83,324)	(13,461)	(96,785)
Total contributions by and distributions to owners	-	-	-	-	(83,324)	(83,324)	(13,461)	(96,785)
Acquisition of non-controlling interests without change of control	-	-	-	-	221	221	(34,280)	(34,059)
Total transactions with owners	-	-	-	-	(83,103)	(83,103)	(47,741)	(130,844)
Balance at September 30th 2016 (unaudited)	495,977	2,418,270	(920)	2,948	3,676,920	6,593,195	753,915	7,347,110

The supplementary information and notes are an integral part of these interim condensed consolidated financial statements.

Consolidated statement of changes in equity (continued) for the period ended September 30th 2015

	Share capital	Share premium	Hedging reserve	Exchange differences on translating foreign operations	Retained earnings	Equity attributable to owners of the Parent	Non-controlling interests	Total equity
Balance as at January 1st 2015	495,977	2,418,270	-	1,403	2,843,389	5,759,039	729,097	6,488,136
<i>Profit or loss and other comprehensive income</i>								
Net profit	-	-	-	-	476,348	476,348	63,347	539,695
Other comprehensive income	-	-	(677)	(527)	(2,030)	(3,234)	(708)	(3,942)
Total profit or loss and other comprehensive income	-	-	(677)	(527)	474,318	473,114	62,639	535,753
<i>Transactions with owners, recognised directly in equity</i>								
Dividends	-	-	-	-	-	-	(25,576)	(25,576)
Total contributions by and distributions to owners	-	-	-	-	-	-	(25,576)	(25,576)
<i>Changes in ownership interests in subsidiaries</i>								
Acquisition of non-controlling interests without change of control	-	-	-	-	3,130	3,130	(3,130)	-
Total transactions with owners	-	-	-	-	3,130	3,130	(28,706)	(25,576)
Balance at September 30th 2015 (unaudited)	495,977	2,418,270	(677)	876	3,320,837	6,235,283	763,030	6,998,313

The supplementary information and notes are an integral part of these interim condensed consolidated financial statements.

Condensed consolidated statement of cash flows

	for the period Jan 1– Sep 30 2016	for the period Jan 1– Sep 30 2015
	<i>unaudited</i>	<i>unaudited</i>
Cash flows from operating activities		
Profit before tax	447,809	640,088
Adjustments for:	415,742	385,548
Depreciation and amortisation	387,000	361,962
Impairment	4,782	481
Loss from investing activities	19,993	10,725
Loss on disposal of financial assets	11	-
Share of profit of equity-accounted associates	(10,881)	(9,900)
Interest, foreign exchange gains or losses	13,044	23,460
Dividends	(1,528)	(35)
Loss/(gain) on change in fair value of financial instruments carried at fair value	3,321	(1,145)
Cash from operating activities before changes in working capital	863,551	1,025,636
Change in trade and other receivables	26,207	64,279
Change in inventories and property rights	168,119	261,711
Change in trade and other payables	(263,578)	(130,514)
Change in provisions, prepayments and grants	(9,429)	21,794
Other adjustments	(250)	(88)
Cash from operating activities	784,620	1,242,818
Income taxes paid	(30,210)	(22,213)
Net cash from operating activities	754,410	1,220,605

The supplementary information and notes are an integral part of these interim condensed consolidated financial statements.

Condensed consolidated statement of cash flows (continued)

	for the period Jan 1– Sep 30 2016	for the period Jan 1– Sep 30 2015
	<i>unaudited</i>	<i>unaudited</i>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	3,427	10,668
Acquisition of property, plant and equipment, intangible assets and investment property	(897,260)	(663,632)
Dividends received	12,441	12,668
Acquisition of financial assets	(1,195,441)	(542,405)
Proceeds from sale of financial assets	1,100,600	165,942
Interest received	16,458	4,438
Government grants	350	3,266
Loans	1,189	(10,800)
Other disbursements	(3,499)	(22,905)
Net cash used in investing activities	(961,735)	(1,042,760)
Cash flows from financing activities		
Net expenses related to share issue	-	-
Dividends paid	(95,455)	(25,543)
Proceeds from borrowings	305,310	950,037
Acquisition of non-controlling interests	(34,060)	-
Payment of borrowings	(13,907)	(853,439)
Interest paid	(33,022)	(29,969)
Payment of finance lease liabilities	(10,626)	(9,284)
Other proceeds/(disbursements)	7,957	(558)
Net cash from/(used in) financing activities	126,197	31,244
Net increase/(decrease) in cash and cash equivalents	(81,128)	209,089
Cash and cash equivalents at beginning of period	753,144	558,603
Effect of exchange rate fluctuations	85	320
Cash and cash equivalents at end of period	672,101	768,012

The supplementary information and notes are 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

As at September 30th 2016, the Grupa Azoty Group (the “Grupa Azoty Group” or the “Group”) comprised Grupa Azoty S.A. (the “Parent”) and nine subsidiaries, including:

- Grupa Azoty Zakłady Azotowe Puławy S.A. (Grupa Azoty PUŁAWY),
- Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. (Grupa Azoty KĘDZIERZYN),
- Grupa Azoty Zakłady Chemiczne Police S.A. (Grupa Azoty POLICE),
- Grupa Azoty ATT Polymers GmbH,
- Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. (Grupa Azoty PKCh Sp. z o.o.),
- Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. (Grupa Azoty SIARKOPOL),
- Grupa Azoty Koltar Sp. z o.o.,
- Grupa Azoty Folie Sp. z o.o.,
- Grupa Azoty Compounding Sp. z o.o.

Furthermore:

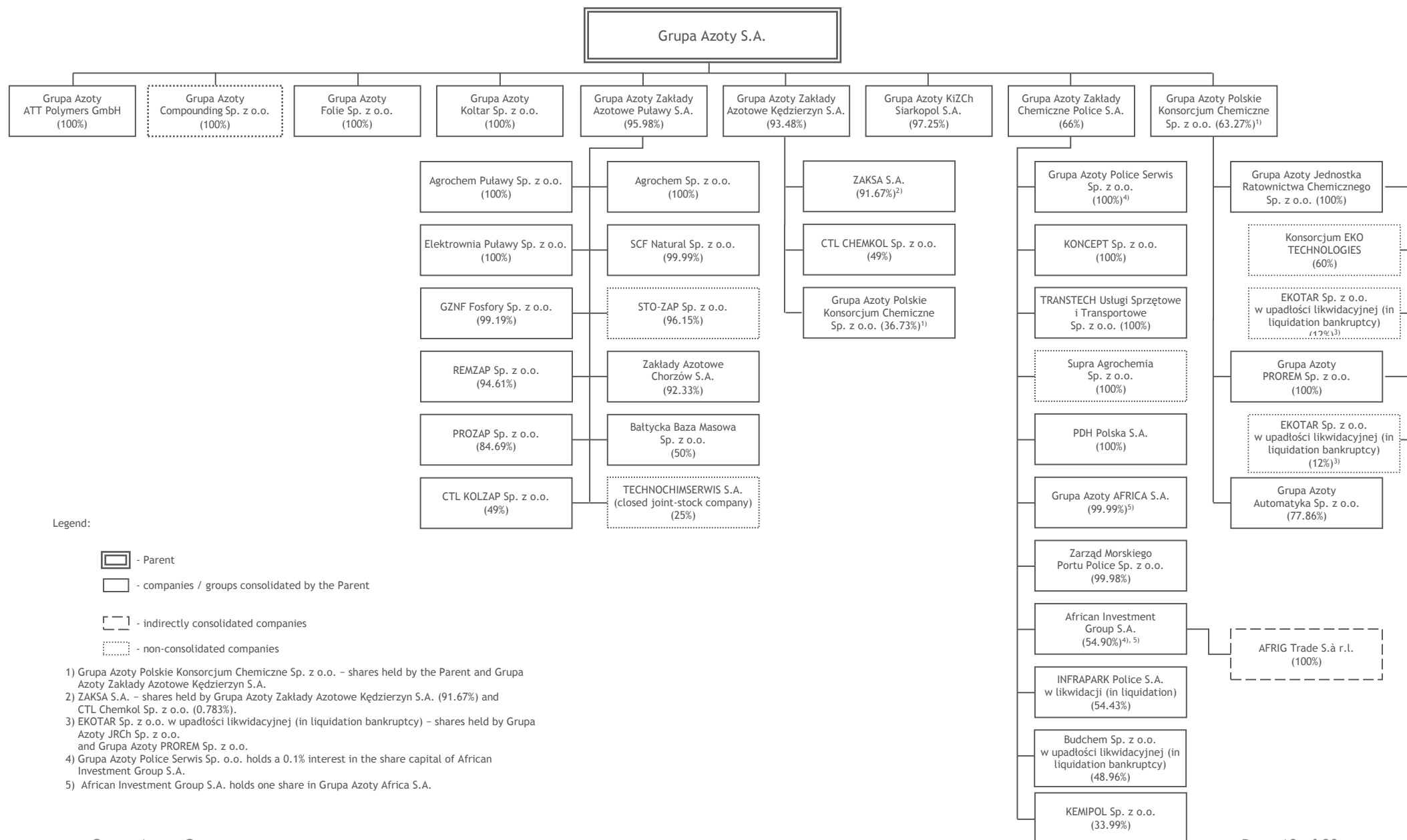
- Grupa Azoty PUŁAWY is the parent of nine subsidiaries and holds ownership interests in three associates,
- Grupa Azoty KĘDZIERZYN is the parent of a subsidiary and holds ownership interests in two associates,
- Grupa Azoty POLICE is the parent of nine subsidiaries, and holds ownership interests in two associates,
- Grupa Azoty PKCh is the parent of three subsidiaries.

The Parent was entered in the Business Register of 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 Company has been trading under its name Grupa Azoty Spółka Akcyjna (abbreviated to Grupa Azoty S.A.).

The Parent and of the Group companies were incorporated for unlimited period.

Structure of the Grupa Azoty Group as at September 30th 2016:



The following companies have not been included in these consolidated financial statements due to immateriality of their financial information:

- Grupa Azoty Compounding Sp. z o.o.,
- STO-ZAP Sp. z o.o. (a subsidiary of Grupa Azoty PUŁAWY),
- Technochimserwis S.A. (closed joint-stock company, a subsidiary of Grupa Azoty PUŁAWY),
- Konsorcjum EKO TECHNOLOGIES (an associate of Grupa Azoty PKCh Sp. z o.o.),
- EKOTAR Sp. z o.o. w upadłości (in bankruptcy, a subsidiary of Grupa Azoty PKCh Sp. z o.o.).
- Supra Agrochemia Sp. z o.o. (a subsidiary of Grupa Azoty POLICE).

1.2. Changes in the Group's structure

Changes in the Group's structure, including changes resulting from business combinations, acquisitions or disposals of Group entities, as well as long-term investments, demergers, restructuring or discontinuation of operations in the reporting period

Grupa Azoty Folie Sp. z o.o.

On September 28th 2016, the business of Ammono S.A. w upadłości likwidacyjnej (in liquidation bankruptcy) was handed over to a bankruptcy administrator, and the Parties signed a delivery and acceptance report for the business of Ammono (upon termination of the lease agreement).

Events after the end of the reporting period

Acquisition of shares in Grupa Azoty SIARKOPOL

As the Agricultural Property Agency did not exercise its right of first refusal to purchase shares in Grupa Azoty SIARKOPOL as a company owning agricultural property, arising out of an amendment to the Act on the Structuring of the Agricultural System effective as of April 30th 2016, Grupa Azoty S.A. proceeded to acquire further employee shares in Grupa Azoty SIARKOPOL.

Accordingly, after the reporting date, on October 14th and November 4th 2016, the Parent acquired 35,280 shares in Grupa Azoty SIARKOPOL, representing 0.64% of that company's share capital, for PLN 2,415 thousand. Following those transactions, the Parent's equity interest in the company increased from 97.25% to 97.89%.

Passing a resolution on acquisition of shares in PDH Polska S.A.

On October 25th 2016, the Management Board of Grupa Azoty POLICE resolved to acquire 12,000,000 Series B registered new issue shares in PDH Polska S.A.

The acquisition will be effected by Grupa Azoty POLICE taking up the new shares in the increased share capital of PDH Polska S.A.

In order to implement the resolution, the Grupa Azoty POLICE Management Board will request the Company's Supervisory Board for its approval of the transaction.

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

2.1. 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* and the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009, and present the Grupa Azoty Group's financial position as at September 30th 2016, results of its operations for the three and nine months ended September 30th 2016, and cash flows for the nine months ended September 30th 2016.

These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Grupa Azoty Group for the financial year ended December 31st 2015, prepared in accordance with the International Financial Reporting Standards endorsed by the European Union ('EU IFRS') and other applicable laws and regulations.

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

2.2. Accounting policies and computation methods

a) Applied accounting policies

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the full-year consolidated financial statements for 2015, save for the changes in the presentation of financial statements described in item c) below.

b) Changes in International Financial Reporting Standards

A number of new Standards and amendments to Standards and Interpretations which are not yet effective for interim periods ending September 30th 2016 have not been applied in these financial statements. The Group intends to apply them for the periods for which they will be effective for the first time.

c) Changes in the presentation of the financial statements

In the reporting period the presentation of financial statements was changed to improve the presentation of information on the effect of certain transactions on the Group's assets and financial position. The comparative data have been appropriately restated.

The table below presents the impact of the changes on the consolidated statement of profit or loss and other comprehensive income:

	Before restatement	Restated			
	For the period Jan 1- Sep 30 2015	For the period Jan 1- Sep 30 2015	Impact of change 1	Impact of change 2	Impact of change 3
Revenue	7,520,654	7,506,986	(13,668)	-	-
Cost of sales	(5,872,801)	(5,859,926)	10,639	2,236	-
Gross profit	1,647,853	1,647,060	(3,029)	2,236	-
Selling and distribution expenses	(470,118)	(465,594)	-	-	4,524
Other income	29,728	37,875	13,668	-	(5,521)
Other expenses	(37,080)	(46,722)	(10,639)	-	997
Operating profit	639,067	641,303	-	2,236	-
Finance income	27,823	25,587	-	(2,236)	-
Net finance income/(costs)	(8,879)	(11,115)	-	(2,236)	-

- 1 - Income from and cost of lease of investment property were reclassified from revenue and cost of sales to other income and other expenses,
- 2 - valuation of financial instruments regarding CO₂ emission allowances was reclassified from revenue or finance costs to cost of sales,
- 3 - impairment losses on trade receivables and their reversal were reclassified from other expenses or other income to cost of sales.

The table below presents the impact of the changes on the consolidated statement of financial position:

	Before restatement	Restated								
	As at Dec 31 2015	As at Dec 31 2015	Impact of change 1	Impact of change 2	Impact of change 3	Impact of change 4	Impact of change 5	Impact of change 6	Impact of change 7	Impact of change 8
Assets										
Non-current assets										
Property, plant and equipment	6,429,767	5,945,284	(484,483)	-	-	-	-	-	-	-
Perpetual usufruct of land	-	484,483	484,483	-	-	-	-	-	-	-
Other receivables	1,797	7,023	-	-	-	5,226	-	-	-	-
Other non-current assets	5,226	-	-	-	-	(5,226)	-	-	-	-
Total non-current assets	7,224,923	7,224,923	-	-	-	-	-	-	-	-
Current assets										
Inventories	1,180,599	958,769	-	(221,830)	-	-	-	-	-	-
Property rights	-	226,931	-	221,830	-	-	-	-	5,101	-
Derivative financial instruments	-	4,174	-	-	4,174	-	-	-	-	-
Other financial assets	502,885	498,711	-	-	(4,174)	-	-	-	-	-
Trade and other receivables	1,078,292	1,096,286	-	-	-	22,930	-	-	-	(4,936)
Other current assets	32,047	9,117	-	-	-	(22,930)	-	-	-	-
Total current assets	3,552,246	3,552,411	-	-	-	-	-	-	5,101	(4,936)
Total assets	10,777,169	10,777,334	-	-	-	-	-	-	5,101	(4,936)
Equity and liabilities										
Liabilities										
Derivative financial instruments	-	986	-	-	986	-	-	-	-	-
Other financial liabilities	57,658	56,672	-	-	(986)	-	-	-	-	-
Trade and other payables	1,347,227	1,576,538	-	-	-	-	1,346	222,864	5,101	-
Provisions	273,447	45,647	-	-	-	-	-	(222,864)	-	(4,936)
Deferred income	1,346	-	-	-	-	-	(1,346)	-	-	-
Total current liabilities	1,855,802	1,855,967	-	-	-	-	-	-	5,101	(4,936)
Total liabilities	3,640,948	3,641,113	-	-	-	-	-	-	5,101	(4,936)
Total equity and liabilities	10,777,169	10,777,334	-	-	-	-	-	-	5,101	(4,936)

- 1, 2 and 3 - perpetual usufruct right to land, property rights and derivatives were recognised as separate assets,
- 4 - prepayments and accrued income were reclassified from other assets to trade and other receivables,
- 5 - deferred income was included in trade and other payables,
- 6 - provisions for emission allowances were reclassified from provisions to trade and other payables,
- 7 - settlements related to energy certificates are recognised separately as property rights and trade and other payables,
- 8 - provisions for bonuses and rebates were offset against trade and other receivables.

As these changes did not have a material effect on the presentation of the consolidated statement of cash flows, the statement was not restated.

The table below presents the impact of changes in:

- the presentation of lease of investment property,
 - the presentation of valuation of financial instruments regarding CO₂ emission allowances,
 - the presentation of impairment losses on trade receivables,
- on the presentation of information on operating segments:

	Before restatement			Restated					
	For the nine months ended September 30th 2015			For the nine months ended September 30th 2015			Impact of changes		
	Energy	Other	Total	Energy	Other	Total	Energy	Other	Total
External revenue	150,517	136,172	7,520,654	150,517	122,504	7,506,986	-	(13,668)	(13,668)
Total revenue	2,205,095	746,680	12,822,808	2,205,095	733,012	12,809,140	-	(13,668)	(13,668)
Operating expenses, including: (-)	(2,205,610)	(732,877)	(12,176,389)	(2,203,374)	(717,714)	(12,158,990)	2,236	15,163	17,399
<i>Selling and distribution expenses</i>	(90)	(1,551)	(470,118)	(90)	2,973	(465,594)	-	4,524	4,524
Other income	5,601	13,716	29,728	5,601	21,863	37,875	-	8,147	8,147
Other expenses (-)	(2,521)	(18,559)	(37,080)	(2,521)	(28,201)	(46,722)	-	(9,642)	(9,642)
Segment's EBIT	2,565	8,960	639,067	4,801	8,960	641,303	2,236	-	2,236
Finance income	-	-	27,823	-	-	25,587	-	-	(2,236)
EBIT	2,565	8,960	639,067	4,801	8,960	641,303	2,236	-	2,236
EBITDA	57,797	68,638	1,001,029	60,033	68,638	1,003,265	2,236	-	2,236

d) Judgements and estimates

The preparation of these interim condensed consolidated financial statements requires the Management Board to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and other factors reasonable in the circumstances and are the basis for determining the net carrying amount of assets and liabilities that do not result directly from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the period in which the estimates are revised or in the current and any future periods affected.

Except for the issues described in Note 2, the key judgements and estimates made by the Management Board in preparing these interim condensed consolidated financial statements were the same as those made in preparing the consolidated financial statements for the financial year ended December 31st 2015.

3. Selected notes and supplementary information

3.1. Explanatory notes

Segment reporting

Operating segments

The Grupa Azoty Group's business is carried out through four main reportable segments, each with a separate management strategy for production, sales, and marketing.

The Management Board reviews the internal management reports of each segment on a monthly basis.

The following summary describes the operations of each of the Group's reportable segments:

- Agro Fertilizers Segment comprises the manufacturing or marketing of the following products:
 - Nitrogen fertilizers (Saeletrzak 27 Standard (calcium ammonium nitrate), Saeletrzak, Salmag®, Saeletrzak z borem (with boron) 27+B Standard, Salmag z borem®, ZAKsan® (Kędzierzyńska Saletra Amonowa (Kędzierzyn ammonium nitrate)), Saletra Amonowa 30 Makro, mocznik.pl® (urea), 46% granulated urea, PULGRAN®, PULAN®, RSM®, PULREA®),
 - Nitrogen-sulfur fertilizers (ammonium sulfate AS21, Saletrosan®30 (ammonium sulfate nitrate), Saletrosan® 26, POLIFOSKA® 21, Salmag z siarką®, Pulgran®S, Pulsar®, Pulaska®, RSM®S),
 - Compound fertilizers (POLIFOSKA® 4, POLIFOSKA® 5, POLIFOSKA® 6, POLIFOSKA® 8, POLIFOSKA® 12, POLIFOSKA® M, POLIFOSKA® TYTAN, POLIFOSKA® START, POLIFOSKA® Petroplon, POLIMAG® S, POLIFOSKA®PLUS, Amofoska® NPK 5-10-25 +0,1B, Amofoska® NPK 4-16-18, Amofoska® NPK 4-10-28 +2,5Mg+0,1B, Amofoska® NPK 4-12-20, Amofoska® NPKMg 4-12-12+2,5, Amofoska® NPK 4-14-32, Amofoska® Corn NPK 4-10-22 +2,5Mg+0,2Zn),
 - Nitrogen-phosphorus and phosphorus fertilizers (POLIDAP® TYTAN, POLIDAP®, POLIDAP® light, Super FOS DAR 40™),
 - Ammonia,
 - Technical-grade and concentrated nitric acid,
 - Industrial gases;
- Plastics Segment comprises the manufacturing and marketing of the following products:
 - Tarnamid® (PA6) and its modifications,
 - Tarnoform® (POM) and its modifications,
 - Alphalon™ (PA6),
 - Tarnoprop C and H (PPC, modified PPH),
 - Tarnodur A (modified PBT),
 - Tarnamid® A (modified PA66),
 - Caprolactam,
 - Polyamide 11 and 12 tubes, polyethylene tubes, polyamide 6 tubes,
 - Standard Ż polyamide casings;

- Chemicals Segment comprises the manufacturing and marketing of the following products:
 - Oxo alcohols (2-ethylhexanol, N-butanol, Isobutanol and Oktanol F),
 - Plasticizers (Oxoplast® O, Oxoviflex®, Oxoplast Medica® and Oxoplast® PH),
 - Titanium white (Tytanpol®),
 - Melamine,
 - Iron II sulfate (Fespol®),
 - Urea- and ammonia-based special solutions, including: water solution of urea (Noxy®), water solution of urea with a 35%, 40% and 45% urea content (PULNOx®), ammonia water (LIKAM®);
- Energy Segment comprises the production of electricity and heat for the purposes of chemical installations and contract-based sale of electricity to customers connected to the power network;
- Other Activities Segment comprises the remaining activities, including laboratory services, catalyst production (iron-chromium catalyst, copper catalysts, iron catalysts), rental of real estate, and other activities which cannot be allocated to any of the segments specified above. None of these activities met the quantitative criteria to be separated as a reportable segment in the third quarter of 2016 and 2015.

Key financial results and performance of each of the segments are discussed below. Performance of each segment is measured based on revenue, EBIT and EBITDA.

Operating segments

Revenues, expenses and financial results of operating segments for the three months ended September 30th 2016

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Continuing operations						
External revenue	1,087,600	262,344	555,980	42,449	51,137	1,999,510
Inter-segment revenue	364,030	78,129	161,414	504,511	443,164	1,551,248
Total revenue	1,451,630	340,473	717,394	546,960	494,301	3,550,758
Operating expenses, including: (-)	(1,448,092)	(362,185)	(673,075)	(548,882)	(494,142)	(3,526,376)
<i>Selling and distribution expenses (-)</i>	(93,564)	(12,119)	(37,280)	(108)	(778)	(143,849)
<i>Administrative expenses (-)</i>	(82,907)	(27,693)	(40,930)	(3,364)	(10,576)	(165,470)
Other income	2,116	(47)	2,949	1,133	3,495	9,646
Other expenses (-)	(25,007)	(434)	(941)	(1,207)	(5,322)	(32,911)
Segment's EBIT*	(19,353)	(22,193)	46,327	(1,996)	(1,668)	1,117
Finance income	-	-	-	-	-	139
Finance costs (-)	-	-	-	-	-	670
Share of profit of equity-accounted associates	-	-	-	-	-	2,918
Profit before tax	-	-	-	-	-	4,844
Income tax	-	-	-	-	-	(14,619)
Net profit	-	-	-	-	-	(9,775)
EBIT*	(19,353)	(22,193)	46,327	(1,996)	(1,668)	1,117
Depreciation and amortisation	29,240	12,390	22,765	21,045	36,266	121,706
Unallocated depreciation and amortisation	-	-	-	-	-	8,667
EBITDA**	9,887	(9,803)	69,092	19,049	34,598	131,490

* 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.

Revenues, expenses and financial results of operating segments for the nine months ended September 30th 2016

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	3,829,639	833,641	1,683,510	161,253	125,302	6,633,345
Inter-segment revenue	1,313,634	236,465	596,519	1,663,694	657,809	4,468,121
Total revenue	5,143,273	1,070,106	2,280,029	1,824,947	783,111	11,101,466
Operating expenses, including: (-)	(4,735,238)	(1,141,743)	(2,122,832)	(1,826,749)	(786,009)	(10,612,571)
<i>Selling and distribution expenses (-)</i>	(332,349)	(39,914)	(114,801)	(193)	(1,564)	(488,821)
<i>Administrative expenses (-)</i>	(263,115)	(89,235)	(125,739)	(12,910)	(40,315)	(531,314)
Other income	5,712	1,810	4,303	2,985	11,006	25,816
Other expenses (-)	(36,831)	(2,690)	(1,973)	(3,225)	(30,975)	(75,694)
Segment's EBIT*	376,916	(72,517)	159,527	(2,042)	(22,867)	439,017
Finance income	-	-	-	-	-	27,725
Finance costs (-)	-	-	-	-	-	(29,814)
Share of profit of equity-accounted associates	-	-	-	-	-	10,881
Profit before tax	-	-	-	-	-	447,809
Income tax	-	-	-	-	-	(102,079)
Net profit	-	-	-	-	-	345,730
EBIT*	376,916	(72,517)	159,527	(2,042)	(22,867)	439,017
Depreciation and amortisation	128,470	37,262	74,678	60,428	63,093	363,931
Unallocated depreciation and amortisation	-	-	-	-	-	23,069
EBITDA**	505,386	(35,255)	234,205	58,386	40,226	826,017

* 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.

Revenues, expenses and financial results of operating segments for the three months ended September 30th 2015, restated*

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	1,467,910	291,940	534,153	49,194	53,258	2,396,455
Inter-segment revenue	478,632	74,592	211,737	592,771	238,988	1,596,720
Total revenue	1,946,542	366,532	745,890	641,965	292,246	3,993,175
Operating expenses, including: (-)	(1,815,151)	(384,418)	(750,520)	(642,096)	(287,228)	(3,879,413)
<i>Selling and distribution expenses (-)</i>	<i>(104,638)</i>	<i>(13,295)</i>	<i>(36,401)</i>	<i>(40)</i>	<i>(1,347)</i>	<i>(155,721)</i>
<i>Administrative expenses (-)</i>	<i>(95,649)</i>	<i>(24,002)</i>	<i>(39,525)</i>	<i>(3,071)</i>	<i>(13,538)</i>	<i>(175,785)</i>
Other income	1,196	223	699	872	7,427	10,417
Other expenses (-)	(1,162)	(741)	(1,819)	(1,062)	(12,774)	(17,558)
Segment's EBIT**	131,425	(18,404)	(5,750)	(321)	(329)	106,621
Finance income	-	-	-	-	-	7,565
Finance costs (-)	-	-	-	-	-	(9,265)
Share of profit of equity-accounted associates	-	-	-	-	-	2,422
Profit before tax	-	-	-	-	-	107,343
Income tax	-	-	-	-	-	(25,283)
Net profit	-	-	-	-	-	82,060
EBIT**	131,425	(18,404)	(5,750)	(321)	(329)	106,621
Depreciation and amortisation	37,580	11,846	24,426	18,714	20,335	112,901
Unallocated depreciation and amortisation	-	-	-	-	-	6,615
EBITDA***	169,005	(6,558)	18,676	18,393	20,006	226,137

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary information to the interim condensed consolidated financial statements.

** 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.

Revenues, expenses and financial results of operating segments for the nine months ended September 30th 2015, restated*

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	4,522,272	967,329	1,744,364	150,517	122,504	7,506,986
Inter-segment revenue	1,652,852	231,107	753,109	2,054,578	610,508	5,302,154
Total revenue	6,175,124	1,198,436	2,497,473	2,205,095	733,012	12,809,140
Operating expenses, including: (-)	(5,561,290)	(1,224,264)	(2,452,348)	(2,203,374)	(717,714)	(12,158,990)
<i>Selling and distribution expenses (-)</i>	<i>(319,022)</i>	<i>(41,589)</i>	<i>(107,866)</i>	<i>(90)</i>	<i>2,973</i>	<i>(465,594)</i>
<i>Administrative expenses (-)</i>	<i>(277,169)</i>	<i>(81,894)</i>	<i>(126,815)</i>	<i>(9,936)</i>	<i>(35,502)</i>	<i>(531,316)</i>
Other income	8,394	803	1,214	5,601	21,863	37,875
Other expenses (-)	(8,692)	(2,597)	(4,711)	(2,521)	(28,201)	(46,722)
Segment's EBIT**	613,536	(27,622)	41,628	4,801	8,960	641,303
Finance income	-	-	-	-	-	25,587
Finance costs (-)	-	-	-	-	-	(36,702)
Share of profit of equity-accounted associates	-	-	-	-	-	9,900
Profit before tax	-	-	-	-	-	640,088
Income tax	-	-	-	-	-	(100,393)
Net profit	-	-	-	-	-	539,695
EBIT**	613,536	(27,622)	41,628	4,801	8,960	641,303
Depreciation and amortisation	111,497	35,772	70,198	55,232	59,678	332,377
Unallocated depreciation and amortisation	-	-	-	-	-	29,585
EBITDA***	725,033	8,150	111,826	60,033	68,638	1,003,265

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary information to the interim condensed consolidated financial statements.

** 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.

Geographical areas

Revenue split by geographical areas is determined based on the location of trading partners. Assets are allocated to geographical areas based on the assets' location.

Revenue

	for the period Jul 1 – Sep 30 2016	for the period Jan 1– Sep 30 2016	for the period Jul 1– Sep 30 2015*	for the period Jan 1– Sep 30 2015*
Poland	1,106,589	3,705,969	1,358,382	4,056,246
Germany	246,008	781,907	310,992	901,052
Other EU countries	445,267	1,455,365	463,088	1,658,880
Asian countries	82,753	257,123	86,351	354,767
African countries	49,377	156,584	44,394	155,803
South American countries	24,688	109,148	101,864	271,166
Other countries	44,828	167,249	31,384	109,072
Total	1,999,510	6,633,345	2,396,455	7,506,986

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary information to the interim condensed consolidated financial statements.

No single trading partner accounted for more than 10% of revenue in Q3 2016 and Q3 2015.

Note 1 Contingent liabilities, contingent assets and guarantees

Contingent assets

	as at Sep 30 2016	as at Dec 31 2016
Contingent receivables	27,725	22,149

Contingent liabilities, sureties and guarantees

	as at Sep 30 2016	as at Dec 31 2016
Guarantees	114	987
Other contingent liabilities	20,182	26,381
	20,296	27,368

Note 2 Accounting estimates and assumptions

Changes in provisions and employee benefit obligations (excluding deferred tax liability)

	for the period Jul 1 – Sep 30 2016	for the period Jan 1– Sep 30 2016	for the period Jan 1– Dec 31 2015* restated	for the period Jul 1– Sep 30 2015* restated	for the period Jan 1– Sep 30 2015* restated
Balance at beginning of period	513,760	506,522	492,708	510,370	492,708
Recognised	2,372	33,323	69,618	2,073	33,937
Reversed (-)	(1,623)	(5,230)	(19,370)	(191)	(2,252)
Used (-)	(5,913)	(26,019)	(36,434)	(7,347)	(19,488)
Balance at end of period	508,596	508,596	506,522	504,905	504,905

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary information to the interim condensed consolidated financial statements.

Changes in impairment losses of property, plant and equipment

	for the period Jul 1 – Sep 30 2016	for the period Jan 1– Sep 30 2016	for the period Jan 1– Dec 31 2015	for the period Jul 1– Sep 30 2015	for the period Jan 1– Sep 30 2015
Balance at beginning of period	261,934	259,689	203,714	202,462	203,714
Recognised	14	2,978	59,402	334	540
Reversed (-)	-	(616)	(734)	(8)	(46)
Used (-)	(1,880)	(1,983)	(2,693)	(1,219)	(2,639)
Balance at end of period	260,068	260,068	259,689	201,569	201,569

Changes in inventory write-downs

	for the period Jul 1 – Sep 30 2016	for the period Jan 1– Sep 30 2016	for the period Jan 1– Dec 31 2015	for the period Jul 1– Sep 30 2015	for the period Jan 1– Sep 30 2015
Balance at beginning of period	63,057	50,432	45,163	48,474	45,163
Recognised	1,358	33,038	50,357	13,027	35,978
Reversed (-)	(6,957)	(17,925)	(25,993)	(5,233)	(18,225)
Used (-)	(8,547)	(16,634)	(19,095)	(3,101)	(9,749)
Balance at end of period	48,911	48,911	50,432	53,167	53,167

Changes in impairment losses on receivables

	for the period Jul 1 – Sep 30 2016	for the period Jan 1– Sep 30 2016	for the period Jan 1– Dec 31 2015	for the period Jul 1– Sep 30 2015	for the period Jan 1– Sep 30 2015
Balance at beginning of period	79,171	63,479	74,324	61,676	74,324
Recognised	3	23,079	8,057	1,424	4,541
Reversed (-)	(537)	(2,672)	(10,117)	(634)	(9,231)
Used (-)	(3,558)	(8,807)	(8,785)	(150)	(7,318)
Balance at end of period	75,079	75,079	63,479	62,316	62,316

3.2. Related-party transactions

Significant related-party transactions:

a) Significant related-party transactions executed by the Grupa Azoty Group on non-arm's length terms

In the three months ended September 30th 2016, the Grupa Azoty Group did not execute any related-party transactions on non-arm's length terms.

b) Transactions with members of the Management Board and Supervisory Board of the Parent, their spouses, siblings, ascendants, descendants or other closely related persons

During the three months ended September 30th 2016, the Grupa Azoty Group did not grant any advances, loans, guarantees or sureties to management or supervisory personnel or persons closely related to them, nor did it enter into any agreements with them to provide benefits to the Group.

3.3. Dividends

In Q3 2016, the Parent did not pay any dividend.

3.4. Seasonality of operations

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

Mineral fertilizers

The third quarter of a year is the harvest season and a period of increased activity in the agricultural sector to prepare for field work in autumn, when demand for fertilizers, in particular compound fertilizers, is usually stronger. When demand for fertilizers is weaker, companies of the Grupa Azoty Group perform maintenance and overhaul work in their production plants.

For other chemicals manufactured by the Grupa Azoty Group, seasonality may occur but it has limited effect on the Group's performance as such chemicals' contribution to the total output is not material.

Interim condensed separate financial statements for
the three and nine months
ended September 30th 2016
prepared in accordance with IAS 34 *Interim Financial
Reporting*
as endorsed by the European Union

STATEMENT OF THE MANAGEMENT BOARD

The Management Board of Grupa Azoty S.A. presents the interim condensed separate financial statements for the three and nine months ended September 30th 2016, comprising:

- Condensed separate statement of profit or loss and other comprehensive income for the period July 1st-September 30th 2016 and January 1st-September 30th 2016,
- Condensed separate statement of financial position as at September 30th 2016,
- Condensed separate statement of changes in equity for the period January 1st-September 30th 2016,
- Condensed separate statement of cash flows for the period January 1st-September 30th 2016,
- Supplementary information to the interim condensed separate financial statements.

These interim condensed separate financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting*, as endorsed by the European Union, and give a fair and clear view of the assets, financial position and performance of Grupa Azoty S.A.

Signatures of the Members of the Management Board

.....
Mariusz Bober
*President of the
Management Board*

.....
Witold Szczypiński
*Vice President of the
Management Board
Director General*

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

.....
Paweł Łapiński
*Vice President of the
Management Board*

.....
Józef Rojek
*Vice President of the
Management Board*

.....
Artur Kopec
*Member of the
Management Board*

Person responsible for maintaining accounting records

.....
Ewa Gładysz
*Head of Corporate Finance
Department*

Tarnów, November 4th 2016

Condensed separate statement of profit or loss and other comprehensive income

	for the period Jul 1 – Sep 30 2016	for the period Jan 1 – Sep 30 2016	for the period Jul 1 – Sep 30 2015* restated	for the period Jan 1 – Sep 30 2015* restated
Profit or loss	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Revenue	365,656	1,158,965	466,453	1,333,418
Cost of sales	(322,205)	(982,799)	(399,190)	(1,115,759)
Gross profit	43,451	176,166	67,263	217,659
Selling and distribution expenses	(23,801)	(68,408)	(24,613)	(70,533)
Administrative expenses	(37,552)	(116,641)	(39,068)	(111,528)
Other income	2,861	7,999	2,409	7,267
Other expenses	(4,152)	(15,297)	(6,649)	(18,911)
Operating profit/(loss)	(19,193)	(16,181)	(658)	23,954
Finance income	8,266	286,486	1,376	235,437
Finance costs	(6,368)	(26,383)	(6,992)	(25,067)
Net finance income/(costs)	1,898	260,103	(5,616)	210,370
Profit/(loss) before tax	(17,295)	243,922	(6,274)	234,324
Income tax	164	(2,859)	(12)	(4,234)
Net (loss)/profit	(17,131)	241,063	(6,286)	230,090
Other comprehensive income				
Items that will never be reclassified to profit or loss				
Remeasurement of defined benefit obligation	-	(5,468)	-	(557)
Tax on items that will never be reclassified to profit or loss	-	1,038	-	106
	-	(4,430)	-	(451)
Items that are or may be reclassified to profit or loss				
Cash flow hedging - effective portion of change in fair-value measurement	7,215	(985)	(677)	(677)
	7,215	(985)	(677)	(677)
Total other comprehensive income	7,215	(5,415)	(677)	(1,128)
Total profit or loss and other comprehensive income	(9,916)	235,648	(6,963)	228,962
Earnings/(loss) per share:				
Basic (PLN)	(0.17)	2.43	(0.06)	2.32
Diluted (PLN)	(0.17)	2.43	(0.06)	2.32

* Financial data restated as described in the 'Supplementary information to the interim condensed separate financial statements'.

The supplementary information and notes are an integral part of these interim condensed separate financial statements.

Condensed separate statement of financial position

	as at Sep 30 2016	as at Dec 31 2015*
	<i>unaudited</i>	<i>audited</i>
Assets		
Non-current assets		
Property, plant and equipment	1,349,626	1,106,972
Perpetual usufruct of land	374	377
Investment property	19,206	19,754
Intangible assets	49,962	50,442
Investments in subordinated entities	3,866,576	3,832,536
Available-for-sale financial assets	12,134	12,134
Other financial assets	254,209	218,115
Total non-current assets	5,552,087	5,240,330
Current assets		
Inventories	164,344	188,843
Property rights	26,965	32,272
Derivatives	2,141	986
Other financial assets	45,537	29,186
Trade and other receivables	246,290	252,726
Cash and cash equivalents	72,210	111,942
Assets held for sale	340	340
Total current assets	557,827	616,295
Total assets	6,109,914	5,856,625

* Financial data restated as described in the 'Supplementary information to the interim condensed separate financial statements'.

The supplementary information and notes are an integral part of these interim condensed separate financial statements.

Condensed separate statement of financial position (continued)

	as at Sep 30 2016	as at Dec 31 2015* restated
	<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	(920)	65
Retained earnings, including:	1,621,768	1,468,459
<i>net profit for the period</i>	<i>241,063</i>	<i>209,055</i>
Total equity	4,535,095	4,382,771
Liabilities		
Borrowings	1,046,857	935,550
Other financial liabilities	1,626	244
Employee benefit obligations	55,952	50,679
Provisions	24,457	24,446
Government grants	11,330	3,163
Deferred tax liabilities	31,591	29,770
Total non-current liabilities	1,171,813	1,043,852
Borrowings	109,725	48,962
Derivatives	26	499
Other financial liabilities	49,230	46,055
Employee benefit obligations	2,648	2,694
Trade and other payables	231,494	324,464
Provisions	3,231	5,014
Government grants	6,652	2,314
Total current liabilities	403,006	430,002
Total liabilities	1,574,819	1,473,854
Total equity and liabilities	6,109,914	5,856,625

* Financial data restated as described in the 'Supplementary information to the interim condensed separate financial statements'.

The supplementary information and notes are an integral part of these interim condensed separate financial statements.

Condensed separate statement of changes in equity

for the period ended September 30th 2016

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
Balance as at January 1st 2016	495,977	2,418,270	65	1,468,459	4,382,771
<i>Profit or loss and other comprehensive income</i>					
Net profit	-	-	-	241,063	241,063
Other comprehensive income	-	-	(985)	(4,430)	(5,415)
Total profit or loss and other comprehensive income	-	-	(985)	236,633	235,648
<i>Transactions with owners, recognised directly in equity</i>					
Dividends	-	-	-	(83,324)	(83,324)
Total transactions with owners	-	-	(985)	(83,324)	(83,324)
Balance at September 30th 2016 (unaudited)	495,977	2,418,270	(920)	1,621,768	4,535,095

for the period ended September 30th 2015

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
Balance as at January 1st 2015	495,977	2,418,270	-	1,260,094	4,174,341
<i>Profit or loss and other comprehensive income</i>					
Net profit	-	-	-	230,090	230,090
Other comprehensive income	-	-	(677)	(451)	(1,128)
Total profit or loss and other comprehensive income	-	-	(677)	229,639	228,962
Balance at September 30th 2015 (unaudited)	495,977	2,418,270	(677)	1,489,733	4,403,303

The supplementary information and notes are an integral part of these interim condensed separate financial statements.

Condensed separate statement of cash flows

	for the period Jan 1– Sep 30 2016	for the period Jan 1– Sep 30 2015
	<i>unaudited</i>	<i>unaudited</i>
Cash flows from operating activities		
Profit before tax	243,922	234,324
Adjustments for:	(190,423)	(135,339)
Depreciation and amortisation	69,919	67,571
Impairment	37	73
Loss from investing activities	2,419	5,799
Loss on disposal of financial assets	11	-
Interest, foreign exchange gains or losses	13,910	21,477
Dividends	(275,091)	(230,680)
Change in fair value of financial assets at fair value through profit or loss	(1,628)	421
Cash from operating activities before changes in working capital	53,499	98,985
Change in trade and other receivables	(5,303)	23,798
Change in inventories and property rights	29,128	16,063
Change in trade and other payables	(51,848)	(16,719)
Change in provisions, prepayments and grants	(18,623)	(1,967)
Cash from operating activities	6,853	120,160
Tax refunded	-	2,128
Net cash from operating activities	6,853	122,288

The supplementary information and notes are an integral part of these interim condensed separate financial statements.

Condensed separate statement of cash flows (continued)

	for the period Jan 1– Sep 30 2016	for the period Jan 1– Sep 30 2015
	<i>unaudited</i>	<i>unaudited</i>
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	296	2,258
Acquisition of property, plant and equipment, intangible assets and investment property	(309,581)	(151,038)
Dividends received	275,091	230,680
Acquisition of financial assets	(34,060)	-
Proceeds from sale of financial assets	9	-
Interest received	5,660	484
Government grants	-	1,065
Loans	(52,445)	(146,342)
Other disbursements	(2,653)	(4,924)
Net cash used in investing activities	(117,683)	(67,817)
Cash flows from financing activities		
Dividends paid	(83,325)	-
Proceeds from borrowings	169,155	821,948
Payment of borrowings	-	(745,439)
Interest paid	(17,640)	(22,342)
Payment of finance lease liabilities	(443)	(641)
Other proceeds/(disbursements)	3,351	(2,757)
Net cash from/(used in) financing activities	71,098	50,769
Net increase/(decrease) in cash and cash equivalents	(39,732)	105,240
Cash and cash equivalents at beginning of period	111,942	27,431
Cash and cash equivalents at end of period	72,210	132,671

The supplementary information and notes are an integral part of these interim condensed separate financial statements.

Supplementary information to the interim condensed separate financial statements

These interim condensed separate financial statements should be read in conjunction with the interim condensed consolidated financial statements of the Grupa Azoty Group for the three and nine months ended September 30th 2016, and the audited separate financial statements of Grupa Azoty S.A. for the financial year ended December 31st 2015.

In the opinion of the Management Board of Grupa Azoty S.A., the notes to the interim condensed consolidated financial statements of Grupa Azoty contain all relevant information required to properly assess the Company's assets and financial position in the presented period.

The accounting policies applied in these interim condensed separate financial statements are the same as those applied in the full-year separate financial statements for 2015, save for the changes in the presentation of financial statements described below.

In the reporting period the presentation of financial statements was changed to improve the presentation of information on the effect of certain transactions on the Company's assets and financial position. The comparative data have been appropriately restated.

The table below presents the impact of the changes on the statement of profit or loss and other comprehensive income:

	Before restatement	Restated			
	For the period Jan 1- Sep 30 2015	For the period Jan 1- Sep 30 2015	Impact of change 1	Impact of change 2	Impact of change 3
Revenue	1,339,183	1,333,418	(5,765)	-	-
Cost of sales	(1,119,511)	(1,115,759)	3,797	(45)	-
Gross profit	219,672	217,659	(1,968)	(45)	-
Selling and distribution expenses	(70,386)	(70,533)	-	-	(147)
Other income	1,510	7,267	5,765	-	(8)
Other expenses	(15,269)	(18,911)	(3,797)	-	155
Operating profit	23,999	23,954	-	(45)	-
Finance income	235,392	235,437	-	45	-
Net finance income	210,325	210,370	-	45	-

- 1 - Income from and cost of lease of investment property were reclassified from revenue and cost of sales to other income and other expenses,
- 2 - valuation of financial instruments regarding CO₂ emission allowances was reclassified from revenue or finance costs to cost of sales,
- 3 - impairment losses on trade receivables and their reversal were reclassified from other expenses or other income to cost of sales.

The table below presents the impact of the changes on the statement of financial position:

	Before restatement	Restated								
	As at Dec 31 2015	As at Dec 31 2015	Impact of change 1	Impact of change 2	Impact of change 3	Impact of change 4	Impact of change 5	Impact of change 6	Impact of change 7	Impact of change 8
Assets										
Non-current assets										
Property, plant and equipment	1,114,240	1,106,972	(377)	-	-	-	-	-	-	(6,891)
Perpetual usufruct of land	-	377	377	-	-	-	-	-	-	-
Investment property	12,863	19,754	-	-	-	-	-	-	-	6,891
Current assets										
Inventories	220,437	188,843	-	(31,594)	-	-	-	-	-	-
Property rights	-	32,272	-	31,594	-	-	-	-	678	-
Derivative financial instruments	-	986	-	-	986	-	-	-	-	-
Other financial assets	30,172	29,186	-	-	(986)	-	-	-	-	-
Trade and other receivables	246,894	252,726	-	-	-	5,832	-	-	-	-
Other current assets	5,832	-	-	-	-	(5,832)	-	-	-	-
Total current assets	615,617	616,295	-	-	-	-	-	-	678	-
Total assets	5,855,947	5,856,625	-	-	-	-	-	-	678	-
Equity and liabilities										
Liabilities										
Derivative financial instruments	-	499	-	-	499	-	-	-	-	-
Other financial liabilities	46,554	46,055	-	-	(499)	-	-	-	-	-
Trade and other payables	286,630	324,464	-	-	-	-	5	37,151	678	-
Provisions	42,165	5,014	-	-	-	-	-	(37,151)	-	-
Deferred income	5	-	-	-	-	-	(5)	-	-	-
Total current liabilities	429,324	430,002	-	-	-	-	-	-	678	-
Total liabilities	1,473,176	1,473,854	-	-	-	-	-	-	678	-
Total equity and liabilities	5,855,947	5,856,625	-	-	-	-	-	-	678	-

- 1, 2 and 3 - perpetual usufruct right to land, property rights and derivatives were recognised as separate assets,
- 4 - prepayments and accrued income were reclassified from other assets to trade and other receivables,
- 5 - deferred income was included in trade and other payables,
- 6 - provisions for emission allowances were reclassified from provisions to trade and other payables,
- 7 - settlements related to energy certificates are recognised separately as property rights and trade and other payables,
- 8 - lease of investment property to related entities was reclassified from property, plant and equipment to investment property.

The above changes did not have a material impact on the presentation of the statement of cash flows.

Management's discussion and analysis:
the Grupa Azoty Group in Q3 2016

1. General information on the Grupa Azoty Group

The Grupa Azoty Group is one of major Central European chemical groups with a strong presence on the market of mineral fertilizers, engineering plastics, OXO products and other chemicals.

Grupa Azoty has brought together companies with different traditions and complementary business profiles, seeking to leverage their potential to deliver a common strategy. This has led to the creation of Poland's largest chemical company and a major industry player in Europe. Thanks to its carefully designed structure, the Group offers a diverse product mix, ranging from nitrogen and compound fertilizers, engineering plastics, to OXO products and melamine.

Grupa Azoty S.A., the Parent of the Grupa Azoty Group, has been listed at the Warsaw Stock Exchange since June 30th 2008. It is included in the WIG, WIG30, mWIG 40, WIG-Poland, and WIG-CHEMIA indices, as well as the Respect Index. Its shares are also a constituent of foreign indices: MSCI Emerging Markets and FTSE Emerging Markets.

As at September 30th 2016, the Grupa Azoty Group (the "Grupa Azoty Group" or "Group") comprised Grupa Azoty S.A. (the "Parent") and nine subsidiaries.

Parent

The Parent's registered office is in Tarnów, at ul. Kwiatkowskiego 8. Since April 22nd 2013, the Company has been trading under the name Grupa Azoty Spółka Akcyjna (abbreviated to Grupa Azoty S.A.).

Grupa Azoty S.A. is an integrated manufacturer of polyamide 6, obtained through polymerisation of caprolactam. It also specialises in the production of nitrogen-sulfur fertilizers.

Parent's subsidiaries

Grupa Azoty Zakłady Azotowe Puławy S.A.

The company has its registered office in Puławy, Al. Tysiąclecia Państwa Polskiego 13. Since April 4th 2013, it has been trading under the name Grupa Azoty Zakłady Azotowe Puławy Spółka Akcyjna ("Grupa Azoty PUŁAWY").

Grupa Azoty PUŁAWY specialises in the production of nitrogen fertilizers and is one of the largest melamine manufacturers in the world.

Grupa Azoty Zakłady Azotowe Kędzierzyn Spółka Akcyjna

The company has its registered office in Kędzierzyn-Koźle, ul. Mostowa 30A. Since January 11th 2013, it has been trading under the name Grupa Azoty Zakłady Azotowe Kędzierzyn Spółka Akcyjna ("Grupa Azoty KĘDZIERZYN").

The company's two main business pillars are nitrogen fertilizers and OXO products (OXO alcohols and plasticisers).

Grupa Azoty Zakłady Chemiczne Police Spółka Akcyjna

The company has its registered office in Police, ul. Kuźnicka 1. Since June 3rd 2013, it has been trading under the name Grupa Azoty Zakłady Chemiczne Police Spółka Akcyjna ("Grupa Azoty POLICE").

Grupa Azoty POLICE is a major manufacturer of compound and nitrogen fertilizers, as well as titanium white.

Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol Spółka Akcyjna

The company's registered office is located in Grzybów. Since February 11th 2014, it has been trading under the name Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol Spółka Akcyjna ("Grupa Azoty SIARKOPOL").

Grupa Azoty SIARKOPOL is the largest producer of liquid sulfur on the domestic market.

Grupa Azoty ATT Polymers GmbH

The company's registered office is located in Guben, Germany. Since July 10th 2013, it has been trading under the name Grupa Azoty ATT Polymers GmbH.

It is a manufacturer of polyamide 6 (PA6).

Grupa Azoty Polskie Konsorcjum Chemiczne Spółka z ograniczoną odpowiedzialnością

The company's registered office is located in Tarnów, ul. Kwiatkowskiego 7. Since February 28th 2013, the company has been trading under the name Grupa Azoty Polskie Konsorcjum Chemiczne Spółka z ograniczoną odpowiedzialnością ("Grupa Azoty PKCh Sp. z o.o.").

Grupa Azoty PKCh provides comprehensive design services encompassing complete design support for investment projects in the chemical industry – from study and concept works to process and construction design and working plans for services during the construction, start-up and operation of process units.

Grupa Azoty Koltar Spółka z ograniczoną odpowiedzialnością

The company's registered office is located in Tarnów, ul.E.Kwiatkowskiego 8. Since March 6th 2013, the company has been trading under the name Grupa Azoty Koltar Spółka z ograniczoną odpowiedzialnością ("Grupa Azoty Koltar Sp. z o.o.").

Grupa Azoty Koltar provides railway transport services throughout the country. It is one of the few organisations in Poland to have licences required to perform comprehensive repairs of rail car chassis and tank cars suitable for transporting hazardous materials according to RID.

Grupa Azoty Folie Spółka z ograniczoną odpowiedzialnością

The company's registered office is located in Tarnów.

The company's core business is research and development in technical science.

Grupa Azoty Compounding Spółka z ograniczoną odpowiedzialnością

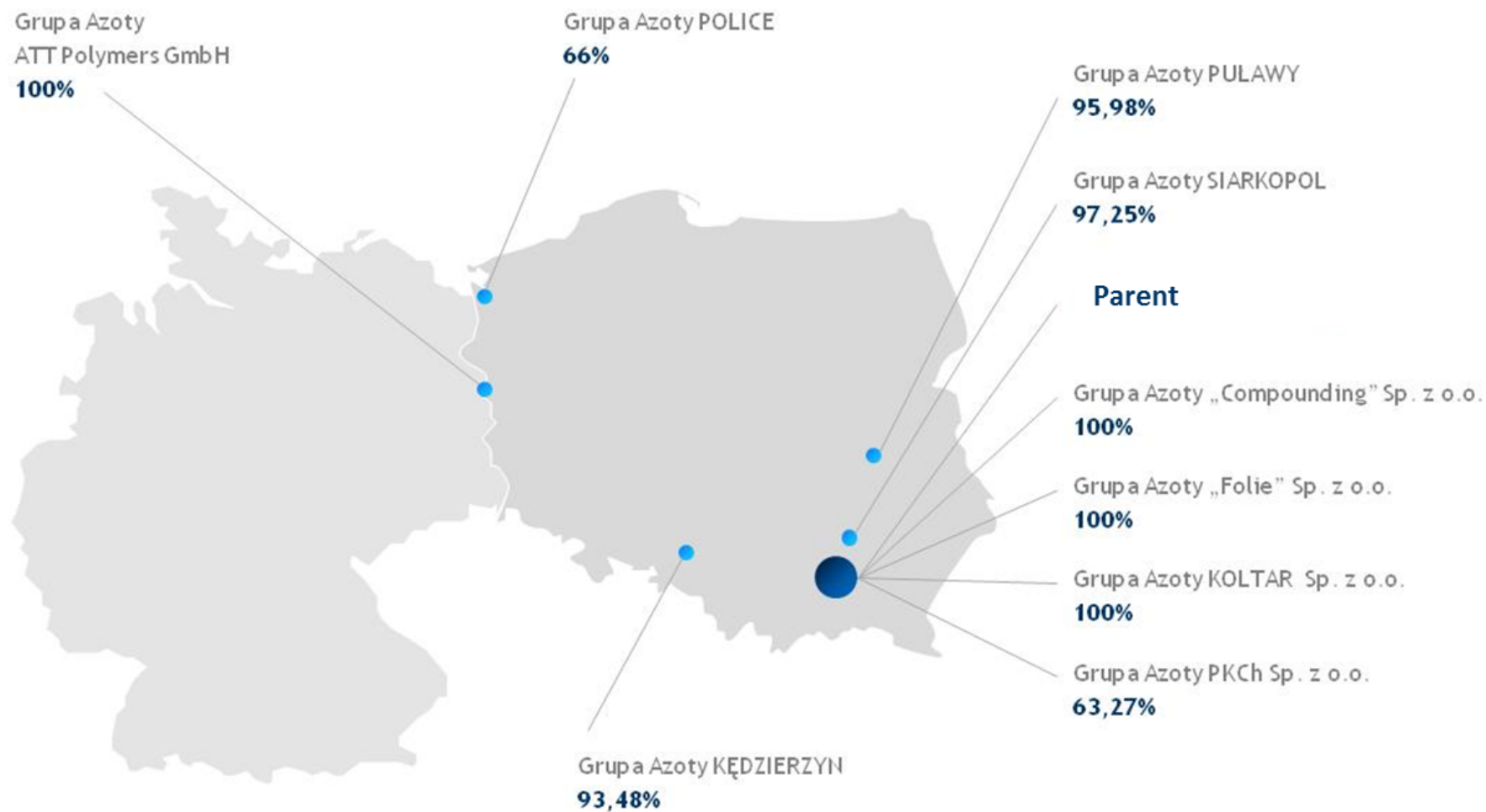
The company's registered office is located in Tarnów.

The company's business model is based on a portfolio of specialised engineering plastics made through compounding of plastics, with the use of innovative technological solutions.

Parent's shareholdings in subsidiaries as at September 30th 2016

(currency)			
Company	Registered office/address	Share capital	% of shares held directly
Grupa Azoty ATT Polymers GmbH	Forster Straße 72 03172 Guben, Germany	EUR 9,000,000	100.00
Grupa Azoty Compounding Sp. z o.o.	ul. Chemiczna 118 33-101 Tarnów, Poland	PLN 5,000	100.00
Grupa Azoty Folie Sp. z o.o.	ul. Chemiczna 118 33-101 Tarnów, Poland	PLN 5,500,000	100.00
Grupa Azoty Koltar Sp. z o.o.	ul. Kwiatkowskiego 8 33-101 Tarnów, Poland	PLN 32,760,000	100.00
Grupa Azoty PUŁAWY	al. Tysiąclecia Państwa Polskiego 13 24-110 Puławy, Poland	PLN 191,150,000	95.98
Grupa Azoty KĘDZIERZYN	ul. Mostowa 30 A skr. poczt. 163 47-220 Kędzierzyn-Koźle, Poland	PLN 285,064,300	93.48
Grupa Azoty SIARKOPOL	Grzybów, 28-200 Staszów, Poland	PLN 55,000,000	97.25
Grupa Azoty POLICE	ul. Kuźnicka 1 72-010 Police, Poland	PLN 750,000,000	66.00
Grupa Azoty PKCh Sp. z o.o.	ul. Kwiatkowskiego 7 33-101 Tarnów, Poland	PLN 85,630,550	63.27

The Parent and its subsidiaries as at September 30th 2016



2. Assets and financial position

2.1. Assessment of factors and non-recurring events having a material impact on the Grupa Azoty Group's operations and financial performance

The write-off of assets by African Investment Group S.A., a subsidiary of Grupa Azoty Police

On October 12th 2016, African Investment Group S.A. (a subsidiary of Grupa Azoty POLICE) decided to write off the following assets:

- the stock of phosphate rock in the Lam Lam area (XOF 817,340 thousand, i.e. approximately PLN 5,416 thousand), due to the fact that the product has no commercial value;
- the intangible assets in the form of capitalised expenditure on exploration for and evaluation of mineral deposits in the Lam Lam area (XOF 1,599,001 thousand, i.e. approximately PLN 10,595 thousand),
- the non-depreciated value of the Lam Lam deposits (XOF 320,232 thousand, i.e. approximately PLN 2,122 thousand) following the expiry in August 2016 of the mining licence for the Lam Lam area and final discontinuation of mining work in that area in 2014. As there was no rationale to continue the exploration work, the company did not elect to apply for an extension of the licence.

The write-off of the assets by African Investment Group S.A. had a negative effect on the consolidated financial performance and total assets reported in the Grupa Azoty Group's consolidated financial statements for the first nine months of 2016, totalling XOF 2,736,573 thousand (equivalent to about PLN 18,133 thousand).

Volatility of exchange rates

Events with a bearing on the Grupa Azoty Group's financial performance in Q3 2016 include the negative result of the Brexit referendum held in June 2016, which brought about a sharp increase in market volatility and a second wave of the Polish złoty depreciation against the euro and the US dollar.

On the other hand, since August 2016, risk appetite has gradually been growing on the back of stable GDP growth, continued falls in unemployment, and unchanged rating of Poland's debt by rating agencies, as well as improvements to draft legal acts concerning borrowers of Swiss franc loans, which translated into strengthening of the Polish złoty based on solid foundations of the Polish economy.

During Q3 2016, the Polish currency appreciated by approximately 2.6% against EUR and by about 3.1% against USD over June 30th 2016. At the same time, the average PLN/EUR exchange rate in Q3 2016 was higher by approximately 0.7% compared with Q2 2016. On the other hand, the average PLN/USD exchange rate was lower by approximately 0.4%.

The Group considers the current and planned net currency exposures and reduces the existing currency risk resulting from the currency exposure by using selected hedging instruments and activities. In the reporting period, the Group used primarily natural hedging, factoring and discounting of receivables denominated in foreign currencies, as well as currency forwards covering up to 80% of the remaining currency exposure with time horizon of less than 6 months, and up to 50% of the remaining currency exposure with time horizon of 6 to 12 months.

Pursuant to the Financial (Currency and Interest Rate) Risk Management Policy, the Group may enter into hedging transactions with horizons of up to 24 months (as long as this reduces the adverse impact of exchange rate movements on the Company's cash flows and it is possible to hedge the EUR/PLN or USD/PLN exchange rate above the exchange rate planned in the budget) and up to 3 months (if it is possible to hedge the exchange rate at which sale transactions were executed).

Execution of currency hedging transactions where the hedge horizon is more than 24 months or the transaction does not conform to the Financial Risk Management Policy requires approval by the Management Board based on the recommendation of the Finance Committee.

In Q3 2016, the Grupa Azoty Group's hedging tools were EUR and USD swap forwards, reflecting its planned exposure in both currencies.

The Grupa Azoty Group's result on hedging transactions realised in the first nine months of 2016 was PLN (3,408) thousand. The result on revaluation of hedging instruments was positive at PLN 6,076 thousand.

On the unhedged net currency exposure, the Grupa Azoty Group reported a realised foreign exchange gain of PLN 655 thousand, and a net loss on unrealised foreign-exchange differences of PLN (1,410) thousand.

In total, during the first nine months of 2016, the Group's total result on foreign exchange differences and currency derivatives (taking into account revaluation as at the reporting date) was PLN 1,912 thousand (including PLN (2,754) thousand on realised foreign exchange differences and currency hedging transactions and PLN 4,666 thousand on unrealised items and hedging).

Since the average PLN/EUR and PLN/USD exchange rates in Q3 2016 did not change significantly relative to the previous quarter, despite highly volatile market trends they had no material effect on the Grupa Azoty Group's performance in the period.

As at September 30th 2016, the Grupa Azoty Group did not have any unrealised interest rate risk hedges.

CO₂ emission allowances

Q3 2016 saw a continued downward trend in the prices of CO₂ emission allowances, which resulted in losses on valuation of forward contracts and remeasurement of CO₂ emission allowances held by the Group.

In the first nine months of 2016, the Group reported a PLN (9,520) thousand loss on valuation of forward contracts for the purchase of CO₂ emission allowances.

Hedge accounting

Since September 28th 2015, the Grupa Azoty Group has applied cash flow hedge accounting. The hedged items are highly probable future proceeds from sale transactions in the euro, which will be recognised in profit or loss in the period from December 2018 to June 2025. The hedging covers currency risk. The hedge is a euro-denominated credit facility with a value of EUR 75m as at September 30th 2016, repayable from December 2018 to June 2025 in 14 equal half-yearly instalments of EUR 5,357 thousand each. As at September 30th 2016, the fair value of the facility was PLN 325,321 thousand. As at September 30th 2016, the hedging reserve included PLN (920) thousand on account of the effective hedge. In Q3 2016, the Grupa Azoty Group did not reclassify any hedge accounting amounts from other comprehensive income to the statement of profit or loss.

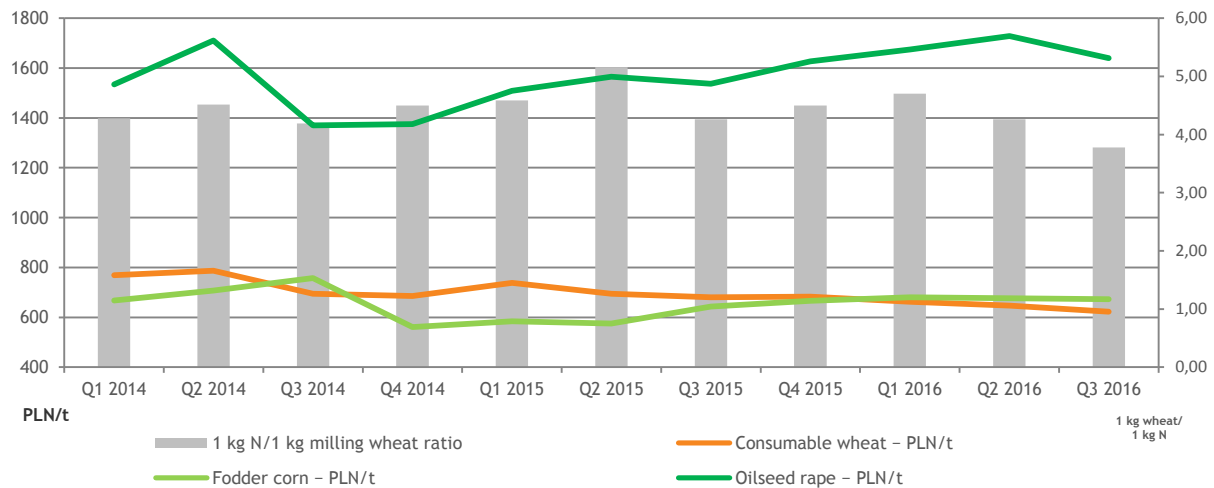
2.2. Market overview

AGRO FERTILIZERS

Agricultural market

In the agricultural market, Q3 was a period of changeable weather. The harvest was disrupted by rainfall, which however caused no damage to corn and root crops. Poor yields and low quality of grains in Poland and several other European countries may drive up the prices of grains and rapeseed. Unfortunately, the prices in the EU and Poland are affected by global prices and supply of grains by key exporters. Globally, wheat crops are expected to be more abundant than in the previous season, mainly thanks to a bumper year for wheat in the Black Sea region (especially in Russia and Romania), the US and Australia.

Wheat, corn and oilseed rape prices



Source: Ministry of Agriculture and Rural Development.

According to USDA's report, global wheat production is expected to reach 745m tonnes, up more than 10m tonnes on the previous season. In the current season, initial wheat stocks are estimated at 241m tonnes (compared with 216m tonnes in the previous season). Total consumption, larger than last season's, is forecast to reach 737m tonnes (up 3.8%). The closing stocks should be highest ever, at 249.1m tonnes.

	Average Q3 2015 PLN/t	Average Q3 2016 PLN/t	qoq %	September 2016 PLN/t	MIN 2016 PLN/t	MAX 2016 PLN/t
Consumable wheat	681	623	(9) ↓	623	610	635
Fodder corn	643	673	5	629	629	716
Rapeseed	1,537	1 640	7	1,658	1,613	1,658

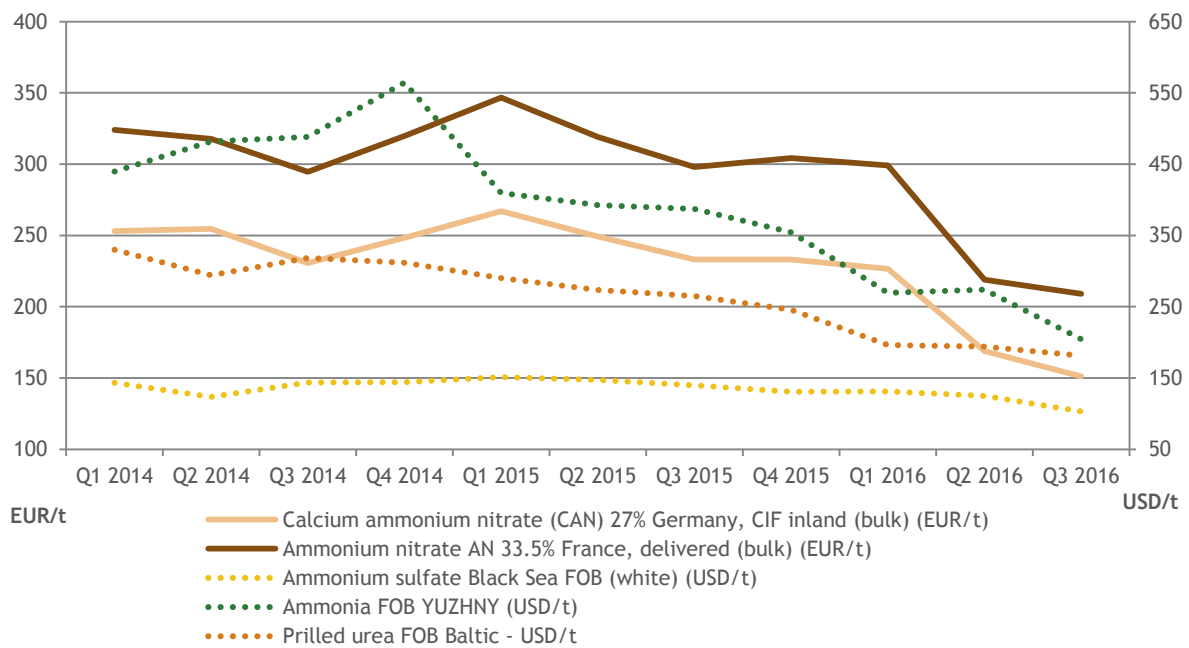
Source: Ministry of Agriculture and Rural Development.

The closing stocks-to-consumption ratio will stand at 33.8%, similarly to the 2015/2016 season. The International Grains Council forecasts that combined production of grains in Russia, Ukraine and Kazakhstan will total 193.7m tonnes, up 12.4m tonnes (or 6.8%) on the record-breaking 2014/2015 season. Total production of grains in those countries in the 2016/2017 season will equal 65% of total production of grains in the European Union (vs. 56% in the 2014/2015 season) – the figure has been on the rise for the past three seasons. In Q3 2016, situation in the agricultural sector showed a year-on-year improvement. Relative to Q3 2015, the synthetic economic index for agricultural production (SWKR) rose 0.3pp. Prepayments towards direct subsidies (70%), due to be disbursed to farmers in October 17th–November 30th 2016, will help improve their financial standing. Good weather in the coming autumn months and a slightly better financial condition of farmers may extend the usual length of the autumn fertilizer application season.

Nitrogen fertilizers

In Q3 2016, the prices of nitrogen fertilizers (ammonium nitrate, calcium ammonium nitrate and ammonium sulfate) fell year on year by about 30%–36%.

Prices of nitrogen fertilizers (urea, CAN, AN, AS,) and ammonia



Source: ICIS, Argus FMB, Profercy.

Urea prices also declined sharply. The prices of ammonia, the strategic feedstock, followed a similar trend, falling by 47%.

	Average Q3 2015 EUR/t	Average Q3 2016 EUR/t	qoq %	September 2016 EUR/t	MIN 2016 EUR/t	MAX 2016 EUR/t
CAN 27% Germany CIF inland (bulk)	233	151	(35) ↓	152	149	153
AN 33.5% France, delivered (bulk)	298	209	(30) ↓	209	209	209
			qoq	USD/t	USD/t	USD/t
Ammonia (FOB Yuzhny)	387	205	(47) ↓	174	174	246
Urea (FOB Baltic)	265	181	(32) ↓	187	175	187
AS (Black Sea FOB white)	140	103	(26) ↓	108	99	108

Source: ICIS, Argus FMB, Profercy.

Reasons for the declines, apart from a slowdown typical for the period, included continued low prices of agricultural produce and the agricultural sector's expectation of more substantial post-season price reductions, which are practised both in Poland and the EU. Additionally, new urea capacities launched last year caused oversupply of the product in the global market. The prices of urea confirmed their strong correlation with other nitrogen fertilizers. As usual, the application of urea in the agricultural sector was limited in September and the product was purchased mainly to resupply stocks for application in the spring. Urea prices may go up nearer the onset of spring (according to Profercy Nitrogen's forecast) since the existing stocks and purchased volumes for the needs of spring fertilizer application in many countries are much lower than in previous years. New volumes of urea are offered for sale in Q4 2016 already at above USD 200 per tonne. Low supply of urea from China until the end of the year will be a vital factor shaping its price.

The prices of ammonia, a key raw material in fertilizer production, stabilised at the quarter's end reflecting reduced production in the Persian Gulf (overhauls) and Trinidad (gas supply limitations) as well as planned shut-downs of production units in Russia. Because of the shut-downs, prices are likely to remain low until the end of the year. Demand for technical grade ammonia declined in

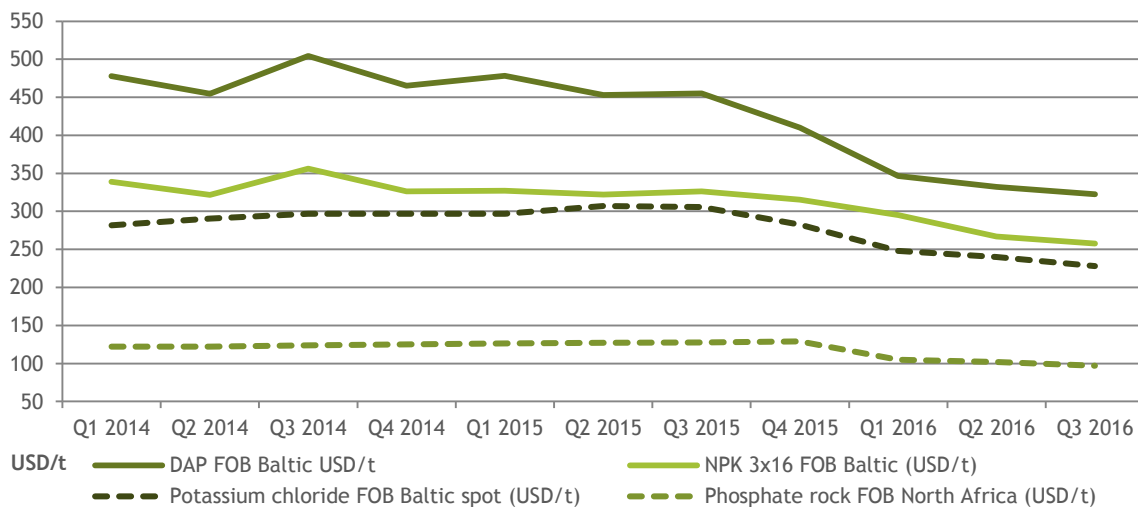
Europe and Asia, while the US market saw a marked drop in demand for agricultural ammonia. Its consumption also fell in the US for direct soil application.

Market of compound fertilizers

In Q3 2016, NPK sales were subdued on the Polish market not only due to the harvesting period, but, first of all, a shortage of funds faced by farmers (low prices of plant and animal products), and the fact that large volumes of fertilizers to be applied in spring were sold with payments deferred e.g. until after the 2016 harvest or even until the year's end.

Large farms bought the bulk of their NPK fertilizers in May and June, often opting for cheaper, imported products. Small farmers, who still account for a large part of Poland's agricultural sector, in most cases bought NPK fertilizers shortly prior to application. Many farms sought savings by purchasing less concentrated fertilizers, which are cheaper per tonne, but more expensive if we take into account the price of pure ingredients.

Prices of compound fertilizers (NPK, DAP), potassium chloride and phosphate rock



Source: WFM, FERTECON, Profercy.

The excessively growing global fertilizer capacities relative to farmers' needs and purchasing power (weak demand), as well as high levels of stocks at manufacturers and distributors, materially affect the prices of compound fertilizers and raw materials for their production.

The prices of compound fertilizers and raw materials used in their production fell 21%–29% year on year.

	Average Q3 2015 USD/t	Average Q3 2016 USD/t	qoq %	September 2016 USD/t	MIN 2016 USD/t	MAX 2016 USD/t
DAP (FOB Baltic)	455	322	(29) ↓	318	318	327
NPK3x16 (FOB Baltic)	326	258	(21) ↓	249	249	262
Potassium chloride (FOB Baltic spot)	306	228	(25) ↓	224	224	231
Phosphate rock (FOB North Africa)	128	97	(24) ↓	97	97	97

Source: WFM, FERTECON, Profercy.

Prices of NPK fertilizers plummeted to the levels recorded in late 2009 and early 2010. With the prices of agricultural produce forecast to remain low, the prices of NPK fertilizers may be expected to stabilise at the current levels within the next 12 months.

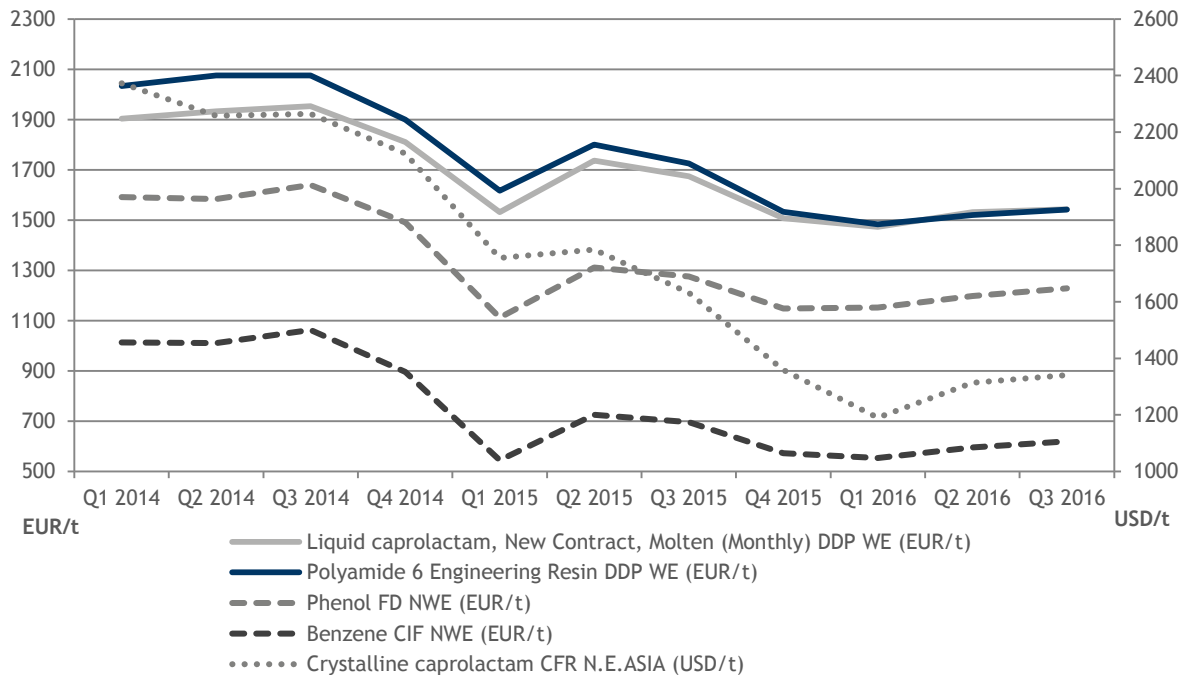
The market price of DAP will be driven by developments on global markets, as well as demand from India, the US, Australia, Europe, Brazil, and other South American countries. In Q4, DAP prices are not expected to rise given weak demand on the key markets.

Phosphate rock prices offered by some suppliers have come close to the cost of its production, concentration, and transport. Consequently, Q4 2016 is not expected to see any further declines in phosphate rock prices, as recorded quarter by quarter over the entire year. The prices of phosphate rock are expected to stabilise at the current level, with only minor adjustments possible. Given the small number of manufacturers, the prices of potassium chloride should remain at the current level. Increases of potassium chloride prices for some customers are also possible.

PLASTICS

Polyamide 6 chain

Prices of PA6, caprolactam, benzene and phenol



Source: TECNON, ICIS.

In Q3, relatively good demand for caprolactam was driven by increasing demand on the PA6 market, generally described as very similar, repeating the pattern from the year before. Such developments were primarily driven by the application markets. In the automotive segment and textile industry, demand for Polyamide 6 grew by several percent.

The situation on the Plastics segment's market was driven by prevailing uncertainty as to crude oil prices, which affect the markets of raw materials used to synthesise plastics (including benzene and phenol), as well as macroeconomic forecasts.

The decrease and later stabilisation of the prices of crude oil and petroleum products, mainly benzene and phenol, contributed to noticeable period-on-period price drops. Year on year, the average price of liquid caprolactam went down by 8% in Q3 2016. A similar drop was recorded for the nine months' average price. Significantly steeper reductions (of approximately 18%) were observed on the Asian market (CFR, NE Asia).

	Average Q3 2015 EUR/t	Average Q3 2016 EUR/t	qoq %	September 2016 EUR/t	MIN 2016 EUR/t	MAX 2016 EUR/t
Benzene (FOB, NWE)	696	619	(11) ↓	621	585	652
Phenol (FD, NWE)	1,276	1,229	(4) ↓	1,236	1,189	1,261
Caprolactam (Liq., DDP, WE)	1,674	1,543	(8) ↓	1,553	1,523	1,555
Polyamide 6 (PA 6) (DDP, WE)	1,725	1,542	(11) ↓	1,550	1,525	1,550
	USD/t	USD/t	qoq	USD/t	USD/t	USD/t
Caprolactam (CFR, NEAsia)	1,631	1,341	(18) ↓	1,400	1,293	1,400
	USD/bbl	USD/bbl	qoq	USD/bbl	USD/bbl	USD/bbl
Crude oil (BRENT)	51.4	45.9	(11) ↓	46.1	45.3	46.2

Source: ICIS, Tecnon, Rzeczpospolita.

Prices of caprolactam have remained under the pressure of oversupply prevailing on the market, although its effects are mitigated by increasing consumption and demand from the end-user segment, generally assessed as good. As in the case of caprolactam, the decisive factor affecting the PA6 market was largely the drop and subsequent stabilisation of prices of crude oil and petroleum products along the entire product chain, as well as the supply and demand structure prevailing in the period under analysis. Relatively small changes in price trends, based on seasonal demand fluctuations, made it possible for manufacturers to adjust prices, but the manufacturers found it difficult to fully pass the increase in benzene prices to end users.

The demand recorded in China, which limited export opportunities for non-Asian manufacturers, combined with growing production capacities of Asian producers (as a result of which more of the continent's demand was met by its own production) contributed to continuing oversupply of caprolactam on the European market. The expected restructuring of assets of the European caprolactam market with its concurrent optimisation has been commenced by BASF. The company plans to reduce its annual production capacity by 100 thousand tonnes over the next 18 months, which will visibly reduce the overall European capacities.

Consumption, on the other hand, is expected to grow by 5% over the entire 2016.

Fierce competition among integrated manufacturers of Polyamide 6, further compounded by oversupply, may render the market tougher still. Benzene prices and their changes may additionally affect the situation on the polyamide market. It should be noted that the current price spread between PA6 and caprolactam is negligible, which may force non-integrated manufacturers out of the market. Fluctuations of the USD/EUR exchange rate will affect the European sellers of Polyamide 6, looking for new markets and exporting the product outside of Europe.

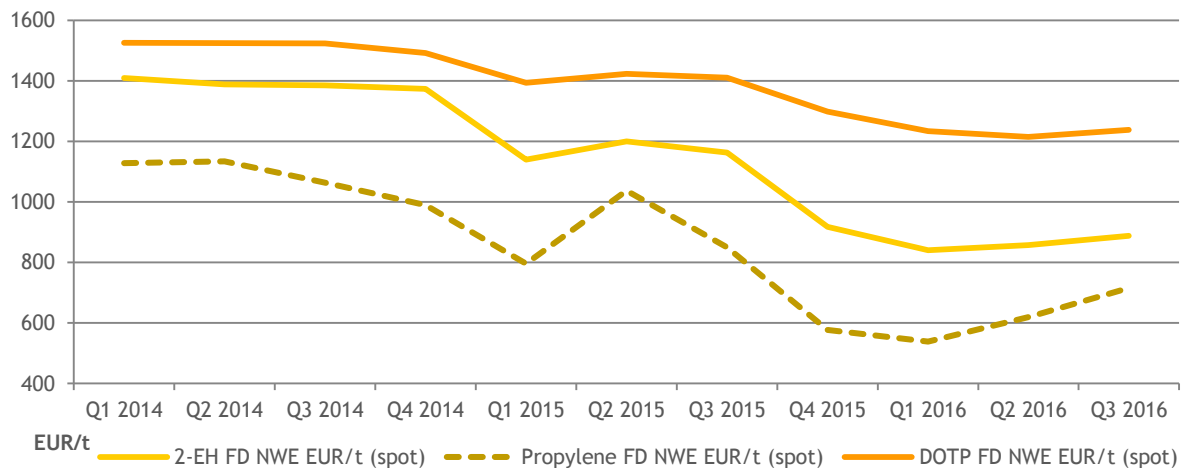
Initiatives designed to balance the market will have to be correlated with plans to extend European production capacities, providing a case for rational restructuring of the European PA6 market. However, no changes seem possible in a short time horizon.

CHEMICALS

OXO product chain

As in the Plastics segment, the price of crude oil continued to affect prices in the OXO segment. Falling prices were observed for both propylene and in the OXO product chain. Relative to Q3 2015, they dropped by 12% to 24%.

Prices of 2-EH, DOTP and propylene



Source: ICIS.

In Q3, demand for OXO alcohols (in particular 2-EH) was good considering the holiday season and the market, taken as a whole, was balanced. Holiday production stoppages reduced the use of plasticizers, particularly on the Italian and Spanish markets. Suppliers seized the opportunity to export 2-EH to the Asian market, where the supply of propylene was limited. The European market was struggling with limited demand for isobutanol and availability of cheap butanols. In September, propylene prices rose. Consequently, since early September, contract prices have been higher than in August.

Weaker demand on the butanol market prevented full pass-through of the rising propylene prices. However, there was an increase in demand for butanols used to manufacture butyl acetate.

	Average Q3 2015 EUR/t	Average Q3 2016 EUR/t	qoq %	September 2016 EUR/t	MIN 2016 EUR/t	MAX 2016 EUR/t
2-EH (FD NWE spot)	1,163	888	(24) ↓	896	883	896
DOTP (FD NWE spot)	1,411	1,238	(12) ↓	1,246	1,233	1,246
Propylene (FD NWE spot)	850	716	(16) ↓	745	677	745

Source: ICIS.

Over the same period, the plasticizers market was stable. However, due to the summer season, the market activity was low. On the European market, demand decreased in the south, while in the other regions it remained more stable. As in previous periods, Italy, Spain, the Netherlands and Belgium were main importers of DOTP from South Korea. The GBP depreciation against other currencies, recorded after the Brexit referendum, adversely affected UK importers of plasticizers and pushed up the cost of plasticizers purchased from continental Europe and other continents.

On the European market, demand for plasticizers has been satisfactory, with the trend expected to continue until the end of October. The supply structure fuels the competition among manufacturers.

Propylene prices were driven up by limited supplies of the product, caused by the ongoing maintenance shutdowns.

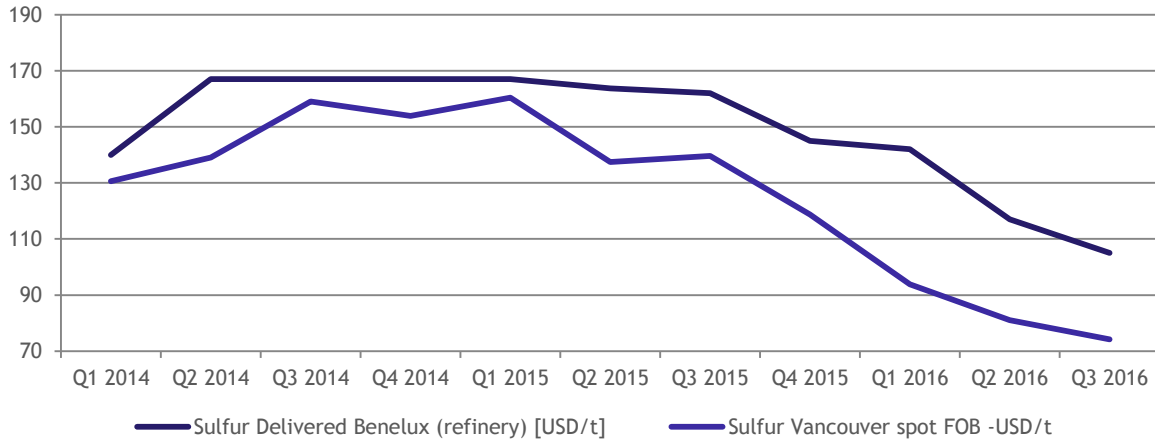
However, the demand remained surprisingly high despite the summer season, usually characterised by a drop in demand for propylene. In order to satisfy the demand, European production had to be supplemented with imports.

In the coming periods, the average propylene prices should remain at similar or slightly higher levels, although this will largely depend on price movements on the global oil markets. The OXO alcohol prices should remain correlated with movements in the propylene prices, with demand growth especially in Q3/Q4.

Sulfur

In Q3 2016, sulfur prices went down relative to both Q2 2016 and Q3 2015. This trend has been continuing since last year, driven mainly by oversupply and reduced demand on the phosphate fertilizers market.

Sulfur prices



Source: FERTECON.

	Average Q3 2015 USD/t	Average Q3 2016 USD/t	qoq %	September 2016 USD/t	MIN 2016 USD/t	MAX 2016 USD/t
Sulfur (Delivered Benelux refinery)	162	105	(35) ↓	106	105	105
Sulfur (Vancouver spot FOB)	140	74	(47) ↓	74	71	78

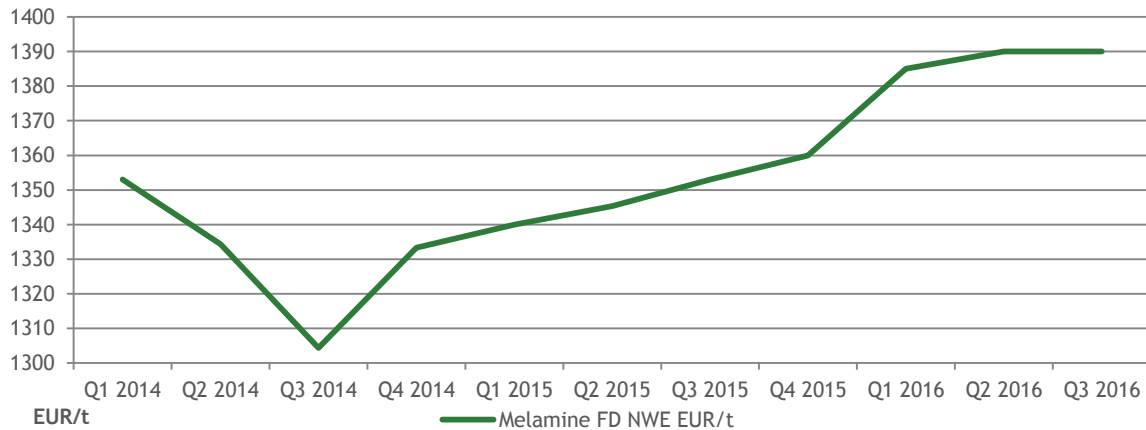
Source: FERTECON.

The launch of new gas and crude oil desulfurisation units added 3m tonnes to the annual sulfur production capacities, mainly in the Persian Gulf. The largest consumer of sulfur (in the form of sulfuric acid) is the phosphate fertilizers industry. Given the lower demand for phosphate fertilizers, the demand for sulfur is also forecast to drop. A positive feature of the current situation is the level of sulfur stocks in Chinese ports, lower than in the past two years. On the other hand, Europe will enter the next year with high stocks of the product. Price forecasts for major markets point at a downward trend, with the next-year prices lower than in 2016.

Melamine

In Q3 2016, the European market saw stable demand for melamine, with a temporary increase in demand from North and South Americas, as well as Russia, partly driven by insufficient supplies from China and the US.

Prices of melamine



Source: ICIS, Global Bleaching Chemicals.

Owing to sound demand and matching supply of the product, average contract prices of melamine in Europe remained at levels recorded in Q2 2016. Year on year, average melamine prices grew by approximately EUR 37/t.

Manufacturers do not expect prices on the melamine market to change significantly in Q4 2016.

	Average Q3 2015 EUR/t	Average Q3 2016 EUR/t	qoq %	September 2016 EUR/t	MIN 2016 EUR/t	MAX 2016 EUR/t
Melamine	1,353	1,390	3	1,390	1,390	1,390

Source: ICIS, Global Bleaching Chemicals.

Technical-grade urea

In 2020, the share of technical-grade urea in total urea consumption will reach 17%, compared with 16% in 2015. IFA expects total consumption of technical-grade urea to increase from 28m tonnes in 2015 to 33m tonnes in 2020, which will represent almost half of the global increase in demand for urea. The 2015-2020 growth rate is estimated at 3%. The increase in the consumption of urea for technical applications will mainly be driven by its use in UF (urea-formaldehyde) resins and deNOx (flue gas denitrification) units.

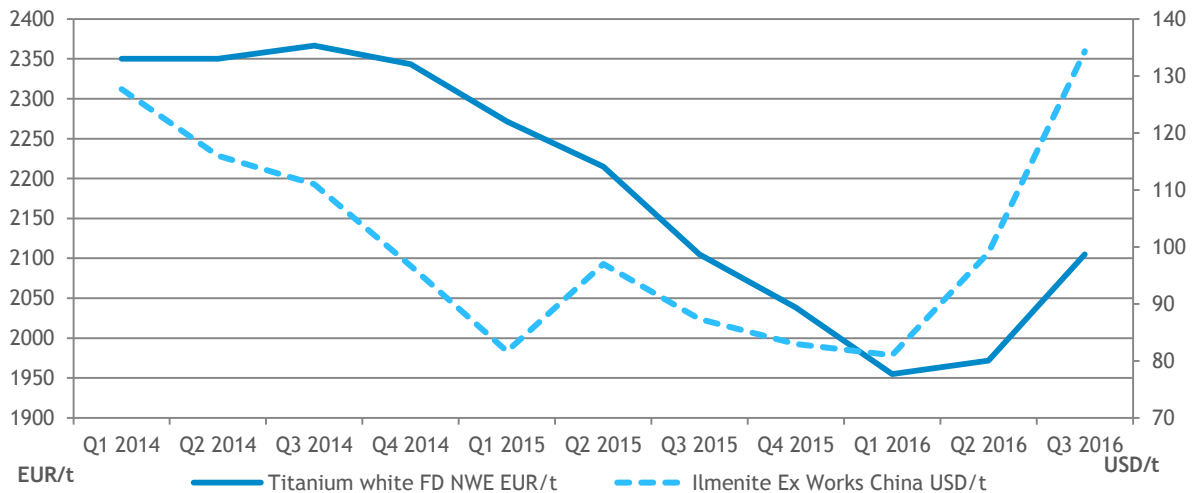
Pigment chain

In Q3 2016, prices of titanium white increased by around 7% quarter on quarter, remaining practically unchanged year on year. Such developments were driven by limited supplies and a seasonal increase in demand for titanium white.

In the second half of September, negotiations of Q4 2016 contract prices commenced. The price of titanium white is forecast to rise, given the continuing limited supply, and stronger than expected demand for the product on certain application markets.

The price increases will, however, be limited, given a seasonal drop in demand usually seen in the fourth quarter and customers using their own stocks of the product before closing their balances at the year's end.

Market prices of titanium white and ilmenite



Source: ICIS, CCM.

Material drivers of the situation included increases in the prices of raw materials used to manufacture titanium white. The increases of over 50% were caused by production limitations, mainly in China.

	Average Q3 2015 EUR/t	Average Q3 2016 EUR/t	qoq %	September 2016 EUR/t	MIN 2016 EUR/t	MAX 2016 EUR/t
Titanium white (FD NWE)	2,105	2,105	constant	2,105	2,105	2,105
	USD/t	USD/t	qoq	USD/t	USD/t	USD/t
Ilmenite (ex Works China)	87	134	54	136	131	136

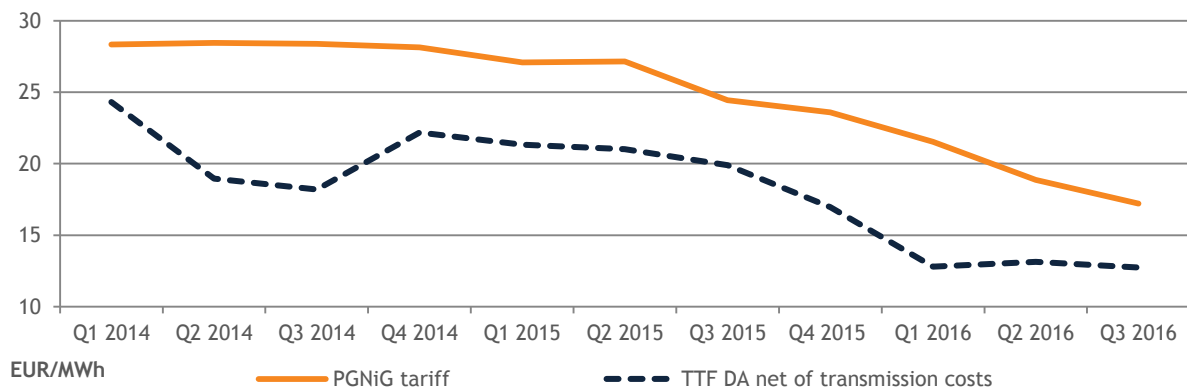
Source: ICIS, CCM.

Significant limitations in the production of ilmenite and titanium slag in China made Chinese manufacturers increase the imports of those materials by 25%, pushing up the prices of ilmenite and slag on global markets in H1 2016. In Q3 2016, the production of ilmenite and slag in China was scaled up, stabilising the ilmenite price and reducing the titanium slag price in September. For Q4 2016, a slight downward trend in the prices of these raw materials is expected.

ENERGY

Natural gas

Prices of natural gas



Source: PGNiG tariff, ICIS, EEX.

In Q1-Q3 2016, demand for gas in the EU grew year on year – from 299 billion m³ to 306 billion m³, and the supply increased from 306 billion m³ to 319 billion m³. As at the end of September 2016, the storage facilities contained 67 billion m³ of gas, the amount taking up 88% of their total capacity (10% more than a year earlier).

	Average Q3 2015 EUR/MWh	Average Q3 2016 EUR/MWh	qoq %	September 2016 EUR/MWh	MIN 2016 EUR/MWh	MAX 2016 EUR/MWh
PGNiG tariff	24.4	17.2	(30) ↓	17.3	17.0	17.4
TTF DA net of transmission costs	19.9	12.7	(36) ↓	12.0	11.9	14.2

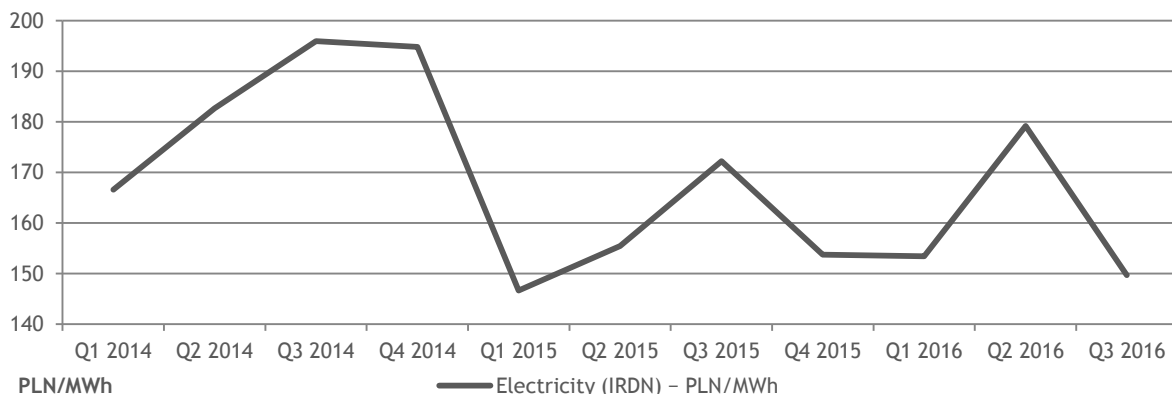
Source: PGNiG tariff, ICIS, EEX.

The oversupply, high stock levels, stable supplies and cheap gas delivered under crude-indexed contracts put downward pressure on the spot prices of natural gas. According to Gaspool, they fell from EUR 14.5/MWh in early July to EUR 10.5/MWh in late August and early September, only to return to about EUR 13.5/MWh at the end of Q3.

The OPEC countries' deal to reduce crude oil output (and thus boost prices) and, particularly, a surge in coal prices are sending gas prices in Q4 higher than expected. Furthermore, as this winter is forecast to be harsh in the northern hemisphere, the trend may continue well into the subsequent quarter. All this makes us expect even greater oversupply of gas (mainly LNG) in the European market next year, fuelling strong competition for market shares and pushing the average prices below this year's level.

Electricity

Prices of electricity



Source: Polish Power Exchange.

IRDN – average price weighted by the volume of all transactions on a trading day, calculated after the delivery date for the entire day.

	Average Q3 2015 PLN/MWh	Average Q3 2016 PLN/MWh	qoq %	September 2016 PLN/MWh	MIN 2016 PLN/MWh	MAX 2016 PLN/MWh
Electricity	171.7	149.7	(12) ↓	155.1	95.7	412.6

Source: Polish Power Exchange.

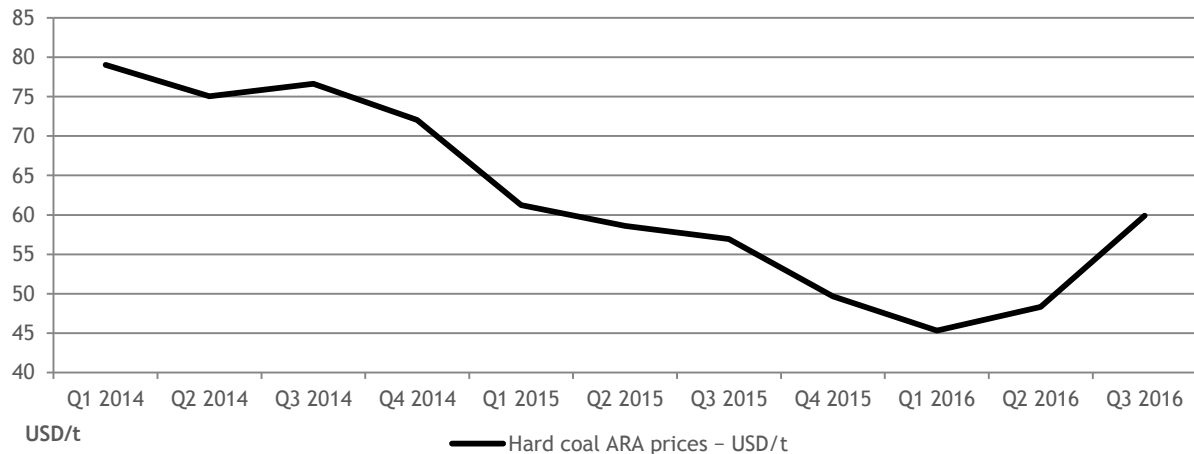
Average prices of electricity on the day-ahead market of the Polish Power Exchange in Q3 2016 reached PLN 150/MWh, down 12% year on year.

The decrease followed from higher reserve capacity than the year before (after overhauls of generation units were postponed to early Q4), positive foreign trade balance (more energy imported), and lower demand for electricity.

The prices of electricity traded on the Polish Power Exchange in Q4 2016 are predicted to reach PLN 156.35/MWh, up approximately 5% on the previous quarter.

Coal

Prices of hard coal



Source: ARA prices.

	Average Q3 2015 USD/t	Average Q3 2016 USD/t	qoq %	September 2016 USD/t	MIN 2016 USD/t	MAX 2016 USD/t
Coal	56.9	59.9	5 ↓	62.3	43.1	71.7

Source: ARA prices.

In Q3 2016, the downward trend in coal prices, which continued for 10 months, was reversed. The prices rose more than 5% year on year and the average price reached nearly USD 60/tonne. On a quarter-on-quarter basis, the prices gained as much as 24%, driven, among other factors, by disruptions in the supply of Australian coal, increased demand from Asia-Pacific countries, and oil price fluctuations (followed by coal prices).

Higher prices on the global markets do not directly translate into price growth in Poland, as Polish coal is supplied under long-term contracts not correlated with global price movements. The current ARA coal prices are expected to continue in Q4, and analyst forecasts, predicting that the average coal price in 2016 will be similar as in 2015, will not change.

2.3. Key financial and economic data

2.3.1. Consolidated financial information

In Q3 2016, the Grupa Azoty Group posted a positive EBITDA of PLN 131,490 thousand and a net loss of PLN (9,775) thousand.

Consolidated data

Item	Q3 2016	Q3 2015* restated	change	% change
Revenue	1,999,510	2,396,455	(396,945)	(16.6)
Cost of sales	(1,665,809)	(1,951,187)	285,378	(14.6)
Gross profit	333,701	445,268	(111,567)	(25.1)
Selling and distribution expenses	(143,849)	(155,721)	11,872	(7.6)
Administrative expenses	(165,470)	(175,785)	10,315	(5.9)
Profit from sales	24,382	113,762	(89,380)	(78.6)
Net other expenses	(23,265)	(7,141)	(16,124)	225.8
Operating profit	1,117	106,621	(105,504)	(99.0)
Net finance income/(costs)	809	(1,700)	2,509	(147.6)
Share of profit of equity-accounted associates	2,918	2,422	496	20.5
Profit before tax	4,844	107,343	(102,499)	(95.5)
Income tax	(14,619)	(25,283)	10,664	(42.2)
Net (loss)/profit	(9,775)	82,060	(91,835)	(111.9)
EBIT	1,117	106,621	(105,504)	(99.0)
Depreciation and amortisation	130,373	119,516	10,857	9.1
EBITDA	131,490	226,137	(94,647)	(41.9)

Source: Company data.

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary information to the interim condensed consolidated financial statements.

With revenue down 16.6% year on year and lower cost of sales (down by 14.6%), the Grupa Azoty Group reported gross profit. The gross profit figure went down 25.1% relative to Q3 2015. Gross profit net of distribution costs and administrative expenses was PLN 24,382 thousand. In Q3 2016, the balance of other income and other expenses was negative, at PLN (23,265) thousand, and had an adverse impact on EBIT, which amounted to PLN 1,117 thousand.

2.3.2. Segments' results

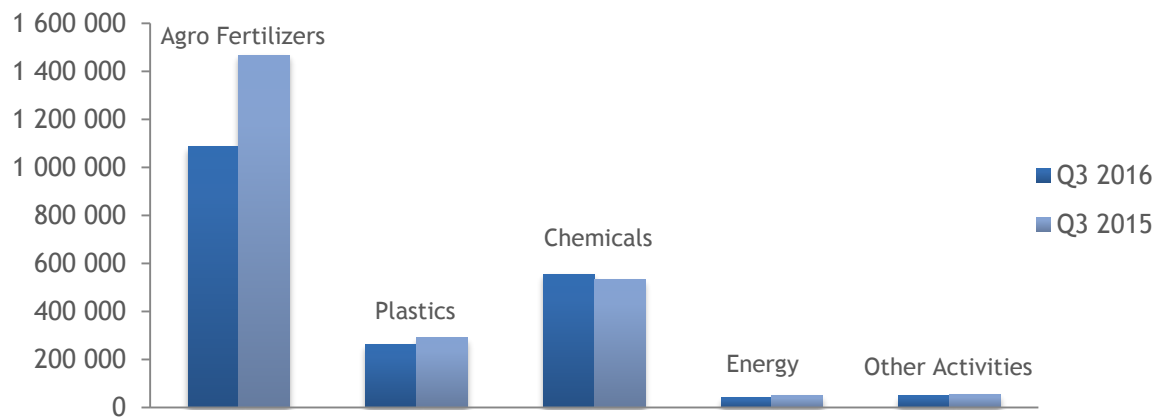
EBIT by segment

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities
External revenue	1,087,600	262,344	555,980	42,449	51,137
Profit/(loss) on sales	3,538	(21,712)	44,319	(1,922)	159
EBIT	(19,353)	(22,193)	46,327	(1,996)	(1,668)

Source: Company data.

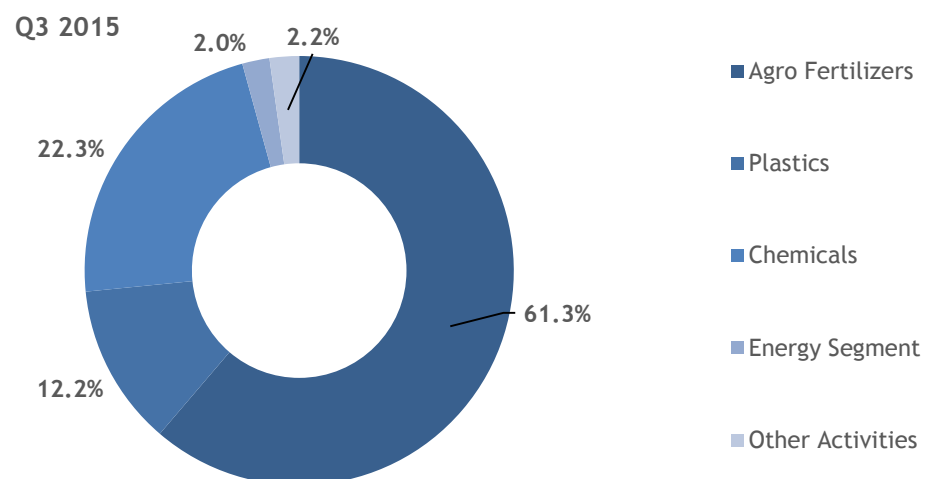
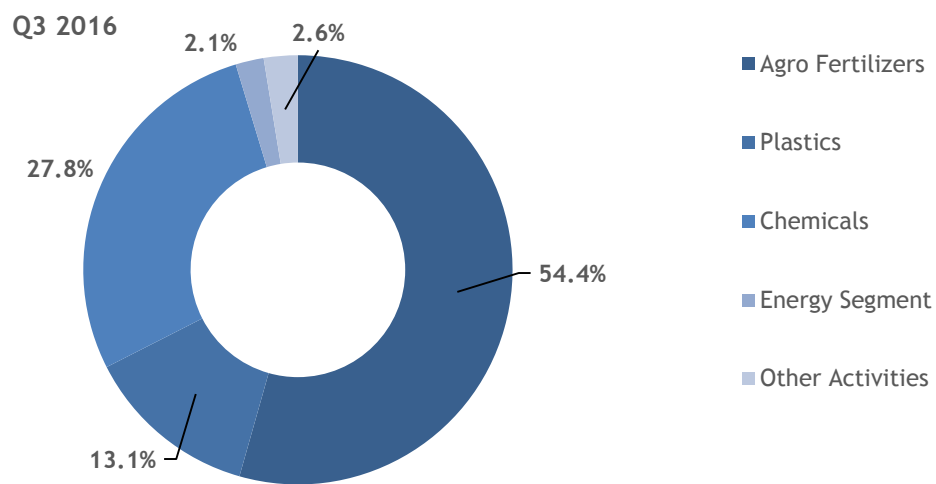
Sales of the Grupa Azoty Group's products in Q3 2016 were determined primarily by the market situation in the Chemicals and Agro Fertilizers segments. Revenue in the Agro Fertilizers segment was down 25.9% year on year. Lower revenues were also reported in Plastics (down 10.1%), Energy (down 13.7%) and Other Activities (down 4.0%). The Chemicals segment's revenue was 4.1% higher than in Q3 2015.

Revenue by segment



Source: Company data.

Revenue by segment



Source: Company data.

The shares of individual segments in total revenue changed compared with Q3 2015, with increased contributions from the Plastics (0.9pp), Chemicals (5.5pp), Energy (0.1pp), and Other Activities (0.4pp) segments, and lower share of the Agro Fertilizers segment (down 6.9pp).

Agro Fertilizers

In Q3 2016, revenue in the Agro Fertilizers segment was PLN 1,087,600 thousand and accounted for 54.4% of the Group's total revenue. Relative to Q3 2015, the segment's revenue fell by 25.9%.

EBIT reported by the Group in the Agro Fertilizers segment was negative.

Domestic market accounted for approximately 69.2% of the segment's sales.

Plastics

In Q3 2016, revenue in the Plastics segment was PLN 262,344 thousand and accounted for 13.1% of the Group's total revenue. The revenue figure was down 10.1% year on year. More than 88.2% of the segment's revenue was derived from sales on foreign markets.

EBIT reported by the Group in the Plastics segment was negative.

Chemicals

In Q3 2016, revenue in the Chemicals segment amounted to PLN 555,980 thousand, having increased 4.1% year on year. The segment's revenue accounted for 27.8% of the Group's total revenue. The segment's EBIT improved significantly relative to Q3 2015: it was positive, at PLN 46,327 thousand. Sales on foreign markets accounted for approximately 57.2% of the Chemicals segment's revenue.

Energy

In Q3 2016, revenue in the Energy segment was PLN 42,449 thousand and accounted for approximately 2.1% of the Group's total revenue. The segment's revenue fell 13.7% year on year. EBIT reported by the Group in the Other Activities segment was negative.

Other Activities

In Q3 2016, revenue in the Other Activities segment amounted to PLN 51,137 thousand, and accounted for 2.6% of the Group's total revenue, having decreased by 4.0% relative to Q3 2015. EBIT reported by the Group in the Other Activities segment was negative.

2.3.3. Operating expenses

In Q3 2016, operating expenses were PLN 1,889,727 thousand, down by PLN 278,425 thousand year on year. The decrease was attributable to lower costs of raw materials and consumables used, cost of services, taxes and charges, and other costs. There was an increase in the cost of salaries and wages, including overheads, other benefits, and depreciation and amortisation.

Operating expenses by nature

	Q3 2016	Q3 2015* restated	change	% change
Depreciation and amortisation	129,675	118,572	11,103	9.4
Raw materials and consumables used	1,082,045	1,324,709	(242,664)	(18.3)
Services	249,741	287,140	(37,399)	(13.0)
Salaries and wages, including overheads, and other benefits	313,555	304,386	9,169	3.0
Taxes and charges	89,706	99,170	(9,464)	(9.5)
Other costs	25,005	34,175	(9,170)	(26.8)
Total	1,889,727	2,168,152	(278,425)	(12.8)

Source: Company data.

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary Information to the interim condensed consolidated financial statements.

Other operating expenses

In Q3 2016, operating expenses other than costs of raw materials and consumables used accounted for 42.7% of total operating expenses, up from 38.9% in the corresponding period of 2015. The structure of these expenses changed only slightly relative to the comparative period.

Structure of other operating expenses [%]

	Q3 2016	Q3 2015* restated
Depreciation and amortisation	6.9	5.5
Services	13.2	13.2
Salaries and wages, including overheads, and other benefits	16.6	14.0
Taxes and charges	4.7	4.6
Other costs	1.3	1.6
Total	42.7	38.9

Source: Company data.

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary Information to the interim condensed consolidated financial statements.

2.3.4. Structure of assets, equity and liabilities

In Q3 2016, the Group's assets rose to PLN 11,084,140 thousand, by PLN 632,349 thousand on the end of Q3 2015. As at September 30th 2016, non-current assets stood at PLN 7,696,648 thousand, and current assets were PLN 3,387,492 thousand.

The most significant year-on-year changes in assets in Q3 2016 included:

- a 12.0% increase in property, plant and equipment,
- a 46.7% increase in other financial assets,
- a 12.5% decrease in cash,
- an 11.5% decrease in property rights.

Structure of assets

	Q3 2016	Q3 2015* restated	change	% change
Non-current assets, including:	7,696,648	7,024,499	672,149	9.6
Property, plant and equipment	6,429,279	5,739,972	689,307	12.0
Intangible assets	537,191	528,748	8,443	1.6
Perpetual usufruct of land	482,023	483,513	(1,490)	(0.3)
Investments in subordinated entities	109,172	108,468	704	0.6
Current assets, including:	3,387,492	3,427,292	(39,800)	(1.2)
Trade and other receivables	1,086,301	1,171,227	(84,926)	(7.3)
Inventories	841,452	870,639	(29,187)	(3.4)
Cash and cash equivalents	672,101	768,012	(95,911)	(12.5)
Other financial assets	593,405	404,590	188,815	46.7
Property rights	175,516	198,423	(22,907)	(11.5)
Total assets	11,084,140	10,451,791	632,349	6.1

Source: Company data.

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary Information to the interim condensed consolidated financial statements.

Year on year, the most significant changes in equity and liabilities in the reporting period included:

- a 5.0% increase in equity,
- a 20.5% increase in non-current liabilities under borrowings,
- a 48.4% increase in current liabilities under borrowings.

Structure of equity and liabilities

Item	Q3 2016	Q3 2015* restated	change	% change
Equity	7,347,110	6,998,313	348,797	5.0
Non-current liabilities, including:	1,966,312	1,725,884	240,428	13.9
Borrowings	1,186,547	984,577	201,970	20.5
Employee benefit obligations	334,097	319,953	14,144	4.4
Deferred tax liabilities	266,874	250,396	16,478	6.6
Provisions	101,856	113,226	(11,370)	(10.0)
Government grants	60,851	40,148	20,703	51.6
Current liabilities, including:	1,770,718	1,727,594	43,124	2.5
Trade and other payables	1,289,736	1,421,271	(131,535)	(9.3)
Borrowings	274,107	98,626	175,481	177.9
Other financial liabilities	59,378	76,255	(16,877)	(22.1)
Government grants	37,662	46,012	(8,350)	(18.1)
Total equity and liabilities	11,084,140	10,451,791	632,349	6.1

Source: Company data.

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary Information to the interim condensed consolidated financial statements.

2.3.5. Financial ratios

Profitability ratios

	Q3 2016	Q3 2015* restated
Gross profit margin	16.7%	18.6%
EBIT margin	0.1%	4.4%
EBITDA margin	6.6%	9.4%
Net profit margin	(0.5)%	3.4%
ROE	(0.1)%	0.8%
Return on capital employed	0.0%	1.2%
ROE	(0.1)%	1.2%
Return on non-current assets	(0.1)%	1.2%

Source: Company data.

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary Information to the interim condensed consolidated financial statements.

Ratio formulas:

Gross profit margin = gross profit (loss) / revenue (statement of comprehensive income by function)

EBIT margin = EBIT / revenue

EBITDA margin = EBITDA / net revenue

Net profit margin = net profit (loss) / revenue

Return on assets (ROA) = net profit (loss) / total assets

Return on capital employed (ROCE) = EBIT / TALCL, that is EBIT / total assets less current liabilities

Return on equity (ROE) = net profit (loss) / equity

Return on non-current assets = net profit (loss) / non-current assets

Liquidity ratios

	Q3 2016	Q3 2015* restated
Current ratio	1.9	2.0
Quick ratio	1.4	1.5
Cash ratio	0.7	0.7

Source: Company data.

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary Information to the interim condensed consolidated financial statements.

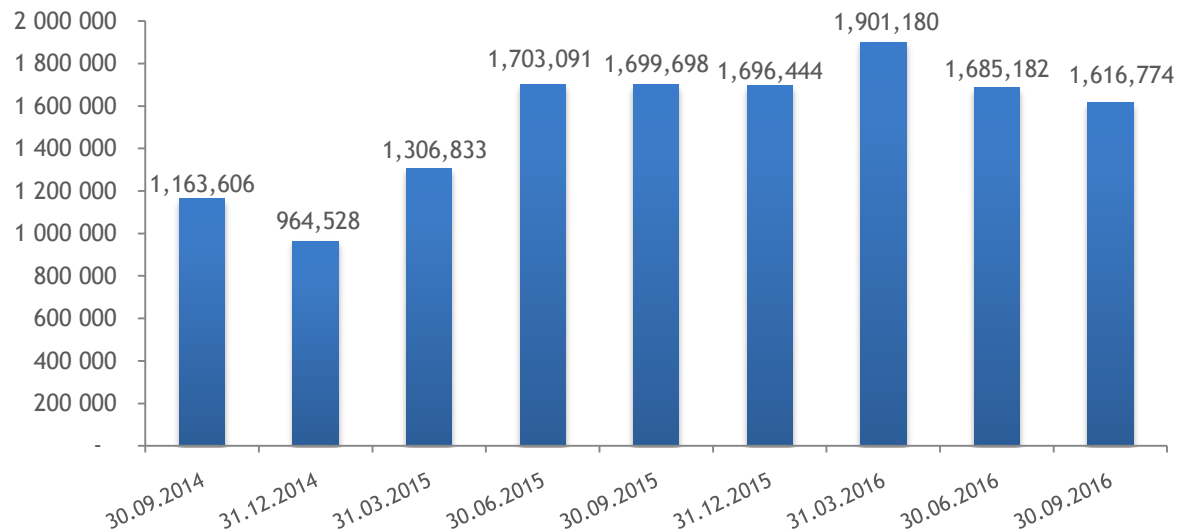
Ratio formulas:

Current ratio = current assets / current liabilities

Quick ratio = (current assets - inventories - current prepayments and accrued income) / current liabilities

Cash ratio = (cash + other financial assets) / current liabilities

Changes in net working capital



Source: Company data.

Operating efficiency ratios

	Q3 2016	Q3 2015* restated
Inventory turnover	45	40
Average collection period	49	44
Average payment period	70	66
Cash conversion cycle	25	19

Source: Company data.

* Financial data restated in accordance with the information presented in Section 2.2.c) of Supplementary Information to the interim condensed consolidated financial statements.

Ratio formulas:

*Inventory turnover = inventories * 90 / cost of sales*

*Average collection period = trade and other receivables * 90 / revenue*

*Average payment period = trade and other payables * 90 / cost of sales*

Cash conversion cycle = inventory turnover + average collection period - average payment period

Debt ratios

Ratio	Q3 2016	Q3 2015
Total debt ratio	33.7%	33.0%
Long-term debt ratio	17.7%	16.5%
Short-term debt ratio	16.0%	16.5%
Equity-to-debt ratio	196.6%	202.6%
Interest cover ratio	147.3%	1,271.1%

Source: Company data.

Ratio formulas:

Total debt ratio = total liabilities / total assets

Long-term debt ratio = non-current liabilities / total assets

Short-term debt ratio = current liabilities / total assets

Equity-to-debt ratio = equity / current and non-current liabilities

Interest cover ratio = (profit before tax + interest expense) / interest expense

2.4. Financial liquidity

The Parent and leading Group companies are fully solvent, with good credit standing. This means that the Group is able to pay its liabilities as they fall due and to hold and generate free operating cash flows to further support payment of such liabilities in a timely manner.

The liquidity management policy operated by the Grupa Azoty Group consists in maintaining surplus cash and available credit facilities as well as limits under the intragroup financing agreement (one purpose of which is ensuring effective distribution of funds) and ensuring that their level is safe and adequate to the scale of the Group's business.

2.5. Borrowings

In Q3 2016 and as at the date of this report for Q3 2016, none of the Group companies defaulted on credit facilities or other borrowings or breached any material covenants under credit facility or other loan agreements.

In Q3 2016, the Group paid all of its borrowing-related liabilities when due, and there is no threat to its ability to continue servicing its debt.

Grupa Azoty has access to umbrella overdraft limits under virtual cash pooling and under a multi-purpose credit facility, which may be used by the Parent at times of increased demand for funding by the Group companies. In addition, the Group also has access to bilateral overdraft limits and multi-purpose credit facilities that are available to the Group companies.

The aggregate value of available overdraft limits and multi-purpose credit lines available to the Group at September 30th 2016 was PLN 462m.

Furthermore, the Group has access to a syndicated revolving credit facility of PLN 1,500m. As at September 30th 2016, PLN 717m had been drawn down, and the remaining amount of PLN 783m was available to the Group to finance its general needs, including investment projects envisaged in its strategy.

Grupa Azoty is also party to long-term financing agreements: a PLN 550m credit facility from the European Investment Bank (EIB) (as at September 30th 2016, the euro equivalent of PLN 323m was drawn under the facility) and a PLN 150m credit facility from the European Bank for Reconstruction and Development (EBRD) (as at March 31st 2016, PLN 10m was drawn under the facility), for the financing of certain investment projects defined in the Group's strategy. The amount available under both facilities stood at PLN 367m.

The Group also had access to investment loans totalling PLN 4.5m.

As at September 30th 2016, the aggregate amount of limits available to the Group under the financing agreements was PLN 1,616m.

The Group's financial standing is sound, and there are no material threats or risks of its deterioration in the future. The Group complies with the uniform covenants of its facility agreements which provide it with an ability to significantly increase financial debt when and as needed.

2.6. Type and amounts of one-off items affecting the assets, equity and liabilities, capital, net profit/loss or cash flows

The write-off of assets by African Investment Group S.A. - for more information, see Section 2.1.

Save for the above, there were no other one-off items which would materially impact the Group's assets, equity and liabilities, capital, net profit/loss or cash flows.

2.7. Other information

Co-financing of projects

- On September 22nd 2016, the Parent received PLN 569 thousand as the third tranche of co-financing under the agreement concluded on June 30th 2014 with the Minister of Environment, on behalf of whom the National Fund for Environmental Protection and Water Management of Warsaw was acting, for the project 'Flue Gas Treatment Unit at Zakłady Azotowe w Tarnowie-Mościcach S.A.'. The project was co-financed under the Norwegian Financial Mechanism 2009-2014.
- On September 2nd 2016, the Parent and the Ministry of Development signed an agreement on a PLN 20m grant for the construction of the Research and Development Centre in Tarnów. The project's total value is almost PLN 88m. The grant amount received as part of the 'Support for

Investment in R&D Infrastructure' measure of the Operational Programme Smart Growth covers almost 30% of the project's eligible costs.

The project's principal goal is to expand the R&D infrastructure to strengthen the scale of companies' own research activities, create conditions for verifying the results of their work and for semi-industrial scale research, and also to increase the Grupa Azoty's potential in terms of R&D staff.

It is planned that extensive R&D infrastructure will facilitate research on advanced materials, modern fertilizer products, new technologies and environmental care products.

The project envisages the construction of a new laboratory and office building including a semi-industrial process space, and the purchase of necessary R&D equipment and software.

In accordance with its Strategy, Grupa Azoty will allocate up to 1% of its revenue to R&D projects. Increased activity in the area of R&D and innovation will be supported by the Chemical Technology and Development Centre in Tarnów.

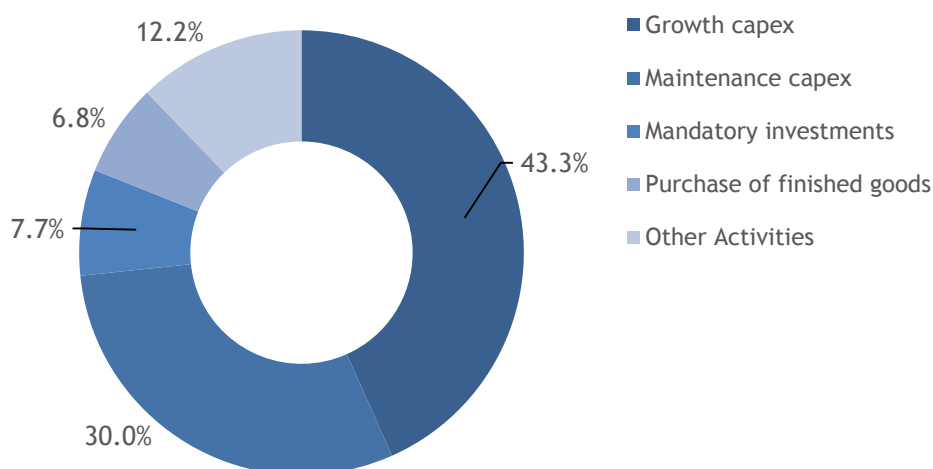
2.8. Key investment projects

Grupa Azoty's total capital expenditure in Q3 2016 was PLN 323,345 thousand (including amounts spent on components, major overhaul work and improvements).

Structure of capital expenditure:

• Growth capex	PLN 140,073 thousand,
• Maintenance capex	PLN 97,066 thousand,
• Mandatory investments	PLN 24,894 thousand,
• Purchase of finished goods	PLN 21,829 thousand,
• Other (components, major overhaul work, other)	PLN 39,483 thousand.

Structure of the Grupa Azoty Group's capital expenditure in Q3 2016



Source: Company data.

The Grupa Azoty Group's capital expenditure in Q3 2016 is presented below:

• Parent	PLN 91,658 thousand,
• Grupa Azoty KĘDZIERZYN Group	PLN 41,153 thousand,
• Grupa Azoty POLICE Group	PLN 73,987 thousand,
• Grupa Azoty PUŁAWY Group	PLN 111,903 thousand,
• Grupa Azoty SIARKOPOL	PLN 412 thousand,
• Grupa Azoty PKCh Sp. z o.o.	PLN 1,751 thousand,
• Grupa Azoty Koltar Sp. z o.o.	PLN 2,412 thousand,
• Grupa Azoty ATT Polymers GmbH	PLN 69 thousand.

Key investment projects implemented by the Grupa Azoty Group - Parent

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q3 2016	Project purpose	Scheduled completion date
Polyamide plant II 80 thousand t/y	320,000	163,770	32,925	To utilise the Group's caprolactam output in a more efficient manner	2017
Granulation plant II	141,000	94,656	18,931	To optimise Grupa Azoty S.A.'s mix of fertilizer products and improve value added in ammonium sulfate	2016
20 MW pass-out and condensing turbine generator set at the CHP Plant	63,000	48,539	2,985	To increase the loads of the Lang pass-out back-pressure turbines (efficiency improvement), to increase the generation of electricity in condensing mode, and to reduce the average cost of electricity	2016
Flue gas desulfurization unit	45,400	29,060	5,111	To reduce sulfur dioxide and dust emissions from CHP Plant's Boiler No. 5 and adapt the boiler to the emission standards laid down in the IED Directive	2016
Flue gas denitrification unit	44,600	37,716	5,060	To reduce NOx emissions from CHP Plant's Boiler No. 5 and adapt the boiler to the emission standards laid down in the IED Directive	2016
Increase of ammonia production capacities	44,500	18,852	4,367	To increase the Group's output of ammonia by ca. 100 t/d and reduce the cost of mixed ammonia production	Completed
New iron-chromium catalyst plant	27,700	23,391	5,213	To scale up business growth in the catalyst segment, further improve the catalyst quality, create expansion opportunities, and increase the customer base	2016
Construction of a new technical-grade nitric acid storage unit – Phase 1	15,000	6,100	2,284	To replace the existing worn out technical-grade nitric acid storage unit with a new one	2017

Key investment projects implemented by the Grupa Azoty Group - Grupa Azoty KĘDZIERZYN

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q3 2016	Project purpose	Scheduled completion date
New CHP plant at GA ZAK S.A. - phase 1	375,059	280,281	4,839	To restore Grupa Azoty KĘDZIERZYN's CHP plant's electricity and heat generation capacity based on solutions that comply with the growing environmental requirements	2017
Special Esters I	43,435	2,110	644	To extend the range of manufactured plasticizers To construct a new unit to produce several different esters for special applications, particularly for use as PVC softening agents	2018
Upgrade of the urea unit	30,000	18,679	7,862	To reduce the unit's environmental impact, obtain additional production capacity and increase process efficiency	2017
Upgrade of the Biological Wastewater Treatment Plant at the Wastewater Treatment and Sewage System Division	16,150	4,228	3,764	To improve the quality of treated wastewater - to meet the terms and conditions of the Water Law Decision which defined the permitted pollutant limits for the wastewater discharged to the Odra river; to improve work safety and comply with BAT requirements	2018

Key investment projects implemented by the Grupa Azoty Group - Grupa Azoty POLICE

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q3 2016	Project purpose	Scheduled completion date
PDH propylene production unit (400 thousand tonnes/year) and related infrastructure	1,675,000	50,445	8,247	To construct a propane dehydrogenation (PDH) unit with a planned annual output of at least 400,000 tonnes of propylene; in addition to the PDH unit, a power generating unit will be constructed and a chemicals terminal will be built at the Police port facilities	2019
Exhaust gas treatment unit and upgrade of the EC II CHP plant	226,000	165,465	11,520	To bring the operation of the CHP plant's units in line with the requirements of Directive 2010/75/EU	2017
Upgrade of the ammonia unit	155,600	126,414	17,881	To reduce energy consumption of the ammonia production process and to improve the operational reliability of individual process nodes	2017
Change of the DA-HF phosphoric acid production method	67,000	7,841	2,081	To raise the efficiency of phosphoric acid production and improve the acid's quality by reducing impurities and waste generation	2017
Development of the logistics system - stage 2	29,738	22,824	4,490	To increase the number of loading bays for loading fertilizers on pallets and in big bags onto trucks, as well as to expand the available stacking space for fertilizers in both types of packaging	2017

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q3 2016	Project purpose	Scheduled completion date
Upgrade of the floodbank around the phosphogypsum landfill site	9,500	7,065	2,803	To increase the floodbank's leak-tightness and to better secure the phosphogypsum landfill site from external waters	2016

Key investment projects implemented by the Grupa Azoty Group - Grupa Azoty PUŁAWY

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q3 2016	Project purpose	Scheduled completion date
Construction of the Puławy Power Plant	1,125,000	7,420	555	High-efficiency cogeneration of electricity and heat to be used for technological/heating purposes	2019
Upgrade of the existing and construction of new nitric acid units, neutralisation and production of new fertilizers based on nitric acid	695,000	544	126	To raise the efficiency of nitric acid production and to improve the economics of production of nitric acid-based fertilizers	2021
Facility for production of granulated fertilizers based on ammonium nitrate	385,000	41,646	19,466	To improve the quality of fertilizers by applying modern mechanical granulation	2020
Replacement of the TG-2 turbine generator set	99,000	3,259	2	To increase the efficiency of electricity and heat cogeneration by replacing the TG-2 30 MWe pass-out and condensing turbine with a new turbine with a rated input of 37 MWe	2017
Replacement of the E-E3 ammonium carbamate condenser in the synthesis section of the Urea 2 unit	14,400	12,159	12,104	To ensure uninterrupted operation of the urea unit	2016
Construction of a fertilizer compaction machine (GZNF Fosfory Sp. z o.o.)	12,000	9,772	4,179	To broaden the company's offering and reduce fertilizer production costs	2016

Key investment projects implemented by the Grupa Azoty Group - Grupa Azoty SIARKOPOL

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q3 2016	Project purpose	Scheduled completion date
Upgrade of the insoluble sulfur unit SN II in accordance with working engineering documentation	19,000	920	24	To achieve the unit's design production capacity of 5,000 tonnes pa	2017

2.9. Factors which will affect the Group's performance at least over the next reporting period

Market environment and prospects for its development

In a recent analysis by the OECD, global GDP is expected to grow 2.9% this year, and 3.2% next year. Compared with a previous study, the forecast has been downgraded by 0.1%.

The weak global economic environment has been a material factor restricting economic growth globally, including in the eurozone, and bearing down on the profit levels reported by the Grupa Azoty Group.

In the wake of the Brexit vote, the euro, US dollar and Swiss franc strengthened against the pound. In common with the pound, the złoty has also lost value. Stock markets reacted with receding prices. Similarly, there were declines in the prices of grains futures.

Factors which will affect the Grupa Azoty Group's performance over at least the next reporting period include:

- situation on the markets of natural gas, coal, electricity and petroleum products (mainly propylene, benzene and phenol) and the continuing low price environment,
- situation in agriculture and the fertilizers industry, including prices of agricultural produce staying low in the long term,
- conditions prevailing in the main sectors which purchase the Group's products and on the markets where those sectors sell their products,

Legal regulations

The EU laws and trade policies which will affect the Grupa Azoty Group's performance over at least the next reporting period include:

- draft of a new fertilizers regulation prepared by the European Commission to protect the EU/Polish market with import duties (for melamine, DOTP, etc.),
- TTIP, CETA, DCFTA, etc.

On May 11th 2016, the European Commission published a notice in the Official Journal of the European Union of initiation of a review of the anti-dumping measures applicable to imports of melamine originating in the People's Republic of China in connection with their impending expiry. A written request for the review was submitted on February 10th 2016 by Borealis Agrolinz Melamine GmbH, OCI Nitrogen BV and Grupa Azoty PULAWY ('petitioners') on behalf of manufacturers accounting for more than 25% of the total melamine production in the EU. Currently, imports of melamine originating in the People's Republic of China are subject to a definitive anti-dumping duty imposed by Council Implementing Regulation (EU) No 457/2011.

The United States International Trade Commission commenced a preliminary phase of the anti-dumping duty investigation concerning DOTP imports from South Korea, following a complaint filed on June 30th 2016 by Eastman Chemical Company.

Exchange rates

Decisions by the leading rating agencies to keep Poland's sovereign credit rating unchanged, the country's stable GDP growth rate, and falling unemployment, coupled with the world's leading economies remaining on a positive growth path, point to further potential strengthening of the Polish currency against the euro.

In contrast, external risks related to the difficult position of Italian banks, uncertainty over the Brexit decision and negotiations, upcoming presidential election in the US, and anticipated interest rate rises by the Fed, will likely lead to increased volatility on global markets and a downward correction of the złoty against the dollar towards the end of the year.

It can be expected that in Q4 2016 the PLN/EUR exchange rate will remain within the medium-term stability range (PLN 4.25–4.35), with limited appreciation possible if the Polish economy continues to perform well and there is no escalation of the external risks identified above.

The złoty may lose value against the US dollar in the short term, but it has strong potential to rebound in the medium term, particularly if it mirrors trend changes in the EUR/USD exchange rate. Taking into consideration the Group's currency risk exposure, the current and anticipated PLN/USD and PLN/EUR exchange rate fluctuations are unlikely to pose a risk to the Group achieving its performance targets in Q4 2016, given that the potential strengthening of the Polish złoty against the euro may be balanced out by a weaker US dollar, and the above risks reduce the Polish currency's appreciation potential underpinned by strong fundamentals.

Interest rates in Poland

In Q4 2016, interest rates in Poland were kept unchanged, in line with earlier announcements of the Monetary Policy Council, which indicated that the persisting deflationary phenomena were due to a number of external factors. In view of the continuing satisfactory GDP growth in Poland, the current level of interest rates is favourable to keeping the Polish economy on the path of sustainable growth, whereas any lowering of the rates could result in weakening of the Polish currency.

In view of the above, interest rates are expected to remain unchanged at least until the end of the first half of 2017. The main reference rate applicable to credit facilities contracted by the Grupa Azoty Group (1M WIBOR) should therefore remain flat at about 1.60%. This will help stabilise the Group's borrowing costs at a relatively low level translating into a solid debt service capacity, also if the Group decides to increase debt to finance its investing activities, as planned.

Despite upward revisions to growth forecasts, the eurozone countries continue to experience deflation. As economic growth in the eurozone may prove unsustainable due to Brexit, the European Central Bank is likely to uphold its quantitative easing and negative rates policies, keeping the rates at current levels in the coming year.

On the other hand, the Fed is almost certain to raise interest rates for USD-denominated debt in late 2016 given the sustained, stable growth of the US economy and an uptick in oil prices potentially leading to inflation.

To conclude, any adverse changes to the current low interest rates on debt in currencies used by the Grupa Azoty Group to finance its activities (PLN and EUR) are unlikely by the end of the year. Thus the risk of the Group's financial position or performance deteriorating on increased costs of debt servicing is considered low.

In terms of market rates, a relatively narrow spread between credit and deposit rates available to the Group is expected to continue, although they may increase slightly following the introduction of the tax on bank assets in Poland.

Interest income earned by the Group on free cash under cash pooling and term deposits will partially offset the cost of funding.

3. Other information

3.1. Other material events

Execution of a letter of intent with the subsidiary Grupa Azoty POLICE

On October 4th 2016, the Parent and its subsidiary Grupa Azoty POLICE signed a letter of intent on the Company's equity participation in the PDH project.

The investment project providing for the construction of a propane dehydrogenation unit for the purposes of propylene production, with an annual capacity of over 400 thousand tonnes, is being implemented by PDH Polska S.A. ("PDH Project"), Grupa Azoty POLICE's subsidiary.

Currently, following a review, the total value of the PDH Project covered by a project finance plan (including capital expenditure, capital expenditure reserve, finance cost in the construction phase, debt service reserve account and PDH Polska's operating expenses in the construction phase) exceeds USD 700m (over PLN 2,693m, as translated at the mid exchange rate quoted by the National Bank of Poland for October 4th 2016), with the following model financing structure:

- 30% – subordinated financing (equity and subordinated loan),
- 70% – senior debt.

The final amount of the PDH Project's capital expenditure will be known after work is completed on the FEED documentation and the contractor for the delivery of a unit for propylene production using the PDH method is selected.

The Letter of Intent will be valid until December 31st 2019 or until the parties resolve to terminate their cooperation. The Letter of Intent also provides for its optional extension upon the parties' agreement.

As announced in Current Report No. 5/2015 of Grupa Azoty POLICE, dated March 27th 2015, the project CAPEX was then estimated at PLN 1,675m.

Exploration licence extension

On August 4th 2016, Grupa Azoty POLICE was notified of the following decisions taken by the Ministry of Industry and Mining of Senegal:

- A decision to extend the licence for exploration for phosphates and related substances in the KEBEMER area (Louga region, Senegal), granted to Grupa Azoty POLICE's subsidiary African Investment Group S.A., for another three years starting from July 9th 2016. Formerly, the exploration licence was granted for the period from July 10th 2013 to July 9th 2016. The extended licence covers an area of approximately 472 km². During the new licence term (three years), African Investment Group S.A. is required to make exploration spending of USD 3m. Concurrently, African Investment Group S.A. is taking steps to acquire a production licence in the KEBEMER area.
- A decision to refuse to extend the licence for exploration for heavy minerals and related substances in the KAYAR OFFSHORE field (Dakar region, Senegal), held by African Investment Group S.A. The expired exploration licence covered ilmenite as the main mineral, as well as rutile and zirconium. An estimate of mineral resources by African Investment Group S.A. showed that incurring high costs of exploration is too risky. Thus the company did not meet the minimum expenditure requirement defined in the exploration licence, which resulted in the negative decision of the Senegal's Ministry of Industry and Mining.

3.2. Significant agreements

The agreements are presented in chronological order.

Significant agreements

In Q3 2016, the Grupa Azoty Group did not execute any agreements with a value exceeding 10% of the Group's revenue for the previous four financial quarters, which is the criterion for considering an agreement as significant.

Material agreements

Agreements and annexes to agreements of financial nature

Annex to overdraft facility agreement with PKO BP

On September 20th 2016, the Parent (acting on its own behalf and as a representative of the other Group companies) signed an annex to an overdraft facility taken out by the Group, raising the facility amount from PLN 302m to PLN 310m and extending the term of the agreement from September 30th 2016 to September 30th 2019.

Annex to multi-purpose credit facility agreement with PKO BP

On September 20th 2016, the Parent, Grupa Azoty PUŁAWY, Grupa Azoty POLICE, Grupa Azoty KĘDZIERZYN and Grupa Azoty ATT Polymers GmbH, signed an annex to a multi-purpose credit facility agreement with PKO BP, raising the facility amount from PLN 237m to PLN 240m and extending the term of the agreement from September 30th 2016 to September 30th 2019.

Physical cash pooling agreement with PKO BP

On September 20th 2016, the Parent (acting on its own behalf and as a representative of the other Group companies) entered into a physical cash pooling agreement, which superseded a notional cash pooling agreement with PKO BP terminated with effect from September 30th 2016.

Insurance agreements

Environmental insurance

On July 27th 2016, an insurance policy under the consolidated environmental insurance agreement concluded with AIG Europe Limited Sp. z o.o. Oddział w Polsce (Polish Branch) was renewed to cover the period from August 1st 2016 to July 31st 2017. The total sum insured is PLN 20m for the Grupa Azoty Group's four key companies.

D&O insurance

On September 17th 2016, the consolidated Directors and Officers (D&O) Liability Insurance Agreement concluded with PZU S.A. was renewed by the Parent. The insurance covers the Group companies from September 17th 2016 to September 16th 2017. The total sum insured in PLN 200m.

3.3. Sureties for borrowings, guarantees granted

In Q3 2016, the Grupa Azoty Group did not issue any guarantees with a value exceeding 10% of the Parent's equity.

In Q3 2016, the Group did not sign any annexes to amend its guarantees with the value exceeding 10% of the Parent's equity.

Credit facility sureties provided

Surety for overdraft facility with PKO BP

Following execution of annex 13 to an overdraft facility on September 20th 2016, on the same date the Grupa Azoty Group's key subsidiaries, including Grupa Azoty PUŁAWY, Grupa Azoty POLICE and Grupa Azoty KĘDZIERZYN, entered into an agreement to grant sureties in favour of PKO BP S.A. securing the repayment of debt under the PLN 310m overdraft facility, which superseded the previous surety agreement of April 23rd 2015.

Each surety provider granted a surety covering Grupa Azoty S.A.'s liabilities under the overdraft facility agreement, with the proviso that the aggregate amount of those sureties would not exceed 120% of the facility amount, that is PLN 372m in aggregate, at any time during the facility availability period, irrespective of whether new entities become parties to the surety agreement. The share of each surety provider in the aggregate surety amount specified above is one-third (1/3), therefore the amount of surety granted by each surety provider was set at up to PLN 124m.

Surety for multi-purpose credit facility agreement with PKO BP

Following execution of annex 2 to a multi-purpose credit facility on September 20th 2016, on the same date the Grupa Azoty Group's key subsidiaries, including Grupa Azoty PUŁAWY, Grupa Azoty POLICE and Grupa Azoty KĘDZIERZYN, entered into an agreement to grant sureties in favour of PKO BP S.A. securing the repayment of debt under the PLN 240m multi-purpose credit facility, which superseded the previous surety agreement of April 23rd 2015.

Each surety provider granted a surety covering the Parent's liabilities under the MPCF agreement, with the proviso that the aggregate amount of those sureties would not exceed 120% of the facility amount, that is PLN 288m in aggregate, at any time during the facility availability period, irrespective of whether new entities become parties to the surety agreement. The share of each surety provider in the aggregate surety amount specified above is one-third (1/3), therefore the amount of surety granted by each surety provider was set at up to PLN 96m.

Letters of credit issued

Settlement of letter of credit issued at the request of Grupa Azoty PUŁAWY

On August 23rd 2016, Grupa Azoty PUŁAWY settled a EUR 1,496 thousand import letter of credit, opened in February 2016 with PKO BP S.A. under a contract for the purchase of equipment for the mechanical granulation unit.

Intragroup loans

On September 23rd 2016, Grupa Azoty POLICE entered into a loan agreement with its subsidiary African Investment Group S.A.

Under the agreement, Grupa Azoty POLICE advanced a EUR 4,800 thousand loan, to be used to settle African Investment Group S.A.'s liabilities towards suppliers and to finance further R&D work. The loan was advanced for a period from September 23rd 2016 to the final repayment date, falling not later than 24 months after the date of the loan agreement.

The loan bears an arm's length interest rate based on the floating EURIBOR rate plus margin. The loan is secured by the borrower's declaration on voluntary submission to enforcement under Art. 777.5 of the Polish Code of Civil Procedure. The agreement contains no contractual penalty clauses. The other terms and conditions of the agreement do not differ from standard terms used in agreements of this type.

3.4. Shareholding structure

Below are listed shareholders holding directly, or indirectly through subsidiaries, at least 5% of total voting rights at the General Meeting as at the date of this report, along with information on the number of shares held by such entities, their respective ownership interests, the number of voting rights held, and their share in total voting rights at the General Meeting.

Shareholding structure as at August 24th 2016 (issue date of the most recent report)

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of voting rights
State Treasury of Poland	32,734,509	33.00	32,734,509	33.00
ING OFE	9,883,323	9.96	9,883,323	9.96
Norica Holding S.à r.l. (indirectly: 19,321,700 shares, i.e. 19.47%)	71,348	0.072	71,348	0.072
Rainbee Holdings Limited ^{*)}	9,820,352	9.90	9,820,352	9.90
Opansa Enterprises Limited ^{*)}	9,430,000	9.50	9,430,000	9.50
TFI PZU S.A.	8,530,189	8.60	8,530,189	8.60
EBRD	5,700,000	5.75	5,700,000	5.75
Other	23,025,763	23.22	23,025,763	23.22
Total	99,195,484	100.00	99,195,484	100.00

^{*)} Direct subsidiaries of Norica Holding S.à r.l.

including:

- Series AA and Series B shares 39,116,421,
- Series C shares 24,999,023,
- Series D shares 35,080,040.

In the period from August 24th 2016 to the date of this report, the Parent was not notified of any changes in large holdings of its shares.

3.5. Parent shares held by its management and supervisory personnel

As at the end of the reporting period (September 30th 2016) and as at the date of this report, none of the members of the Parent's Management and Supervisory Boards held any shares in the Parent. Since the date of issue of the previous report, there have been no changes in holdings of Parent shares by the management and supervisory personnel.

3.6. Composition of the Management Board and the Supervisory Board

Parent's Management Board

In Q3 2016, there were no changes in the composition of the Management Board.

As at the date of this report, the Company's Management Board consisted of:

- Mariusz Bober - President of the Management Board,
- Tomasz Hinc - Vice President of the Management Board,
- Paweł Łapiński - Vice President of the Management Board,
- Józef Rojek - Vice President of the Management Board,
- Witold Szczypiński - Vice President of the Management Board,
- Artur Kopeć - Member of the Management Board.

Powers and responsibilities of the Parent's Management Board and Supervisory Board members:

At its meeting held on May 24th 2016, the Company's Management Board passed Resolution No. 358/X/2016 on the division of powers and responsibilities between the members of the Management Board. The Resolution sets out the current powers and responsibilities of the Management Board members in individual business areas within the Company and the Group.

As at the date of this report, the division of powers and responsibilities of members of the Parent's Management Board was as follows:

- Mariusz Bober - President of the Management Board, responsible for overall supervision and management of the Group, as well as for the strategy and corporate governance, including exercise of majority shareholder power, human resources management, communication and corporate image (which also covers public relations and CSR),
- Witold Szczypiński - Vice President of the Management Board, Director General, responsible for integration of production processes, the Agro Segment, and the Plastics Segment,

- Tomasz Hinc - Vice President of the Management Board, responsible for procurement and logistics,
- Paweł Łapiński - Vice President of the Management Board, responsible for finance, controlling, IT and investor relations,
- Józef Rojek - Vice President of the Management Board, responsible for investment projects and for R&D programmes,
- Artur Kopeć - Member of the Management Board, responsible for production assets, plant safety, environmental protection, infrastructure and social dialogue.

The Company's Management Board operates on the basis of:

- the Commercial Companies Code of September 15th 2000 (Dz.U. No. 94, item 1037, as amended),
- the Act on Commercialisation and Privatisation of August 30th 1996, as amended,
- the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005,
- the Act on Trading in Financial Instruments of July 29th 2005,
- and secondary legislation issued on the basis of the above acts,
- the Company's Articles of Association.
- Rules of Procedure for the Company's Management Board,
- Resolution on the division of powers and responsibilities of May 24th 2016 (Resolution No. 358/X/2016).

Supervisory Board

Composition of the Parent's Supervisory Board as at July 1st 2016 was as follows:

- Przemysław Lis - Chairman,
- Tomasz Karusewicz - Deputy Chairman,
- Zbigniew Paprocki - Secretary,
- Maciej Baranowski - Member,
- Marek Grzelaczyk - Member,
- Robert Kapka - Member,
- Tomasz Klikowicz - Member,
- Artur Kucharski - Member,
- Bartłomiej Litwińczuk - Member.

2015 was the last full year when members of the Supervisory Board of the ninth term were in office. On July 5th 2016, the Annual General Meeting of the Company resolved to grant discharge in respect of performance of duties to all members of the Supervisory Board who held office in 2015, and appointed the following persons to the Supervisory Board of the tenth term:

- Przemysław Lis - Chairman,
- Maciej Baranowski,
- Robert Kapka,
- Tomasz Karusewicz,
- Artur Kucharski,
- Bartłomiej Litwińczuk,
- Zbigniew Paprocki,
- Roman Romaniszyn.

Acting pursuant to Art. 16.2 of the Articles of Association of Grupa Azoty S.A., Minister of the State Treasury, by letter of June 30th 2016, appointed Mr Marek Grzelaczyk to the Company's Supervisory Board, effective from July 5th 2016.

At its first meeting on July 18th 2016, the Supervisory Board of the tenth term elected Tomasz Karusewicz as its Chairman and Zbigniew Paprocki as its Secretary.

As at the date of this report, the Company's Supervisory Board in its tenth term consisted of:

- Przemysław Lis - Chairman,
- Tomasz Karusewicz - Deputy Chairman,
- Zbigniew Paprocki - Secretary,
- Maciej Baranowski - Member,
- Marek Grzelaczyk - Member,
- Robert Kapka - Member,

- Artur Kucharski - Member,
- Bartłomiej Litwińczuk - Member,
- Roman Romaniszyn - Member.

The Supervisory Board operates on the basis of:

- the Commercial Companies Code of September 15th 2000 (Dz.U. No. 94, item 1037, as amended),
- the Act on Commercialisation and Privatisation,
- the Accountancy Act,
- the Parent's Articles of Association (in particular Art. 33 of the Company's Articles of Association),
- the Rules of Procedure for the Parent's Supervisory Board.

Changes in the composition of the Supervisory Board's Audit Committee

From March 14th 2016 to July 5th 2016, the Supervisory Board's Audit Committee consisted of:

- Artur Kucharski - Chairman,
- Maciej Baranowski,
- Marek Grzelaczyk,
- Tomasz Klikowicz.

The Supervisory Board of the tenth term, appointed on July 5th 2016, at its first meeting on July 18th 2016 established an Audit Committee consisting of:

- Artur Kucharski - Chairman,
- Maciej Baranowski,
- Marek Grzelaczyk,
- Robert Kapka.

4. Additional information

Management Board's position on the achievement of forecasts

As no forecasts for 2016 have been published, the position of the Parent's Management Board concerning achievement of such forecasts is not presented.

Litigation

There are no proceedings pending at the Grupa Azoty Group companies concerning liabilities or debt claims whose value would represent 10% of Grupa Azoty's equity, i.e. would satisfy the materiality criteria specified in the Regulation of the Minister of Finance of February 19th 2009 on current and periodic information (consolidated text: Dz. U. of 2014, item 133, as amended).

The total value of all proceedings involving the Group companies does not exceed 10% of Grupy Azoty S.A.'s equity.

Parent's branches

The Company does not operate non-local branches or facilities.

Shares, share issues

In Q3 2016, the Parent did not issue, redeem or repay any debt or equity securities. The Company had spent the proceeds from Public Offerings by the end of 2013. The proceeds were used in line with the original issue objectives.

There are no agreements known to the Company which may cause future changes in the percentages of shares held by the existing shareholders and bondholders.

The Company does not operate any control system for employee share ownership plan.

The interim consolidated report of the Grupa Azoty Group for Q3 2016 contains 80 pages.

Signatures of Members of the Management Board

.....
Mariusz Bober
*President of the
Management Board*

.....
Witold Szczypiński
*Vice President of the
Management Board
Director General*

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

.....
Paweł Łapiński
*Vice President of the
Management Board*

.....
Józef Rojek
*Vice President of the
Management Board*

.....
Artur Kopeć
*Member of the
Management Board*

Tarnów, November 4th 2016