



Interim condensed consolidated financial statements
for the six months ended June 30th 2017,
prepared in accordance with
IAS 34 Interim Financial Reporting,
as endorsed by the European Union

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

	Note	for the period Jan 1 – Jun 30 2017	for the period Jan 1– Jun 30 2016	for the period Apr 1– Jun 30 2017	for the period Apr 1– Jun 30 2016
Profit or loss		<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Revenue	1	4,869,691	4,634,082	2,182,297	2,158,307
Cost of sales	2	(3,704,601)	(3,459,460)	(1,692,255)	(1,714,239)
Gross profit		1,165,090	1,174,622	490,042	444,068
Selling and distribution expenses	2	(338,005)	(344,972)	(162,357)	(182,834)
Administrative expenses	2	(344,088)	(365,844)	(171,643)	(191,645)
Other income	3	26,748	16,180	13,877	7,760
Other expenses	4	(67,683)	(42,859)	(46,696)	(29,172)
Operating profit		442,062	437,127	123,223	48,177
Finance income	5	31,454	27,316	16,661	27,754
Finance costs	6	(38,751)	(30,484)	(24,786)	(19,290)
Net finance (costs)/income		(7,297)	(3,168)	(8,125)	8,464
Share of profit of equity-accounted investees		8,605	7,963	5,031	5,255
Profit before tax		443,370	441,922	120,129	61,896
Income tax	7	(65,699)	(87,460)	2,438	(14,036)
Net profit		377,671	354,462	122,567	47,860
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Remeasurement of defined benefit obligation		(7,785)	(8,332)	(7,785)	(8,332)
Other income	6		-	6	-
Tax on items that will not be reclassified to profit or loss		1,479	1,582	1,479	1,582
		(6,300)	(6,750)	(6,300)	(6,750)

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

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

	Note	for the period Jan 1 – Jun 30 2017	for the period Jan 1– Jun 30 2016	for the period Apr 1– Jun 30 2017	for the period Apr 1– Jun 30 2016
		<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Items that are or may be reclassified to profit or loss					
Cash flow hedging - effective portion of change in fair-value measurement		20,725	(8,200)	(852)	(7,855)
Translation reserve		1,700	1,842	736	2,257
Tax on items that are or may be reclassified to profit or loss		(3,938)	-	162	-
		18,477	(6,358)	46	(5,598)
Total other comprehensive income		12,177	(13,108)	(6,254)	(12,348)
Total profit or loss and other comprehensive income		389,848	341,354	116,313	35,512
Net profit attributable to:					
Owners of the parent		335,502	316,034	104,617	43,920
Non-controlling interests		42,169	38,428	17,950	3,940
Total profit or loss and other comprehensive income attributable to:					
Owners of the parent		344,672	303,908	98,088	32,250
Non-controlling interests		45,176	37,446	18,225	3,262
Earnings per share:	8				
Basic (PLN)		3.38	3.19	1.05	0.44
Diluted (PLN)		3.38	3.19	1.05	0.44

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

Interim condensed consolidated statement of financial position

	Note	as at Jun 30 2017	as at Dec 31 2016* restated
		<i>unaudited</i>	<i>audited</i>
Assets			
Non-current assets			
Property, plant and equipment	9	6,599,807	6,390,039
Perpetual usufruct of land		482,176	485,396
Intangible assets	10	464,176	476,611
Goodwill		35,602	35,602
Investment property		50,716	60,247
Shares		12,584	12,345
Equity-accounted investees		105,409	110,578
Other financial assets		281	837
Other receivables		3,463	6,259
Deferred tax assets	7.4	47,664	45,548
Other assets		325	199
Total non-current assets		7,802,203	7,623,661
Current assets			
Inventories		952,899	858,033
Property rights		159,606	214,675
Other financial assets		291,003	580,849
Derivatives		15,148	8,435
Current tax assets		11,404	3,750
Trade and other receivables		1,251,814	1,073,473
Cash and cash equivalents	11	660,718	641,895
Other assets		10,725	8,092
Non-current assets held for sale		3,148	691
Total current assets		3,356,465	3,389,893
Total assets		11,158,668	11,013,554

* Financial data restated in accordance with the information presented in Note 2.2.b to the financial statements.

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

Interim condensed consolidated statement of financial position (continued)

	Note	as at Jun 30 2017	as at Dec 31 2016* restated
		<i>unaudited</i>	<i>audited</i>
Equity and liabilities			
Equity			
Share capital		495,977	495,977
Share premium		2,418,270	2,418,270
Hedging reserve		9,682	(7,105)
Translation reserve		1,443	3,874
Retained earnings, including: <i>net profit for period</i>		3,824,158 335,502	3,572,309 302,721
Equity attributable to owners of the parent		6,749,530	6,483,325
Non-controlling interests		595,502	572,023
Total equity		7,345,032	7,055,348
Liabilities			
Borrowings	12	1,468,971	1,372,047
Other financial liabilities		36,508	42,101
Employee benefit obligations	13	323,050	321,209
Provisions	14	105,167	97,692
Trade and other payables		1,259	1,082
Government grants received		76,310	68,431
Deferred tax liabilities	7.4	198,648	198,277
Total non-current liabilities		2,209,913	2,100,839
Borrowings	12	88,991	52,034
Derivatives		2,244	8,213
Other financial liabilities		36,414	74,485
Employee benefit obligations	13	41,514	39,917
Provisions	14	29,077	46,985
Current tax liabilities		10,589	30,553
Trade and other payables		1,347,722	1,595,348
Government grants received		47,172	9,832
Total current liabilities		1,603,723	1,857,367
Total liabilities		3,813,636	3,958,206
Total equity and liabilities		11,158,668	11,013,554

* Financial data restated in accordance with the information presented in Note 2.2.b to the financial statements.

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

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

	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as at January 1st 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	(52,025)	(50,552)	(23,365)	(73,917)
Balance as at January 1st 2017, adjusted	495,977	2,418,270	(7,105)	3,874	3,572,309	6,483,325	572,023	7,055,348
<i>Profit or loss and other comprehensive income</i>								
Net profit	-	-	-	-	335,502	335,502	42,169	377,671
Other comprehensive income	-	-	16,787	(2,431)	(5,186)	9,170	3,007	12,177
Total profit or loss and other comprehensive income	-	-	16,787	(2,431)	330,316	344,672	45,176	389,848
<i>Transactions with owners, recognised directly in equity</i>								
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	-	-	-	-	-	-	252	252
Total transactions with owners	-	-	-	-	(78,364)	(78,364)	(21,697)	(100,061)
Other	-	-	-	-	(103)	(103)	-	(103)
Balance as at June 30th 2017 (unaudited)	495,977	2,418,270	9,682	1,443	3,824,158	6,749,530	595,502	7,345,032

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

Interim condensed consolidated statement of changes in equity (continued) for the period ended June 30th 2016

	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as at January 1st 2016	495,977	2,418,270	65	(39)	3,371,422	6,285,695	625,753	6,911,448
Correction of errors	-	-	-	-	(11,408)	(11,408)	(4,662)	(16,070)
Balance as at January 1st 2016, adjusted	495,977	2,418,270	65	(39)	3,360,014	6,274,287	621,091	6,895,378
<i>Profit or loss and other comprehensive income</i>								
Net profit	-	-	-	-	316,034	316,034	38,428	354,462
Other comprehensive income	-	-	(8,200)	2,761	(6,687)	(12,126)	(982)	(13,108)
Total profit or loss and other comprehensive income	-	-	(8,200)	2,761	309,347	303,908	37,446	341,354
<i>Transactions with owners, recognised directly in equity</i>								
Issue of ordinary shares								
Dividends	-	-	-	-	(83,324)	(83,324)	(13,526)	(96,850)
Total contributions by and distributions to owners	-	-	-	-	(83,324)	(83,324)	(13,526)	(96,850)
Acquisition of non-controlling interests without change of control	-	-	-	-	221	221	(34,280)	(34,059)
Total transactions with owners	-	-	-	-	(83,103)	(83,103)	(47,806)	(130,909)
Balance as at June 30th 2016 (unaudited)	495,977	2,418,270	(8,135)	2,722	3,586,258	6,495,092	610,731	7,105,823

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

Interim condensed consolidated statement of cash flows

	for the period Jan 1 – Jun 30 2017	for the period Jan 1 – Jun 30 2016
	<i>unaudited</i>	<i>unaudited</i>
Cash flows from operating activities		
Profit before tax	443,370	441,922
<i>Adjustments for:</i>	<i>297,512</i>	<i>284,899</i>
Depreciation and amortisation	272,104	256,667
Impairment losses on assets	21,215	4,749
Loss from investing activities	7,352	6,562
(Profit)/loss from disposal of financial assets	(25)	11
Share of profit of equity-accounted investees	(8,605)	(7,963)
Interest, foreign exchange gains or losses	16,832	5,134
Dividends	(668)	(996)
Net change in fair value of financial assets at fair value through profit or loss	(10,693)	20,735
<i>Cash from operating activities before changes in working capital</i>	<i>740,882</i>	<i>726,821</i>
Change in trade and other receivables	(385,658)	(112,867)
Change in inventories	(41,100)	104,277
Change in trade and other payables	(153,502)	(269,142)
Change in provisions, prepayments and grants	10,991	25,750
Other adjustments	(99)	(506)
<i>Cash generated from operating activities</i>	<i>171,514</i>	<i>474,333</i>
Income taxes paid	(25,901)	(42,922)
Net cash from operating activities	145,613	431,411

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Interim condensed consolidated statement of cash flows (continued)

	for the period Jan 1 – Jun 30 2017	for the period Jan 1 – Jun 30 2016
	<i>unaudited</i>	<i>unaudited</i>
Cash flows from investing activities		
Proceeds from sale of intangible assets, property, plant and equipment and investment property	4,737	1,397
Acquisition of intangible assets, property, plant and equipment and investment property	(522,972)	(566,573)
Dividend received	11,918	11,553
Acquisition of financial assets	(415,100)	(825,371)
Proceeds from sale of financial assets	711,000	822,430
Interest received	6,402	6,998
Government grants received	250	-
Non-bank borrowings	(1,225)	(561)
Other disbursements	(11,744)	(1,949)
Net cash used in investing activities	(216,734)	(552,076)
Cash flows from financing activities		
Dividends paid	(6,321)	(11,726)
Proceeds from borrowings	227,978	76,942
Acquisition of non-controlling interests	(965)	(34,060)
Payment of borrowings	(65,768)	(16,727)
Interest paid	(21,343)	(17,497)
Payment of finance lease liabilities	(6,137)	(6,757)
Other proceeds/(disbursements)	(31,525)	19,784
Net cash from financing activities	95,919	9,959
Net increase/(decrease) in cash and cash equivalents	24,798	(110,706)
Cash and cash equivalents at beginning of period	641,895	754,289
Effect of exchange rate fluctuations on cash held	(5,975)	1,463
Cash and cash equivalents at end of period	660,718	645,046

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

Supplementary information to the interim condensed consolidated financial statements

1. Description of the Group

1.1. Organisational structure

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

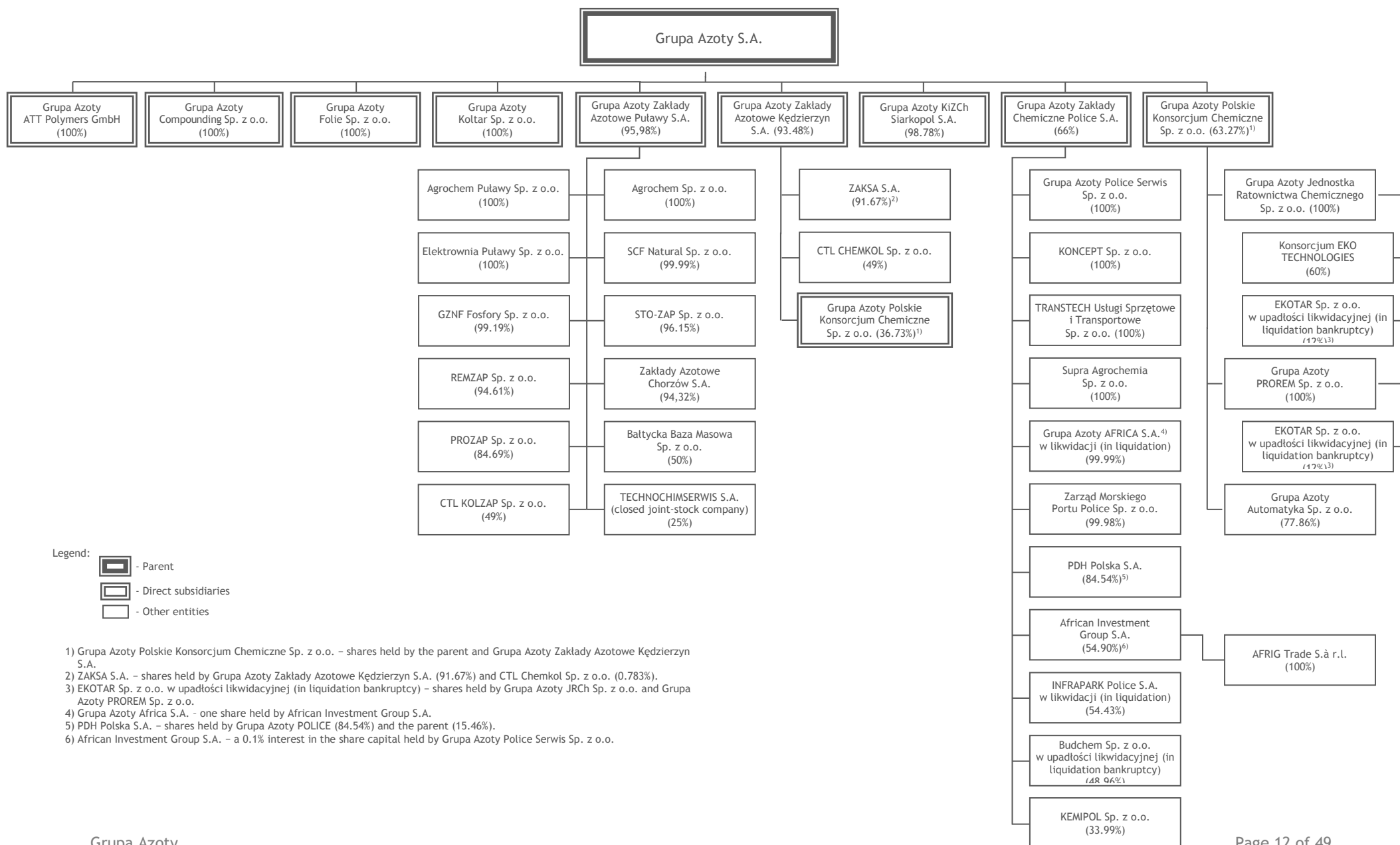
Since April 22nd 2013, the Company has been trading under its new name Grupa Azoty Spółka Akcyjna (abbreviated to Grupa Azoty S.A.).

Grupa Azoty'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 other Grupa Azoty Group companies were incorporated for unlimited period.

Structure of the Group as at June 30th 2017:



Legend:

- 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 bankructcy) – 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. – a 0.1% interest in the share capital held by Grupa Azoty Police Serwis Sp. z o.o.

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 Q1 2017, the parent acquired (for PLN 1,139 thousand) 17,466 shares in Grupa Azoty SIARKOPOL, representing 0.32% of that company's share capital, thus increasing its equity interest in Grupa Azoty SIARKOPOL from 98.42% to 98.74%.

On April 28th 2017, the parent acquired 1,106 shares in Grupa Azoty SIARKOPOL, representing 0.02% of that company's share capital, for PLN 76 thousand. Thus, the parent's equity interest in the entity was 98.76% as at June 30th 2017.

On July 12th 2017, the parent acquired 1,427 shares in Grupa Azoty SIARKOPOL, representing 0.02% of that company's share capital, for PLN 98 thousand. Following the transaction, the parent holds 98.80% 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 these shares to Grupa Azoty Police (the issue price and par value per share was PLN 10). On July 14th 2017, the share capital increase was registered with the National Court Register. Following the registration, the share capital of PDH Polska S.A. amounted to PLN 180,000 thousand. PDH Polska's share capital 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.

Liquidation of Grupa Azoty AFRICA S.A.

On May 12th 2017, the Annual General Meeting of Grupa Azoty AFRICA S.A. passed a resolution to liquidate the company.

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 six months ended June 30th 2017 and contain comparative data for the six months ended June 30th 2016 and as at December 31st 2016.

These interim condensed consolidated financial statements of the Group for the six months ended June 30th 2017 were authorised for issue by the Management Board on August 22nd 2017.

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 zloty.

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

2.2. 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 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 financial statements for 2016. Only the following two standards 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 the 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 was restated accordingly.

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	6,390,039	-	-	-	-	2,216	-
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	858,033	-	-	-	-	4	-
Other financial assets	591,661	580,849	-	-	-	-	(10,812)	-
Trade and other receivables	1,073,396	1,073,473	-	-	-	-	77	-
Cash and cash equivalents	641,711	641,895	-	-	-	-	184	-
Total current assets	3,400,440	3,389,893	-	-	-	-	(10,547)	-
Total assets	11,051,920	11,013,554	(28,421)	-	-	-	(9,945)	-

	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								
Translation reserve	2,401	3,874	1,473	-	-	-	-	-
Retained earnings, including: <i>net profit for period</i>	3,624,334 343,339	3,572,309 302,721	(11,771) (11,771)	6,276 6,276	(33,999) (33,999)	-	(12,531) (1,124)	-
Equity attributable to owners of the parent	6,533,877	6,483,325	(10,298)	6,276	(33,999)	-	(12,531)	-
Non-controlling interests	595,388	572,023	(18,123)	-	-	-	(5,242)	-
Total equity	7,129,265	7,055,348	(28,421)	6,276	(33,999)	-	(17,773)	-
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	46,985	-	-	-	-	7,661	-
Trade and other payables	1,602,929	1,595,348	-	(7,748)	-	-	167	-
Total current liabilities	1,850,287	1,857,367	-	(7,748)	7,000	-	7,828	-
Total liabilities	3,922,655	3,958,206	-	(6,276)	33,999	-	7,828	-
Total equity and liabilities	11,051,920	11,013,554	(28,421)	-	-	-	(9,945)	-

- 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 of 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 Zakłady Chemiczne Police ("ZCh 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 ZCh 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. The estimates and underlying assumptions are based on historical experience and other factors reasonable in the circumstances and are the basis for determining the net carrying amounts of assets and liabilities that do not result directly from other sources. Actual results may differ from the estimates.

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

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

Segment reporting

Operating segments

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

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

- The Agro Fertilizers segment comprises the manufacturing and marketing of the following products:
 - Nitrogen fertilizers (Saeletrzak 27 Standard (calcium ammonium nitrate), Saeletrzak , Salmag®, Saeletrzak z borem (with boron) 27+B Standard, Salmag z borem®, ZAKsan® (Kędzierzyńska Saeletra Amonowa (Kędzierzyn ammonium nitrate)), Saeletra Amonowa 30 Makro, mocznik.pl® (urea), 46% granulated urea, PULGRAN®, PULAN®, RSM®, PULREA®),

- Nitrogen-sulfur fertilizers (ammonium sulfate AS21, Saletrosan®30 (ammonium sulfate nitrate), Saletrosan® 26, POLIFOSKA® 21, Salmag z siarką®, Pulgran®S, Pulsar®, Pulaska®, RSM®S),
- Compound fertilizers (POLIFOSKA® 4, POLIFOSKA® 5, POLIFOSKA® 6, POLIFOSKA® 8, POLIFOSKA® 12, POLIFOSKA® M, POLIFOSKA® TYTAN, POLIFOSKA® START, POLIFOSKA® Petroplon, POLIMAG® S, POLIFOSKA®PLUS, Amofoska® NPK 5-10-25 +0,1B, Amofoska® NPK 4-16-18, Amofoska® NPK 4-10-28 +2,5Mg+0,1B, Amofoska® NPK 4-12-20, Amofoska® NPKMg 4-12-12+2,5, Amofoska® NPK 4-14-32, Amofoska® Corn NPK 4-10-22 +2,5Mg+0,2Zn),
- Nitrogen-phosphorus and phosphorus fertilizers (POLIDAP® TYTAN, POLIDAP®, POLIDAP® light, Super FOS DAR 40™),
- Ammonia,
- Technical-grade and concentrated nitric acid,
- Industrial gases.
- The 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.
- The 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®).
- The Energy segment comprises the production of electricity and heat for the purposes of chemical installations and contract-based sale of electricity to customers connected to the power network.
- The 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, Grupa Azoty prepares and uses management information focusing on the following operating segments:

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

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 by individual Group companies;
- Chemicals: aggregation of the melamine, chemicals, pigments, OXO, mineral extraction (sulfur) areas as intermediate products for 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.

Operating segments

Operating segments' income, expenses and financial results for the six months ended June 30th 2017 (unaudited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Continued operations						
External revenue	2,672,557	743,063	1,264,386	117,499	72,186	4,869,691
Inter-segment revenue	994,919	149,433	478,037	1,266,892	395,099	3,284,380
Total revenue	3,667,476	892,496	1,742,423	1,384,391	467,285	8,154,071
Operating expenses, including: (-)	(3,374,958)	(796,041)	(1,624,745)	(1,392,973)	(482,357)	(7,671,074)
<i>Selling and distribution expenses (-)</i>	(224,917)	(29,146)	(82,635)	(116)	(1,191)	(338,005)
<i>Administrative expenses (-)</i>	(159,017)	(54,430)	(82,556)	(8,872)	(39,213)	(344,088)
Other income	6,826	1,544	678	2,139	15,561	26,748
Other expenses (-)	(7,794)	(744)	(18,733)	(15,613)	(24,799)	(67,683)
Segment's EBIT*	291,550	97,255	99,623	(22,056)	(24,310)	442,062
Finance income	-	-	-	-	-	31,454
Finance costs (-)	-	-	-	-	-	(38,751)
Share of profit of equity-accounted investees	-	-	-	-	-	8,605
Profit before tax	-	-	-	-	-	443,370
Income tax	-	-	-	-	-	(65,699)
Net profit	-	-	-	-	-	377,671
EBIT*	291,550	97,255	99,623	(22,056)	(24,310)	442,062
Depreciation and amortisation	93,370	23,866	51,544	44,642	40,917	254,339
Unallocated depreciation and amortisation	-	-	-	-	-	17,765
EBITDA**	384,920	121,121	151,167	22,586	16,607	714,166

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

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

Operating segments' income, expenses and financial results for the six months ended June 30th 2016 (unaudited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	2,742,039	571,297	1,127,530	118,804	74,412	4,634,082
Inter-segment revenue	949,604	158,336	435,105	1,159,183	214,645	2,916,873
Total revenue	3,691,643	729,633	1,562,635	1,277,987	289,057	7,550,955
Operating expenses, including: (-)	(3,287,146)	(779,558)	(1,449,757)	(1,277,867)	(292,821)	(7,087,149)
<i>Selling and distribution expenses (-)</i>	(238,785)	(27,795)	(77,521)	(85)	(786)	(344,972)
<i>Administrative expenses (-)</i>	(180,208)	(61,542)	(84,809)	(9,546)	(29,739)	(365,844)
Other income	3,596	1,857	1,354	1,852	7,521	16,180
Other expenses (-)	(11,824)	(2,256)	(1,032)	(2,018)	(25,729)	(42,859)
Segment's EBIT**	396,269	(50,324)	113,200	(46)	(21,972)	437,127
Finance income	-	-	-	-	-	27,316
Finance costs (-)	-	-	-	-	-	(30,484)
Share of profit of equity-accounted investees	-	-	-	-	-	7,963
Profit before tax	-	-	-	-	-	441,922
Income tax	-	-	-	-	-	(87,460)
Net profit	-	-	-	-	-	354,462
EBIT*	396,269	(50,324)	113,200	(46)	(21,972)	437,127
Depreciation and amortisation	99,230	24,872	51,913	39,383	26,867	242,265
Unallocated depreciation and amortisation	-	-	-	-	-	14,402
EBITDA**	495,499	(25,452)	165,113	39,337	4,895	693,794

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

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

Operating segments' income, expenses and financial results for the three months ended June 30th 2017 (unaudited)

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	1,149,327	332,173	617,612	55,390	27,795	2,182,297
Inter-segment revenue	501,041	70,780	239,832	593,716	222,900	1,628,269
Total revenue	1,650,368	402,953	857,444	649,106	250,695	3,810,566
Operating expenses, including: (-)	(1,572,195)	(359,922)	(812,861)	(658,388)	(251,158)	(3,654,524)
<i>Selling and distribution expenses (-)</i>	(106,630)	(13,127)	(41,501)	(72)	(1,027)	(162,357)
<i>Administrative expenses (-)</i>	(76,750)	(26,753)	(43,728)	(4,888)	(19,524)	(171,643)
Other income	5,969	624	276	1,235	5,773	13,877
Other expenses (-)	(7,138)	(378)	(18,502)	(5,672)	(15,006)	(46,696)
Segment's EBIT*	77,004	43,277	26,357	(13,719)	(9,696)	123,223
Finance income	-	-	-	-	-	16,661
Finance costs (-)	-	-	-	-	-	(24,786)
Share of profit of equity-accounted investees	-	-	-	-	-	5,031
Profit before tax	-	-	-	-	-	120,129
Income tax	-	-	-	-	-	2,438
Net profit	-	-	-	-	-	122,567
EBIT*	77,004	43,277	26,357	(13,719)	(9,696)	123,223
Depreciation and amortisation	46,969	11,850	26,016	24,609	19,850	129,294
Unallocated depreciation and amortisation	-	-	-	-	-	8,827
EBITDA**	123,973	55,127	52,373	10,890	10,154	261,344

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

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

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

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	1,165,838	293,130	592,672	58,492	48,175	2,158,307
Inter-segment revenue	496,065	79,762	216,583	560,736	113,792	1,466,938
Total revenue	1,661,903	372,892	809,255	619,228	161,967	3,625,245
Operating expenses, including: (-)	(1,595,676)	(397,284)	(757,553)	(625,081)	(180,062)	(3,555,656)
<i>Selling and distribution expenses (-)</i>	(127,222)	(14,436)	(40,942)	(53)	(181)	(182,834)
<i>Administrative expenses (-)</i>	(88,310)	(35,097)	(45,334)	(5,419)	(17,485)	(191,645)
Other income	3,071	734	184	936	2,835	7,760
Other expenses (-)	(10,359)	(1,461)	(396)	(1,250)	(15,706)	(29,172)
Segment's EBIT**	58,939	(25,119)	51,490	(6,167)	(30,966)	48,177
Finance income	-	-	-	-	-	27,754,
Finance costs (-)	-	-	-	-	-	(19,290)
Share of profit of equity-accounted investees	-	-	-	-	-	5,255
Profit before tax	-	-	-	-	-	61,896
Income tax	-	-	-	-	-	(14,036)
Net profit	-	-	-	-	-	47,860
EBIT*	58,939	(25,119)	51,490	(6,167)	(30,966)	48,177
Depreciation and amortisation	57,242	12,466	27,073	19,839	5,105	121,725
Unallocated depreciation and amortisation	-	-	-	-	-	7,486
EBITDA**	116,181	(12,653)	78,563	13,672	(25,861)	177,388

* 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 are allocated to geographical areas based on the assets' location.

Revenue

	for the period Jan 1 – Jun 30 2017	for the period Jan 1– Jun 30 2016	for the period Apr 1– Jun 30 2017	for the period Apr 1– Jun 30 2016
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Poland	2,593,863	2,599,627	1,104,097	1,075,849
Germany	579,229	535,899	278,848	278,463
Other EU countries	1,195,134	1,010,098	571,583	492,067
Asia	221,494	174,370	67,105	92,573
South America	68,796	84,460	56,108	83,731
Other countries	211,175	229,628	104,556	135,624
Total	4,869,691	4,634,082	2,182,297	2,158,307

No single trading partner accounted for more than 10% of revenue in the first half of 2017 and the first half of 2016.

Note 1 Revenue1

	for the period Jan 1 – Jun 30 2017	for the period Jan 1– Jun 30 2016	for the period Apr 1– Jun 30 2017	for the period Apr 1– Jun 30 2016
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Revenue from sale of products and services	4,750,300	4,516,598	2,124,391	2,086,173
Revenue from construction contracts	19,545	30,978	6,813	22,296
Revenue from sale of merchandise and materials	97,551	84,758	49,662	48,517
Revenue from sale of property rights	2,295	1,748	1,431	1,321
	4,869,691	4,634,082	2,182,297	2,158,307

Note 2 Operating expenses

	for the period Jan 1 – Jun 30 2017	for the period Jan 1– Jun 30 2016	for the period Apr 1– Jun 30 2017	for the period Apr 1– Jun 30 2016
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Depreciation and amortisation	270,763	254,471	137,686	127,930
Raw materials and consumables used	2,767,155	2,546,374	1,259,268	1,277,961
Services	480,920	501,826	218,416	262,155
Taxes and charges	159,524	181,836	69,171	85,800
Remuneration	529,125	522,027	267,169	273,710
Social security and other employee benefits	143,789	136,033	72,499	70,156
Other costs	83,644	110,107	38,463	71,474
Costs by nature of expense	4,434,920	4,252,674	2,062,672	2,169,186
Change in inventories of finished goods (+/-)	(60,314)	(54,963)	(33,796)	(45,484)
Work performed by the entity and capitalised (-)	(75,148)	(100,266)	(47,503)	(55,492)
Selling and distribution expenses (-)	(338,005)	(344,972)	(162,357)	(182,834)
Administrative expenses (-)	(344,088)	(365,844)	(171,643)	(191,645)
Cost of merchandise and materials sold	87,236	72,831	44,882	20,508
Cost of sales	3,704,601	3,459,460	1,692,255	1,714,239
including excise duty	13,080	10,591	6,355	5,435

The decrease in selling and distribution expenses resulted from higher volumes of sales by the Group's key companies and the absence of selling and distribution expenses at African Investment Group S.A. (down from PLN 19,104 thousand in the comparative period to PLN 0 in the first half of 2017). The upward trend seen in revenue deviates from the trend followed by the selling and distribution expenses as the former is price-driven, as reflected most clearly in the results of the Plastics segment.

The downward trend in administrative expenses is the effect of the previous year's higher base, which included severance pays for the previous Management Board members, as well as of the reduction of expenditure on advisory and legal services which currently are performed using in-house resources.

Note 3 Other income

	for the period Jan 1 – Jun 30 2017	for the period Jan 1– Jun 30 2016	for the period Apr 1– Jun 30 2017	for the period Apr 1– Jun 30 2016
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Gains on disposal of assets:				
Gain on disposal of property, plant and equipment	-	8	-	2
	-	8	-	2
Reversed impairment losses on:				
Property, plant and equipment	-	354	-	354
Other receivables	296	-	150	(253)
Other	15	73	1	(183)
	311	427	151	(82)
Other income:				
Income from lease of investment property	8,688	8,280	4,369	4,146
Received compensation	2,315	3,426	1,286	1,808
Provisions reversed	8,649	929	4,502	620
Government grants received	3,635	2,590	2,124	1,308
Other (aggregated items), including:	3,150	520	1,445	(42)
stock-taking surplus	74	-	74	-
provision of welfare services	8	10	8	10
court fees refunded	148	89	106	43
other	2,920	421	1,257	(95)
	26,437	15,745	13,726	7,840
	26,748	16,180	13,877	7,760

Note 4 Other expenses

	for the period Jan 1 – Jun 30 2017	for the period Jan 1– Jun 30 2016	for the period Apr 1– Jun 30 2017	for the period Apr 1– Jun 30 2016
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Loss on disposal of assets:				
Loss on disposal of property, plant and equipment	9,224	788	6,520	(201)
Loss on disposal of intangible assets	7	-	7	-
Loss on disposal of perpetual usufruct of land	-	-	-	-
	9,231	788	6,527	(201)
Recognised impairment losses on:				
Property, plant and equipment	24,916	2,239	15,139	2,238
Goodwill	-	2,493	-	2,493
Other receivables	1,012	-	962	240
Other	-	579	-	579
	25,928	5,311	16,101	5,550
Other expenses:				
Investment property maintenance costs	5,271	6,250	2,480	3,303
Fines and compensations	6,807	1,338	6,743	1,141
Plant outages	1,428	1,203	703	548
Disaster recovery costs	2,045	4,686	1,133	1,370
Recognised provisions	10,838	13,209	10,403	12,920
Other (aggregated items), including:	6,135	10,074	2,606	4,541
stock-taking shortage	-	1	-	1
cost of provision of welfare services	86	133	45	92
current asset decommissioning costs	220	3,727	77	928
court fees paid	176	123	72	45
donations	2,864	3,400	1,273	2,261
debt collection costs	-	-	-	(84)
waste disposal cost	-	113	-	103
non-deducted income tax	-	13	-	-
other	2,789	2,564	1,139	1,195
	32,524	36,760	24,068	23,823
	67,683	42,859	46,696	29,172

Impairment losses on property, plant and equipment of PLN 24,916 thousand represent the largest item of other expenses. The impairment losses include a PLN 14.7m write-down of the carrying amount of the fats processing plant at Zakłady Azotowe Chorzów S.A. (recognised due to limited production capacity utilization and persisting low selling prices for the plant's products) and a PLN 9m write-down of capitalised expenditure (impairment of property, plant and equipment) incurred by the Group on a CCGT project, which was recognised after a decision was made to abandon the tender process without selecting the winning bid.

The loss on disposal of property, plant and equipment is attributable to the fact that the net carrying amount of liquidated and sold tangible assets (including catalysts) was higher than proceeds from the sale and physical liquidation of the assets.

Note 5 Finance income

	for the period Jan 1 – Jun 30 2017	for the period Jan 1– Jun 30 2016	for the period Apr 1– Jun 30 2017	for the period Apr 1– Jun 30 2016
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Interest income:				
Interest on bank deposits	6,022	8,844	2,911	5,069
Interest on cash pooling	414	532	53	439
Interest on borrowings	20	18	10	(7)
Interest on trade receivables	4,145	1,116	3,590	570
Other	29	67	12	22
	10,630	10,577	6,576	6,093
Profit from sale of financial investments:				
Profit from sale of financial investments	69	-	-	-
Other	-	-	-	-
	69	-	-	-
Gains on measurement of financial assets and liabilities:				
Gains on measurement of financial assets at fair value through profit or loss	7,220	142	-	-
Gains on measurement of financial liabilities at fair value through profit or loss	12,618	(324)	-	(324)
Gains on measurement of derivatives hedging fair value	25	-	25	-
	19,863	(182)	25	(324)
Other finance income:				
Foreign exchange gains	-	9,565	9,336	15,644
Dividends received	668	996	668	996
Discounting of liabilities	56	-	56	-
Current exchange of currency	-	-	-	-
Other finance income, including:	168	6,360	-	5,345
cancelled loan	168	-	-	-
other	-	6,360	-	5,345
	892	16,921	10,060	21,985
	31,454	27,316	16,661	27,754

Included in 'Gains on measurement of financial assets/liabilities at fair value through profit or loss' is a net gain on measurement of open currency derivatives (currency forwards with maturities of up to one year) as at the beginning and end of the reporting period, as discussed in detail in Note 16 'Derivative instruments and hedge accounting'.

Note 6 Finance costs

	for the period Jan 1 – Jun 30 2017	for the period Jan 1– Jun 30 2016	for the period Apr 1– Jun 30 2017	for the period Apr 1– Jun 30 2016
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Interest expense:				
Interest on bank borrowings and overdraft facilities	13,071	9,238	5,693	2,895
Interest on cash pooling	300	480	300	445
Interest on borrowings	52	883	2,067	775
Interest on finance lease liabilities	853	808	412	389
Interest on factoring	107	184	52	76
Interest on receivables discounting	384	390	112	234
Interest on trade payables	344	69	302	58
Interest on public charges	316	461	262	376
Other interest expense	2,853	4,695	2,756	3,668
	18,280	17,208	11,956	8,916
Loss on sale of financial investments:				
Loss on sale of financial investments	-	11	-	-
	-	11	-	-
Loss on measurement of financial assets and liabilities:				
Loss on measurement of financial assets at fair value through profit or loss	-	5,971	4,571	3,477
Loss on measurement of financial liabilities at fair value through profit or loss	-	1,401	3,394	1,401
	-	7,372	7,965	4,878
Other finance costs:				
Foreign exchange losses	12,497	-	-	-
Unwind of discount on provisions and loans	477	493	462	484
Other finance costs	7,497	5,400	4,403	5,012
	20,471	5,893	4,865	5,496
	38,751	30,484	24,786	19,290

Note 7 Income tax

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

	for the period Jan 1 – Jun 30 2017	for the period Jan 1– Jun 30 2016	for the period Apr 1– Jun 30 2017	for the period Apr 1– Jun 30 2016
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Current income tax:				
Current income tax expense	70,969	69,038	24,815	24,640
Adjustments to current income tax for previous years	(1,502)	(1,102)	(1,502)	(1,102)
	69,467	67,936	23,313	23,538
Deferred income tax:				
Deferred income tax associated with origination and reversal of temporary differences	(3,768)	19,524	(25,751)	(9,502)
	(3,768)	19,524	(25,751)	(9,502)
Income tax disclosed in the statement of profit or loss	65,699	87,460	(2,438)	14,036

Note 7.2 Effective tax rate

	for the period Jan 1 – Jun 30 2017	for the period Jan 1– Jun 30 2016	for the period Apr 1– Jun 30 2017	for the period Apr 1– Jun 30 2016
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Profit before tax	443 370	441 922	120 129	61 896
Tax calculated at the applicable tax rate	84,240	84,163	22,826,	11,761,
Effect of tax rates in foreign jurisdictions	(312)	(2,410)	(156)	(1,205)
Tax-exempt income (+/-)	(216)	(1,501)	(216)	(750)
Non tax deductible expenses (+/-)	16,320	10,414	8,160	5,207
Tax effect of tax losses deducted in the period (+/-)	252	(171)	126	(85)
Recognition of state aid deductible in future periods (+/-)	(34,922)	(819)	(29,089)	(409)
Other (+/-)	337	(2,216)	(4,089)	(483)
Income tax disclosed in the statement of profit or loss	65,699	87,460	(2,438)	14,036
Effective tax rate	14.8 %	19.8 %	(2.0 %)	22.7 %

The effective tax rate of 14.8% for the period from January 1st to June 30th 2017 reflects mainly an asset recognised by the parent in respect of benefits it can derive from operations in the Special Economic Zone (in connection with the project involving construction of Polyamide Plant II, the parent obtained a licence to operate in the Krakowski Park Technologiczny Special Economic Zone), the asset being equal to the forecast tax savings on the operations in 2017-2020, i.e. PLN 32,655 thousand. As at June 30th 2017, the parent's eligible capital expenditure totalled PLN 261,142 thousand, which in the future may allow the parent to realise tax savings on operations in the zone of approx. PLN 130 million (net of the discount effect).

Note 7.3 Income tax disclosed in other comprehensive income

	for the period Jan 1 – Jun 30 2017	for the period Jan 1– Jun 30 2016	for the period Apr 1– Jun 30 2017	for the period Apr 1– Jun 30 2016
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Income tax on items that will not be reclassified to profit or loss (+/-)				
	(1,479)	(1,582)	(1,479)	(1,582)
Remeasurement of net defined benefit obligation/asset	(1,480)	(1,582)	(1480)	(1,582)
Other income	(1)	-	(1)	-
Income tax on items that are or will be reclassified to profit or loss (+/-)				
	3,938	-	(162)	-
Measurement of hedging instruments through hedge accounting	3,938	-	(162)	-
Income tax disclosed in other comprehensive income	2,459	(1,582)	(1,641),,	(1,582)

Note 7.4 Deferred tax assets and liabilities

	Assets (-)		Liabilities (+)	
	Jun 30 2017	Dec 31 2016 (restated)	Jun 30 2017	Dec 31 2016 (restated)
	<i>unaudited</i>	<i>audited</i>	<i>unaudited</i>	<i>audited</i>
Property, plant and equipment	(93,346)	(110,807)	329,665	351,712
Perpetual usufruct of land	(71)	(62)	67,456	67,084
Investment property	(1,103)	(1,099)	8,205	8,618
Intangible assets	(2,813)	(2,029)	77,563	80,540
Financial assets	(12,706)	(14,780)	20,764	19,830
Inventories and property rights	(11,594)	(1,567)	16,795	10,489
Trade and other receivables	(3,048)	(2,583)	1,519	1,266
Trade and other payables	(44,939)	(57,586)	2,968	1,525
Other assets	(91)	(64)	306	253
Employee benefits	(78,133)	(75,436)	20	18
Provisions	(30,401)	(31,491)	922	222
Bank borrowings	(51)	(62)	-	-
Other financial liabilities	(1,083)	(442)	941	1,289
Measurement of hedging instruments through hedge accounting	-	(1,682)	2,271	-
State aid deductible in future periods	(88,571)	(65,314)	-	-
Tax losses	(16,097)	(31,857)	-	-
Other	(5,916)	(1,748)	11,552	8,492
Deferred tax assets (-)/liabilities (+)	(389,963)	(398,609)	540,947	551,338
Offset	342,299	353,061	(342,299)	(353,061)
Deferred tax assets (-)/liabilities (+) recognised in the statement of financial position	(47,664)	(45,548)	198,648	198,277

In connection with the project involving construction of Polyamide Plant II, the parent obtained a licence to operate in the Krakowski Park Technologiczny Special Economic Zone. As at June 30th 2017, the Company recognised for the first time an asset in respect of benefits it can derive from operations in the Special Economic Zone, the asset being equal to the forecast tax savings on the operations in 2017-2020, i.e. PLN 32,655 thousand. As at June 30th 2017, the Company's eligible capital expenditure totalled PLN 261,142 thousand, which in the future may allow the Company to realise tax savings on operations in the zone of approx. PLN 130 million (net of the discount effect).

The decrease in the deferred tax liability on temporary differences relating to non-current assets results from the reduction, as of the start of 2017, of tax depreciation rates applicable to property, plant and equipment at the parent. The decrease in deferred tax asset on unused tax losses is a consequence of a settlement of the losses by the parent in the first half of 2017.

Note 8 Earnings per share⁸

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

	for the period Jan 1 – Jun 30 2017	for the period Jan 1– Jun 30 2016	for the period Apr 1– Jun 30 2017	for the period Apr 1– Jun 30 2016
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Net profit	335,502	316,034	104,617	43,920
Number of shares at beginning of period	99,195,484	99,195,484	99,195,484	99,195,484
Number of shares at end of period	99,195,484	99,195,484	99,195,484	99,195,484
Weighted average number of shares in the period	99,195,484	99,195,484	99,195,484	99,195,484
Earnings per share:				
Basic (PLN)	3.38	3.19	1.05	0.44
Diluted (PLN)	3.38	3.19	1.05	0.44

Diluted earnings per share

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

Note 9 Property, plant and equipment⁹

Carrying amount

	as at Jun 30 2017	as at Dec 31 2016 (restated)
	<i>unaudited</i>	<i>audited</i>
Land	26,358	28,072
Mineral deposits	50,748	52,426
Buildings and structures	2,098,275	1,914,598
Plant and equipment	3,002,821	2,718,088
Vehicles	118,238	123,402
Other property, plant and equipment	103,237	105,529
	5,399,677	4,942,115
Property, plant and equipment under construction	1,200,130	1,447,924
	6,599,807	6,390,039

Property, plant and equipment by type

	Land	Mineral deposits	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
As at Jun 30 2017								
Gross carrying amount	31,236	52,426	3,104,815	5,427,857 (2,305,810)	265,241	244,764	1,278,440	10,404,779
Accumulated depreciation (-)	(2,765)	(1,678)	(950,873))	(102,260)	(140,872)	-	(3,504,258)
Impairment (-)	(2,113)	-	(55,667)	(119,226)	(44,743)	(655)	(78,310)	(300,714)
Net carrying amount as at Jun 30 2017 (unaudited)	26,358	50,748	2,098,275	3,002,821	118,238	103,237	1,200,130	6,599,807
As at Dec 31 2016 (restated)								
Gross carrying amount	29,471	52,426	2,867,396	4,973,288 (2,143,146)	265,258	242,564	1,518,118	9,948,521
Accumulated depreciation (-)	-	-	(901,459))	(97,000)	(136,509)	-	(3,278,114)
Impairment (-)	(1,399)	-	(51,339)	(112,054)	(44,856)	(526)	(70,194)	(280,368)
Net carrying amount at Dec 31 2016 (audited, restated)	28,072	52,426	1,914,598	2,718,088	123,402	105,529	1,447,924	6,390,039

In the six months ended June 30th 2017, the Group purchased property, plant and equipment for PLN 1,215,285 thousand (in the six months ended June 30th 2016: PLN 1,864,668 thousand). In the six months ended June 30th 2017, the Group sold items of property, plant and equipment with a net amount of PLN 2,778 thousand (in the six months ended June 30th 2016: PLN 1,477 thousand). For more information on the loss on sale and liquidation of property, plant and equipment, see Note 4.

For more information on impairment losses, see Note 4.

Note 10 Intangible assets¹⁰

Carrying amount

	as at Jun 30 2017	as at Dec 31 2016 (restated)
	<i>unaudited</i>	<i>audited</i>
Trademarks	88,596	88,788
Corporate logo	105,002	105,002
Customer base	62,756	71,157
Patents and licences	93,997	96,088
Software	33,531	32,864
Development costs	10,425	9,611
Other intangible assets	7,425	8,482
	401,732	411,992
Intangible assets under construction	26,232	28,830
Exploration for and evaluation of mineral resources	36,212	35,789
	464,176	476,611

Besides the above intangible assets, the Group also recognises goodwill of PLN 35,602 thousand.

Note 11 Cash and cash equivalents¹¹

	as at Jun 30 2017	as at Dec 31 2016 (restated)
	<i>unaudited</i>	<i>audited</i>
Cash in hand	940	590
Bank balances in PLN	142,135	174,238
Bank balances in foreign currencies (translated to PLN)	309,532	285,440
Bank deposits – up to 3 months	205,199	179,001
Other bank deposits	2,912	2,588
Other	-	38
	660,718	641,895
Cash and cash equivalents in the statement of financial position	660,718	641,895
Cash and cash equivalents in the statement of cash flows	660,718	641,895

As at June 30th 2017, the Group held restricted cash of PLN 2,767 thousand (December 31st 2016: PLN 4,024 thousand).

Restricted cash comprises in particular cash at bank held as an interest-bearing security deposit securing open letters of credit, and funds blocked in bank account.

Note 12 Borrowings

	as at Jun 30 2017	as at Dec 31 2016 (restated)
	<i>unaudited</i>	<i>audited</i>
Bank borrowings	1,410,315	1,269,300
Non-bank borrowings	147,647	154,781
	1,557,962	1,424,081
including		
Long-term subsidies	1,468,971	1,372,047
Short-term subsidies	88,991	52,034
	1,557,962	1,424,081

In the first half of 2017, the parent drew down the last, fifth loan under EIB Credit Facility of EUR 27,134 thousand. The increase in short-term borrowings is attributable to higher drawdowns on overdraft facilities.

For the remaining part, the increase in long-term borrowings is due to the credit facility contracted by ATT Polymers and an increase in borrowings at African Investment Group S.A.

Maturities and currencies

As at Jun 30 2017 (unaudited)

Currency	Reference rate	Amount as at the reporting date		Up to one year	1-2 years	2-5 years	Over 5 years
		in foreign currency	in PLN				
PLN	variable	933,165	933,165	88,991	23,650	787,921	32,603
EUR	fixed	148,057	624,797	-	76,762	314,752	233,283
			1,557,962	88,991	100,412	1,102,673	265,886

As at Dec 31 2016 (audited)

Currency	Reference rate	Amount as at the reporting date		Up to one year	1-2 years	2-5 years	Over 5 years
		in foreign currency	in PLN				
PLN	variable	899,911	899,911	52,016	22,875	787,351	37,669
EUR	variable	118,478	524,170	18	31,600	271,352	221,200
			1,424,081	52,034	54,475	1,058,703	258,869

The Group pays variable interest on its borrowings. The rates are based on WIBOR, EURIBOR or LIBOR, depending on the currency of a borrowing.

As at June 30th 2017, the Group had approximately PLN 1,415m available under open lines of credit (December 31st 2016: PLN 1,511m).

Note 13 Employee benefit obligations

	as at Jun 30 2017	as at Dec 31 2016 (restated)
	<i>unaudited</i>	<i>audited</i>
Pension benefit obligations	135,664	129,650
Jubilee benefit obligations	190,561	194,409
Pensioner Social Fund benefit obligations	16,935	15,980
Other obligations	21,404	21,087
	364,564	361,126
including		
Long-term subsidies	323,050	321,209
Short-term subsidies	41,514	39,917
	364,564	361,126

Key actuarial assumptions relating to the provisions for jubilee benefit obligations and pension benefit obligations:

- discount rate of 3.2% (December 31st 2016: 3.6%),
- future minimum pay increase rate of 4.0% (December 31st 2016: 4.0%),
- future average pay increase rate of 3.0% (December 31st 2016: 3.5%).

Note 14 Provisions

	as at Jun 30 2017	as at Dec 31 2016 (restated)
	<i>unaudited</i>	<i>audited</i>
Provision for litigations	3,908	2,849
Provision for environmental protection, including site restoration	98,437	91,826
Provision for demolition of mercury electrolysis facilities	8,322	8,161
Other provisions, including:	23,577	41,841
Provision for properties ordering	1,132	9,304
Provision for demolition other	525	525
	21,920	32,012
	134,244	144,677
including		
Long-term subsidies	105,167	97,692
Short-term subsidies	29,077	46,985
	134,244	144,677

Items classified as other provisions include provisions for future obligations related to anticipated fines and compensations due for damage to property, as well as provisions for costs related to removal and disposal of waste.

The decrease in other provisions in the first six months of 2017 was attributable to a settlement was made with a counterparty concerning the amount due for technical consultancy services related to phosphate rock supplies from Senegal. In connection with the settlement, PLN 4,701 thousand of the provision amount was reversed, while the remainder of the provision, of PLN 4,710 thousand, was used.

Note 15 Other material changes in items of the statement of financial position

The PLN 94,866 thousand increase in inventories relative to December 31st 2016 was mainly attributable to higher cost of production inputs (in connection with the technological start-up of new installations) and recognition of inventories of finished products (fertilizers for the following season).

The PLN 289,846 thousand decrease in other financial assets was related to termination of term deposits on maturity.

The PLN 6,713 thousand increase in financial derivatives was due to the positive fair value of open forward contracts.

The PLN 178,341 thousand increase in receivables, in particular trade receivables, was attributable to longer periods of collection of payments for fertilizers sold off-season.

The PLN 2,457 thousand increase in non-current assets available for sale was a consequence of recognition of all assets of Supra Agrochemia Sp. z o.o. in this item.

The PLN 38,071 thousand decrease in other current financial liabilities was related a lower amount of receivables sold as at June 30th 2017 compared with December 31st 2016 (the item includes Grupa Azoty ATT Polymers GmbH's liabilities arising in connection with the company's receivables discounting arrangement with mBank, including due to a surplus of foreign currencies in the Company's account).

The PLN 247,626 thousand decrease in liabilities, including in particular in trade payables, was due to the scheduled plant shutdowns for repairs and maintenance work in June (and planned for July), which resulted in lower consumption of natural gas.

Note 16 Financial instruments

Categories of financial instruments

Financial assets

	as at Jun 30 2017	as at Dec 31 2016 (restated)
	<i>unaudited</i>	<i>audited</i>
At fair value through profit or loss	15,148	8,435
Loans and receivables	1,141,643	1,365,891
Cash and cash equivalents	660,718	641,895
Financial assets available for sale	303	318
	1,817,812	2,016,539
Recognised in the statement of financial position as:		
Shares	303	318
Trade and other receivables	850,359	785,039
Cash and cash equivalents	660,718	641,895
Derivatives	15,148	8,435
Other financial assets	291,284	580,852
	1,817,812	2,016,539

Financial liabilities

	as at Jun 30 2017	as at Dec 31 2016 (restated)
	<i>unaudited</i>	<i>audited</i>
At fair value through profit or loss	2,244	8,213
At amortised cost	2,561,729	2,611,123
	2,563,973	2,619,336
Recognised in the statement of financial position as:		
Long-term borrowings	1,468,971	1,372,047
Short-term borrowings	88,991	52,034
Derivatives	2,244	8,213
Trade and other payables	930,845	1,070,456
Other non-current financial liabilities	36,508	42,101
Other current financial liabilities	36,414	74,485
	2,563,973	2,619,336

**"Trade and other receivables" in the statement of financial position represents this asset item less non-financial receivables not classified as financial instruments (including: receivables under advance payments; taxes, subsidies, customs duties and social security receivable; prepaid expenses).

***"Trade and other payables" in the statement of financial position represents this item of liabilities less non-financial liabilities not classified as financial instruments (including: liabilities under advance payments received; taxes, subsidies, customs duties and social security payable; liabilities to shareholders; accrued expenses and deferred revenue).

Credit risk

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

The following table presents Grupa Azoty's maximum exposure to credit risk:

	as at Jun 30 2017	as at Dec 31 2016 (restated)
	<i>unaudited</i>	<i>audited</i>
Assets at fair value through profit or loss	15,148	8,435
Loans and receivables	1,141,643	1,365,891
Cash and cash equivalents	660,718	641,895
	1,817,509	2,016,221

Trade receivables

The following table presents credit risk related to trade receivables by product groups:

	as at Jun 30 2017	as at Dec 31 2016 (restated)
	<i>unaudited</i>	<i>audited</i>
Agro Fertilizers	346,736	271,062
Plastics	166,352	168,489
Chemicals	264,085	262,516
Energy	40,230	32,286
Other Activities	11,364	28,302
	828,767	762,655

Not impaired past due trade receivables

	as at Jun 30 2017	as at Dec 31 2016 (restated)
	<i>unaudited</i>	<i>audited</i>
Past due up to 60 days	32,185	36,485
Past due 60–180 days	7,264	7,424
Past due 180–360 days	4,750	1,432
Past due more than 360 days	3,230	1,711
	47,429	47,052

The Group's trade receivables are insured in the first place under trade credit insurance policies, which limit the credit risk to the amount of deductible (5% to 10% of the value of insured receivables). The policies ensure that customers' financial condition is monitored on an ongoing basis and enable debt recovery when required. Upon a customer's actual or legal insolvency, the Group receives compensation equal to 90-95% of the amount of the insured receivables.

Most of the Group's other trade receivables from unrelated entities are secured with letters of credit, guarantees or other forms of security acceptable to the Group.

Trade credit limit is granted first of all on the basis of the insurance company's decision, but also taking into account positive trading history with the customer and the customer's creditworthiness (assessed based on business intelligence reports), financial statements and payment history.

If there is no positive history of trading between the Group and a customer, or where transactions are occasional and the credit limit cannot be insured, the customer is required to make a prepayment or provide collateral prior to delivery.

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

Fair value of financial instruments

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

- Cash and cash equivalents, short-term bank deposits and short-term bank borrowings. Carrying amounts of these instruments approximate their fair values because of their short maturities.
- Trade and other receivables, trade payables. Carrying amounts of these instruments approximate their fair values due to their short-term nature.
- Long-term variable-rate borrowings. Carrying amounts of these instruments approximate their fair values due to the variable nature of their interest rates.
- Long-term fixed-rate borrowings. Carrying amount of these instruments is PLN 536,825 thousand, and their fair value is approximately PLN 541,644 thousand (Level 2 in the fair value hierarchy).
- FX derivatives and emission allowance derivatives. Carrying amounts of these instruments are equal to their fair values.

- Financial assets available for sale. Carrying amounts of these instruments are equal to their fair values.

The table below presents financial instruments carried at fair value, by levels in the fair value hierarchy as at June 30th 2017:

Hierarchy level (unaudited)	Level 1	Level 2	Level 3
Financial assets at fair value, including:			
shares classified as held for sale	-	-	303
currency futures and forward contracts	-	13,850	-
contracts for purchase of CO ₂ emission allowances	-	1,273	-
	-	15,123	303
Financial liabilities at fair value, including:			
contracts for purchase of CO ₂ emission allowances	-	(2,244)	-
	-	(2,244)	-

The table below presents financial instruments, carried at fair value, by levels in the fair value hierarchy as at December 31st 2016:

Hierarchy level (audited, restated)	Level 1	Level 2	Level 3
Financial assets at fair value, including:			
shares classified as held for sale	-	-	318
currency futures and forward contracts	-	1,010	-
contracts for purchase of CO ₂ emission allowances	-	7,425	-
	-	8,435	318
Financial liabilities at fair value, including:			
currency futures and forward contracts	-	(7,130)	-
contracts for purchase of CO ₂ emission allowances	-	(1,083)	-
	-	(8,213)	-

The fair value hierarchy presented in the tables above is as follows:

Level 1 - price quoted in an active market for the same asset or liability,

Level 2 - values based on inputs other than quoted level 1 prices that are either directly or indirectly observable or determined on the basis of market data,

Level 3 - values based on input data that are not based on observable market data.

The fair value of foreign currency contracts and forwarding rights presented in Level 2 is determined on the basis of a valuation carried out by brokers or banks with which the relevant contracts have been concluded. The valuations are verified by discounting the expected cash flows from the contracts at market interest rates effective as at the reporting date.

The Group carries an investment of PLN 303 thousand (December 31st 2016: PLN 318 thousand) in shares that are classified under Level 3 as they are not quoted on an active market and there were no transactions in the shares. The fair value of the shares was estimated by an expert using valuation techniques containing significant unobservable inputs, i.e. projected cash flows and discount rates.

Derivative instruments and hedge accounting

Foreign currency derivatives

As at June 30th 2017, the notional amount of the Group's open currency derivatives (forwards) totalled EUR 59.5m (which included instruments maturing in the second half of 2017: July - EUR 11.3m, August - EUR 9.7m, September - EUR 9.7m, October - EUR 8.8m, November - EUR 9.5m and December - EUR 4m; and instruments maturing in 2018: February - EUR 1.5m, March - EUR 2.0m, April - EUR 1.0m, May - EUR 1.0m and June - EUR 1.0m) and USD 6.9m (which included instruments maturing in H2 2017: July - USD 0.6m, August - USD 0.8m, September - USD 1.3m, October - USD 1.9m, November - USD 2.3m).

As at December 31st 2016, the notional amount of the Group's open currency derivatives (forwards) was EUR 110.4m and USD 34.4m.

The contracts are concluded exclusively with creditworthy banks under framework agreements. All concluded contracts are reflected in actual cash flows in foreign currencies. FX forwards and derivative contracts are executed to match the Company's currency exposure and their purpose is to limit the effect of exchange rate fluctuations on the Company's financial performance.

Hedge accounting

The Group applies 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 June 30th 2017, repayable from December 2018 to June 2025 in 14 equal half-yearly instalments of EUR 9,081 thousand each. As at June 30th 2017, the fair value of the facility was PLN 541,644 thousand. As at June 30th 2017, the hedging reserve included PLN 11,953 thousand on account of the effective hedge. In the first half of 2017, the Group did not reclassify any hedge accounting amounts from other comprehensive income to the statement of profit or loss.

Note 17 Contingent liabilities, contingent assets and guarantees

Contingent assets

	as at Jun 30 2017	as at Dec 31 2016 (restated)
	<i>unaudited</i>	<i>audited</i>
Contingent receivables	25,610	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, the Grupa Azoty PUŁAWY filed a suit with the Regional Court in Warsaw. The case is pending.

Contingent liabilities, sureties and guarantees

	as at Jun 30 2017	as at Dec 31 2016 (restated)
	<i>unaudited</i>	<i>audited</i>
Guarantees	881	366
Other contingent liabilities	25,719	27,344
	26,600	27,710

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

Note 18 Accounting estimates and assumptions

Changes in impairment losses on property, plant and equipment

	for the period Jan 1 – Jun 30 2017	for the period Jan 1– Jun 30 2016	for the period Apr 1– Jun 30 2017	for the period Apr 1– Jun 30 2016
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Balance at beginning of period	280,368	259,451	288,230	259,382
Recognised	24,216	3,202	14,392	3,202
Reversed (-)	(1,741)	(616)	(1,741)	(571)
Used (-)	(2,129)	(103)	(167)	(79)
Balance at end of period	300,714	261,934	300,714	261,934

Changes in inventory write-downs

	for the period Jan 1 – Jun 30 2017	for the period Jan 1– Jun 30 2016	for the period Apr 1– Jun 30 2017	for the period Apr 1– Jun 30 2016
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Balance at beginning of period	43,028	50,432	42,233	49,526
Recognised	13,844	31,680	11,352	20,998
Reversed (-)	(1,841)	(10,968)	(535)	(5,206)
Used (-)	(5,440)	(8,087)	(3,459)	(2,261)
Balance at end of period	49,591	63,057	49,591	63,057

Recognition of additional write-downs on the inventories was related to the presence of slow-moving materials and finished products in the warehouses. Such write-downs are reversed or used in the case of sale or physical liquidation of the inventory items.

Changes in impairment losses on receivables

	for the period Jan 1 – Jun 30 2017	for the period Apr 1– Jun 30 2017	for the period Jan 1– Jun 30 2016	for the period Apr 1– Jun 30 2016
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Balance at beginning of period	80,505	63,479	79,924	58,387
Recognised	5,839	23,076	1,367	22,149
Reversed (-)	(2,333)	(2,135)	1,988	(1,131)
Used (-)	(403)	(5,249)	329	(234)
Balance at end of period	83,608	79,171	83,608	79,171

Note 19 Related-party transactions

Trade transactions with associates

Trade transactions

	Revenue	Receivables	Purchases	Liabilities
In the six months ended June 30th 2017 and as at this day (unaudited)				
Related parties of Grupa Azoty KĘDZIERZYN (CTL Chemkol)	748	450	8,775	2,425
Related parties of Grupa Azoty POLICE (Budchem, Kemipol)	4,870	1,062	6,165	1,796
Related parties of Grupa Azoty PUŁAWY (Technochimserwis, CTL Kolzap, Bałtycka Baza Masowa)	1,809	2,595	17,323	3,556
	7,427	4,107	32,263	7,777

	Revenue	Purchases
Period ended Jun 30 2016 (unaudited)		
Related parties of Grupa Azoty KĘDZIERZYN (CTL Chemkol)	658	8,561
Related parties of Grupa Azoty PKCh Sp. z o.o. (Ekotar)	-	-
Related parties of Grupa Azoty POLICE (Budchem, Kemipol)	2,583	5,788
Related parties of Grupa Azoty PUŁAWY (Technochimserwis, CTL Kolzap, Bałtycka Baza Masowa)	1,784	18,188
	5,025	32,537

	Receivables	Liabilities
Balance as at Dec 31 2016 (audited, restated)		
Related parties of Grupa Azoty KĘDZIERZYN (CTL Chemkol)	416	2,711
Related parties of Grupa Azoty PKCh Sp. z o.o. (Ekotar)	17	-
Related parties of Grupa Azoty POLICE (Budchem, Kemipol)		1,726
Related parties of Grupa Azoty PUŁAWY (Technochimserwis, CTL Kolzap, Bałtycka Baza Masowa)	505	3,836
	938	8,273

Other transactions

	Other income	Other expenses	Finance income	Finance costs
Period ended Jun 30 2017 (unaudited)				
Related parties of Grupa Azoty KĘDZIERZYN (CTL Chemkol)	1,129	6	-	
Related parties of Grupa Azoty POLICE (Budchem, Kemipol)	-	-	38	-
Related parties of Grupa Azoty PUŁAWY (Technochimserwis, CTL Kolzap, Bałtycka Baza Masowa)	171	-	6	-
	1,300	6	44	-

	Other income	Other expenses	Finance income	Finance costs
Period ended Dec 31 2016 (audited)				
Related parties of Grupa Azoty KĘDZIERZYN (CTL Chemkol)	1,129	5	-	-
Related parties of Grupa Azoty PUŁAWY (Technochimserwis, CTL Kolzap, Bałtycka Baza Masowa)	172	-	47	-
	1,301	5	47	-

Loans granted to related parties

The Group granted the following loans to the related parties:

	as at Jun 30 2017	as at Dec 31 2016 (restated)
	<i>unaudited</i>	<i>audited</i>
Associates	-	1,336
Other parties	394	450
	394	1,786

Transactions with owners

As at June 30th 2017 and December 31st 2016, the Group had a credit facility of PLN 10,019 thousand contracted with the EBRD.

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

In the six months ended June 30th 2017, the Grupa Azoty Group did not execute any related-party transactions other than on arm's length basis.

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 six months ended June 30th 2017, the Grupa Azoty Group did not grant any advances, loans, guarantees or sureties to management or supervisory personnel or persons closely related to them, nor did it enter into any agreements with them to provide any services to the Group.

Note 20 Investment commitments

In the period ended June 30th 2017, the Company signed contracts for new investment projects and for continuation of on-going investment projects. The projects involve mainly the provision of chemical, construction, mechanical, electrical industry services, design services, and project supervision.

The largest capital commitments are as follows:

- Construction of a nitric acid unit – PLN 99,783 thousand (December 31st 2016: PLN 0 thousand),
- Construction of a polypropylene unit – PLN 55,788 thousand committed (December 31st 2016: PLN 0 thousand),
- Construction of a unit for production of granular ammonium nitrate-based fertilizers – PLN 34,631 thousand committed (December 31st 2016: PLN 35,803 thousand),
- Construction of a polyamides production unit - PLN 32,538 thousand committed (December 31st 2016: PLN 66,980 thousand),
- Construction of a flue gas treatment unit and a plant upgrade – PLN 22,120 thousand committed (December 31st 2016: PLN 49,485 thousand),

Total amount of the Group's commitments under executed contracts is PLN 356,961 thousand (December 31st 2016: PLN 366,394 thousand).

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

No such events occurred.

3.3. Dividends

On May 25th 2017, the Management Board of the parent passed a resolution to propose to the Annual General Meeting that the net profit for 2016, in the amount of PLN 224,775,178.67, be allocated as follows:

- PLN 78,364,432.36, i.e. PLN 0.79 per share, as dividend to the Shareholders;
- PLN 146,410,746.31 to be transferred to the statutory reserve funds.

On May 29th 2017, the Management Board of the parent announced that it would request the Company's Supervisory Board for an opinion on the proposed dates relating to the payment of dividend, and subsequently submit the proposal to the Company's Annual General Meeting convened for June 30th 2017 for approval. The proposed dates are:

- August 4th 2017 as the dividend record date, i.e. the date on which the list of shareholders entitled to receive dividend for the financial year from January 1st to December 31st 2016 is to be determined;
- August 23rd 2017 as the dividend payment date.

On May 29th 2017, the Company's Supervisory Board issued a positive opinion on the Management Board's proposal to the Annual General Meeting that the 2016 net profit of PLN 224,775,178.67 be allocated as proposed in the Management Board's resolution of May 25th 2017.

On June 30th 2017, the Annual General Meeting passed a resolution to distribute the dividend for 2016 in the following manner:

- The amount allocated to dividend payments is PLN 78,364,432.36;
 - Dividend per share is PLN 0.79;
 - Dividend is paid on all Company shares (99,195,484 shares);
 - Dividend record date is August 4th 2017;
- Dividend payment date is August 23rd 2017.

3.4. Seasonality of operations

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

Mineral fertilizers

Each calendar year, the first six months is a period of increased activity in the agricultural sector, preceded by demand for agricultural materials (including mineral fertilizers). The Grupa Azoty Group follows a policy of mitigating seasonality through optimum volume allocation in all-year supplies to the distribution network and partially by placing products on geographical markets with different seasonality patterns.

Titanium white

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 for the six months ended June 30th 2017 contain 49 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 Kądziaławski
Vice President of the Management Board

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

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

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

Person responsible for maintaining accounting records

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

Tarnów, August 22nd 2017