Interim consolidated report for Q3 2017

Grupa Azoty Group

Contents

Interim condensed consolidated financial statements for the three and nine months ended September 30th 2017 prepared in accordance with IAS 34: *Interim Financial Reporting* as endorsed by the European Union

Grupa Azoty Group

(all amounts in PLN '000 unless indicated otherwise)

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

	for the period Jul 1– Sep 30 2017	for the period Jul 1 – Sep 30 2016	for the period Jan 1– Sep 30 2017	for the period Jan 1– Sep 30 2016
Profit/loss	*unaudited*	*unaudited*	*unaudited*	*unaudited*
Revenue	2,196,069	1,999,643	7,065,760	6,633,725
Cost of sales	(1,738,868)	(1,666,143)	(5,443,469)	(5,125,603)
Gross profit	**457,201**	**333,500**	**1,622,291**	**1,508,122**
Selling and distribution expenses	(157,176)	(143,849)	(495,181)	(488,821)
Administrative expenses	(185,546)	(165,470)	(529,634)	(531,314)
Other income	8,472	9,648	35,220	25,828
Other expenses	(22,416)	(20,330)	(90,099)	(63,189)
Operating profit	**100,535**	**13,499**	**542,597**	**450,626**
Finance income	1,786	54	29,056	27,370
Finance costs	(2,398)	670	(36,965)	(29,814)
Net finance (costs)/income	**(612)**	**724**	**(7,909)**	**(2,444)**
Share of profit of equity-accounted investees	4,402	2,918	13,007	10,881
Profit before tax	**104,325**	**17,141**	**547,695**	**459,063**
Income tax	(28,834)	(11,707)	(94,533)	(99,167)
Net profit	**75,491**	**5,434**	**453,162**	**359,896**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligation	7	-	(7,778)	(8,332)
Other income	(6)	-	-	-
Tax on items that will not be reclassified to profit or loss	(2)	-	1,477	1,582
	(1)	**-**	**(6,301)**	**(6,750)**

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

(all amounts in PLN '000 unless indicated otherwise)

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

	for the period Jul 1– Sep 30 2017	for the period Jul 1 – Sep 30 2016	for the period Jan 1– Sep 30 2017	for the period Jan 1– Sep 30 2016
	unaudited	*unaudited*	*unaudited*	*unaudited*
Items that are or may be reclassified to profit or loss				
Cash flow hedging – effective portion of change in fair-value measurement	(10,486)	7,215	10,239	(985)
Exchange differences on translating foreign operations	(5,575)	(2,198)	(3,885)	(356)
Tax on items that are or may be reclassified to profit or loss	1,980	-	(1,958)	-
	(14,081)	**5,017**	**4,396**	**(1,341)**
Total other comprehensive income	**(14,082)**	**5,017**	**(1,905)**	**(8,091)**
Total profit or loss and other comprehensive income	**61,409**	**10,451**	**451,257**	**351,805**
Net profit attributable to:				
Owners of the Parent	67,043	3,460	402,545	319,494
Non-controlling interests	8,448	1,974	50,617	40,402
Total profit or loss and other comprehensive income attributable to:				
Owners of the Parent	56,239	8,465	400,911	312,373
Non-controlling interests	5,170	1,986	50,346	39,432
Earnings per share:				
Basic (PLN)	0.68	0.03	4.06	3.22
Diluted (PLN)	0.68	0.03	4.06	3.22

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

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed consolidated statement of financial position

	as at Sep 30 2017	as at Dec 31 2016* restated
	unaudited	*audited*
Assets		
Non-current assets		
Property, plant and equipment	6,659,677	6,388,264
Perpetual usufruct of land	478,809	487,171
Intangible assets	453,935	476,611
Goodwill	35,602	35,602
Investment property	52,403	60,247
Shares	12,545	12,345
Equity-accounted investees	107,495	110,578
Other financial assets	4,955	837
Other receivables	3,431	6,259
Deferred tax assets	34,810	45,548
Other assets	403	199
Total non-current assets	**7,844,065**	**7,623,661**
Current assets		
Inventories	923,705	858,043
Property rights	160,813	214,675
Other financial assets	321,900	580,849
Derivatives	14,912	8,435
Current tax assets	9,965	3,750
Trade and other receivables	1,262,838	1,073,477
Cash and cash equivalents	655,600	641,895
Other assets	11,163	8,092
Assets held for sale	4,797	691
Total current assets	**3,365,693**	**3,389,907**
Total assets	**11,209,758**	**11,013,568**

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

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

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed consolidated statement of financial position (continued)

	as at Sep 30 2017	as at Dec 31 2016* restated
	unaudited	*audited*
Equity and liabilities		
Equity		
Share capital	495,977	495,977
Share premium	2,418,270	2,418,270
Hedging reserve	1,176	(7,105)
Exchange differences on translating foreign operations	103	3,874
Retained earnings, including:	3,895,551	3,577,358
net profit for period	*402,545*	*302,559*
Equity attributable to owners of the Parent	**6,811,077**	**6,488,374**
Non-controlling interests	**600,822**	**574,627**
Total equity	**7,411,899**	**7,063,001**
Liabilities		
Borrowings	1,485,440	1,372,047
Other financial liabilities	36,727	42,101
Employee benefit obligations	322,771	321,209
Provisions	105,559	97,692
Trade and other payables	1,359	1,082
Government grants received	75,854	68,431
Deferred tax liabilities	187,714	198,277
Total non-current liabilities	**2,215,424**	**2,100,839**
Borrowings	80,903	52,034
Derivatives	1,152	8,213
Other financial liabilities	41,776	74,485
Employee benefit obligations	38,019	39,917
Provisions	21,161	39,341
Current tax liabilities	6,961	30,553
Trade and other payables	1,354,701	1,595,353
Government grants received	37,762	9,832
Total current liabilities	**1,582,435**	**1,849,728**
Total liabilities	**3,797,859**	**3,950,567**
Total equity and liabilities	**11,209,758**	**11,013,568**

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

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

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed consolidated statement of changes in equity
for the period ended September 30th 2017

	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 1 January 2017	**495,977**	**2,418,270**	**(7,105)**	**2,401**	**3,624,334**	**6,533,877**	**595,388**	**7,129,265**
Correction of errors	-	-	-	1,473	(46,994)	(45,521)	(20,774)	(66,295)
Balance as at January 1st 2017, adjusted	**495,977**	**2,418,270**	**(7,105)**	**3,874**	**3,577,340**	**6,488,356**	**574,614**	**7,062,970**
Profit / loss and other comprehensive income								
Net profit	-	-	-	-	402,545	402,545	50,617	453,162
Other comprehensive income	-	-	8,281	(3,771)	(6,144)	(1,634)	(271)	(1,905)
Total profit or loss and other comprehensive income	**-**	**-**	**8,281**	**(3,771)**	**396,401**	**400,911**	**50,346**	**451,257**
Transactions with owners recognised directly in equity								
Dividends	-	-	-	-	(78,364)	(78,364)	(21,949)	(100,313)
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**(78,364)**	**(78,364)**	**(21,949)**	**(100,313)**
Acquisition of non-controlling interests without change of control	-	-	-	-	277	277	(2,189)	(1,912)
Total transactions with owners	**-**	**-**	**-**	**-**	**(78,087)**	**(78,087)**	**(24,138)**	**(102,225)**
Other	-	-	-	-	(103)	(103)	-	(103)
Balance as at September 30th 2017 (unaudited)	**495,977**	**2,418,270**	**1,176**	**103**	**3,895,551**	**6,811,077**	**600,822**	**7,411,899**

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

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed consolidated statement of changes in equity (continued)
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 1 January 2016	**495,977**	**2,418,270**	**65**	**(39)**	**3,371,422**	**6,285,695**	**625,753**	**6,911,448**
Correction of errors	-	-	-	-	(6,197)	(6,197)	(1,974)	(8,171)
Balance as at January 1st 2016, adjusted	**495,977**	**2,418,270**	**65**	**(39)**	**3,365,225**	**6,279,498**	**623,779**	**6,903,277**
Profit / loss and other comprehensive income								
Net profit	-	-	-	-	319,494	319,494	40,402	359,896
Other comprehensive income	-	-	(985)	870	(7,006)	(7,121)	(970)	(8,091)
Total profit or loss and other comprehensive income	**-**	**-**	**(985)**	**870**	**312,488**	**312,373**	**39,432**	**351,805**
Transactions with owners recognised directly in equity								
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)**	**831**	**3,594,610**	**6,508,768**	**615,470**	**7,124,238**

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(all amounts in PLN '000 unless indicated otherwise)

Interim condensed consolidated statement of cash flows

	for the period Jan 1– Sep 30 2017	for the period Jan 1– Sep 30 2016
	unaudited	*unaudited*
Cash flows from operating activities		
Profit before tax	**547,695**	**459,063**
Adjustments for:	*454,000*	*403,094*
Depreciation and amortisation	426,891	387,060
Impairment losses	19,885	4,782
Loss on investing activities	9,767	7,285
(Profit)/loss from disposal of financial assets	(4)	11
Share of profit of equity-accounted investees	(13,007)	(10,881)
Interest, foreign exchange gains or losses	22,614	13,044
Dividends	(677)	(1,528)
Change in fair value of financial assets at fair value through profit or loss	(11,469)	3,321
Operating profit before changes in working capital	***1,001,695***	***862,157***
Change in trade and other receivables	(213,979)	26,322
Change in inventories and property rights	(12,662)	168,117
Change in trade and other payables	(222,721)	(263,357)
Change in provisions, prepayments and grants	11,432	(9,532)
Other adjustments	(5,321)	(250)
Cash generated from operating activities	***558,444***	***783,457***
Income taxes paid	(42,868)	(30,210)
Net cash from operating activities	**515,576**	**753,247**

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

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed consolidated statement of cash flows (continued)

	for the period Jan 1– Sep 30 2017	for the period Jan 1– Sep 30 2016
	unaudited	*unaudited*
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	5,187	3,435
Acquisition of property, plant and equipment, intangible assets and investment property	(761,573)	(897,299)
Dividend received	13,990	12,441
Acquisition of financial assets	(545,455)	(1,195,441)
Proceeds from sale of financial assets	808,900	1,100,600
Cash acquired, net of consideration transferred in acquisition of subsidiaries		
Interest received	15,436	16,458
Government grants received	1,123	350
Non-bank borrowings	(2,088)	1,576
Other disbursements	(13,724)	(3,499)
Net from investing activities	**(478,204)**	**(961,379)**
Cash flows from financing activities		
Dividends paid	(100,423)	(95,455)
Proceeds from loans and borrowings	327,420	305,310
Acquisition of non-controlling interests	(1,447)	(34,060)
Payment of loans and borrowings	(174,371)	(13,907)
Interest paid	(37,049)	(33,022)
Payment of finance lease liabilities	(8,579)	(10,626)
Other proceeds/(disbursements)	(26,458)	7,957
Net cash from financing activities	**(20,907)**	**126,197**
Net increase/(decrease) in cash and cash equivalents	**16,465**	**(81,935)**
Cash and cash equivalents at beginning of period	**641,895**	**754,289**
Effect of exchange rate fluctuations on cash held	(2,760)	85
Cash and cash equivalents at end of period	**655,600**	**672,439**

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

Supplementary information to the interim condensed consolidated financial statements

1. Description of the Group

1.1. The Group's organisational structure

As at September 30th 2017, the Grupa Azoty Group (the „Group") comprised Grupa Azoty S.A. (the Parent) and the following nine subsidiaries:

- 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 Koltar Sp. z o.o. (Grupa Azoty KOLTAR Sp. z o.o.),
- Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. (Grupa Azoty SIARKOPOL),
- 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 two joint ventures and one associate,
- Grupa Azoty KĘDZIERZYN is the parent of one 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 Sp. z o.o. is the parent of three subsidiaries.

The Parent was entered in the Register of Businesses in the National Court Register (entry No. KRS 0000075450) on December 28th 2001, pursuant to a ruling of the District Court for Kraków-Śródmieście in Kraków, 12th Commercial Division of the National Court Register, dated December 28th 2001. The Parent's REGON number for public statistics purposes is 850002268.
Since April 22nd 2013, the Company has been trading under its new name Grupa Azoty Spółka Akcyjna (abbreviated to Grupa Azoty S.A.).

The Group's business includes in particular:

- Processing of nitrogen products,
- Manufacture and sale of fertilizers,
- Manufacture and sale of plastics,
- Manufacture and sale of OXO alcohols,
- Manufacture and sale of titanium white,
- Manufacture and sale of melamine,
- Production of sulfur and processing of sulfur-based products.

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

Structure of the Grupa Azoty Group as at September 30th 2017:

- **Grupa Azoty S.A.**
  - Grupa Azoty ATT Polymers GmbH (100%)
  - Grupa Azoty Compounding Sp. z o.o. (100%)
  - Grupa Azoty Folie Sp. z o.o. (100%)
  - Grupa Azoty KOLTAR Sp. z o.o. (100%)
  - Grupa Azoty Zakłady Azotowe Puławy S.A. (95.98%)
    - Agrochem Puławy Sp. z o.o. (100%)
    - Elektrownia Puławy Sp. z o.o. (100%)
    - GZNF Fosfory Sp. z o.o. (99.19%)
    - REMZAP Sp. z o.o. (94.61%)
    - PROZAP Sp. z o.o. (84.69%)
    - CTL KOLZAP Sp. z o.o. (49%)
    - Agrochem Sp. z o.o. (100%)
    - SCF Natural Sp. z o.o. (99.99%)
    - STO-ZAP Sp. z o.o. (96.15%)
    - Zakłady Azotowe Chorzów S.A. (94.32%)
    - Bałtycka Baza Masowa Sp. z o.o. (50%)
    - TECHNOCHIMSERWIS S.A. (closed joint-stock company), (25%)
  - Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. (93.48%)
    - ZAKSA S.A. (91.67%)[2)]
    - CTL CHEMKOL Sp. z o.o. (49%)
    - Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. (36.73%)[1)]
  - Grupa Azoty KiZCh Siarkopol S.A. (98.91%)
  - Grupa Azoty Zakłady Chemiczne Police S.A. (66%)
    - Grupa Azoty Police Serwis Sp. z o.o. (100%)
    - KONCEPT Sp. z o.o. (100%)
    - TRANSTECH Usługi Sprzętowe i Transportowe Sp. z o.o. (100%)
    - Supra Agrochemia Sp. z o.o. (100%)
    - Grupa Azoty AFRICA S.A.[4)] w likwidacji (in liquidation) (99.99%)
    - Zarząd Morskiego Portu Police Sp. z o.o. (99.98%)
    - PDH Polska S.A. (84.54%)[5)]
    - African Investment Group S.A. (54.90%)[6)]
      - AFRIG Trade S.à r.l. (100%)
    - INFRAPARK Police S.A. w likwidacji (in liquidation) (54.43%)
    - Budchem Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy) (48.96%)
    - KEMIPOL Sp. z o.o. (33.99%)
  - Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. (63.27%)[1)]
    - Grupa Azoty Jednostka Ratownictwa Chemicznego Sp. z o.o. (100%)
      - Konsorcjum EKO TECHNOLOGIES (60%)
      - EKOTAR Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy)(12%)[3)]
    - Grupa Azoty PROREM Sp. z o.o. (100%)
      - EKOTAR Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy) (12%)[3)]
    - Grupa Azoty Automatyka Sp. z o.o. (77.86%)

Legend:
- The Parent
- Direct subsidiaries
- Other entities

1) Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. – shares held by the Parent and Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.
2) ZAKSA S.A. – shares held by Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. (91.67%) and CTL Chemkol Sp. z o.o. (0.783 %).
3) EKOTAR Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy) − shares held by Grupa Azoty JRCh Sp. z o.o. and Grupa Azoty PROREM Sp. z o.o.
4) Grupa Azoty Africa S.A. – one share held by African Investment Group S.A.
5) PDH Polska S.A. − shares held by Grupa Azoty POLICE (84.54%) and the Parent (15.46%).
6) African Investment Group S.A. – Grupa Azoty Police Serwis Sp. o.o. holds a 0.1% interest in the share capital.

Companies classified as associates:
- TECHNOCHIMSERWIS S.A. (closed joint-stock company),
- CTL CHEMKOL Sp. z o.o.,
- Budchem Sp. z o.o.,
- KEMIPOL Sp. z o.o.,
- EKOTAR Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy).

Companies classified as joint ventures:
- CTL KOLZAP Sp. z o.o.,
- Bałtycka Baza Masowa Sp. z o.o.

The other companies presented on the diagram above are the Parent's subsidiaries.

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

Acquisition of shares in Grupa Azoty SIARKOPOL
In accordance with the agreement on sale of shares in Grupa Azoty SIARKOPOL of September 25th 2013 and the provisions of the Social Package, since November 2015, the Parent has been buying out shares held by employees of Grupa Azoty SIARKOPOL and their heirs. Up to 825,000 shares are to be purchased as part of the buy-out.
In Q3 2017, the Parent acquired (for PLN 484 thousand) 7,066 shares in Grupa Azoty SIARKOPOL, representing 0.13% of that company's share capital, thus increasing its equity interest in Grupa Azoty SIARKOPOL to 98.91%.
After the reporting date, on October 6th 2017, the Parent acquired 3,422 shares in Grupa Azoty SIARKOPOL, representing 0.06% of that company's share capital, for PLN 234 thousand. Following the transaction, the Parent holds 98.97% of Grupa Azoty SIARKOPOL's share capital.

Share capital increase at PDH Polska S.A.
On July 11th 2017, the Management Board of PDH Polska S.A. allotted, in a private placement, 2,282,125 Series C shares to the Parent and 2,917,875 Series C shares to Grupa Azoty POLICE (the issue price and par value per share was PLN 10). On July 14th 2017, the share capital increase at PDH Polska S.A. was registered with the National Court Register. Following the registration, the company's share capital was increased to PLN 180,000 thousand and currently comprises 18,000,000 shares.
As a result, Grupa Azoty S.A. came to hold 2,782,125 shares in the company, representing 15.46% of its share capital. The remaining shares in the company are held by Grupa Azoty POLICE.
On October 18th 2017, the Management Boards of the Parent and Grupa Azoty POLICE resolved to acquire registered new issue shares in PDH Polska S.A.
Pursuant to the adopted resolutions, the Parent decided to acquire 9,400,000 shares for PLN 94,400 thousand, and Grupa Azoty POLICE decided to acquire 3,000,000 shares for PLN 30,000 thousand, in each case by way of subscription for shares in PDH Polska S.A.'s increased share capital.
Share capital increase at Grupa Azoty Compounding Sp. z o.o.
On September 28th 2017, the Extraordinary General Meeting of Grupa Azoty Compounding Sp. z o.o. resolved to increase the company's share capital from PLN 5 thousand to PLN 1,100 thousand.
The share capital was increased through the issue of 11,000 new, equal and indivisible shares with a par value of PLN 100 per share, and will amount to PLN 1,105 thousand.
All new issue shares in the increased share capital were subscribed for by the Parent.
On October 6th 2017, a cash contribution was made as payment for the new shares.
As at the date of this report, the change in the share capital had not been registered with the National Court Register.

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 International Accounting Standard 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 (consolidated text: Dz.U. of 2014, item 133, as amended). These interim condensed consolidated financial statements of the Group cover the three and nine months ended September 30th 2017 and contain comparative data for the three and nine months ended September 30th 2016 and as at December 31st 2016.

Interim condensed consolidated financial statements do not include all the information and disclosures required in full-year financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended December 31st 2016, which were authorised for issue on April 26th 2017.

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

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

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

2.2. Accounting policies and computation methods

a) Amendments to the International Financial Reporting Standards

The accounting policies applied to prepare these interim condensed consolidated financial statements are consistent with the policies applied to draw up the Group's full-year consolidated financial statements for the year beginning on January 1st 2016. After January 1st 2016, no new or amended standards or interpretations were published that would be effective for annual periods beginning on or after January 1st 2016. The standards and interpretations which have been issued but are not yet effective as they have not yet been endorsed by the European Union or have been endorsed by the European Union but have not been early adopted by the Group, were presented by the Group in its full-year financial statements for 2016. Only the following standards and interpretations were issued in the first half of 2017: IFRS 17: Insurance Contracts and IFRIC 23: Uncertainty over Income Tax Treatments. The Group has not elected to early adopt any of the standards, interpretations or amendments that have been published but are not yet effective in accordance with the European Union regulations.

At the date of authorisation of these interim condensed consolidated financial statements for issue, the Parent's Management Board had not completed its assessment of the impact of the new standards and interpretations on the accounting policies applied by the Group with respect to its operations or financial results.

b) Correction of prior period errors and changes in presentation of financial statements

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

(all amounts in PLN '000 unless indicated otherwise)

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

	Previously reported	Restated						
	as at Dec 31 2016	**as at Dec 31 2016**	**Impact of change 1**	**Impact of change 2**	**Impact of change 3**	**Impact of change 4**	**Impact of change 5**	**Impact of change 6**
Assets								
Non-current assets								
Property, plant and equipment	6,387,823	6,388,264	-	-	-	-	441	-
Perpetual usufruct of land	485,396	487,171					1,775	
Intangible assets	530,577	476,611	(28,421)	-	-	-	-	(25,545)
Goodwill	10,057	35,602						25,545
Investment property	59,504	60,247	-	-	-	-	743	-
Shares	-	12,345	-	-	-	12,345	-	-
Equity-accounted investees	-	110,578	-	-	-	112,935	(2,357)	-
Investments in subordinated entities	112,935	-	-	-	-	(112,935)	-	-
Available-for-sale financial assets	12,345	-	-	-	-	(12,345)	-	-
Total non-current assets	**7,651,480**	**7,623,661**	**(28,421)**	**-**	**-**	**-**	**602**	**-**
Current assets								
Inventories	858,029	858,043	-	-	-	-	14	-
Other financial assets	591,661	580,849	-	-	-	-	(10,812)	-
Trade and other receivables	1,073,396	1,073,477	-	-	-	-	81	-
Cash and cash equivalents	641,711	641,895	-	-	-	-	184	-
Total current assets	**3,400,440**	**3,389,907**	**-**	**-**	**-**	**-**	**(10,533)**	**-**
Total assets	**11,051,920**	**11,013,568**	**(28,421)**	**-**	**-**	**-**	**(9,931)**	**-**

(all amounts in PLN '000 unless indicated otherwise)

	Previously reported	Restated						
	as at Dec 31 2016	**as at Dec 31 2016**	**Impact of change 1**	**Impact of change 2**	**Impact of change 3**	**Impact of change 4**	**Impact of change 5**	**Impact of change 6**
Equity and liabilities								
Equity								
Exchange differences on translating foreign operations	2,401	3,874	1,473	-	-	-	-	-
Retained earnings, including:	3,624,334	3,577,358	(11,771)	6,276	(33,999)	-	(7,482)	-
net profit for period	*343,339*	*302,559*	(11,771)	*6,276*	*(33,999)*	-	*(1,286)*	-
Equity attributable to owners of the Parent	**6,533,877**	**6,488,374**	**(10,298)**	**6,276**	**(33,999)**	**-**	**(7,482)**	**-**
Non-controlling interests	**595,388**	**574,627**	**(18,123)**	**-**	**-**	**-**	**(2,638)**	**-**
Total equity	**7,129,265**	**7,063,001**	**(28,421)**	**6,276**	**(33,999)**	**-**	**(10,120)**	**-**
Liabilities								
Other financial liabilities	15,102	42,101	-	-	26,999	-	-	-
Deferred tax liabilities	196,805	198,277	-	1,472	-	-	-	-
Total non-current liabilities	**2,072,368**	**2,100,839**	**-**	**1,472**	**26,999**	**-**	**-**	**-**
Other financial liabilities	67,485	74,485	-	-	7,000	-	-	-
Provisions	39,324	39,341	-	-	-	-	17	-
Trade and other payables	1,602,929	1,595,353	-	(7,748)	-	-	172	-
Total current liabilities	**1,850,287**	**1,849,728**	**-**	**(7,748)**	**7,000**	**-**	**189**	**-**
Total liabilities	**3,922,655**	**3,950,567**	**-**	**(6,276)**	**33,999**	**-**	**189**	**-**
Total equity and liabilities	**11,051,920**	**11,013,568**	**(28,421)**	**-**	**-**	**-**	**(9,931)**	**-**

- Change 1 – Revaluation of the exploration and evaluation assets of African Investment Group S.A., of XOF 4,241,955 thousand (the equivalent of PLN 28,421 thousand); Following analyses of the documentation held by the subsidiary, it was found that no clear relationship could be established between the expenditure incurred and discovery of any specific mineral resources, therefore the expenditure could not be accounted for in the initial value of exploration and evaluation assets. Therefore, it was found that this expenditure had not generated and would not generate in the future any economic benefits. At the same time, in view of the information available in December 2016, including that potential abuses relating to this area were reported to the prosecutor's office, the Parent's Management Board found that the revaluation should be reflected already in the 2016 results;
- Change 2 – Adjustment to overstated provision for bonuses;
- Change 3 – Adjustment related to the recognition of an expense and a liability to reflect the signing of a deed of incorporation of the Polish National Foundation, under which the Parent is required to co-fund the Foundation's operations for ten years from 2017;
- Change 4 – Change in the presentation of investments in subordinates and available-for-sale investments;
- Change 5 – Consolidation of Supra Agrochemia Sp. z o.o., which was already controlled by the Parent in previous years;
- Change 6 – Following an analysis of the intangible assets recognised on acquisition of control of Grupa Azoty POLICE it was found that the corporate brand which was then recognised with a specific value for the most part represented economic benefits arising from other, not separately identifiable assets, acquired as part of the acquisition of Grupa Azoty POLICE, which in essence met the definition of goodwill as provided in IAS 38.

c) Judgements and estimates

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

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

The key judgements and estimates made by the Management Board in preparing these interim condensed consolidated financial statements were the same as those made in preparing the consolidated financial statements for the financial year ended December 31st 2016.

3. Selected notes and supplementary information

3.1. Notes

Business segment reporting

Operating segments

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

- Operations of the Company's reporting segments:Agro Fertilizers segment comprises the manufacturing and marketing of the following products:
  - Nitrogen fertilizers (Saletrzak 27 Standard, Saletrzak , Salmag®, Saletrzak z borem (with boron) 27+B Standard, Salmag z borem® (with boron), ZAKsan® (Kędzierzyńska Saletra Amonowa

(Kędzierzyn ammonium nitrate)), Saletra Amonowa 30 Makro, mocznik.pl® (urea), 46% granular urea, PULGRAN® , PULAN®, RSM®, PULREA®),
- Nitrogen-sulfur fertilizers (ammonium sulfate AS21, Saletrosan®30 (ammonium sulfate nitrate), Saletrosan® 26, POLIFOSKA® 21, Salmag z siarką® (with sulfur), 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 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 those activities met the quantitative criteria to be identified as a reportable segment in 2017 and 2016.

Key financial results and performance of each of the segments are discussed below. Key performance metrics for each segment are revenue, EBIT and EBITDA.

The internal management reports of each segment are reviewed by the Management Board on a monthly basis.

For its internal purposes, the Group prepares and uses management information focusing on the following operating segments:

- Nitrogen fertilizers,
- Compound fertilizers,
- Plastics,
- OXO products,
- Melamine,
- Pigments,
- Chemicals,
- Mineral extraction,
- Energy,
- Other activities.

This structure reflects business areas managed from the perspective of the Group's principal companies. The areas were identified based on the key core business areas which make it possible – through diversification of the product portfolio − to mitigate market and economic cycle risks, thus maximising profits and cash flows. The division was made based on the following parameters:

- Target market (B2B or B2C segments), including with respect to industries and, ultimately, customers,
- Nature of the product and its final use (consumption or further processing),
- Nature of the manufacturing process and production lines, including extension of the value chain.

For the purposes of reportable segments, the Group has aggregated the operating segments based on the following business and formal rationale.

Business rationale (sales- and production-related)

- Agro Fertilizers: aggregation of nitrogen fertilizers and compound fertilizers as well as the mineral extraction area (phosphate rock). Rationale:
    - Common sales policy (pricing, marketing) dedicated to the markets for products based on nitrogen (N), sulfur (S), phosphorus (P), potassium chloride (K) and their mixtures,
    - Management of Group-wide manufacturing process taking into account the use of key intermediate products (ammonia/urea),
- Plastics: end-to-end use of the Benzene/Phenol – Caprolactam – Polyamide value chain of individual Group companies,
- Chemicals: aggregation of the melamine, chemicals, pigments, OXO, mineral extraction (sulfur) areas as intermediate products used in a broad range of applications in the chemical sector for their further processing into finished products,
- Energy: similar nature of the manufacturing process, the product and its use at individual Group companies.

Formal rationale (IFRS 8 guidelines)

- Chemicals: aggregation of the chemical operations: melamine, chemicals, pigments, OXO, mineral extraction (sulfur), partly because none of the segments separately meets the quantitative thresholds set out in IFRS 8,
- Energy: as a support segment with significant quantitative parameters.

Other rationale:

- Other Activities, supporting the core business and/or focusing on non-core business areas.

(all amounts in PLN '000 unless indicated otherwise)

Operating segments

Operating segments’ revenue, expenses and financial results for the three months ended September 30th 2017 (unaudited)

Continued operations	Agro Fertilizers	Plastics	Chemicals	Energy	Other	Total
External revenue	1,107,613	352,429	645,526	48,991	41,510	2,196,069
Intersegment revenue	482,824	82,397	193,806	565,725	212,243	1,536,995
Total revenue	1,590,437	434,826	839,332	614,716	253,753	3,733,064
Operating expenses, including: (-)	(1,570,824)	(388,434)	(785,543)	(618,891)	(254,893)	(3,618,585)
selling and distribution expenses (-)	*(97,358)*	*(14,825)*	*(45,020)*	*(21)*	*48*	*(157,176)*
administrative expenses (-)	*(82,686)*	*(27,590)*	*(43,449)*	*(3,819)*	*(28,002)*	*(185,546)*
Other income	363	133	288	1,202	6,486	8,472
Other expenses (-)	(7,508)	(1,325)	(289)	(943)	(12,351)	(22,416)
Segment’s EBIT*	**12,468**	**45,200**	**53,788**	**(3,916)**	**(7,005)**	**100,535**
Finance income	-	-	-	-	-	1,786
Finance costs (-)	-	-	-	-	-	(2,398)
Share of profit of equity-accounted investees	-	-	-	-	-	4,402
Profit before tax	**-**	**-**	**-**	**-**	**-**	**104,325**
Income tax	-	-	-	-	-	(28,834)
Net profit	**-**	**-**	**-**	**-**	**-**	**75,491**
EBIT*	12,468	45,200	53,788	(3,916)	(7,005)	100,535
Depreciation and amortisation	51,150	11,929	25,755	25,334	20,046	134,214
Unallocated depreciation and amortisation	-	-	-	-	-	20,573
EBITDA**	**63,618**	**57,129**	**79,543**	**21,418**	**13,041**	**255,322**

* 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.
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(all amounts in PLN '000 unless indicated otherwise)

Operating segments' revenue, expenses and financial results for the three months ended September 30th 2016 (unaudited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other	Total
External revenue	1,087,600	262,344	555,980	42,449	51,270	1,999,643
Intersegment revenue	465,604	92,108	196,188	532,839	264,509	1,551,248
Total revenue	1,553,204	354,452	752,168	575,288	315,779	3,550,891
Operating expenses, including: (-)	(1,549,666)	(376,164)	(707,849)	(577,210)	(315,821)	(3,526,710)
selling and distribution expenses (-)	*(93,564)*	*(12,119)*	*(37,280)*	*(108)*	*(778)*	*(143,849)*
administrative expenses (-)	*(82,907)*	*(27,693)*	*(40,930)*	*(3,364)*	*(10,576)*	*(165,470)*
Other income	2,116	(47)	2,949	1,133	3,497	9,648
Other expenses (-)	(12,260)	(434)	(941)	(1,207)	(5,488)	(20,330)
Segment's EBIT*	**(6,606)**	**(22,193)**	**46,327**	**(1,996)**	**(2,033)**	**13,499**
Finance income	-	-	-	-	-	54
Finance costs (-)	-	-	-	-	-	670
Share of profit of equity-accounted investees	-	-	-	-	-	2,918
Profit before tax	**-**	**-**	**-**	**-**	**-**	**17,141**
Income tax	-	-	-	-	-	(11,707)
Net profit	**-**	**-**	**-**	**-**	**-**	**5,434**
EBIT*	(6,606)	(22,193)	46,327	(1,996)	(2,033)	13,499
Depreciation and amortisation	29,240	12,390	22,765	21,045	36,286	121,726
Unallocated depreciation and amortisation	-	-	-	-	-	8,667
EBITDA**	**22,634**	**(9,803)**	**69,092**	**19,049**	**34,253**	**143,892**

* 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.

(all amounts in PLN '000 unless indicated otherwise)

Operating segments' revenue, expenses and financial results for the nine months ended September 30th 2017 (unaudited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other	Total
External revenue	3,780,170	1,095,492	1,909,912	166,490	113,696	7,065,760
Intersegment revenue	1,477,743	231,830	671,843	1,832,617	607,342	4,821,375
Total revenue	5,257,913	1,327,322	2,581,755	1,999,107	721,038	11,887,135
Operating expenses, including: (-)	(4,945,782)	(1,184,475)	(2,410,288)	(2,011,864)	(737,250)	(11,289,659)
selling and distribution expenses (-)	*(322,275)*	*(43,971)*	*(127,655)*	*(137)*	*(1,143)*	*(495,181)*
administrative expenses (-)	*(241,703)*	*(82,020)*	*(126,005)*	*(12,691)*	*(67,215)*	*(529,634)*
Other income	7,189	1,677	966	3,341	22,047	35,220
Other expenses (-)	(15,302)	(2,069)	(19,022)	(16,556)	(37,150)	(90,099)
Segment's EBIT*	**304,018**	**142,455**	**153,411**	**(25,972)**	**(31,315)**	**542,597**
Finance income	-	-	-	-	-	29,056
Finance costs (-)	-	-	-	-	-	(36,965)
Share of profit of equity-accounted investees	-	-	-	-	-	13,007
Profit before tax	**-**	**-**	**-**	**-**	**-**	**547,695**
Income tax	-	-	-	-	-	(94,533)
Net profit	**-**	**-**	**-**	**-**	**-**	**453,162**
EBIT*	304,018	142,455	153,411	(25,972)	(31,315)	542,597
Depreciation and amortisation	144,520	35,795	77,299	69,976	60,963	388,553
Unallocated depreciation and amortisation	-	-	-	-	-	38,338
EBITDA**	**448,538**	**178,250**	**230,710**	**44,004**	**29,648**	**969,488**

* 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.

(all amounts in PLN '000 unless indicated otherwise)

Operating segments' revenue, expenses and financial results for the nine months ended September 30th 2016 (unaudited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other	Total
External revenue	3,829,639	833,641	1,683,510	161,253	125,682	6,633,725
Intersegment 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	783,491	11,101,846
Operating expenses, including: (-)	(4,735,238)	(1,141,743)	(2,122,832)	(1,826,749)	(787,297)	(10,613,859)
selling and distribution expenses (-)	*(332,349)*	*(39,914)*	*(114,801)*	*(193)*	*(1,564)*	*(488,821)*
administrative expenses (-)	*(263,115)*	*(89,235)*	*(125,739)*	*(12,910)*	*(40,315)*	*(531,314)*
Other income	5,712	1,810	4,303	2,985	11,018	25,828
Other expenses (-)	(24,084)	(2,690)	(1,973)	(3,225)	(31,217)	(63,189)
Segment's EBIT*	**389,663**	**(72,517)**	**159,527**	**(2,042)**	**(24,005)**	**450,626**
Finance income	-	-	-	-	-	27,370
Finance costs (-)	-	-	-	-	-	(29,814)
Share of profit of equity-accounted investees	-	-	-	-	-	10,881
Profit before tax	**-**	**-**	**-**	**-**	**-**	**459,063**
Income tax	-	-	-	-	-	(99,167)
Net profit	**-**	**-**	**-**	**-**	**-**	**359,896**
EBIT*	389,663	(72,517)	159,527	(2,042)	(24,005)	450,626
Depreciation and amortisation	128,470	37,262	74,678	60,428	63,153	363,991
Unallocated depreciation and amortisation	-	-	-	-	-	23,069
EBITDA**	**518,133**	**(35,255)**	**234,205**	**58,386**	**39,148**	**837,686**

* 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 customers. Assets allocated to a geographical area are identified on the basis of their geographical location.

Revenue

	for the period Jul 1– Sep 30 2017	for the period Jul 1 – Sep 30 2016	for the period Jan 1– Sep 30 2017	for the period Jan 1– Sep 30 2016
	unaudited	*unaudited*	*unaudited*	*unaudited*
Poland	1,176,228	1,106,722	3,770,091	3,706,349
Germany	261,664	246,008	840,893	781,907
Other EU countries	524,164	445,267	1,719,298	1,455,365
Asia	89,137	82,753	310,631	257,123
South America	21,245	24,688	90,041	109,148
Other countries	123,631	94,205	334,806	323,833
Total	**2,196,069**	**1,999,643**	**7,065,760**	**6,633,725**

No single trading partner accounted for more than 10% of revenue in Q3 2017 and Q3 2017.

Note 1 Contingent liabilities, contingent assets and guarantees

Contingent assets

	as at Sep 30 2017	as at Dec 31 2016
	unaudited	*audited*
Contingent receivables	25,025	27,033

As at December 31st 2016, contingent receivables comprised primarily receivables related to the claim raised against Ciech S.A. for payment of PLN 18,864 thousand for breach of the warranties made by Ciech S.A. in the agreement for purchase of shares in GZNF Fosfory Sp. z o.o. (a subsidiary of Grupa Azoty PUŁAWY). On October 30th 2012, Grupa Azoty PUŁAWY filed a suit with the Regional Court in Warsaw. The case is pending.

Contingent liabilities and guarantees

	as at Sep 30 2017	as at Dec 31 2016
	unaudited	*audited*
Guarantees	657	366
Other contingent liabilities	23,396	27,344
	24,053	**27,710**

There were no major changes in contingent assets and liabilities relative to disclosures made in the full-year consolidated financial statements.

(all amounts in PLN '000 unless indicated otherwise)

Note 2 Accounting estimates and assumptions

Changes in impairment losses on property, plant and equipment

	for the period Jul 1– Sep 30 2017	for the period Jul 1 – Sep 30 2016	for the period Jan 1– Sep 30 2017	for the period Jan 1– Sep 30 2016
	unaudited	*unaudited*	*unaudited*	*unaudited*
Balance at beginning of period	**300,714**	**261,934**	**280,368**	**259,451**
Recognised	65	143	24,281	3,345
Reversed (-)	(57)	-	(1,798)	(616)
Used (-)	(68)	(1,880)	(2,197)	(1,983)
Balance at end of period	**300,654**	**260,197**	**300,654**	**260,197**

Changes in inventory write-downs

	for the period Jul 1– Sep 30 2017	for the period Jul 1 – Sep 30 2016	for the period Jan 1– Sep 30 2017	for the period Jan 1– Sep 30 2016
	unaudited	*unaudited*	*unaudited*	*unaudited*
Balance at beginning of period	**49,591**	**63,057**	**43,028**	**50,432**
Recognised	2,415	1,358	16,259	33,038
Reversed (-)	(9,615)	(6,957)	(11,456)	(17,925)
Used (-)	(365)	(8,547)	(5,805)	(16,634)
Balance at end of period	**42,026**	**48,911**	**42,026**	**48,911**

Changes in impairment losses on receivables

	for the period Jul 1– Sep 30 2017	for the period Jul 1 – Sep 30 2016	for the period Jan 1– Sep 30 2017	for the period Jan 1– Sep 30 2016
	unaudited	*unaudited*	*unaudited*	*unaudited*
Balance at beginning of period	**83,608**	**79,171**	**80,505**	**63,479**
Recognised	6,058	2,316	11,897	25,392
Reversed (-)	(1,702)	(537)	(4,035)	(2,672)
Used (-)	(489)	(3,124)	(892)	(8,373)
Balance at end of period	**87,475**	**77,826**	**87,475**	**77,826**

3.2. Related-party transactions

Material related-party transactions:

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

In the three months ended September 30th 2017, 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 2017, the Grupa Azoty Group did not grant any advances, loans, guarantees or sureties to members of its management or supervisory personnel or persons closely related to them, nor did it enter into any agreements whereby such persons are required to provide benefits to the Group.

3.3. Events after the reporting period that could affect financial results in the future

No such events occurred.

3.4. Dividend

Dividend for 2016 was paid on August 23rd 2017, with August 4th 2017 as the dividend record date.
A resolution on the allocation of profit was passed by the Parent's Annual General Meeting on June 30th 2017. The amount of profit allocated for distribution was PLN 78,364,432.36 (i.e. PLN 0.79 per share).

3.5. Seasonality of operations

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

Mineral fertilizers
In Poland and Europe 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 the weakest, companies of the Grupa Azoty Group perform maintenance and overhaul work in their production plants.
The Grupa Azoty Group follows a policy of mitigating seasonality through optimum volume allocation:

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

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

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

These interim condensed consolidated financial statements of the Grupa Azoty Group for the three and nine months ended September 30th have been authorised for issue by the Management Board.

Signatures of Members of the Management Board

……………………………… Wojciech Wardacki, PhD *President of the Management Board*	……………………………… Witold Szczypiński *Vice President of the Management Board* *Director General*
……………………………… Tomasz Hinc *Vice President of the Management Board*	……………………………… Grzegorz Kądzielawski *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 the Corporate Finance Department

Tarnów, November 8th 2017

Siła Tworzenia

Interim condensed separate financial statements for the three and nine months ended September 30th 2017, prepared in accordance with IAS 34: *Interim Financial Reporting* as endorsed by the European Union

(all amounts in PLN '000 unless indicated otherwise)

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

	for the period Jul 1– Sep 30 2017	for the period Jul 1 – Sep 30 2016	for the period Jan 1– Sep 30 2017	for the period Jan 1– Sep 30 2016
Profit/loss	*unaudited*	*unaudited*	*unaudited*	*unaudited*
Revenue	408,381	365,656	1,264,381	1,158,965
Cost of sales	(303,571)	(322,205)	(944,835)	(982,799)
Gross profit	**104,810**	**43,451**	**319,546**	**176,166**
Selling and distribution expenses	(26,901)	(23,801)	(75,235)	(68,408)
Administrative expenses	(39,680)	(37,552)	(108,573)	(116,641)
Other income	2,248	2,861	7,948	7,999
Other expenses	(4,912)	(4,152)	(11,387)	(15,297)
Operating profit/(loss)	**35,565**	**(19,193)**	**132,299**	**(16,181)**
Finance income	2,629	8,266	244,894	286,486
Finance costs	(5,898)	(6,368)	(25,459)	(26,383)
Net finance income	**(3,269)**	**1,898**	**219,435**	**260,103**
Profit before tax	**32,296**	**(17,295)**	**351,734**	**243,922**
Income tax	(4,898)	164	3,532	(2,859)
Net profit	**27,398**	**(17,131)**	**355,266**	**241,063**
Other comprehensive income				
Items that will not be reclassified to profit or loss				
Remeasurement of defined benefit obligation	(1)	-	(1,743)	(5,468)
Tax on items that will not be reclassified to profit or loss	-	-	331	1,038
	(1)	**-**	**(1,412)**	**(4,430)**
Items that are or may be reclassified to profit or loss				
Cash flow hedging – effective portion of change in fair-value measurement	(10,486)	7,215	10,239	(985)
Tax on items that are or may be reclassified to profit or loss	1,980	-	(1,958)	-
	(8,506)	**7,215**	**8,281**	**(985)**
Total other comprehensive income	**(8,507)**	**7,215**	**6,869**	**(5,415)**
Total profit or loss and other comprehensive income	**18,891**	**(9,916)**	**362,135**	**235,648**
Earnings per share:				
Basic (PLN)	0.28	(0.17)	3.58	2.43
Diluted (PLN)	0.28	(0.17)	3.58	2.43

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

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed separate statement of financial position

	as at Sep 30 2017	as at Dec 31 2016* restated
	unaudited	*audited*
Assets		
Non-current assets		
Property, plant and equipment	1,535,337	1,435,521
Perpetual usufruct of land	370	373
Intangible assets	49,839	50,864
Investment property	16,739	17,700
Shares	3,908,321	3,883,721
Other financial assets	266,159	244,220
Total non-current assets	**5,776,765**	**5,632,399**
Current assets		
Inventories	177,118	171,256
Property rights	27,672	31,423
Derivatives	2,335	834
Other financial assets	69,292	53,944
Trade and other receivables	231,485	226,678
Cash and cash equivalents	373,404	326,031
Assets held for sale	95	691
Total current assets	**881,401**	**810,857**
Total assets	**6,658,166**	**6,443,256**

* Financial data restated in accordance with the information presented in Section 1.2.b of 'Supplementary information to the interim condensed separate financial statements' below.

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

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed separate statement of financial position (continued)

	as at Sep 30 2017	as at Dec 31 2016* restated
	unaudited	*audited*
Equity and liabilities		
Equity		
Share capital	495,977	495,977
Share premium	2,418,270	2,418,270
Hedging reserve	1,176	(7,105)
Retained earnings, including:	1,857,763	1,582,273
net profit for period	*355,266*	*197,053*
Total equity	**4,773,186**	**4,489,415**
Liabilities		
Borrowings	1,272,523	1,166,290
Other financial liabilities	25,795	28,538
Employee benefit obligations	45,588	46,136
Provisions	26,551	25,992
Government grants received	26,379	19,222
Deferred tax liabilities	4,584	24,713
Total non-current liabilities	**1,401,420**	**1,310,891**
Borrowings	213,002	307,375
Derivatives	133	1,108
Other financial liabilities	34,963	65,131
Employee benefit obligations	2,852	2,994
Provisions	1,455	2,355
Current tax liabilities	3,101	-
Trade and other payables	222,912	262,140
Government grants received	5,142	1,847
Total current liabilities	**483,560**	**642,950**
Total liabilities	**1,884,980**	**1,953,841**
Total equity and liabilities	**6,658,166**	**6,443,256**

* Financial data restated in accordance with the information presented in Section 1.2.b of ‘Supplementary information to the interim condensed separate financial statements’ below.

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

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed separate statement of changes in equity

for the period ended September 30th 2017

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
Balance as at January 1st 2017	**495,977**	**2,418,270**	**(7,105)**	**1,609,995**	**4,517,137**
Correction of errors	-	-	-	(27,722)	(27,722)
Balance as at January 1st 2017, adjusted*)	**495,977**	**2,418,270**	**(7,105)**	**1,582,273**	**4,489,415**
Profit / loss and other comprehensive income					
Net profit	-	-	-	355,266	355,266
Other comprehensive income	-	-	8,281	(1,412)	6,869
Total profit or loss and other comprehensive income	**-**	**-**	**8,281**	**353,854**	**362,135**
Transactions with owners, recognised directly in equity					
Dividends	-	-	-	(78,364)	(78,364)
Total transactions with owners	**-**	**-**	**-**	**(78,364)**	**(78,364)**
Balance as at September 30th 2017 (unaudited)	**495,977**	**2,418,270**	**1,176**	**1,857,763**	**4,773,186**

*) Financial data restated in accordance with the information presented in Section 1.2.c) of 'Supplementary information to the interim condensed separate financial statements' below.

for the period ended June 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**
Profit / loss and other comprehensive income					
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**
Transactions with owners, recognised directly in equity					
Dividends	-	-	-	(83,324)	(83,324)
Total transactions with owners	**-**	**-**	**-**	**(83,324)**	**(83,324)**
Balance at September 30th 2016 (unaudited)	**495,977**	**2,418,270**	**(920)**	**1,621,768**	**4,535,095**

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

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed separate statement of cash flows

	for the period Jan 1– Sep 30 2017	for the period Jan 1– Sep 30 2016
	unaudited	*unaudited*
Cash flows from operating activities		
Profit before tax	**351,734**	**243,922**
Adjustments for:	*(146,799)*	*(190,423)*
Depreciation and amortisation	72,946	69,919
(Reversal)/recognition of impairment losses on assets	(1,224)	37
Loss on investing activities	1,718	2,419
Loss on disposal of financial assets	-	11
Interest, foreign exchange gains or losses	13,885	13,910
Dividends	(231,516)	(275,091)
Net change in fair value of financial assets at fair value through profit or loss	(2,608)	(1,628)
Operating profit before changes in working capital	***204,935***	***53,499***
Change in trade and other receivables	(6,877)	(5,303)
Change in inventories and property rights	(2,110)	29,128
Change in trade and other payables	(13,931)	(51,848)
Change in provisions, prepayments and grants	6,662	(18,623)
Other adjustments	(7,000)	-
Cash generated from operating activities	***181,679***	***6,853***
Income taxes paid	(15,123)	-
Net cash from operating activities	**166,556**	**6,853**

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

(all amounts in PLN '000 unless indicated otherwise)

Interim condensed separate statement of cash flows (continued)

	for the period Jan 1– Jun 30 2017	for the period Jan 1– Jun 30 2016
	unaudited	*unaudited*
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	431	296
Acquisition of property, plant and equipment, intangible assets and investment property	(190,024)	(309,581)
Dividend received	231,516	275,091
Acquisition of financial assets	(24,269)	(34,060)
Proceeds from sale of financial assets	-	9
Interest received	6,631	5,660
Loans repaid	40,300	22,645
Loans advanced	(77,918)	(75,090)
Other disbursements	(2,149)	(2,653)
Net cash from investing activities	**(15,482)**	**(117,683)**
Cash flows from financing activities		
Dividends paid	(78,364)	(83,325)
Proceeds from loans and borrowings	115,673	169,155
Payment of loans and borrowings	(95,866)	-
Interest paid	(18,224)	(17,640)
Payment of finance lease liabilities	(479)	(443)
Other proceeds/(disbursements)	(26,441)	3,351
Net cash from financing activities	**(103,701)**	**71,098**
Net increase/(decrease) in cash and cash equivalents	**47,373**	**(39,732)**
Cash and cash equivalents at beginning of period	**326,031**	**111,942**
Cash and cash equivalents at end of period	**373,404**	**72,210**

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

Supplementary information to the interim condensed separate financial statements

1. Basis of preparation of the interim condensed separate financial statements

1.1. Statement of compliance and general basis of preparation

Grupa Azoty S.A. ("the Company") is a listed joint stock company with its registered office in Tarnów, Poland.

These interim condensed separate financial statements have been prepared in accordance with International Accounting Standard 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 (consolidated text: Dz.U. of 2014, item 133, as amended). These interim condensed separate financial statements of the Company cover the six and nine months ended September 30th 2017 and contain comparative data for the six and nine months ended September 30th 2016 and as at December 31st 2016.

The Company is entered in the Register of Businesses in the National Court Register maintained by the District Court in Kraków, 12th Commercial Division of the National Court Register, under entry No. KRS 0000075450. The Company's REGON number for public statistics purposes is 850002268.

The Company has been established for an indefinite term.

Grupa Azoty's business includes in particular:
- Manufacture of basic chemicals,
- Manufacture of fertilizers and nitrogen compounds,
- Manufacture of plastics and synthetic rubber in primary forms,
- Manufacture of plastics.

These interim condensed separate financial statements do not include all the information and disclosures required in full-year financial statements and should be read in conjunction with the Company's financial statements for the year ended December 31st 2016, which were authorised for issue on April 26th 2017.

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

All amounts in these interim condensed separate financial statements are presented in thousands of złoty.

These interim condensed separate financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future. As at the date of authorisation of these financial statements for issue, no circumstances were identified which would indicate any threat to the Company continuing as a going concern.

(all amounts in PLN '000 unless indicated otherwise)

1.2. Changes in presentation of financial statements and correction of errors

a) Changes in International Financial Reporting Standards

The accounting policies applied to prepare these interim condensed separate financial statements are consistent with the policies applied to draw up the Company's full-year separate financial statements for the year beginning on January 1st 2016. After January 1st 2016, no new or amended standards or interpretations were published that would be effective for annual periods beginning on or after January 1st 2016. The standards and interpretations which have been issued but are not yet effective as they have not yet been endorsed by the European Union or have been endorsed by the European Union but have not been early adopted by the Company were presented by the Company in its financial statements for 2016. Only the following standards an interpretations were issued in the first half of 2017: IFRS 17: *Insurance Contracts* and IFRIC 23: *Uncertainty over Income Tax Treatments*.

The Company has not elected to early adopt any of the standards, interpretations or amendments that have been published but are not yet effective in accordance with the European Union regulations.

At the date of authorisation of these interim condensed separate financial statements for issue, the Company's Management Board had not completed its assessment of the impact of the new standards and interpretations on the accounting policies applied by the Company with respect to the Company's operations or financial results.

b) Correction of prior period errors and changes in presentation of financial statements

In the reporting period certain prior period errors were corrected and the presentation of financial statements was changed to improve the disclosure 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 separate statement of financial position:

	Previously reported	Restated			
	as at Dec 31 2016	**as at Dec 31 2016**	**Impact of change 1**	**Impact of change 2**	**Impact of change 3**
Assets					
Non-current assets					
Shares	-	3,883,721	3,883,721	-	-
Investments in subordinated entities	3,871,587	-	(3,871,587)	-	-
Available-for-sale financial assets	12,134	-	(12,134)	-	-
Total non-current assets	**5,632,399**	**5,632,399**	**-**	**-**	**-**
Total assets	**6,443,256**	**6,443,256**	**-**	**-**	**-**

(all amounts in PLN '000 unless indicated otherwise)

	Previously reported	Restated			
	as at Dec 31 2016	**as at Dec 31 2016**	**Impact of change 1**	**Impact of change 2**	**Impact of change 3**
Equity and liabilities					
Equity					
Retained earnings, including:	1,609,995	1,582,273	-	6,277	(33,999)
net profit for period	*224,775*	*197,053*	-	*6,277*	*(33,999)*
Total equity	**4,517,137**	**4,489,415**	**-**	**6,277**	**(33,999)**
Liabilities					
Other financial liabilities	1,539	28,538	-	-	26,999
Deferred tax liabilities	23,241	24,713	-	1,472	-
Total non-current liabilities	**1,282,420**	**1,310,891**	**-**	**1,472**	**26,999**
Other financial liabilities	58,131	65,131	-		7,000
Trade and other payables	269,889	262,140	-	(7,749)	
Total current liabilities	**643,699**	**642,950**	**-**	**(7,749)**	**7,000**
Total liabilities	**1,926,119**	**1,953,841**	**-**	**(6,277)**	**33,999**
Total equity and liabilities	**6,443,256**	**6,443,256**	**-**	**-**	**-**

- Change 1 – Change in the presentation of investments in subordinates and available-for-sale investments;
- Change 2 – Adjustment to overstated provision for bonuses;
- Change 3 – Adjustment related to the recognition of an expense and a liability to reflect the signing of a deed of incorporation of the Polish National Foundation, under which the Company is required to co-fund the Foundation’s operations for ten years from 2017.

These interim condensed separate financial statements of Grupa Azoty S.A. for the three and nine months ended September 30th 2017 have been authorised for issue by the Management Board.

Signatures of members of the Management Board

.... Wojciech Wardacki, PhD *President of the Management Board*	.... Witold Szczypiński *Vice President of the Management Board* *Director General*
.... Tomasz Hinc *Vice President of the Management Board*	.... Grzegorz Kądzielawski, PhD *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 the Corporate Finance Department

Tarnów, November 8th 2017

Director's Report on the operations of the Grupa Azoty Group for Q3 2017

2. General information on the Grupa Azoty Group

The Grupa Azoty Group is one of Central Europe's major 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 group 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, to engineering plastics, to OXO products and melamine.
The Parent, Grupa Azoty S.A., has been listed on 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, FTSE Emerging Markets, and FTSE4Good Emerging Index.
As at September 30th 2017, the Grupa Azoty Group (the „Group") comprised Grupa Azoty S.A. (the Parent) and nine subsidiaries.

The Parent

The Company's principal place of business is located at ul. Kwiatkowskiego 8 in Tarnów, Poland. Since April 22nd 2013, the Company has been trading under the name Grupa Azoty Spółka Akcyjna ("Grupa Azoty S.A.").
Grupa Azoty S.A. is an integrated manufacturer of polyamide 6, obtained through polymerisation of caprolactam. Grupa Azoty S.A. also specialises in the manufacturing of nitrogen-sulfur fertilizers.

Parent's subsidiaries

Grupa Azoty Zakłady Azotowe Puławy S.A.
The Company's registered office is situated at Al. Tysiąclecia Państwa Polskiego 13, Puławy, Poland. 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 manufacturing 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 at ul. Mostowa 30A, Kędzierzyn-Koźle, Poland. 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 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 at ul. Kuźnicka 1, Police, Poland. 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, and titanium white.

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 manufacturs polyamide 6 (PA6).

Grupa Azoty Polskie Konsorcjum Chemiczne Spółka z ograniczoną odpowiedzialnością
The company's registered office is located at ul. E. Kwiatkowskiego 8, Tarnów, Poland.
Since February 28th 2013, it has been trading under the name Grupa Azoty Polskie Konsorcjum Chemiczne Spółka z ograniczoną odpowiedzialnością ("Grupa Azoty PKCh").
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, commissioning and operation of process units.

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

(all amounts in PLN '000 unless indicated otherwise)

Grupa Azoty KOLTAR provides railway transport services nationwide. It is one of the few organisations in Poland to hold licences required to perform comprehensive repairs of rail car chassis and tank cars used in the transport of hazardous materials (according to RID).

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 Poland's largest producer of liquid sulfur.

Grupa Azoty Folie Spółka z ograniczoną odpowiedzialnością
The company's registered office is located in Tarnów. Its principal business is research and development in technical science.

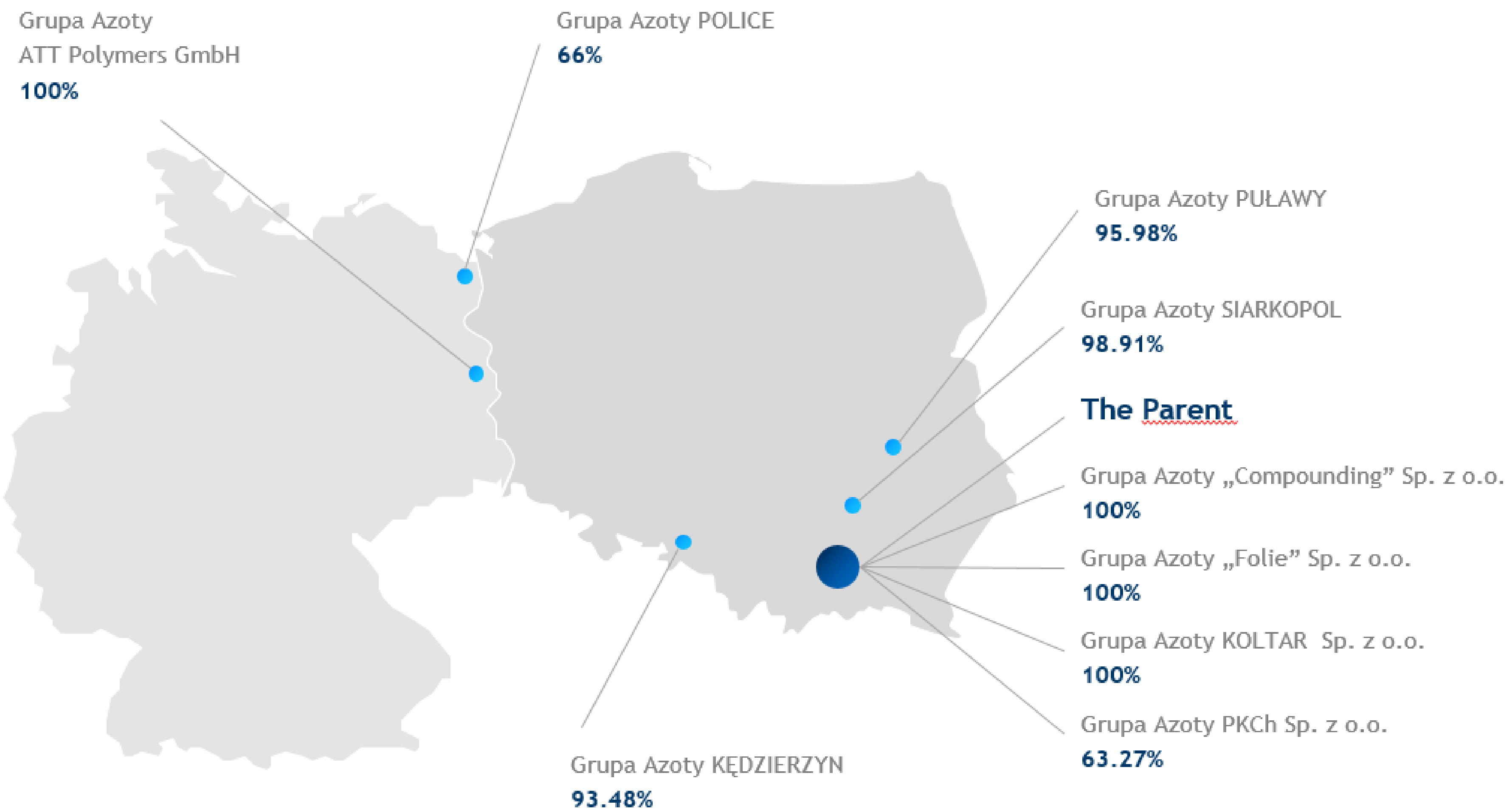
Grupa Azoty Compounding Spółka z ograniczoną odpowiedzialnością
The company's registered office is located in Tarnów. Its business model is based on a portfolio of specialised engineering plastics manufactured through the compounding of plastics, with the use of innovative technological solutions.

Parent's shareholdings in subsidiaries as at September 30th 2017

(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 SIARKOPOL	Grzybów, 28-200 Staszów, Poland	PLN 55,000,000	98.91
Grupa Azoty KĘDZIERZYN	ul. Mostowa 30 A skr. poczt. 163 47-220 Kędzierzyn-Koźle, Poland	PLN 285,064,300	93.48
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 2017



Source: Company data.

3. Assets and financial position

3.1. Assessment of factors and non-typical events having a material impact on the Group's operations and financial performance

Impairment loss recognised by African Investment Group S.A., a subsidiary of Grupa Azoty POLICE

On August 1st 2017, African Investment Group S.A. ("AFRIG S.A.") resolved to recognise a write-down on the amount of expenditure on exploration for and evaluation of mineral deposits as a correction of prior period error, in an amount of XOF 4,241,955 thousand (equivalent of PLN 28,349 thousand translated at the average exchange rate for the period of twelve months ended December 31st 2016). The write-down of PLN (28,349 thousand) was recognised as a correction of prior period error under costs of the previous year in the consolidated financial statements for H1 2017.

Impairment loss recognised by Zakłady Azotowe Chorzów S.A., a subsidiary of Grupa Azoty PUŁAWY

In Q3 2017, Zakłady Azotowe Chorzów S.A. recognised an impairment loss on rolling stock of PLN 46.7 thousand relating to prospective sale, planned for Q4 2017, of seven tank wagons that had been withdrawn from service, to reflect the difference between their carrying amount and the planned selling price, determined through a tender process.

In addition, on August 4th 2017, the Management Board of Zakłady Azotowe Chorzów S.A. resolved to recognise a PLN 14.7m impairment loss on the assets of the fat processing unit. In accordance with the provisions of IAS 36, the Management Board identified indications of a decrease in the recoverable amount of those assets below their respective carrying amounts.

Having considered those indications, the Management Board conducted an impairment test of the property, plant and equipment and intangible assets, which confirmed reasonability of recognising further impairment losses on the fat processing unit's assets.

The effect on the Grupa Azoty Group's consolidated operating profit (EBIT) of PLN (14.7)m was reflected in in the consolidated financial statements for H1 2017

On August 16th 2017, the Extraordinary General Meeting of Zakłady Azotowe Chorzów S.A. passed a resolution to approve the remedial programme for 2017−2027, and a resolution concerning the company's continued existence.

Exchange rates

The key factors and events with a bearing on the Grupa Azoty Group's financial results for Q3 2017 included acceleration of the GDP growth, falling unemployment and good condition of the state finances, coupled with the strong growth of and good prospects for the US and eurozone economies.

Domestic political risks related to disputes over amendments to legislation on the Supreme Court, the National Council of the Judiciary and the Polish court system intensified in the reporting period, which, in the context of EUR further strengthening against USD, led to a correction in the strong appreciation of PLN against EUR, with the Polish currency continuing to gain value against USD.

During Q3 2017, the Polish currency depreciated by approximately 2.1% against EUR and appreciated by about 1.5% against USD relative to June 30th 2017. At the same time, the average PLN/EUR exchange rate was lower by approximately 1% over the previous quarter, with the PLN/USD exchange rate up approximately 5.4%. The weakening of PLN against EUR and its concurrent strengthening against USD had no material impact on the Group's results in the reporting period.

The Group monitors its current and planned net currency exposures and manages the resulting currency risk by applying selected hedging instruments. In the reporting period, the main tools used by the Group were: natural hedging; factoring and discounting of receivables denominated in foreign currencies; and currency forwards covering up to 80% of the remaining currency exposure with time horizons of less than 6 months, and up to 50% of the remaining currency exposure with time horizons between 6 and 12 months.

Pursuant to the 'Policy of Financial Risk Management (Currency Risk and Interest Rate Risk)', the Grupa Azoty Group may enter into hedging transactions with horizons of up to 24 months, provided such transactions reduce the adverse effect of fluctuations in exchange rates on the cash flows (and the Group complies with the adopted hedging limits and hedge ratios and acts consistently with the applied VaR methodology).

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 2017, the Group used hedging tools in the form of EUR and USD swap forwards, as an addition to the contracts executed in 2016, reflecting its planned net exposure in both currencies and the growing share of natural hedging against EUR.
For the first nine months of 2017, the Grupa Azoty Group reported a profit of PLN 18,173 thousand on hedging transactions. The result on revaluation of hedging instruments was positive, at PLN 10,122 thousand.
In the first nine months of 2017, the Group's aggregate result on the settlement of hedging transactions and revaluation of hedging instruments was positive, at PLN 28,294 thousand.
On the unhedged net currency exposure, the Group reported a net loss on realised and unrealised foreign-exchange differences of PLN (20,785) thousand.
In the first nine months of 2017, the Group's aggregate result on foreign exchange differences and currency derivative transactions (including revaluation as at the end of the reporting period) was positive at PLN 7,509 thousand.
The loss on current currency transactions and foreign-exchange differences was more than offset by gains on measurement and settlement of currency forwards.

Interest rates in Poland
In Q3 2017, interest rates in Poland did not change and are expected to remain unchanged until the end of 2017 as the growing inflation continues below the central inflation path projected by the Monetary Policy Council (2.50%).
As a result, the Group's base interest rate (1M WIBOR) in Q3 2017 stayed at approximately 1.65%, which had a positive effect on stabilising the Group's borrowing costs at a relatively low level, and translated into a solid debt service capacity.
As at September 30th 2017, the Grupa Azoty Group did not have any unrealised interest rate risk hedges.

Prices of CO2 emission allowances
In Q3 2017, prices of CO2 emission allowances gradually rose in response to the announcement of the plan to withdraw some free allowances in the coming years by EU authorities.
At the end of the period, the total valuation of CO2 forwards was positive, as some of the contracts were executed on a moving basis in previous periods, when the prices of EUAs were lower.
In the first nine months of 2017, the Group reported a PLN 10,829 thousand gain on valuation of forward contracts for the purchase of CO2emission allowances.

Hedge accounting
Since September 28th 2016, the 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 of EUR 127,134 thousand as at September 30th 2017, repayable from December 2018 to June 2025 in 14 equal half-yearly instalments of EUR 9,081 thousand each. As at September 30th 2017, the fair value of the facility was PLN 552,765 thousand. As at September 30th 2017, the hedging reserve included PLN 1,452 thousand on account of the effective hedge. In Q3 2017, the Grupa Azoty Group did not reclassify any hedge accounting amounts from other comprehensive income to the statement of profit or loss.

3.2. Market overview

In Q3 2017, representatives of the Polish chemical sector held a positive view of the economic climate. In the reports using the GUS survey methodology, the economic sentiment indicator in the chemicals and chemical products category was positive, figuring at +15.1% in July, +14.8% in August and +14% in September, but declined both quarter on quarter and year on year. The outlook for 2017:

- CEFIC projects an approximately 1% growth of chemical production in Europe; the forecast has been revised down from 1.5% to reflect petrochemical production growth decelerating on rising energy prices;
- According to the American Chemistry Council, chemical output in Western Europe will grow by 1.9%. The Asian market, particularly Southeast Asia including China, is expected to grow at a faster pace, with the forecast output growth rate at 6.5–7.0% in 2017.

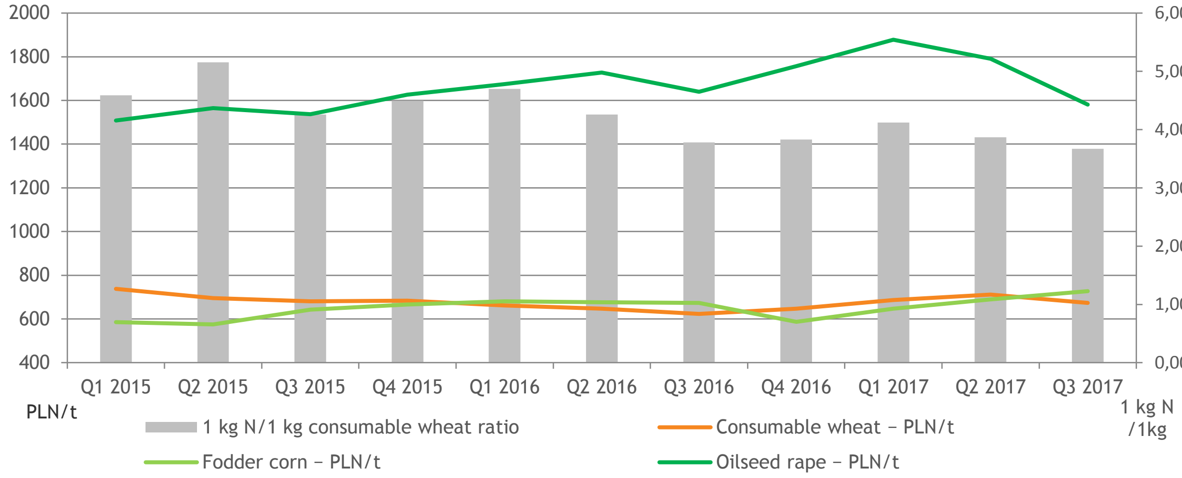
(all amounts in PLN '000 unless indicated otherwise)

AGRO FERTILIZERS

Economic conditions in agriculture

In the agricultural market, the third quarter was a period of changeable weather. Rainfall and strong winds disrupted harvest, particularly in the northern and central parts of Poland, affecting the quality of grain. According to the Integrated Agricultural Information System of the Ministry of Agriculture and Rural Development, in the reporting period average farm gate prices of wheat and corn were higher by more than 8% year on year, with average prices of oilseed rape down approximately 4%.

Prices of wheat, corn and oilseed rape



Source: the Ministry of Agriculture and Rural Development.

By June 17th 2017, the Agency for Restructuring and Modernisation of Agriculture disbursed to farmers PLN 14.598bn, i.e. 99.93% of the planned pool of funds allocated to direct subsidies for 2016.
Low oil prices in the global markets do not allow any increase in prices of oilseeds, and about 60% of the oilseed rape in the European Union is processed into biofuel.

	Average Q3 2016 PLN/t	Average Q3 2017 PLN/t	Q/Q %	September 2017 PLN/t	MIN 2017 PLN/t	MAX 2017 PLN/t
Consumable wheat	623	673	8	656	644	718
Fodder corn	673	727	8	730	714	737
Rapeseed	1,640	1,582	-4↓	1,585	1,573	1,587

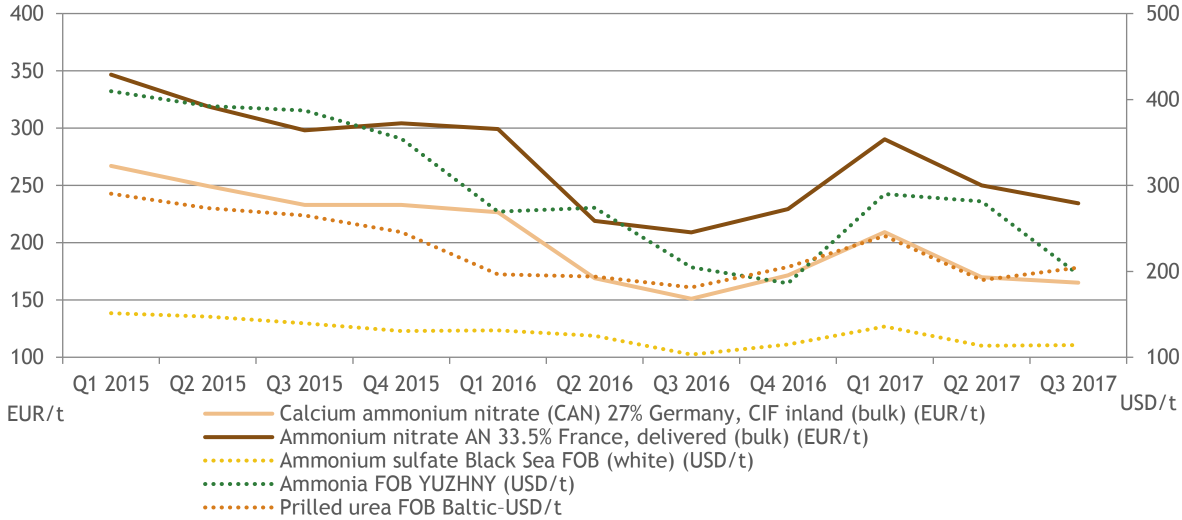
Source: the Ministry of Agriculture and Rural Development.

Nitrogen fertilizers

Domestic demand was in a downtrend at the beginning of the quarter due to harvest, but improved in the second half with the start of the autumn application of NPK fertilizers.
In Q3 2017, the prices of nitrogen fertilizers (ammonium nitrate, calcium ammonium nitrate and ammonium sulfate) climbed year on year by about 9%–13%. The prices of ammonia, a strategic feedstock, fell by around 4%.

(all amounts in PLN '000 unless indicated otherwise)

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



Source: ICIS, Argus FMB, Profercy.

A clear downward trend in ammonia prices in the second quarter of 2017 was caused by the situation on the US market. The contributing factors included unfavourable weather conditions, significantly reduced demand for ammonia for agricultural purposes, large stockpiles accumulated in the distribution network, and increased supply following commissioning of new production capacities. US producers began to export ammonia from the new units, including to North Africa and Europe, and the fall in ammonia prices in the US depressed prices elsewhere in the world. The market situation in the coming months will largely depend on gas prices, USD exchange rates and global production volumes, particularly in fertilizers.

	Average Q3 2016 EUR/t	Average Q3 2017 EUR/t	Q/Q %	September 2017 EUR/t	MIN 2017 EUR/t	MAX 2017 EUR/t
CAN 27% Germany CIF inland (bulk)	151	165	9	172	161	172
AN (33.5%) France, delivered (bulk)	209	234	12	246	228	246
	USD/t	USD/t	%	USD/t	USD/t	USD/t
Ammonia (FOB Yuzhny)	205	197	-4↓	203	190	203
Urea (FOB Baltic)	181	204	13	232	182	232
AS (Black Sea FOB white)	103	114	11	124	109	124

Source: ICIS, Argus FMB, Profercy.

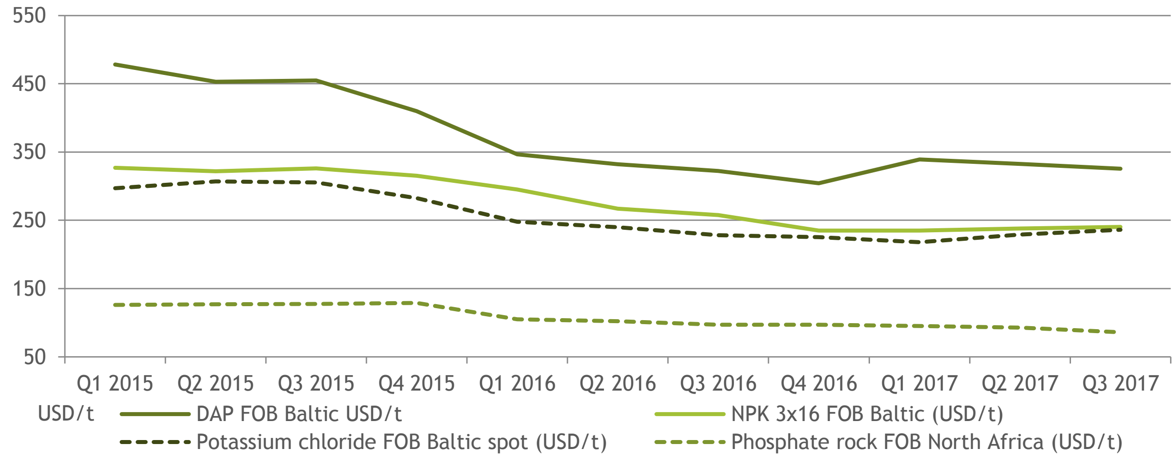
Prices of nitrogen fertilizers will be determined by urea purchases by India, and concluded transactions should help to stabilise urea prices. Prices of ammonium nitrate and fertilizer supply are rising on new capacity additions (for urea alone, about 2.5 million tonnes a year will be added in Russia, the US, and Bolivia). Higher global prices of nitrogen fertilizers, increased demand, rising production and transport costs, and rising prices of energy may drive price growth.

Market of compound fertilizers

In Q3 2017, 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). Most large farms purchased a large proportion of fertilizers needed for autumn planting in June, at seasonally low prices. Smaller farms made purchases shortly before planting winter crops.

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

(all amounts in PLN '000 unless indicated otherwise)



Source: WFM, FERTECON, Profercy.

NPK fertilizers imported from Norway, Finland, Russia and Belarus were available on a regular basis in Poland. There was growing demand among farmers for NPK blends, as their prices are usually 10−15% lower than the prices of compound NPK fertilizers.
Except for local and periodic instances of higher demand, the first half of 2017 saw reduced demand for NPK fertilizers across most European markets. Low incomes in agriculture significantly reduced farmers' purchasing power, even in such markets as Germany or France.

	Average Q3 2016 USD/t	Average Q3 2017 USD/t	Q/Q %	September 2017 USD/t	MIN 2017 USD/t	MAX 2017 USD/t
DAP (FOB Baltic)	322	326	1	328	324	328
NPK3x16 (FOB Baltic)	258	240	-7↓	244	237	244
Potassium chloride (FOB Baltic spot)	228	236	4	235	234	239
Phosphate rock (FOB North Africa)	97	86	-11↓	86	86	86

Source: WFM, FERTECON, Profercy.

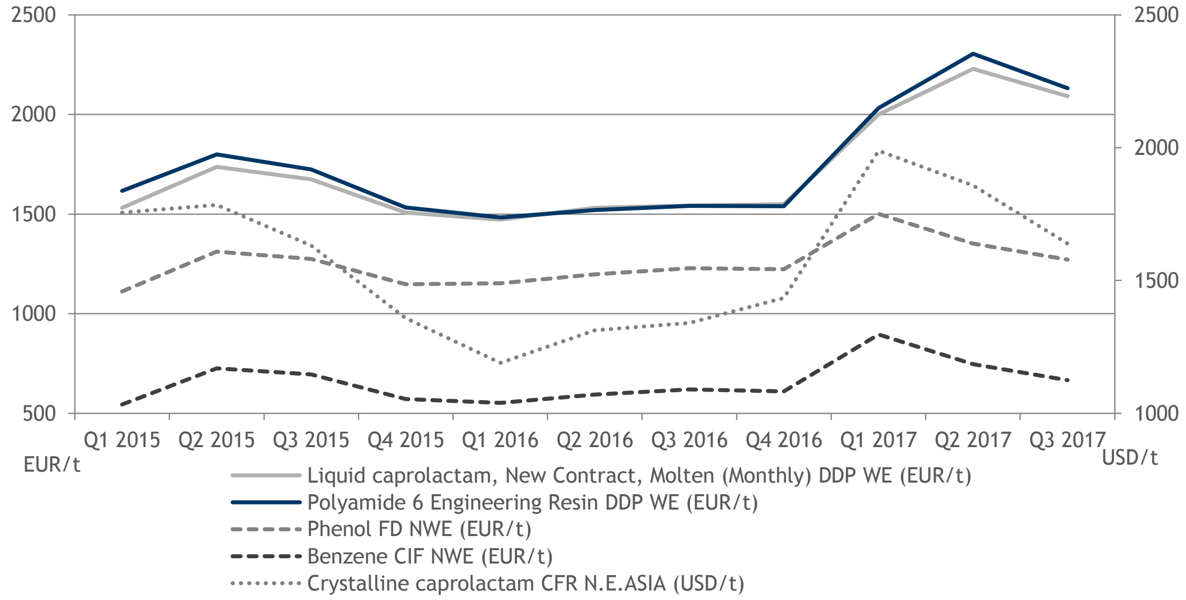
In Q3 2017, DAP demand remained low in most markets. Production cuts in China and damage to US installations caused by the hurricane were offset by new capacity additions (for instance, in Saudi Arabia).Global DAP prices, which were in decline since March 2017, bottomed out in September.
Prices of phosphate rock, an important feedstock in the production of compound fertilizers, were also in a downtrend, declining 11% year on year, with prices of potassium chloride up 4% over the previous year. The prices of potassium chloride were largely driven by policies of the largest producers, who sought to maintain high prices and control supply through periodic shutdowns of their production facilities.

PLASTICS

Polyamide 6 chain
In Q3 2017, relatively strong demand for caprolactam was fuelled by increasing demand on the PA6 market, repeating the pattern from the year before. Those developments were primarily driven by the application markets, chiefly the automotive and textile industries.
In the reporting period, the market situation continued to be shaped by supply and demand forces and, to a lesser extent, by rising oil prices (up approximately 13%). Higher oil prices led to a rise in prices of petrochemical feedstocks, including benzene (uo ca. 8%, FOB, NWE) and caprolactam (up ca 36%, DDP, WE), exerting additional pressure on prices of PA6 (up ca.38%, DDP, WE) in Europe.
Phenol prices did not change as much, rising by approximately 3% (FD, NWE) year on year, largely due to higher oil prices, as well as seasonal fluctuations in supply and pricing trends (with the demand remaining stable).

In Q3 2017, prices of caprolactam (CPL) in Asia (CFR, NE Asia) were 22% higher year on year, at USD 1,341 per tonne. The situation on the caprolactam and polyamide 6 markets was mostly attributable to shortages of CPL and PA6 resulting from scheduled and unscheduled downtimes, disruptions in logistics caused by failures of railway infrastructure in Germany, and changes in the legal and legislative regimes on the Asian market.

Prices of PA6, caprolactam, benzene and phenol



Source: TECNON, ICIS.

Thus, caprolactam prices were largely driven by the demand-supply balance, and not only by prices of oil-based feedstocks. Such market conditions allowed manufacturers, previously constrained by structural oversupply, to implement some of their profitability improvement plans. The persisting oversupply of polyamide 6 in Europe was gradually reduced on the strong performance of the automotive and textile sectors, which helped improve the trade balance.

(all amounts in PLN '000 unless indicated otherwise)

	Average Q3 2016 EUR/t	Average Q3 2017 EUR/t	Q/Q %	September 2017 EUR/t	MIN 2017 EUR/t	MAX 2017 EUR/t
Benzene (FOB, NWE)	619	666	8	658	645	695
Phenol (FD, NWE)	1,229	1,272	3	1,262	1,252	1,302
Caprolactam (Liq., DDP, WE)	1,543	2,093	36	2,073	2,073	2,123
Polyamide 6 (PA 6) (DDP, WE)	1,542	2,132	38	2,105	2,105	2,165
	USD/t	USD/t	%	USD/t	USD/t	USD/t
Caprolactam (CFR, NEAsia)	1,341	1,639	22	1,720	1,560	1,720
	USD/bbl	USD/bbl	%	USD/bbl	USD/bbl	USD/bbl
Crude oil (BRENT)	45.87	51.94	13	55.09	49.05	55.09

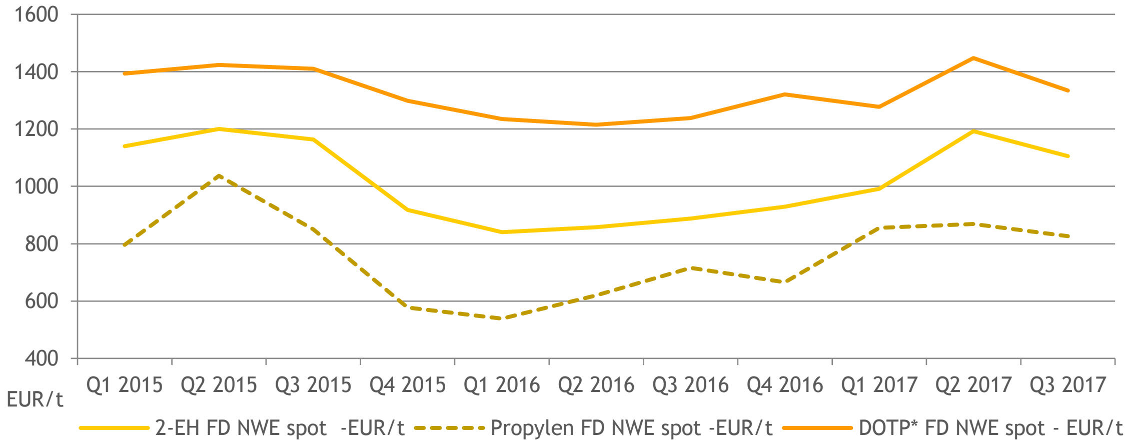
Source: ICIS, Tecnon, Rzeczpospolita.

In September 2017, polyamide 6 prices fell slightly despite rising benzene prices. Considering strong market supply, buyers hoped for a much larger price decrease, but firm demand from most polyamide 6 application sectors led to only small reductions. At the same time, negotiations of contract prices for October commenced. Prices are expected to rise in October due to strong demand, smaller imports from Asia, and rising benzene contract prices.

CHEMICALS

OXO product chain
As in the Plastics segment, prices in the OXO segment continued to be influenced by crude oil price levels. Price hikes were seen both for propylene and OXO products. Relative to Q3 2016, the prices grew 15% to 25%.
Q3 2017 was marked by weaker demand than H1 2017, resulting from lower interest of end users during the summer season.

Prices of 2-EH, DOTP and propylene



* *January 18th 2017 - The changes in DOTP prices were caused by alteration of the price gathering methodology applied by ICIS (which was revised to better present the actual market prices) and should not be viewed as an indication of an actual change in the plasticiser prices.*

Source: ICIS.

Contract prices of propylene grew in Q3 2017, driven by continued high demand, product shortages caused by shutdowns and technical failures of production units, and higher prices of feedstock (kerosene, electricity).

(all amounts in PLN '000 unless indicated otherwise)

	Average Q3 2016 EUR/t	Average Q3 2017 EUR/t	Q/Q %	September 2017 EUR/t	MIN 2017 EUR/t	MAX 2017 EUR/t
2-EH (FD NWE spot)	888	1,106	25	1,095	1,095	1,123
DOTP* (FD NWE spot)	1,238	1,334	-*	1,299	1,299	1,378
Propylene (FD NWE spot)	716	826	15	861	783	861

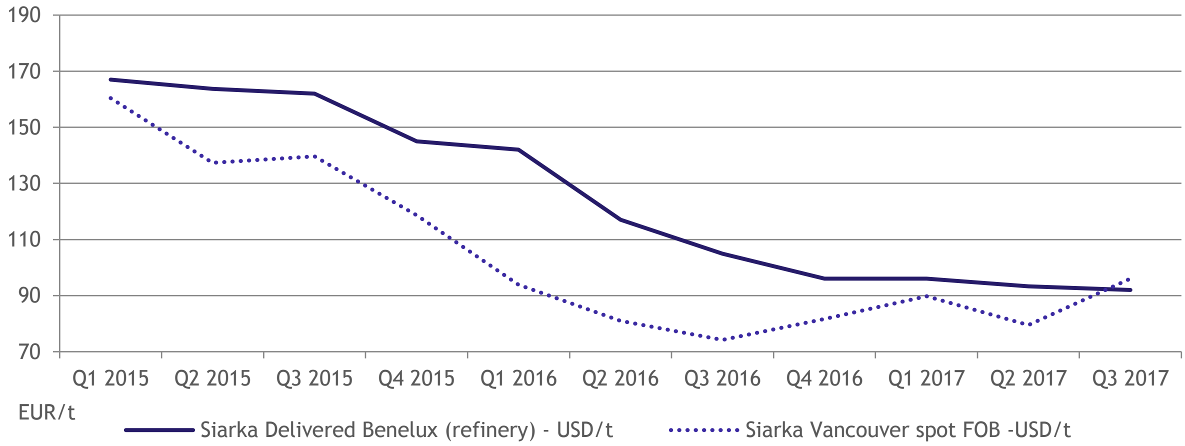
** Data not comparable due to change of methodology.*

Source: ICIS.

In Q4 2017 and Q1 2018, the market prices of propylene may be expected to decline gradually as availability of the product improves and the feedstock prices stabilise. At the same time, the OXO product market will become increasingly competitive as a result of more balanced product mix (Q4 2017). The effect of those developments will be reinforced by scheduled shutdowns at key manufacturers in Q1 and Q2 2018, while the market imbalance will support the prices.

Sulfur
In Q3 2017, the price of refinery sulfur in Europe fell by approximately 12% year on year, while the Vancouver spot prices of prilled sulfur increased 29%.

Prices of sulfur



Source: FERTECON.

In Q3 2017, the prices of refinery sulfur were lower than in the previous year. High stocks of prilled sulfur, especially in Asia (mainly China and India), are affecting the global prices of the product. Low stocks of sulfur and maintenance shutdowns of refinery desulfurisation units led to a rise in sulfur prices in China. Phosphate fertilizer manufacturers in China increased the utilisation of their production capacities from 50%–60% to 60%–70% before the new environmental taxes take effect on January 1st 2018. Sulfur prices rose in Canada, India and the Mediterranean region, while remaining stable in Europe, the United States and Brazil. In Europe, the prices of sulfur are set quarterly; price negotiations for Q4 2017 began in late September.

(all amounts in PLN '000 unless indicated otherwise)

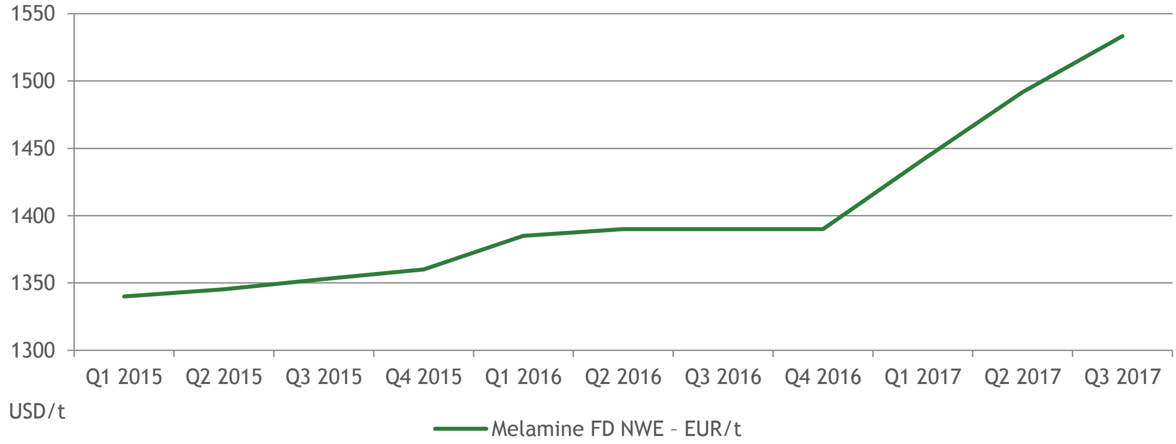
	Average Q3 2016 USD/t	Average Q3 2017 USD/t	Q/Q %	September 2017 USD/t	MIN 2017 USD/t	MAX 2017 USD/t
Sulfur (Delivered Benelux refinery)	105	92	-12↓	92	92	92
Sulfur (Vancouver spot FOB)	74	96	29	106	89	94

Source: FERTECON.

Depleting stocks of sulfur could have a favourable effect on the price trend, provided that the demand for phosphate fertilizers grows and the supply is reduced, with maintenance shutdowns planned in a controlled manner.
In the near term, the demand for sulfur is expected to increase due to the planned launch of new phosphate fertilizer units in Saudi Arabia and Morocco. In the coming months, the market will be shaped by the real supply of sulfur in the CEE region and the key indices. In addition, as with other commodities, the market has been significantly influenced by the exchange rates of major currencies, including the US dollar. The market conditions in subsequent periods will depend mainly on how the situation in the fertilizer market develops, especially with respect to compound fertilizers and, to a lesser extent, caprolactam. The rise in demand at the beginning of 2017 boosted the demand for liquid sulfur in the short term.

Melamine
In Q3 2017, the demand for melamine in Europe remained strong, with a typical increase in orders seen after the summer holiday season, and this situation is expected to continue until Christmas. In the period under review, the manufacturers reported low stock levels following the maintenance season.

Prices of melamine



Source: ICIS, Global Bleaching Chemicals.

Environmental constraints in China and their potential impact on global prices and trade flows are still a cause for concern in the global melamine market.

	Average Q3 2016 EUR/t	Average Q3 2017 EUR/t	Q/Q %	September 2017 EUR/t	MIN 2017 EUR/t	MAX 2017 EUR/t
Melamine (FD NWE)	1,390	1,533	10	1,540	1,520	1,540

Source: ICIS, Global Bleaching Chemicals.

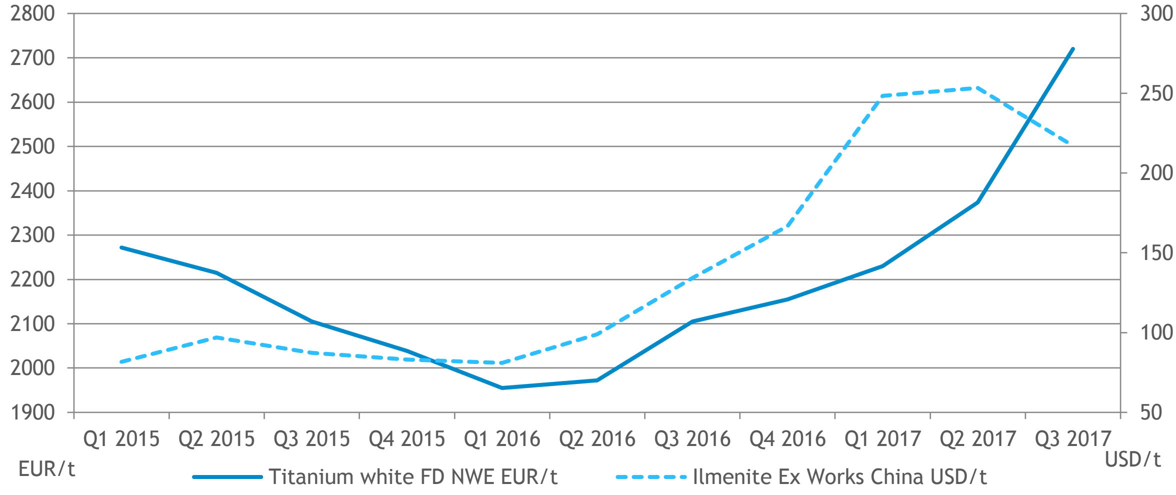
European manufacturers expect melamine prices to rise in Q4 2017, possibly at two-digit rates. Price negotiations are currently underway in the US. On September 6th, US-based Cornerstone Chemical announced that as of October 1st its melamine prices in the US would go up by USD 110 per tonne.

(all amounts in PLN '000 unless indicated otherwise)

Some customers view this level as excessive, and it may make them more inclined to seek lower-cost sources, for example in Europe.
Asian spot prices (FOB China) grew by USD 160 per tonne on average, driven by the rising cost of feedstock and low stocks of Chinese manufacturers.

Pigment chain
Availability of titanium white on the global market was limited throughout Q3, and the supply-demand imbalance stemmed from reduced production of titanium white and the continuing economic recovery in many markets without any signs of slowdown in the holiday season. The lower production volumes were partly caused by failure of production units in Finland and Ukraine and a 15% cut in production in China (30-35% of the global output).

Prices of titanium white and ilmenite



Source: ICIS, CCM.

The prices of titanium white in Europe, the US and Asia were increased, as planned, in early July and remained flat throughout the entire third quarter. In China, the export prices fell in July, reflecting weak domestic demand and rising stock levels. After further environmental inspections by governmental institutions, a number of titanium white producers in China had to cease production, which resulted in a rebound in the export price of titanium white in the second half of August.
In September, negotiations of contracts for the fourth quarter were started in the US and Europe. All titanium white manufacturers announced price rises.

	Average Q3 2016 EUR/t	Average Q3 2017 EUR/t	Q/Q %	September 2017 EUR/t	MIN 2017 EUR/t	MAX 2017 EUR/t
Titanium white (FD NWE)	2,105	2,720	29	2,720	2,720	2,720
	USD/t	USD/t	%	USD/t	USD/t	USD/t
Ilmenite (ex Works China)	134	217	62	233	206	233

Source: ICIS, CCM.

Further environmental inspections at the production facilities operated by Chinese manufacturers of ilmenite, one of the main raw materials for titanium white production, led to some of them being closed down again. As a result, the price of ilmenite rose by over 11% in Q3 2017.

Technical-grade urea
Technical-grade urea is mostly used as a component of furniture adhesives and the NOXY® (AdBlue®) solution. Demand for technical-grade urea remained stable, showing an upward trend in the NOXY segment.

(all amounts in PLN '000 unless indicated otherwise)

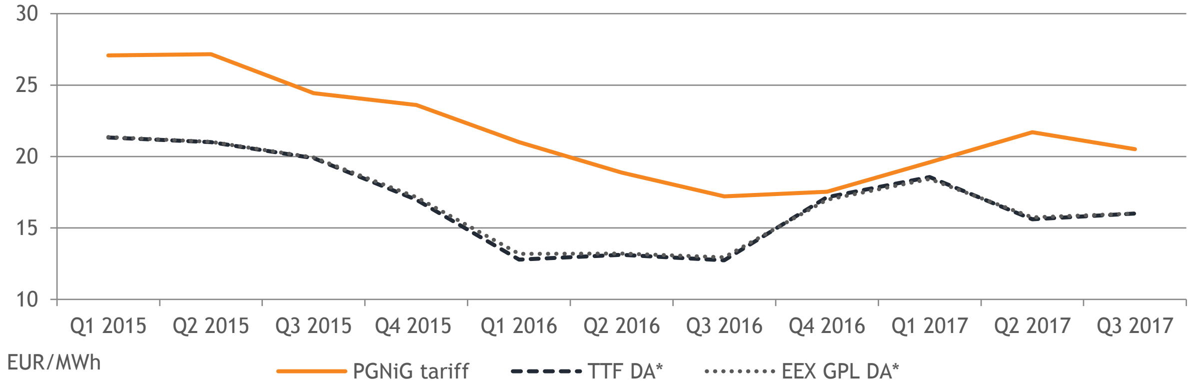
In 2020, the share of technical-grade urea in total urea consumption is forecast to reach 17%. Total consumption of technical-grade urea will continue to increase, from 28m tonnes in 2015 to 33m tonnes in 2020 (according to the International Fertilizer Industry Association), and will represent almost half of the global growth in demand for urea. The growth rate for 2015-2020 is estimated at 3%. The rising consumption of urea for technical applications will be mainly driven by its use in the production of UF (urea-formaldehyde) resins and in deNOx (flue gas denitrification) units.

ENERGY

Natural gas

In Q3 2017, gas prices rose 19%−26% year on year (see table below).
Gas prices in the European market in the first half of Q3 2017 continued the sideways trend started in the previous period, moving in the range of EUR 15.0–EUR 15.5/MWh. The decline in gas consumption for heating purposes was offset by higher volumes of gas injected into storage facilities, as their filling levels were lower than last year.

Prices of natural gas



**Excluding transmission.*

Source: PGNiG tariff, ICIS.

Gas prices rose significantly in August, mainly because of numerous failures and unscheduled shutdowns of gas infrastructure in Norway and Yamal. The increase was further supported by rising prices of oil and coal and the high demand for electricity and, consequently, gas, caused by high temperatures in Europe. The prices exceeded EUR 17.5 per MWh for some time, only to fall to EUR 16 per MWh at the end of the month.

	Average Q3 2016 EUR/MWh	Average Q3 2017 EUR/MWh	Q/Q %	September 2017 EUR/MWh	MIN 2017 EUR/MWh	MAX 2017 EUR/MWh
PGNiG tariff	17.2	20.5	19	19.8	19.8	21.6
TTF DA net of transmission costs	12.7	16.0	26	17.1	15.0	17.1
EX GPL DA	12.9	16.0	24	17.0	15.1	17.0

Source: PGNiG tariff, ICIS.

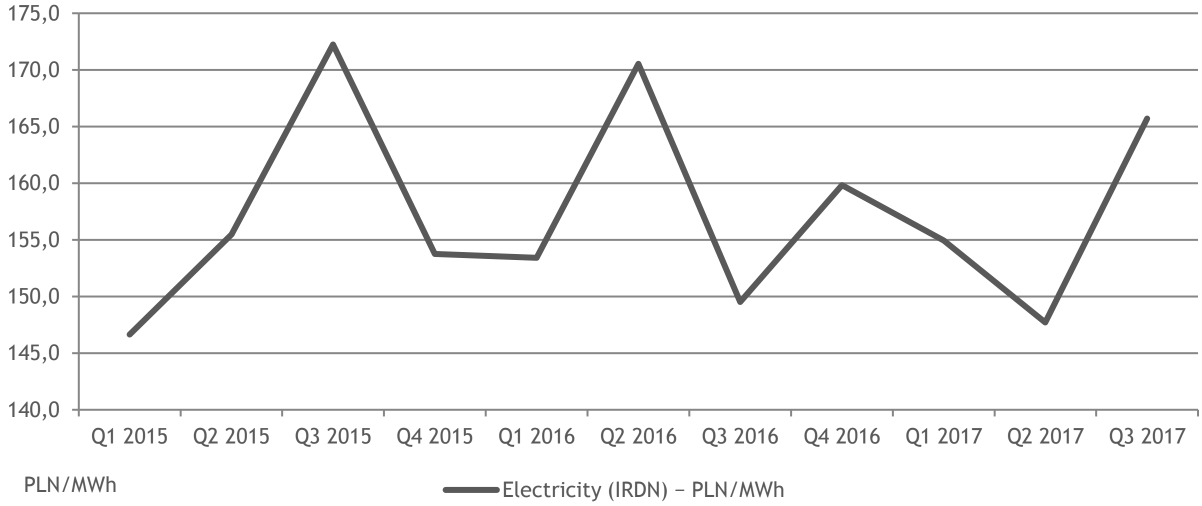
Latest forecasts say that in the upcoming winter season gas prices will grow slowly, to reach approximately EUR 18.5 per MWh by the end of the year. Then, a downward trend is expected. However, the prices will be most strongly affected by movements in coal prices and possible temperature deviations from the long-term average.

(all amounts in PLN '000 unless indicated otherwise)

Electricity

Average prices of electricity on the day-ahead market of the Polish Power Exchange in Q3 2017 continued the upward trend started in May, increasing by almost 9% compared with the average price for H1. On a year-on-year basis, the growth exceeded 10%. This market behaviour was an effect of changeable temperatures, wind power generation volumes, and available capacities of conventional power plants.

Prices of electricity



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

Source: Polish Power Exchange.

	Average Q3 2016 PLN/MWh	Average Q3 2017 PLN/MWh	Q/Q %	September 2017 PLN/MWh	MIN 2017 PLN/MWh	MAX 2017 PLN/MWh
Electricity	149.72	165.71	10.7	175.53	98.08	368.63

Source: Polish Power Exchange.

The Polish market is largely affected by climate regulations and the need to continue upgrading power generation capacities (expenditure on new production capacities and maintaining operating capacity reserve). Electricity prices will be driven by the following factors:
- The ongoing restructuring of the coal sector companies with the participation of power sector companies,
- Continuing high prices of gas,
- Increasingly widespread use of energy efficient solutions leading to reduced electricity consumption,
- Persistently high prices of coal on global and domestic markets.

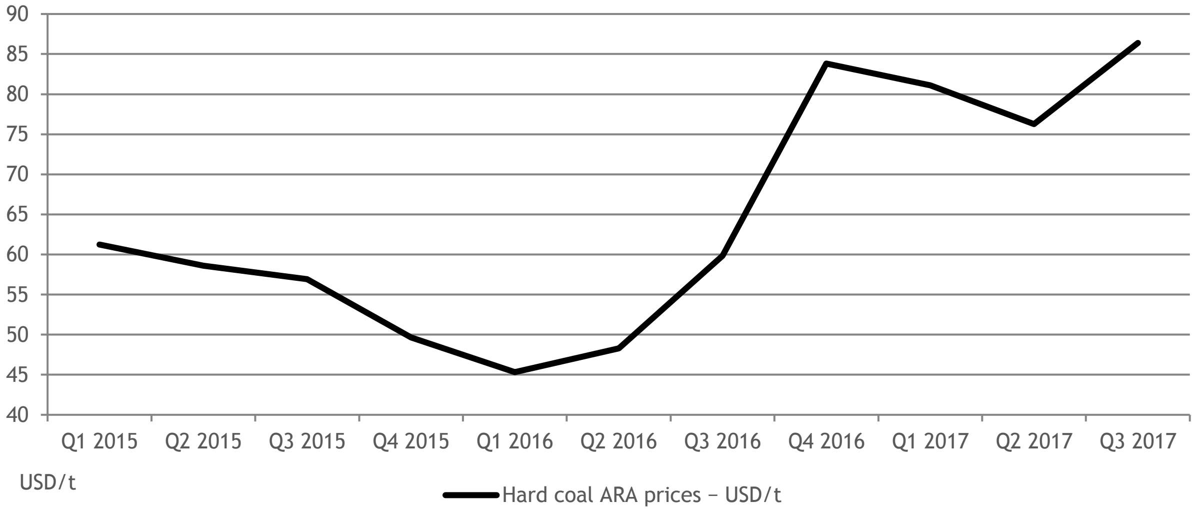
Electricity prices are expected to rise slightly during the next 12 months.

Coal

In Q3 2017, coal prices returned to the levels seen at the end of 2016. On a year-on-year basis, they rose 59%. The average price of coal in the first three quarters of 2017 was USD 81.34 per tonne, up 44% year on year.

(all amounts in PLN '000 unless indicated otherwise)

Prices of hard coal



Source: ARA prices.

The rising global prices of coal are driven by limited supply (Atlantic region) on the one hand and, on the other, by higher demand from customers in the Asia-Pacific markets (including China, India, and Japan). The cuts in coal production exceeded the required level and led to a deficit on international markets. While consumption of coal fell by about 2%, its production is estimated to have decreased by as much as 6%.

	Average Q3 2016 USD/t	Average Q3 2017 USD/t	Q/Q %	September 2017 USD/t	MIN 2017 USD/t	MAX 2017 USD/t
Coal	59.85	86.39	44.4	90.35	71.70	92.36

Source: ARA prices.

Prices of coal in Poland also increased, eliminating the oversupply. This was an effect of the ongoing restructuring of coal mines and the decline in coal production caused, among other factors, by insufficient investment in the existing mines and closing down of the unprofitable ones.
Analysts forecast that in H2 2017 coal prices will continue at their current levels. The equilibrium price is estimated at between USD 65 and USD 70 per tonne, not to be seen within the next two or three years, however.

3.3. Key financial and economic data

2.3.1. Consolidated financial information

In Q3 2017, the Group earned a positive EBITDA of PLN 255,322 thousand and net profit of PLN 75,491 thousand.

(all amounts in PLN '000 unless indicated otherwise)

Consolidated data

Item	Q3 2017	Q3 2016	change	% change
Revenue	2,196,069	1,999,643	196,426	9.8
Cost of sales	(1,738,868)	(1,666,143)	(72,725)	4.4
Gross profit	**457,201**	**333,500**	**123,701**	**37.1**
Selling and distribution expenses	(157,176)	(143,849)	(13,327)	9.3
Administrative expenses	(185,546)	(165,470)	(20,076)	12.1
Profit from sales	**114,479**	**24,181**	**90,298**	**373.4**
Net other expenses	(13,944)	(10,682)	(3,262)	30.5
Operating profit	**100,535**	**13,499**	**87,036**	**644.8**
Net finance income/(costs)	(612)	724	(1,336)	(184.5)
Share of profit of equity-accounted investees	4,402	2,918	1,484	50.9
Profit before tax	**104,325**	**17,141**	**87,184**	**508.6**
Income tax	(28,834)	(11,707)	(17,127)	146.3
Net profit	**75,491**	**5,434**	**70,057**	**1,289.2**
EBIT	**100,535**	**13,499**	**87,036**	**644.8**
Depreciation and amortisation	154,787	130,393	24,394	18.7
EBITDA	**255,322**	**143,892**	**111,430**	**77.4**

Source: Company data.

With revenue up 9.8% year on year and only slightly higher cost of sales (up 4.4%), the Grupa Azoty Group reported gross profit. Gross profit increased by PLN 123,701 thousand relative to Q3 2016. Gross profit net of selling and distribution expenses and administrative expenses was PLN 114,479 thousand.
In Q3 2017, the balance of other income and other expenses was negative, at PLN (13,944) thousand, and had a slightly adverse impact on EBIT, which came in at PLN 100,535 thousand, up by PLN 87,184 thousand year on year.

2.3.2. Segment results

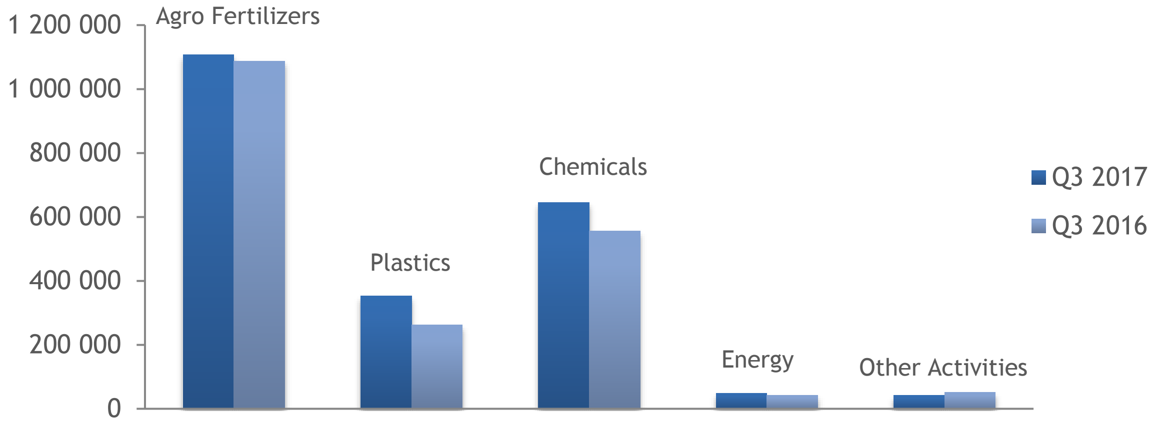
EBIT by segment

	Agro Fertilizers	Plastics	Chemicals	Energy	Other
External revenue	1,107,613	352,429	645,526	48,991	41,510
Profit/(loss) on sales	19,613	46,392	53,789	(4,175)	(1,140)
EBIT	12,468	45,200	53,788	(3,916)	(7,005)

Source: Company data.

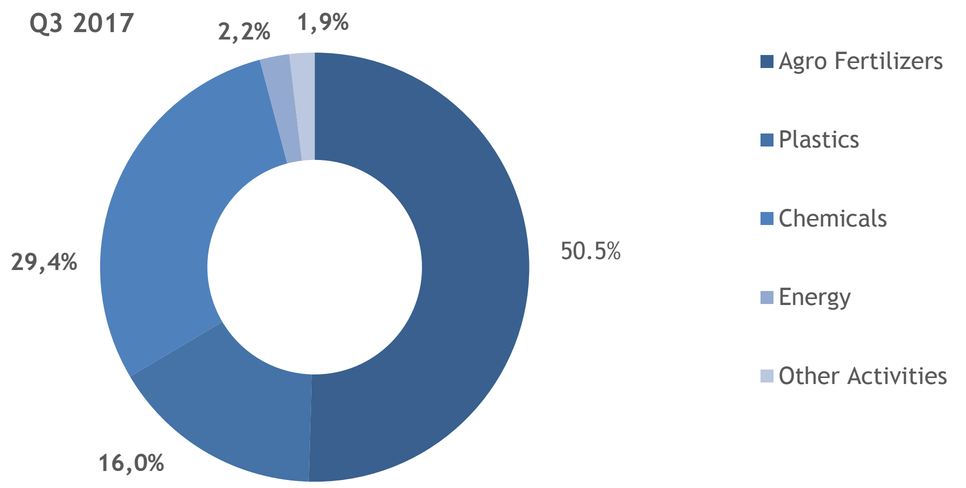
The Group’s profit on sales of products in Q3 2017 was determined primarily by the market situation in the Agro Fertilizers segment. Year on year, revenue increased in the Agro Fertilizers segment (up 1.8%), Plastics segment (up 34.3%), Chemicals segment (up 16.1%), and Energy segment. It fell only in the Other Activities segment (down 19.0%).

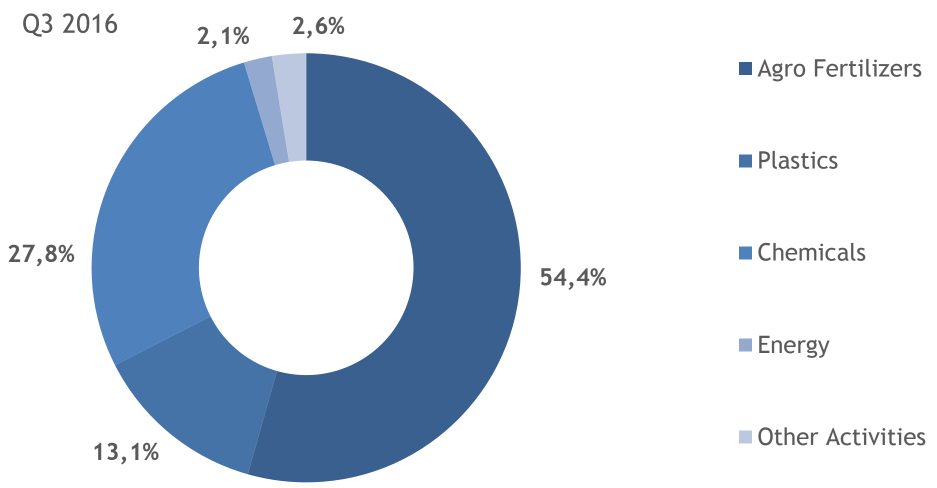
Revenue by segment



Source: Company data.

Revenue by segment





Source: Company data.

The shares of individual segments in total revenue changed slightly compared with Q3 2016: the contribution from the Plastics, Chemicals and Energy segments grew (by 2.9pp, 1.6pp, and 0.1pp, respectively), while the shares of the other segments were lower.

(all amounts in PLN '000 unless indicated otherwise)

Agro Fertilizers

In Q3 2017, revenue in the Agro Fertilizers segment was PLN 1,107,613 thousand and accounted for 50.5% of the Group's total revenue. Relative to Q3 2016, the segment's revenue grew 1.8%, while its share in the Group's total decreased.

The Agro Fertilizers segment also reported profit from sales and positive EBIT of PLN 12,468 thousand. Sales on the domestic market accounted for approximately 72.6% of the segment's revenue.

Plastics

In Q3 2017, revenue in the Plastics segment was PLN 352,429 thousand and accounted for 16.0% of the Group's total revenue. The revenue figure was up 34.3% year on year, contributing to profit on sales and positive EBIT of PLN 45,200 thousand.

More than 85.3% of the segment's revenue was derived from sales on foreign markets.

Chemicals

In Q3 2017, revenue in the Chemicals segment amounted to PLN 645,526 thousand, having increased 16.1% year on year. The segment's revenue accounted for 29.4% of the Group's total. The segment reported profit on sales and positive EBIT of PLN 53,788 thousand.

Sales on foreign markets accounted for approximately 61.9% of the Chemicals segment's revenue.

Energy

In Q3 2017, revenue in the Energy segment was PLN 48,991 thousand and accounted for approximately 2.2% of the Group's total revenue. The segment's revenue grew 15.4% year on year. EBIT reported by the Energy segment was negative.

Other Activities

In Q3 2017, revenue in the Other Activities segment amounted to PLN 41,510 thousand, and accounted for 1.9% of the Group's total. The segment's EBIT was negative.

2.3.3. Cost structure

In Q3 2017, operating expenses were PLN 2,055,899 thousand, up by PLN 165,836 thousand year on year. There was an increase in raw materials and consumables used, depreciation and amortisation, as well as cost of salaries and wages, including overheads, which led to a rise in total operating expenses. Services, taxes and charges, as well as other costs decreased.

Operating expenses by nature of expense

	Q3 2017	Q3 2016	change	% change
Depreciation and amortisation	153,346	129,695	23,651	18.2
Raw materials and consumables used	1,228,660	1,082,078	146,582	13.5
Services	241,754	249,776	(8,022)	(3.2)
Salaries and wages, including overheads, and other benefits	338,907	313,673	25,234	8.0
Taxes and charges	78,484	89,815	(11,331)	(12.6)
Other costs	14,748	25,026	(10,278)	(41.1)
Total	**2,055,899**	**1,890,063**	**165,836**	**8.8**

Source: Company data.

(all amounts in PLN '000 unless indicated otherwise)

Other operating expenses

In Q3 2017, operating expenses other than costs of raw materials and consumables used accounted for 40.2% of total operating expenses, down from 42.7% in the corresponding period of 2016.

Structure of other operating expenses [%]

	Q3 2017	Q3 2016
Depreciation and amortisation	7.5	6.9
Services	11.8	13.2
Salaries and wages, including overheads, and other benefits	16.5	16.6
Taxes and charges	3.8	4.8
Other costs	0.7	1.3
Total	**40.2**	**42.7**

Source: Company data.

2.3.4. Structure of assets, equity and liabilities

In Q3 2017, the Group's assets rose to PLN 11,209,758 thousand, by PLN 403,428 thousand on the end of Q3 2016. As at September 30th 2017, non-current assets stood at PLN 7,844,065 thousand, and current assets were PLN 3,365,693 thousand.
The most significant year-on-year changes in assets in Q3 2017 included:

- 8.2% increase in property, plant and equipment,
- 16.2% increase in trade and other receivables,
- 9.8% increase in inventories,
- 40.7% decrease in other financial assets,
- 15.5% decrease in intangible assets.

Structure of assets

	Q3 2017	Q3 2016	change	% change
Non-current assets, including:	**7,844,065**	**7,428,778**	**415,287**	**5.6**
Property, plant and equipment	6,659,677	6,153,610	506,067	8.2
Perpetual usufruct of land	478,809	483,807	(4,998)	(1.0)
Intangible assets	453,935	537,191	(83,256)	(15.5)
Equity-accounted investees	107,495	106,815	680	0.6
Current assets, including:	**3,365,693**	**3,377,552**	**(11,859)**	**(0.4)**
Trade and other receivables	1,262,838	1,086,456	176,382	16.2
Inventories	923,705	841,454	82,251	9.8
Cash and cash equivalents	655,600	672,439	(16,839)	(2.5)
Other financial assets	321,900	582,970	(261,070)	(44.8)
Property rights	160,813	175,516	(14,703)	(8.4)
Total assets	**11,209,758**	**10,806,330**	**403,428**	**3.7**

Source: Company data.

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

- 25.2% increase in non-current liabilities under borrowings,
- 70.5% decrease in current liabilities under borrowings,
- 36.1% increase in employee benefit obligations.

(all amounts in PLN '000 unless indicated otherwise)

Structure of equity and liabilities

Item	Q3 2017	Q3 2016	change	% change
Equity	**7,411,899**	**7,124,238**	**287,661**	**4.0**
Non-current liabilities, including:	**2,215,424**	**1,911,167**	**304,257**	**15.9**
Borrowings	1,485,440	1,186,547	298,893	25.2
Employee benefit obligations	322,771	334,097	(11,326)	(3.4)
Deferred tax liabilities	187,714	211,729	(24,015)	(11.3)
Provisions	105,559	101,856	3,703	3.6
Current liabilities, including:	**1,582,435**	**1,770,925**	**(188,490)**	**(10.6)**
Trade and other payables	1,354,701	1,289,905	64,796	5.0
Borrowings	80,903	274,107	(193,204)	(70.5)
Other financial liabilities	41,776	59,378	(17,602)	(29.6)
Employee benefit obligations	38,019	27,925	10,094	36.1
Total equity and liabilities	**11,209,758**	**10,806,330**	**403,428**	**3.7**

Source: Company data.

2.3.5. Financial ratios

Profitability ratios

	Q3 2017	Q3 2016
Gross profit margin	20.8%	16.7%
EBIT margin	4.6%	0.7%
EBITDA margin	11.6%	7.2%
Net profit margin	3.4%	0.1%
ROA	0.7%	0.1%
ROCE	1.0%	0.1%
ROE	1.0%	0.1%
Return on non-current assets	1.0%	0.1%

Source: Company data.

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

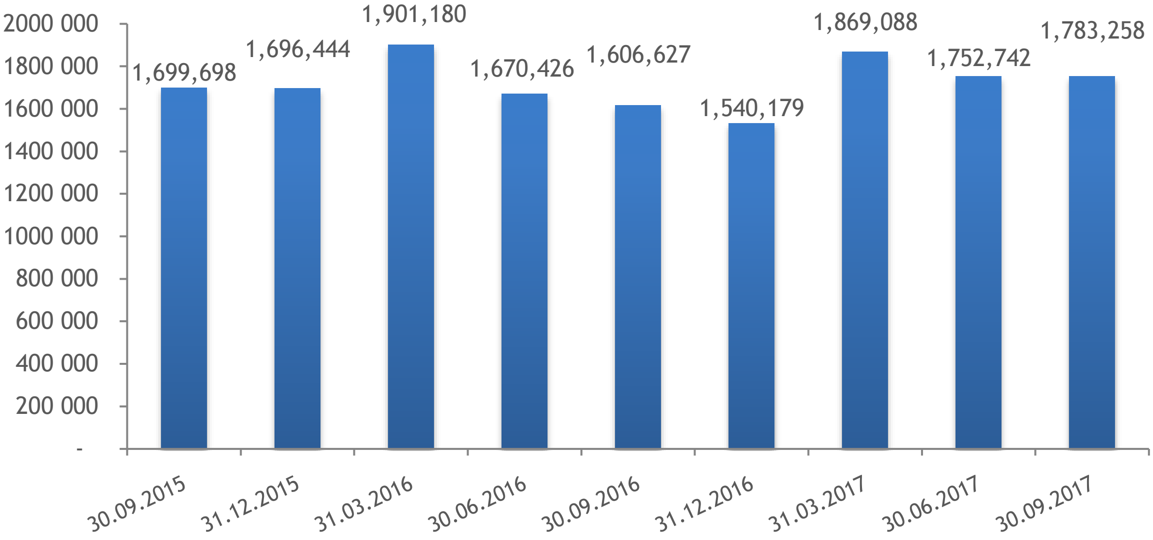
	Q3 2017	Q3 2016
Current ratio	2.1	1.9
Quick ratio	1.5	1.4
Cash ratio	0.6	0.7

Source: Company data.

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

(all amounts in PLN '000 unless indicated otherwise)

Changes in net working capital



Source: Company data.

Operational efficiency ratios

	Q3 2017	Q3 2016
Inventory turnover	48	45
Average collection period	52	49
Average payment period	70	70
Cash conversion cycle	29	25

Source: Company data.

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

(all amounts in PLN '000 unless indicated otherwise)

Debt ratios

	Q3 2017	Q3 2016
Total debt ratio	33.9%	34.1%
Long-term debt ratio	19.8%	17.7%
Short-term debt ratio	14.1%	16.4%
Equity-to-debt ratio	195.2%	193.5%
Interest cover ratio	1,018.8%	267.3%

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

3.4. Financial liquidity

The Parent and key Group companies are fully solvent, with good credit standing. 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.

3.5. Borrowings

In Q3 2017, 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 physical cash pooling and under a multi-purpose credit facility, which may be used by the Parent at times of increased demand for funding from the Group companies. The Grupa Azoty Group also has access to bilateral overdraft limits and multi-purpose facilities available to the Group companies.
The aggregate amount of overdraft limits and multi-purpose credit facilities available to the Group as at September 30th 2017 was PLN 431m.
Furthermore, the Group has access to a syndicated revolving credit facility of PLN 1,500m. As at September 30th 2017, PLN 717m had been drawn down, and the remaining amount of PLN 783m was available to the Group to finance its general needs, including the investment projects envisaged in its strategy.
In addition, Grupa Azoty is party to long-term financing agreements: a PLN 550m credit facility from the EIB (as at September 30th 2017, the euro equivalent of the entire PLN 550m limit was drawn under the facility) and a PLN 150m credit facility from the EBRD (as at September 30th 2017, PLN 10m was drawn under the facility), for the financing of certain investment projects defined in the Group's strategy. Thus the amount available under that facility stood at PLN 140m.
As at September 30th 2017, the aggregate amount of limits available to the Group under the financing agreements was PLN 1,354m.
The Group's financial condition 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 enable it to significantly increase financial debt when and as needed.

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

One-off items which materially affected assets, equity and liabilities, capital, net profit/loss or cash flows were the impairment losses recognised, described in detail in 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.

(all amounts in PLN '000 unless indicated otherwise)

3.7. Other information

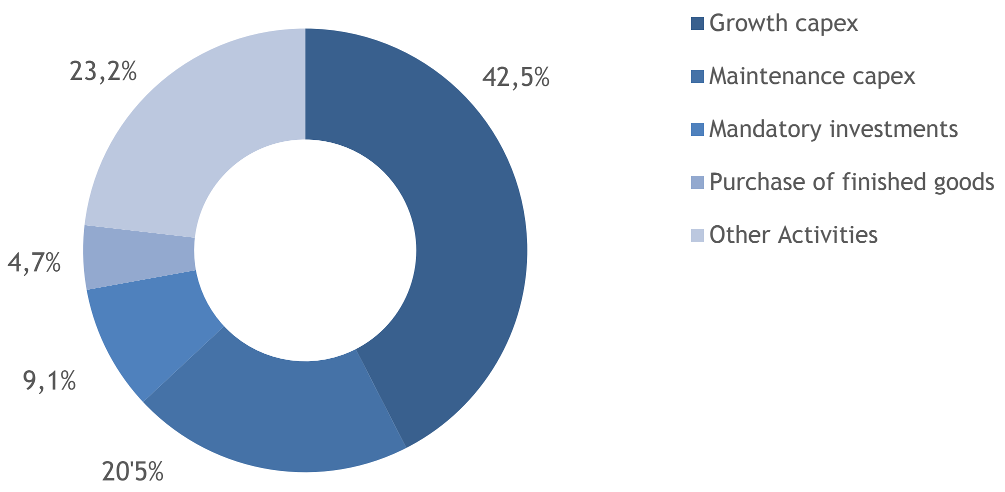
Financial support for projects
On August 17th 2017, the Parent received PLN 45 thousand as the fifth tranche of co-financing under the agreement concluded on June 30th 2014 with the Minister of Environment, represented by the National Fund for Environmental Protection and Water Management of Warsaw, 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.

3.8. Key investment projects

The Grupa Azoty Group's total capital expenditure in Q3 2017 was PLN 200,755 thousand (including amounts spent on components, major overhaul work and improvements).
Structure of capital expenditure:

• Growth capex	PLN 85,266 thousand
• Maintenance capex	PLN 41,265 thousand
• Mandatory investments	PLN 18,318 thousand
• Purchase of finished goods	PLN 9,370 thousand
• Other (components, major overhaul work, other)	PLN 46,536 thousand

Structure of the Grupa Azoty Group's capital expenditure in Q3 2017



Source: Company data.

(all amounts in PLN '000 unless indicated otherwise)

The Grupa Azoty Group's capital expenditure in Q3 2017:

- The Parent PLN 35,829 thousand
- Grupa Azoty PUŁAWY Group PLN 94,423 thousand
- Grupa Azoty POLICE Group PLN 41,019 thousand
- Grupa Azoty KĘDZIERZYN Group PLN 14,744 thousand
- Grupa Azoty ATT Polymers GmbH PLN 8,626 thousand*)
- Grupa Azoty KOLTAR Sp. z o.o. PLN 2,912 thousand
- Grupa Azoty SIARKOPOL PLN 2,087 thousand
- Grupa Azoty PKCh Sp. z o.o. PLN 1,115 thousand

*)Translated at the EUR/PLN exchange rate quoted by the National Bank of Poland for September 29th 2017: EUR 1 = PLN 4.3091 (table No. 189/A/NBP/2017).

Key investment projects implemented by the Group – the Parent

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q3 2017	Project purpose	Scheduled completion date
Polyamide plant II 80,000 tonnes p.a.	320,000	307,225	96,384	To utilise the Group's caprolactam output in a more efficient manner	2017
Granulation plant II	141,000	131,762	18,106	To optimise the mix of fertilizer products and to improve value added in ammonium sulfate	Completed
Construction of Grupa Azoty's R&D Centre in Tarnów	74,100	1,175	1,060	To expand the R&D infrastructure in order to build the scale of the Group's own research activities; to create an environment where results of the research could be verified at pilot-plant scale; and to expand the Group's R&D resources	2018
20 MW pass-out and condensing turbine generator set at the CHP Plant	63,000	53,496	3,415	To optimise the loads of the existing back-pressure turbine generators	Completed
Expansion of the production capacity of the technical-grade nitric acid production unit	59,500	845	845	To reduce the average cost of nitric acid by replacing purchased nitric acid with cheaper internal production, thus achieving independence from external supplies of technical grade nitric acid	2018
Flue gas desulfurisation unit	45,400	36,525	5,890	To reduce sulfur dioxide and dust emissions from CHP Plant's Boiler No. 5, to meet the emission standards laid down in the IED Directive, and to ensure the continuity of power and heat production	2017
Flue gas denitrification unit	44,600	39,674	1,164	To reduce NOx emissions from CHP Plant's Boiler No. 5, to meet the emission standards laid down in the IED Directive, and to ensure the continuity of power and heat production	2017
Utilisation of purge gases from the ammonia synthesis unit	23,000	360	222	To ensure optimum utilisation of purge gases from the ammonia synthesis units 1 and 2 and to increase ammonia output	2018
Construction of a new technical-grade nitric acid storage unit – Phase 1	15,000	13,337	4,770	To replace the existing worn out technical-grade nitric acid storage unit	Completed

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

(all amounts in PLN '000 unless indicated otherwise)

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q3 2017	Project purpose	Scheduled completion date
Upgrade of the existing and construction of new nitric acid units, neutralisation and production of new fertilizers based on nitric acid	695,000	3,850	3,306	To raise the efficiency of nitric acid production and improve of the economics of production of nitric acid-based fertilizers	2021
Facility for production of granulated fertilizers based on ammonium nitrate	385,000	98,973	47,044	To improve the quality of fertilizers by applying modern mechanical granulation	2020
Replacement of the TG-2 turbine generator set	99,000	35,412	24,023	To increase the efficiency of electricity and heat cogeneration by replacing the TG-2 30 MWe pass-out and condensing turbine with a new 37 MWe turbine as part of the power system upgrade	2017
Upgrade of steam generator to reduce NOx emissions	70,000	578	578	To reconstruct and bring the steam generator into compliance with new NOx emission standards	2018
Increasing the volumes of and optimising liquid carbon dioxide production	35,262	317	270	To use the existing surplus of raw CO2 from natural gas processing to produce additional amounts of liquid carbon dioxide with a concurrent increase in storage capacities	2018
Purchase and assembly of synthesis gas compressor	24,400	383	260	To increase ammonia production capacity and improve process safety	2019
Upgrade of the circulation water network in the Ammonia Department	24,100	4,839	4,839	To improve the technical condition of the circulation water network and ensure reliable supply of water to the cooling systems	2020

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

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q3 2017	Project purpose	Scheduled completion date
Propane Dehydrogenation (PDH) unit and related infrastructure (PDH Polska S.A.)*)	2,700,000	106,734	28,798	To construct a propane dehydrogenation (PDH) unit; 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	2021
Exhaust gas treatment unit and upgrade of the EC II CHP plant	290,885	216,597	40,207	To bring the operation of the CHP plant's units in line with the requirements of Directive 2010/75/EU	2018
Upgrade of the ammonia unit	156,900	156,504	6,292	To reduce energy consumption of the ammonia production process and to improve the operational reliability of individual process nodes	Completed
Change of the phosphoric acid production method	67,000	35,713	8,033	To raise the efficiency of phosphoric acid production and improve the acid's quality by reducing impurities and waste generation	2018
Development of the logistics system at	29,738	29,610	4,330	To increase the number of loading bays for loading fertilizers on pallets and in big bags onto trucks, and to	Completed

(all amounts in PLN '000 unless indicated otherwise)

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q3 2017	Project purpose	Scheduled completion date
Grupa Azoty POLICE – Phase 2				expand the available stacking space for both types of fertilizer packaging	
Upgrade of TUP-12 (TG1) turbine generator set and auxiliary equipment	16,000	10,354	9,755	To improve reliability, safety, flexibility and quality of turbine control systems	2018
Replacement of the fertilizer drying plant	12,000	479	479	A new fertilizer drying plant will guarantee failure-free fertilizer drying process	2018

*) On October 5th 2017, the Management Board of PDH Polska S.A. passed a resolution to modify the investment project ‘PDH propylene production unit and related infrastructure’ and acquire non-current assets as part of the new scope of the project. For detailed information on the above, see Section 3.1. of this report.

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

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q3 2017	Project purpose	Scheduled completion date
New CHP Plant at Grupa Azoty KĘDZIERZYN – Phase 1	375,059	345,663	58,500	To restore the plant’s electricity and heat generation capacity, to increase its output to satisfy demand for electricity and heat, and to implement solutions that ensure compliance with the increasingly stringent environmental requirements	Completed
Upgrade of the synthesis gas compression unit supplying the ammonia plant	180,000	193	133	To rebuild the capacity of synthesis gas compression for the ammonia plant through the installation of new compressors	2020
Special Esters I	43,435	4,789	379	To extend the range of manufactured plasticisers; to construct a new unit to produce several different esters for special applications, in response to the rapidly changing market of plasticisers, particularly palsticisers used as PVC softening agents	2018
Raw gas compressor (GHH)	31,600	10,970	8,664	To replace the existing depreciated, failure-prone and inefficient K-102 raw gas compressor (GHH), which compresses semi-combusted process gas in the synthesis gas unit, to improve the reliability and availability of the compressor section and the entire OXO synthesis gas unit	2018
Upgrade of the urea unit	30,000	27,795	3,687	To reduce the unit’s environmental impact, to build additional production capacity, and to increase process efficiency	Completed
Upgrade of the biological wastewater treatment plant at the Wastewater Treatment and Sewage System Division of the Infrastructure Unit	16,150	14,417	5,488	To substantially 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 to ensure compliance with BAT requirements	2018

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

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q3 2017	Project purpose	Scheduled completion date
Upgrade of the insoluble sulfur unit SN II	19,000	11,717	5,044	To achieve the unit's design production capacity of 5,000 tonnes p.a.	2017

Key investment projects implemented by the Grupa Azoty Group – Grupa Azoty ATT Polymers GmbH

Project name	Project's budget (EUR '000)	Expenditure incurred (EUR '000)	Expenditure incurred in Q3 2017 (EUR '000)	Project purpose	Scheduled completion date
Logistics centre	7,500	2,845	2,773	The new logistics centre together with office facilities will provide storage, packaging and distribution services for the Grupa Azoty Group's products	2018

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

Exchange rates

The sound condition of Poland's public finances and falling unemployment, coupled with acceleration of the eurozone economies and stable economic growth globally, translated into continued appreciation of the złoty against the US dollar in Q3 2017, in parallel with a correction to the strengthening of the złoty against the euro seen in the first half of 2017.

Political risks in Poland and in the European Union may lead to short-lived risk aversion in Q4 2017 and, as a consequence, cause a temporary depreciation of the złoty against the euro and the US dollar by around PLN 0.10–PLN 0.15. However, given the above fundamentals, it can be expected that in Q4 2017 the PLN/EUR exchange rate will remain within the medium-term range (PLN 4.20-4.30), with some room for further gradual appreciation if the Polish economy continues to perform well and political risks are eliminated. In turn, the PLN/USD exchange rate will follow the EUR/USD exchange rate, moving within the broad range of 4.60-4.80, potentially weakening at times of interest rate rises by the FED.

The current movements in the USD/PLN and EUR/PLN exchange rates should not threaten the achievement of the Q4 2017 results in line with the forecast despite the Group's foreign currency exposure, given that the strengthening of the Polish złoty against the euro may be balanced out by its depreciation relative to the US dollar.

Interest rates in Poland

Domestic interest rates remained stable throughout Q3 2017 and, in line with the Governor of the National Bank of Poland's earlier announcements, should remain unchanged until the end of the year. Thus, the main reference rate applicable to credit facilities contracted by the Grupa Azoty Group (1M WIBOR) should remain flat at about 1.7%. This will help stabilise the Group's borrowing costs at a relatively low level reinforcing its debt service capacity, also if the Group decides to increase debt to finance its investing activities, as planned.

Despite the continued economic growth in the eurozone and a gradual rise in inflation, the European Central Bank continues its quantitative easing programme and a policy of negative interest rates, which should remain at current levels until the end of 2017, considering that core inflation remains low following the long period of deflation.

On the other hand, in 2017 the FED will continue to gradually taper its monetary policy and by the end of 2017 it will introduce another 0.25% interest rate rise, announced earlier, in connection with the continued stable economic growth in the US and concerns regarding increased inflationary pressures.

To conclude, any adverse changes to the current low interest rates on debt in currencies used by the Group to finance its business (PLN and EUR) are unlikely before the end of 2017. Thus the risk of the Group's financial condition or results of operations deteriorating on higher borrowing costs is considered low.

A limited rise of the WIBOR and/or EURIBOR rates is unlikely before the second half of 2018 if inflation escalates and the GDP continues to grow at the current rates.
In terms of market rates, a relatively narrow spread between credit and deposit rates available to the Group is expected to continue.
Interest income earned on free cash under cash pooling and fixed-term deposits will partially offset the borrowing costs.

Market environment and outlook
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, phenol, ammonia) and their prices,
- Situation in agriculture and the fertilizers industry, including prices of agricultural produce in the long term. Apart from the supply and demand balance and stock levels, grain prices will also be affected by the USD exchange rate and the launch of new fertilizer production units increasing global supply,
- Conditions prevailing in the main sectors which purchase the Group's products and on the markets where those sectors sell their products.

Trade 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 – currently work is under way on the Council's position; later on, preparatory work will commence with a view to holding trialogue between the European Commission, the European Parliament and the Council of Europe on the final text of the regulation (effects, if any, of the regulation will be felt by the Group no earlier than in the next two years due to *vacatio legis*),
- In August 2017, at the request filed by PJSC Acron and PJSC Dorogobuzh as well as eight farmer associations from Ireland, Spain, the United Kingdom, France, Italy and Finland, the European Commission initiated a review of the anti-dumping measures applicable to imports of ammonium nitrate from Russia. The European Commission has 15 months to address the requests. Temporary autonomous trade measures abolishing customs duties on imports of certain goods from Ukraine came into force in September this year. Preferential tariff rates at 0% were set for the following products offered also by Grupa Azoty: ammonium sulfate, calcium ammonium nitrate, NPK fertilizers, NP fertilizers, and titanium white. During the negotiations, thanks to the Group's efforts, urea was excluded from the list, which means that duties on its imports to the EU remain in effect.

4. Other information

4.1. Other significant events

Submission of a non-binding offer to acquire shares in Petrokemija d.d.
On September 22nd 2017, the Company submitted a non-binding offer to acquire shares in Petrokemija d.d. of Kutina, Croatia. Petrokemija d.d. is a fertilizer producer listed at the Zagreb Stock Exchange. The company has published a restructuring plan: 'Concretisation of the proposed concept of restructuring through recapitalisation with the involvement of a private investor.' From January to June 2017, Petrokemija d.d. generated revenue of HRK 952,639 thousand.

Changes to the scope of the PDH project
On October 5th 2017, the Management Board of PDH Polska S.A. (a subsidiary of Grupa Azoty POLICE in which also the Parent holds an interest) passed a resolution on changes to the investment project named 'PDH propylene production unit and related infrastructure' and acquisition of non-current assets for the new scope of the project.
The resolution has changed the project scope by adding a polypropylene unit, and provides for the acquisition of non-current assets as part of the new scope of the project.
The resolution has also changed the project name from 'PDH unit for propylene production and the related infrastructure' to 'Police Polymers'. The estimated value of the 'Police Polymers' project budget was set at EUR 1.27bn, VAT-exclusive, including:

- Capital expenditure to be incurred: EUR 983.80m,
- Capital expenditure incurred to date: EUR 25.33m,
- Financing costs during the construction phase, costs of PDH Polska's operations and additional capital requirements related to the project financing model: EUR 263.15m.

The project requires additional working capital financing in the form of a EUR 72m loan.
The revised capex estimate covers the construction of a propylene unit, a polypropylene unit, auxiliary facilities, a polypropylene logistics base and a propane and ethylene handling and storage terminal.
The higher project budget results from the expansion of the project scope through the addition of the propylene and polypropylene units, additional auxiliary facilities necessitated by the project's extension, and a polypropylene logistics base. The increased project value will also translate into growth of the cost of financing during the construction phase and the debt service reserve required in the project finance model.
The project implementation schedule is as follows:

- Start of construction: end of 2019,
- Completion of construction: end of 2022,
- Settlement of the investment project: end of 2023.

The Management Board of PDH Polska S.A. has also revised the project finance model for Police Polymers:

- Own funds – 50%,
- Borrowed funds – 50%.

On October 12th 2017, the Supervisory Board approved the changes to the project scope.
Approval by the General Meeting of PDH Polska S.A. is still required before the above arrangements can be implemented.

4.2. Significant agreements

The agreements are presented in chronological order.
In Q3 2017 and as at the date of this report for Q3 2017, none of the Group companies defaulted on its liabilities under significant agreements on credit facilities or other loans or breached any material covenants under credit facility or other loan agreements.

Significant agreements

Annex to the long-term thermal coal supply agreement
Subsequent to the reporting date, on October 10th 2017 Grupa Azoty PUŁAWY signed an annex to the long-term agreement for thermal coal supply, executed by Grupa Azoty PUŁAWY and Lubelski Węgiel Bogdanka S.A. of Bogdanka on January 8th 2009. The agreement provides for the supply and sale of thermal coal to Grupa Azoty PUŁAWY. The annex defines new terms of sale, including:

- The price and volume of thermal coal to be supplied in 2018, and
- The volume of thermal coal to be supplied in 2018−2021.

In individual years of the agreement term the price will be determined by negotiation or will be based on a price formula which takes into account prevailing market prices.
Following the signing of the annex, the estimated value of the agreement from its execution date to December 31st 2021 (net of possible increases, deviations and tolerance) currently totals PLN 1,095m (VAT exclusive), including approximately PLN 333m (VAT exclusive) for coal supplies in 2018–2021.

Material agreements

Agreements and annexes to contracts of a financial nature

Annex to the agreement for electronic purchase of receivables between the Parent and mBank S.A.
On April 27th 2017, the Parent and mBank S.A. signed an annex to the agreement for electronic purchase of receivables, extending the effective term of the EUR 8m facility until January 1st 2021.

Annex to the receivables discounting agreement between the Parent and mBank S.A. and a new agreement for electronic purchase of receivables
On April 27th 2017, the Parent and mBank S.A. signed an annex to the receivables discounting agreement in order to terminate it and make all related settlements; at the same time, the parties signed a new agreement for electronic purchase of receivables under the Vendor Finance electronic customer financing programme, with a limit of EUR 21m, valid until December 29th 2020.

Insurance agreements

Insurance of receivables
On July 25th 2017, global trade credit insurance policies of Grupa Azoty KĘDZIERZYN and Grupa Azoty S.A. (with coinsurance cover for Grupa Azoty SIARKOPOL, Zakłady Azotowe Chorzów S.A., and the newly included: GNZF Fosfory S.A., Agrochem Puławy Sp. z o.o. and Agrochem Sp. z o.o., and also - with respect to selected receivables - Grupa Azoty PUŁAWY and Grupa Azoty POLICE) contracted with Korporacja Ubezpieczeń Kredytów Eksportowych S.A. were renewed for the period from August 1st 2017 to July 31st 2019.

Insurance of environmental risks
On August 2nd 2017, Grupa Azoty S.A., Grupa Azoty KĘDZIERZYN, Grupa Azoty POLICE and Grupa Azoty PUŁAWY entered into an environmental risks insurance agreement covering the period from August 1st 2017 to August 31st 2018 with AIG EUROPE LIMITED Oddział w Polsce.

D&O insurance
On September 17th 2017, the Parent entered into a directors and officers (D&O) liability insurance agreement with PZU S.A. The insurance provides cover for the Group companies from September 17th 2017 to September 16th 2018. The total sum insured is PLN 200m.

Agreements between the Grupa Azoty Group companies

Annex to loan agreement between Grupa Azoty PUŁAWY and SCF Natural Sp. z o.o.
On September 12th 2017, Grupa Azoty PUŁAWY and SCF Natural Sp. z o.o. signed Annex 1 to the loan agreement of January 16th 2017, extending the time limit for the creation of security by six months, i.e. until December 31st 2017.

Repayment of a loan
On August 18th 2017, GZNF Fosfory Sp. z o.o. repaid the last instalment (together with interest) of the PLN 79m loan granted to the company by Grupa Azoty PUŁAWY on May 26th 2011 .

Loan agreement between Grupa Azoty PUŁAWY and Zakłady Azotowe Chorzów S.A.
As at the end of September 2017, Zakłady Azotowe Chorzów S.A. failed to repay 16 monthly instalments of PLN 560 thousand under the loan agreement of April 2nd 2014, and 16 monthly instalments of PLN 72 thousand under the loan agreement of March 13th 2015. Zakłady Azotowe Chorzów S.A.'s debt under the loans as at September 30th 2017 totalled PLN 42,452 thousand (principal), including PLN 10,112 thousand of past due principal instalments.

4.3. Sureties for credit facilities or loans, guarantees issued

In Q3 2017, the Grupa Azoty Group did not issue any guarantees with a value exceeding 10% of the Parent's equity.
No annexes were signed by the Group in Q3 2017 to amend its guarantees with a value exceeding 10% of the Parent's equity.
No sureties were issued by the Group in Q3 2017.

Letters of credit issued
In the period July 1st - September 30th 2017, two import letters of credit were issued for Grupa Azoty PUŁAWY:

- On July 5th 2017, at the request of Grupa Azoty PUŁAWY, PKO BP S.A. issued an import letter of credit for EUR 2,0m, expiring on June 30th 2018, for the benefit of a process unit vendor; the letter of credit was issued under a multi-purpose credit facility agreement;
- On August 4th 2017, at the request of Grupa Azoty PUŁAWY, Bank PKO BP S.A. issued an import letter of credit for EUR 19.0m, expiring on August 30th 2019, for the benefit of a process unit vendor; the letter of credit was issued under a multi-purpose credit facility agreement with PKO BP S.A.

4.4. 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.

(all amounts in PLN '000 unless indicated otherwise)

Shareholding structure as at August 24th 2017 (issue date of the most recent report)

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of voting rights
State Treasury	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	0.07	71,348	0.07
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
Towarzystwo Funduszy Inwestycyjnych PZU S.A.	8,530,189	8.60	8,530,189	8.60
Other	28,725,763	28.97	28,725,763	28.97
Total	**99,195,484**	**100.00**	**99,195,484**	**100.00**

*)Direct subsidiary of Norica Holding S.à r.l.

In the period from August 24th 2017 to the issue date of this report, the Parent was not notified of any changes to major holdings of its shares.

4.5. Parent shares held by management and supervisory personnel

As at the end of the reporting period (September 30th 2017) 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.

4.6. Composition of the management and supervisory bodies

Parent's Management Board
In Q3 2017, there were no changes in the composition of the Management Board.
Therefore, as at the date of this report, the Company's Management Board consisted of:
- Wojciech Wardacki – President of the Management Board,
- Witold Szczypiński – Vice President of the Management Board,
- Tomasz Hinc – Vice President of the Management Board,
- Grzegorz Kądzielawski - 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.

Powers and responsibilities of the Parent's Management Board and Supervisory Board members
On June 22nd 2017, the Parent's Management Board passed Resolution No. 796/X/2017, under which the division of powers and responsibilities between the Management Board members was as follows:
- Wojciech Wardacki – 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 of the Parent, 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,
- Grzegorz Kądzielawski - Vice President the Management Board, responsible for infrastructure and R&D programmes,
- 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,
- Artur Kopeć – Member of the Management Board, responsible for production assets, plant safety, environmental protection, and social dialogue.

Division of duties and responsibilities among Management Board members

Supervisory Board

As at July 1st 2017, the Parent's Supervisory Board consisted of:

- Marek Grzelaczyk – Chairman,
- Tomasz Karusewicz – Deputy Chairman,
- Zbigniew Paprocki – Secretary,
- Monika Fill – Member,
- Robert Kapka – Member,
- Artur Kucharski – Member,
- Bartłomiej Litwińczuk – Member,
- Ireneusz Purgacz – Member,
- Roman Romaniszyn – Member.

On July 28th 2017, by virtue of its Resolution No. 41, the Company's General Meeting removed Mr. Artur Kucharski from the Supervisory Board and by virtue of Resolution No. 42 appointed Mr. Piotr Czajkowski to the Supervisory Board.

Accordingly, as at the end of the reporting quarter, the composition of the Supervisory Board was as follows:

- Marek Grzelaczyk – Chairman,
- Tomasz Karusewicz – Deputy Chairman,
- Zbigniew Paprocki – Secretary,
- Piotr Czajkowski – Member,
- Monika Fill – Member,
- Robert Kapka – Member,
- Bartłomiej Litwińczuk – Member,
- Ireneusz Purgacz – Member,
- Roman Romaniszyn – Member.

On October 9th 2017, Mr Marek Grzelaczyk was removed from the Supervisory Board of Grupa Azoty S.A. based on a letter from the Minister of Development and Finance.

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

Changes in the composition of the Supervisory Board's Audit Committee
From December 16th 2016, the Audit Committee consisted of:
- Artur Kucharski – Chairperson,
- Monika Fill,
- Robert Kapka,
- Ireneusz Purgacz.

Following the removal of Artur Kucharski from the Supervisory Board on July 28th 2017, on August 4th 2017 the Supervisory Board resolved to appoint Monika Fill as Chairperson of the Audit Committee and to appoint Marek Grzelaczyk and Tomasz Karusewicz as Members of the Committee.
As at August 4th 2017, the composition of the Company's Audit Committee was as follows:
- Monika Fill (President),
- Marek Grzelaczyk,
- Robert Kapka,
- Tomasz Karusewicz,
- Ireneusz Purgacz.

On August 31st 2017, in connection with the loss of the status of an independent member of the Supervisory Board, Ms Monika Fill tendered her resignation as President of the Audit Committee and member of the Audit Committee.
Following Ms Fill's resignation, the Supervisory Board appointed Mr Ireneusz Purgacz as President of the Audit Committee.

As at the end of the reporting period, the composition of the Audit Committee was as follows:
- Ireneusz Purgacz (President),
- Marek Grzelaczyk,
- Robert Kapka,
- Tomasz Karusewicz.

On October 26th 2017, in connection with Mr Robert Kapka's resignation from membership of the Audit Committee, the Supervisory Board appointed Mr Piotr Czajkowski to the Committee.

As at the date of this report, the Company's Audit Committee consisted of:
- Ireneusz Purgacz (President),
- Tomasz Karusewicz,
- Piotr Czajkowski.

Responsibilities of the Audit Committee
The Audit Committee operates pursuant to the Rules of Procedure for the Audit Committee, adopted by the Supervisory Board by way of Resolution No. 21/IX/2013 of July 4th 2013. The main tasks of the Committee include:
- Monitoring of the financial reporting process,
- Monitoring of the effectiveness of the Company's internal control, internal audit and risk management systems,
- Monitoring of financial audit,
- Monitoring of the independence of the auditor and the entity qualified to audit financial statements,
- Monitoring of the audit of full-year separate and consolidated financial statements,
- Monitoring of the work and reports of the independent auditor.

5. Supplementary information

Management Board’s position on the achievement of forecasts
As no forecasts for 2017 were 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 amount of all proceedings involving 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 establishments.

Shares, share issues
In Q3 2017, 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.

This interim consolidated report of the Grupa Azoty Group for Q3 2017 contains 78 pages.

Signatures of Members of the Management Board

………………………………
Wojciech Wardacki, PhD
President of the Management Board

………………………………
Witold Szczypiński
Vice President of the Management Board
Director General

………………………………
Tomasz Hinc
Vice President of the Management Board

………………………………
Grzegorz Kądzielawski
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 8th 2017