



Interim consolidated financial report  
for Q3 2013

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## FINANCIAL HIGHLIGHTS

## Consolidated financial highlights

	PLN ('000)		EUR ('000)	
	for the period Jan 1- Sep 30 2013	for the period Jan 1- Sep 30 2012	for the period Jan 1- Sep 30 2013	for the period Jan 1- Sep 30 2012
Revenue	7,473,136	5,511,800	1,769,585	1,313,960
Operating profit	779,615	373,635	184,607	89,071
Profit before tax	817,625	369,487	193,608	88,082
Net profit	770,731	292,806	182,504	69,802
Total comprehensive income	735,824	308,277	174,238	73,490
Number of shares	99,195,484	64,115,444	99,195,484	64,115,444
Earnings per ordinary share (PLN)	7.30	4.10	1.73	0.98
Net cash from operating activities	856,925	573,871	202,914	136,805
Net cash from investing activities	(573,687)	(460,088)	(135,845)	(109,681)
Net cash from financing activities	126,728	(39,554)	30,008	(9,429)
Net cash flows, total	409,966	74,229	97,077	17,695
Cash and cash equivalents at the beginning of the period	243,440	244,791	57,645	58,356
Cash and cash equivalents at the end of the period	652,614	325,983	154,534	77,711
	As at Sep 30 2013	As at Dec 31 2012* restated	As at Sep 30 2013	As at Dec 31 2012
Non-current assets	6,225,970	3,552,652	1,476,643	869,002
Current assets	3,104,053	1,804,389	736,203	441,365
Non-current liabilities	1,174,781	718,725	278,628	175,805
Current liabilities	1,888,215	1,147,618	447,837	280,715
Equity	6,267,027	3,490,698	1,486,381	853,847
Share capital	495,977	320,577	117,633	78,415
Equity attributable to non- controlling interests	647,536	414,078	153,579	101,286

\* Financial data restated in accordance with the information regarding CO<sub>2</sub> emission allowances provided in notes to the interim condensed consolidated financial statements.

## Separate financial highlights

	PLN ('000)		EUR ('000)	
	for the period Jan 1- Sep 30 2013	for the period Jan 1- Sep 30 2012	for the period Jan 1- Sep 30 2013	for the period Jan 1- Sep 30 2012
Revenue	1,415,273	1,525,804	335,127	363,737
Operating profit	363	122,869	86	29,291
Profit before tax	113,452	251,530	26,865	59,962
Net profit	115,647	225,526	27,384	53,763
Total comprehensive income for the year	78,291	247,427	18,539	58,984
Number of shares	99,195,484	64,115,444	99,195,484	64,115,444
Earnings per ordinary share (PLN)	1.17	3.52	0.28	0.84
Net cash from operating activities	66,498	176,573	15,746	42,093
Net cash from investing activities	(320,886)	(209,161)	(75,984)	(49,862)
Net cash from financing activities	196,356	78,195	46,496	18,641
Net cash flows, total	(58,032)	45,607	(13,742)	10,872
Cash and cash equivalents at the beginning of the period	66,992	86,289	15,863	20,570
Cash and cash equivalents at the end of the period	8,960	131,896	2,122	31,443
	As at Sep 30 2013	As at Dec 31 2012* restated	As at Sep 30 2013	As at Dec 31 2012
Non-current assets	4,591,396	2,334,993	1,088,963	571,154
Current assets	474,962	590,888	112,649	144,535
Non-current liabilities	486,814	299,874	115,460	73,351
Current liabilities	521,929	410,872	123,788	100,502
Equity	4,057,615	2,215,135	962,364	541,836
Share capital	495,977	320,577	117,633	78,415

\* Financial data restated in accordance with the information regarding CO<sub>2</sub> emission allowances provided in notes to the interim condensed separate financial statements.

Selected items of the statement of profit and loss and other comprehensive income, statement of financial position, and statement of cash flows were translated into the euro using the specified applied translation method:

- Items of assets and liabilities in the statement of financial position were translated at the exchange rate effective for the last day of the reporting period:  
 EUR/PLN exchange rate as at December 31st 2012 was EUR 1 = PLN 4.0882 (Table No. 252/A/NBP/2012),  
 EUR/PLN exchange rate as at September 30th 2013 was EUR 1 = PLN 4.2163 (Table No. 189/A/NBP/2013),
- Items of the statement of profit and loss and other comprehensive income, and of the statement of cash flows were translated into the euro at exchange rates calculated as the arithmetic means of the EUR/PLN mid-market rates quoted by the National Bank of Poland as effective for the last day of each month in the reporting period:  
 Average exchange rate for the period from January 1st to September 30th 2012 was EUR 1 = PLN 4.1948,  
 Average exchange rate for the period from January 1st to September 30th 2013 was EUR 1 = PLN 4.2231.

The data was translated at the exchange rates specified above, by dividing the values expressed in thousands of PLN by the exchange rate.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30TH 2013  
PREPARED IN ACCORDANCE WITH IAS 34 INTERIM FINANCIAL  
REPORTING  
AS ADOPTED BY THE EUROPEAN UNION**

## REPRESENTATION BY THE MANAGEMENT BOARD

The Management Board of Grupa Azoty S.A. presents the interim condensed consolidated financial statements for the three and nine months ended September 30th 2013, comprising:

- Condensed consolidated statement of profit and loss and other comprehensive income for the period July 1st-September 30th 2013 and for the period January 1st-September 30th 2013,
- Condensed consolidated statement of financial position as at September 30th 2013,
- Condensed consolidated statement of changes in equity for the period January 1st-September 30th 2013,
- Condensed consolidated statement of cash flows for the period January 1st-September 30th 2013,
- Notes

The interim condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and present fairly and clearly the financial position and performance of the Azoty Group.

### Signatures of Management Board members

.....  
Paweł Jarczewski  
*President of the Management Board*

.....  
Andrzej Skolmowski  
*Vice-President of the Management Board*

.....  
Witold Szczypiński  
*Vice-President of the Management Board*

.....  
Marek Kapłucha  
*Vice-President of the Management Board*

.....  
Marian Rybak  
*Vice-President of the Management Board*

.....  
Krzysztof Jałosiński  
*Vice-President of the Management Board*

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

### Person responsible for maintaining the accounts

.....  
Ewa Gładysz  
*Corporate Finance Department Director*

Tarnów, November 12th 2013

## Condensed consolidated statement of profit and loss and other comprehensive income for the period ended September 30th 2013

	for the period Jul 1- Sep 30 2013	for the period Jan 1- Sep 30 2013	for the period Jul 1- Sep 30 2012	for the period Jan 1- Sep 30 2012
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
<b>Profit and loss</b>				
<b><i>Continuing operations</i></b>				
Revenue	2,226,090	7,473,136	1,697,152	5,511,800
Cost of sales	(1,958,978)	(6,330,634)	(1,514,250)	(4,684,801)
<b>Gross profit</b>	<b>267,112</b>	<b>1,142,502</b>	<b>182,902</b>	<b>826,999</b>
Selling and distribution expenses	(109,351)	(315,852)	(41,916)	(134,066)
Administrative expenses	(159,981)	(489,293)	(106,557)	(279,765)
Other income, including	23,833	513,482	947	20,540
Gain from a bargain purchase	-	446,116	-	-
Other expenses	(30,150)	(71,224)	(14,632)	(60,073)
<b>Operating profit/(loss)</b>	<b>(8,537)</b>	<b>779,615</b>	<b>20,744</b>	<b>373,635</b>
Finance income	1,169	65,734	6,286	14,816
Finance costs	(7,417)	(35,991)	(2,421)	(25,730)
<b>Net finance income/(costs)</b>	<b>(6,248)</b>	<b>29,743</b>	<b>3,865</b>	<b>(10,914)</b>
Share of profit of equity-accounted associates	2,819	8,267	2,468	6,766
<b>Profit/(loss) before tax</b>	<b>(11,966)</b>	<b>817,625</b>	<b>27,077</b>	<b>369,487</b>
Tax expense	12,319	(46,500)	(6,815)	(76,681)
<b>Net profit from continuing operations:</b>	<b>353</b>	<b>771,125</b>	<b>20,262</b>	<b>292,806</b>
<b><i>Discontinued operations</i></b>				
Net loss on discontinued operations	(140)	(394)	-	-
<b>Net profit</b>	<b>213</b>	<b>770,731</b>	<b>20,262</b>	<b>292,806</b>
<b>Other comprehensive income</b>				
<b><i>Items that will not be reclassified to profit or loss</i></b>				
Restatement of defined benefit liabilities	-	275	-	-
Other income	302	302	-	-
Tax on items that will not be reclassified to profit or loss	(103)	(203)	-	-
	<b>199</b>	<b>374</b>	<b>-</b>	<b>-</b>

Notes and explanatory information are an integral part of these interim condensed consolidated financial statements.

## Condensed consolidated statement of profit and loss and other comprehensive income (continued) for the period ended September 30th 2013

	for the period Jul 1- Sep 30 2013	for the period Jan 1- Sep 30 2013	for the period Jul 1- Sep 30 2012	for the period Jan 1- Sep 30 2012
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
<b><i>Items that are or will be reclassified to profit or loss</i></b>				
Effective portion of changes in fair value of cash flow hedges	-	-	130	408
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	329	1,045
Net change in fair value of available-for-sale financial assets	(516)	(18,696)	25,585	25,585
Change in fair value of available-for-sale investments, reclassified to profit or loss	-	(27,256)	-	-
Foreign currency translation differences - foreign operations	(1,722)	1,895	(2,939)	(6,430)
Tax on items that are or will be reclassified to profit or loss	143	8,776	(4,948)	(5,137)
	<b>(2,095)</b>	<b>(35,281)</b>	<b>18,157</b>	<b>15,471</b>
<b>Total other comprehensive income</b>	<b>(1,896)</b>	<b>(34,907)</b>	<b>18,157</b>	<b>15,471</b>
<b>Profit/(loss) and other comprehensive income</b>	<b>(1,683)</b>	<b>735,824</b>	<b>38,419</b>	<b>308,277</b>
<b>Net profit/(loss) attributable to:</b>				
Equity holders of the Parent	(3,676)	724,157	11,644	262,820
Non-controlling interests	3,889	46,574	8,618	29,986
<b>Profit/loss and other comprehensive income, attributable to:</b>				
Equity holders of the Parent	(5,546)	689,061	29,801	278,291
Non-controlling interests	3,863	46,763	8,618	29,986
<b>Earnings/(loss) per share:</b>				
Basic (PLN)	(0.04)	7.30	0.18	4.10
Diluted (PLN)	(0.04)	7.30	0.18	4.10

Notes and explanatory information are an integral part of these interim condensed consolidated financial statements.

## Condensed consolidated statement of financial position

As at September 30th 2013

	As at Sep 30 2013	As at Dec 31 2012* restated
	<i>unaudited</i>	<i>audited</i>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,376,581	2,845,691
Investment property	52,115	28,903
Intangible assets	533,578	182,847
Goodwill	9,124	9,124
Investments in subordinated entities	129,821	80,132
Available-for-sale investments	21,497	283,202
Other financial assets	779	565
Non-current receivables	3,410	4,890
Deferred tax assets	95,420	113,366
Other current assets	3,645	3,932
<b>Total non-current assets</b>	<b>6,225,970</b>	<b>3,552,652</b>
<b>Current assets</b>		
Inventories	1,063,006	839,561
Other financial assets	58,891	19,079
Current tax assets	27,165	4,141
Trade and other receivables	1,267,085	677,927
Cash and cash equivalents	652,614	243,440
Other current assets	34,500	19,894
Assets held for sale	792	347
<b>Total current assets</b>	<b>3,104,053</b>	<b>1,804,389</b>
<b>Total assets</b>	<b>9,330,023</b>	<b>5,357,041</b>

\* Financial data restated in accordance with point 3.2a) regarding CO<sub>2</sub> emission allowances.

Notes and explanatory information are an integral part of these interim condensed consolidated financial statements.

## Condensed consolidated statement of financial position (continued)

As at September 30th 2013

	As at Sep 30 2013 <i>unaudited</i>	As at Dec 31 2012* restated <i>audited</i>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	495,977	320,577
Share premium	2,418,270	680,688
Fair value reserve	-	37,221
Other components of equity	207	-
Foreign currency translation differences - foreign operations	616	(1,279)
Retained earnings, including:	2,704,421	2,039,413
<i>Profit for the period</i>	724,157	294,376
<b>Equity attributable to owners of the Parent</b>	<b>5,619,491</b>	<b>3,076,620</b>
<b>Equity attributable to non-controlling interests</b>	<b>647,536</b>	<b>414,078</b>
<b>Total equity</b>	<b>6,267,027</b>	<b>3,490,698</b>
<b>Liabilities</b>		
Borrowings	491,462	289,979
Employee benefits	241,905	139,756
Other non-current payables	26,164	928
Other provisions	118,140	118,622
Government grants	20,840	19,996
Deferred income	-	12
Deferred tax liabilities	252,480	131,800
Other financial liabilities	23,790	17,632
<b>Total non-current liabilities</b>	<b>1,174,781</b>	<b>718,725</b>
Borrowings	397,400	200,017
Employee benefits	22,805	14,155
Current tax liabilities	3,475	19,227
Trade and other payables	1,179,263	697,317
Other provisions	175,934	134,437
Government grants	46,799	16,989
Deferred income	726	687
Other financial liabilities	61,813	64,789
<b>Total current liabilities</b>	<b>1,888,215</b>	<b>1,147,618</b>
<b>Total liabilities</b>	<b>3,062,996</b>	<b>1,866,343</b>
<b>Total equity and liabilities</b>	<b>9,330,023</b>	<b>5,357,041</b>

\* Financial data restated in accordance with point 3.2a) regarding CO<sub>2</sub> emission allowances.

Notes and explanatory information are an integral part of these interim condensed consolidated financial statements.

## Condensed consolidated statement of changes in equity for the period ended September 30th 2013

	Share capital	Share premium	Fair value reserve	Foreign currency translation differences - foreign operations	Other components of equity	Retained earnings	Equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
As at January 1st 2013	320,577	680,688	37,221	(1,279)	-	2,039,413	3,076,620	414,078	3,490,698
<b>Profit / loss and other comprehensive income</b>									
Profit for the period	-	-	-	-	-	724,157	724,157	46,574	770,731
Total other comprehensive income	-	-	(37,221)	1,895	207	23	(35,096)	189	(34,907)
<b>Profit/(loss) and other comprehensive income</b>	-	-	(37,221)	1,895	207	724,180	689,061	46,763	735,824
<b>Transactions with owners of the Company, recognised directly in equity</b>									
Share issue	175,400	1,737,582	-	-	-	-	1,912,982	-	1,912,982
Dividends	-	-	-	-	-	(148,793)	(148,793)	(22,023)	(170,816)
<b>Total contributions by and distributions to owners of the Company</b>	<b>175,400</b>	<b>1,737,582</b>	-	-	-	<b>(148,793)</b>	<b>1,764,189</b>	<b>(22,023)</b>	<b>1,742,166</b>
Changes in ownership interests in subsidiaries	-	-	-	-	-	122	122	(122)	-
Acquisition of non-controlling interests without change of control	-	-	-	-	-	84,397	84,397	(395,433)	(311,036)
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	2	2	604,273	604,275
<b>Total transactions with owners of the Company</b>	<b>175,400</b>	<b>1,737,582</b>	-	-	-	<b>(64,272)</b>	<b>1,848,710</b>	<b>186,695</b>	<b>2,035,405</b>
Other	-	-	-	-	-	5,100	5,100	-	5,100
<b>As at September 30th 2013 (unaudited)</b>	<b>495,977</b>	<b>2,418,270</b>	-	<b>616</b>	<b>207</b>	<b>2,704,421</b>	<b>5,619,491</b>	<b>647,536</b>	<b>6,267,027</b>

Notes and explanatory information are an integral part of these interim condensed consolidated financial statements.

## Condensed consolidated statement of changes in equity (continued) for the period ended September 30th 2012

	Share capital	Share premium	Hedging reserve	Fair value reserve	Foreign currency translation differences - foreign operations	Retained earnings	Equity attributable to owners of the Parent	Equity attributable to non-controlling interests	Total equity
As at January 1st 2012	320,577	680,688	(1,634)	-	5,471	1,745,368	2,750,470	402,197	3,152,667
<i>Profit / loss and other comprehensive income</i>									
Profit for the period	-	-	-	-	-	262,820	262,820	29,986	292,806
Total other comprehensive income	-	-	1,177	20,724	(6,430)	-	15,471	-	15,471
<b>Profit / loss and other comprehensive income</b>	<b>-</b>	<b>-</b>	<b>1,177</b>	<b>20,724</b>	<b>(6,430)</b>	<b>262,820</b>	<b>278,291</b>	<b>29,986</b>	<b>308,277</b>
<i>Transactions with owners of the Company, recognised directly in equity</i>									
Dividends	-	-	-	-	-	-	-	(8,827)	(8,827)
Total contributions by and distributions to owners of the Company	-	-	-	-	-	-	-	(8,827)	(8,827)
Total transactions with owners of the Company	-	-	-	-	-	-	-	(8,827)	(8,827)
Other Activity	-	-	-	-	-	3,792	3,792	(1,064)	2,728
<b>As at September 30th 2012 (unaudited)</b>	<b>320,577</b>	<b>680,688</b>	<b>(457)</b>	<b>20,724</b>	<b>(959)</b>	<b>2,011,980</b>	<b>3,032,553</b>	<b>422,292</b>	<b>3,454,845</b>

Notes and explanatory information are an integral part of these interim condensed consolidated financial statements.

## Condensed consolidated statement of cash flows for the period ended September 30th 2013

	for the period Jan 1- Sep 30 2013	for the period Jan 1- Sep 30 2012
	<i>unaudited</i>	<i>unaudited</i>
<b>Cash flows from operating activities</b>		
Profit before tax	817,231	369,487
<i>Adjustments for:</i>	<i>(47,884)</i>	<i>197,699</i>
Depreciation and amortisation	416,464	177,505
Reversals of impairment loss	(457)	(3,228)
Profit (loss) on investing activities	(464,742)	45,648
(Profit)/loss on disposal of financial assets	(3,199)	(1,151)
Share of profit of equity-accounted associates	(8,267)	(6,767)
Interest, foreign exchange gains or losses	26,095	(12,968)
Dividends	(1,247)	89
Change in fair value of financial assets	(12,531)	(1,429)
<b><i>Cash from operating activities before changes in working capital</i></b>	<b><i>769,347</i></b>	<b><i>567,186</i></b>
Change in trade and other receivables	(81,966)	38,387
Changes in inventories	225,592	9,738
Change in trade and other payables	(14,089)	(20,655)
Changes in provisions, prepayments and grants	34,604	10,959
Other adjustments	(9,886)	(8,990)
<b>Cash from operating activities</b>	<b>923,602</b>	<b>596,625</b>
Interest paid	-	13,782
Income taxes paid	(66,677)	(36,536)
<b><i>Net cash from operating activities</i></b>	<b><i>856,925</i></b>	<b><i>573,871</i></b>

Notes and explanatory information are an integral part of these interim condensed consolidated financial statements.

## Condensed consolidated statement of cash flows (continued) for the period ended September 30th 2013

	for the period Jan 1- Sep 30 2013	for the period Jan 1- Sep 30 2012
	<i>unaudited</i>	<i>unaudited</i>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	5,308	5,881
Acquisition of property, plant and equipment, intangible assets and investment property	(1,102,495)	(260,121)
Dividends received	28,066	8,304
Acquisition of financial assets	(144,783)	(216,489)
Proceeds from sale of financial assets	38,198	1,950
Interest received	1,381	3,469
Grants received	2,510	3,026
Borrowings	251	(1,041)
Other proceeds/disbursements	597,877	(5,067)
<b>Net cash from investing activities</b>	<b>(573,687)</b>	<b>(460,088)</b>
<b>Cash flows from financing activities</b>		
Net outflows on issue of share capital	(11,159)	-
Dividends paid	(170,816)	(8,826)
Proceeds from loans and borrowings	539,193	538,077
Payment of loans and borrowings	(195,895)	(530,177)
Interest paid	(27,986)	(20,764)
Payment of finance lease liabilities	(9,367)	(9,268)
Other finance income/costs	2,758	(8,596)
<b>Net cash from financing activities</b>	<b>126,728</b>	<b>(39,554)</b>
<b>Net cash flows, total</b>	<b>409,966</b>	<b>74,229</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>243,440</b>	<b>244,791</b>
Effect of exchange rate fluctuations on cash held	(792)	6,963
<b>Cash and cash equivalents at the end of the period</b>	<b>652,614</b>	<b>325,983</b>

Notes and explanatory information are an integral part of these interim condensed consolidated financial statements.

## Notes to the interim condensed consolidated financial statements

### 1. The Azoty Group

#### 1.1. Organisational structure

As at September 30th 2013, the Azoty Group (the **Azoty Group** or the **Group**) comprised the Parent, Grupa Azoty S.A., and seven subsidiaries (six companies in which the Parent holds an interest above 50%, and one indirectly controlled entity), including:

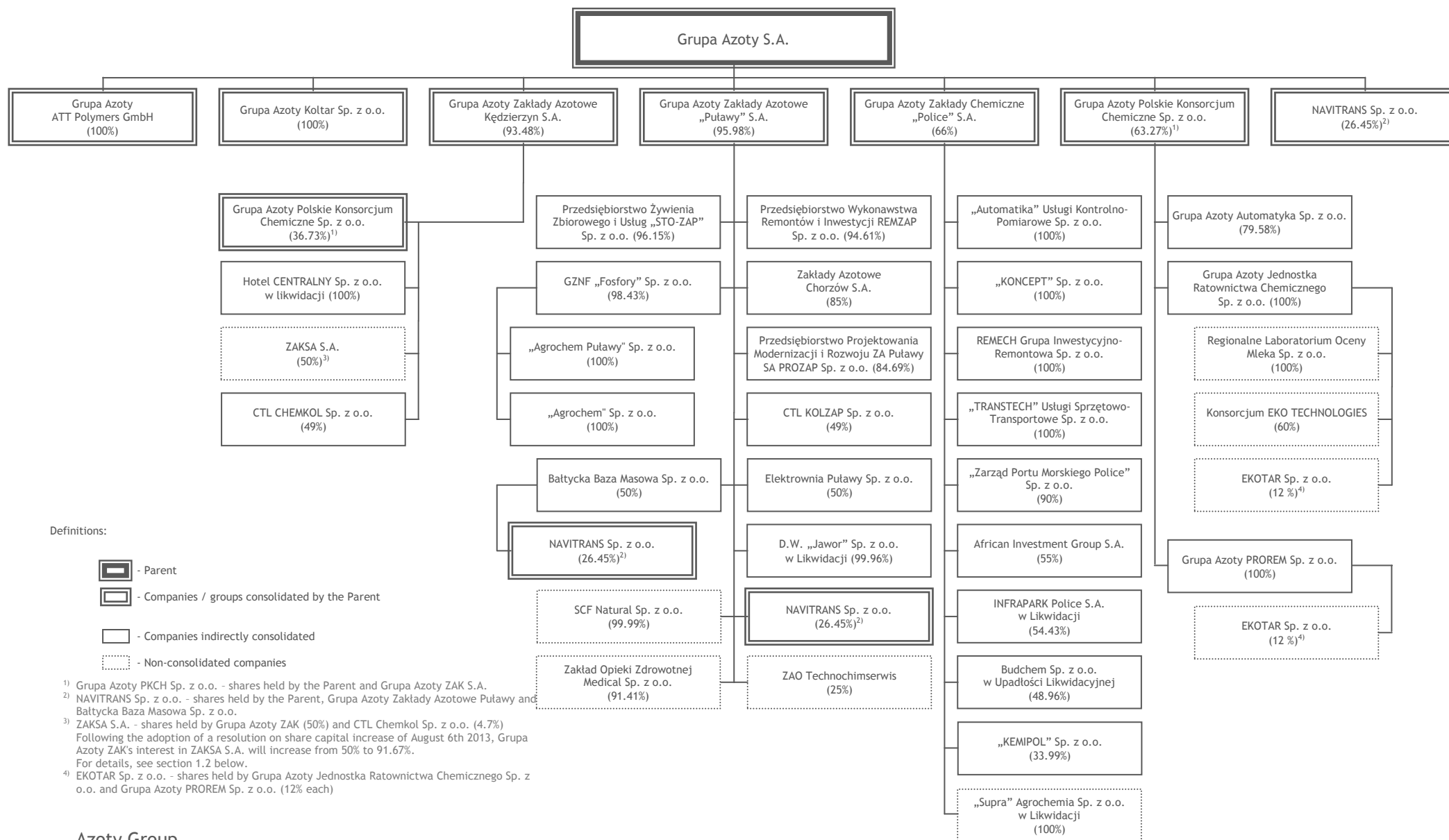
- Grupa Azoty Zakłady Azotowe Puławy S.A. (**Grupa Azoty PUŁAWY**),
- Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. (**Grupa Azoty ZAK**),
- Grupa Azoty Zakłady Chemiczne Police S.A. (**Grupa Azoty POLICE**),
- Grupa Azoty ATT Polymers GmbH,
- Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. (**Grupa Azoty PKCh**),
- Grupa Azoty Koltar Sp. z o.o.,
- Navitrans Sp. z o.o., an indirectly controlled subsidiary.

Further:

- Grupa Azoty PUŁAWY is the parent to eight subsidiaries, and holds interests in five associates,
- Grupa Azoty ZAK is the parent to two subsidiaries and two associates,
- Grupa Azoty POLICE is the parent to eight subsidiaries, and holds interests in two associates,
- Grupa Azoty PKCh is the parent to three subsidiaries.

On September 25th 2013, the Parent and the State Treasury entered into a conditional agreement for sale of 4,675,000 shares, representing 85% of the share capital of Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. of Grzybów. The rights attached to the shares will be transferred upon: (i) payment of the share purchase price, and (ii) delivery of the global share certificate. The third of condition, i.e. receipt of the final decision by the President of the Office of Competition and Consumer Protection (UOKiK) approving the business concentration, was fulfilled on October 30th 2013.

**The Azoty Group's organisational structure, including consolidated and non-consolidated entities, as at September 30th 2013**



Definitions:

- Parent
- Companies / groups consolidated by the Parent
- Companies indirectly consolidated
- Non-consolidated companies

<sup>1)</sup> Grupa Azoty PKCh Sp. z o.o. - shares held by the Parent and Grupa Azoty ZAK S.A.  
<sup>2)</sup> NAVITRANS Sp. z o.o. - shares held by the Parent, Grupa Azoty Zakłady Azotowe Puławy and Bałtycka Baza Masowa Sp. z o.o.  
<sup>3)</sup> ZAKSA S.A. - shares held by Grupa Azoty ZAK (50%) and CTL Chemkol Sp. z o.o. (4.7%)  
 Following the adoption of a resolution on share capital increase of August 6th 2013, Grupa Azoty ZAK's interest in ZAKSA S.A. will increase from 50% to 91.67%.  
 For details, see section 1.2 below.  
<sup>4)</sup> EKOTAR Sp. z o.o. - shares held by Grupa Azoty Jednostka Ratownictwa Chemicznego Sp. z o.o. and Grupa Azoty PROREM Sp. z o.o. (12% each)

## 1.2. Changes in organisational structure during the reporting period, including as a result of mergers, acquisitions or sale of Group companies, long-term investments, division, restructuring or discontinued operations

### Acquisition of controlling interest in African Investment Group S.A.

On August 28th 2013, Grupa Azoty POLICE acquired 550 shares in African Investment Group S.A. (hereinafter AIG S.A.) of Almadies, Senegal, representing 55% of the company's share capital. The share purchase agreement provides for the payment to be made in three tranches. The first tranche of USD 3m was paid on the agreement execution date. The second tranche of USD 19m will be divided into two payments, the first to be made following issuance of a mining licence to Lam Lam, a small mine, and once the first 100 thousand tonnes of rock phosphate is produced and sold to Grupa Azoty POLICE. The other payment in the second tranche will be made following sale of another 200 thousand tonnes of phosphate rock to Grupa Azoty POLICE. The third tranche of USD 6.85m will be paid following issuance of the final exploration licence for the Kebemer field and delivery of another 100 thousand tonnes of phosphate rock to Grupa Azoty POLICE. The total value of the transaction is USD 28.85m.

On August 28th 2013, Grupa Azoty POLICE sold one share of AIG S.A. to a subsidiary.

From the acquisition date, and in the period from January 1st 2013 to September 30th 2013, AIG S.A.'s total revenue and earnings were immaterial and if the business combination took place as at January 1st 2013, then, according to the Management Board's estimates, it would have no material impact on the consolidated revenue and consolidated net profit of the POLICE Group for the period January 1st-September 30th 2013.

### Acquired assets, assumed liabilities and acquired businesses

Grupa Azoty POLICE has provisionally decided that within the meaning of IFRS 3, the acquisition of the Lam Lam deposit constitutes acquisition of a business, and for the remaining part the company acquired a group of assets and liabilities.

As work continues to determine the fair value of the acquired assets and assumed liabilities and contingent liabilities of AIG S.A., including in particular the value of the acquired mineral deposits, below is presented provisional accounting for the acquired assets and assumed liabilities. As part of the provisional accounting, Grupa Azoty POLICE decided to recognise net assets in an amount not exceeding the acquisition cost. In accordance with IFRS 3, Grupa Azoty POLICE should finally account for the acquisition of AIG S.A. shares within 12 months of the acquisition date. It is expected that the acquisition will be finally accounted for in Q4 2013.

	As at Aug 28 2013
Property, plant and equipment (including mineral deposits)	202,023
Intangible assets	448
Other financial assets	45
Other assets	37
Inventories	17,629
Trade and other receivables	2,906
Cash and cash equivalents	1,177
Other assets	15
Deferred tax assets	22,771
Borrowings	13,319
Current tax liabilities	124
Trade and other payables	21,051
<b>Fair value of net identifiable assets</b>	<b>167,015</b>

**Goodwill or gain from a bargain purchase**

	<b>As at Aug 28 2013</b>
Cost of acquisition of 55% of shares (USD 28.85m, in PLN '000)	91,858
Implied cost of acquisition of 100% of shares	167,015
Fair value of acquired net assets	167,015
Non-controlling interests pro-rata to the share in acquired net assets	75,158

Because in the preliminary accounting of the acquisition, the fair value of the acquired net assets is equal to their acquisition cost, there has been no goodwill or gain on a bargain purchase.

**Change of name of Grupa Azoty PUŁAWY's subsidiary**

On July 12th 2013 a change of name from Azoty-Adipol S.A. to Zakłady Azotowe Chorzów Spółka Akcyjna was registered in the National Court Register.

**Sale of shares in Grupa Azoty ZAK's hospitality company**

On August 1st 2013 an agreement was executed on sale of shares in Hotel ORW Azoty Sp. z o.o. of Ustka. The transaction did not have a material effect on the Group's financial statements.

**Share capital increase at Grupa Azoty ZAK's subsidiary**

On August 6th 2013 an extraordinary general meeting of ZAKSA SA (a subsidiary of Grupa Azoty ZAK) resolved to increase the company's share capital, to waive the pre-emptive rights with respect to new shares, and to amend the articles of association. The share capital was increased from PLN 1m to PLN 6m through an issue of 50,000 new registered shares at PLN 100 per share. The shares were fully paid for with a cash contribution. All of the new shares were acquired by Grupa Azoty ZAK through a private placement. The share capital increase was registered with the National Court Register on October 30th 2013.

Following the issue, Grupa Azoty ZAK's ownership interest in ZAKSA S.A. increased from 50% to 91.67%.

**Sale of subsidiary in the Grupa Azoty PKCh Group**

On August 29th 2013, Grupa Azoty JRCh Sp. z o.o. executed four agreements to sell 22 shares in PIW UNISIL Sp. z o.o. (its entire holding, representing 24.44% of the company's share capital).

***Events subsequent to the balance sheet date***

**Change of name of Grupa Azoty PUŁAWY's subsidiary**

On October 10th 2013, Przedsiębiorstwo Wykonawstwa Remontów i Inwestycji REMZAP Sp. z o.o. changed its name to REMZAP Sp. z o.o.

**Acquisition by Grupa Azoty PKCh Sp. z o.o. of shares in Grupa Azoty Automatyka Sp. z o.o.**

On October 16th 2013, Grupa Azoty PKCh Sp. z o.o. acquired ten shares in Grupa Azoty Automatyka Sp. z o.o., thus increasing its holding to 7,247 shares, representing 79.69% of the share capital.

## 2. Significant events during the three months ended September 30th 2013

### **Acquisition of shares in Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A.**

On September 25th 2013, the Parent and the State Treasury entered into a conditional agreement for sale of 4,675,000 shares, representing 85% of the share capital of Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. of Grzybów.

The rights attached to the shares will be transferred upon payment of the share purchase price and delivery of the global share certificate. The third of the conditions, i.e. receipt of the final decision by the President of the Office of Competition and Consumer Protection (UOKiK) approving the business concentration, was fulfilled on October 30th 2013.

Approximately 25% of the share price will be financed with Grupa Azoty's internally generated funds, with the balance sourced from a bank loan.

An integral part of the share purchase agreement is a social package, agreed upon and executed by the Parent, the employees, and the Management Board of Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A.

### **Strategy of the Azoty Group for 2013-2020**

On August 29th 2013, the Parent's Management Board presented an updated 2013-2020 strategy for the Azoty Group. The strategy was reviewed as part of the current consolidation processes.

It presents a realistic vision of the Azoty Group's growth and development in the coming years, outlines the Group's key strategic objectives in the main product areas with respect to innovations, operational and trading activities, and financial policy.

The Strategy of the Azoty Group for 2013-2020 also presents the corporate management objectives and methodology applied at the Group. The document was published on August 29th 2013 in Current Report No. 115/2013.

### **Grupa Azoty in the WIG30 Index**

On September 23rd 2013, the Warsaw Stock Exchange launched the WIG30 Index which replaced the WIG20 Index. The new index covers the 30 largest and most liquid stocks representing 13 industries. The chemical industry is represented by two companies, including the Parent.

### **Negotiations concerning acquisition of shares in Zakłady Chemiczne Organika-Sarzyna S.A.**

Grupa Azoty PUŁAWY continues negotiations concerning acquisition from Ciech S.A. of an equity interest in Zakłady Chemiczne Organika-Sarzyna S.A. of Nowa Sarzyna, representing 98.85% of shares and up to 98.85% of votes at Zakłady Chemiczne Organika-Sarzyna's general meeting. The negotiations proceed in line with the schedule agreed upon with Ciech S.A.

## 3. Accounting policies applied in the preparation of the interim condensed consolidated financial statements

### 3.1. Statement of compliance and general policies applied in the preparation of the financial statements

These interim condensed consolidated financial statements have been prepared in accordance with the requirements stipulated in IAS 34 "Interim Financial Reporting" as adopted by the European Union, and with the Regulations of the Minister of Finance of February 19th 2009(Dz.U. No. 33, item 259) and of April 3rd 2012(Dz.U. No. 0, item 397) on current and periodic reports 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, and present the financial position of the Azoty Group as at September 30th 2013, its operating performance for the periods of three and nine months ended September 30th 2013, as well as cash flows for the period of nine months ended September 30th 2013.

These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Azoty Group, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, for the year ended 31 December 2012.

These interim condensed consolidated financial statements are presented in thousands of PLN.

## 3.2. Accounting policies and methods of computation

### a) Applied accounting policies

These interim condensed consolidated financial statements were prepared on the basis of the same accounting policies as those applied in the preparation of the consolidated annual financial statements for 2012, with the following exceptions:

- recognition of actuarial gains and losses on defined benefit plans, in connection with amendments to IAS 19 Employee Benefits. In accordance with the previous applied accounting policy, actuarial gains and losses on defined benefit plans were recognised in profit or loss for the period. Currently, actuarial gains and losses on a defined benefit obligation are recognised in total comprehensive income. This change did not have a material impact on the Group's Q3 2013 results or comparative data.
- recognition of emission allowances allocated free of charge, measurement of acquired emission allowances and their presentation in the statement of financial position. In accordance with the previously-applied accounting policy, emission allowances received free-of-charge were not recognised in the statement of financial position, while purchased emission allowances were recognised at restated value and presented as intangible assets. As of 1 January 2013 the Group changed its accounting policy in this respect, and now presents emission allowances both purchased and received free of charge as inventories in the statement of financial position, and recognises emission allowances received free of charge at fair value as at their registration date, with government grants being recognised as the corresponding entry. Emission allowances are not re-measured to realisable value, lower than their purchase price, on the balance sheet date if there is an expectation that the finished products for the manufacture of which they will be used will be sold at purchase price or cost of manufacture or at a higher price. Settlement of a government grant relating to emission allowances is recognised as a decrease in the cost of sales proportionately to the CO<sub>2</sub> emissions generated during the reporting period against an annual emission forecast. Given the fact that the final allocation of free-of-charge allowances for 2013 has not been finished and due to the absence of relevant entries for the allowances in registers, in the financial statements for the period ended September 30th 2013 the Group recognised a free-of-charge CO<sub>2</sub> emission allowance grant as other receivables, estimated as the product of the volume of emissions generated during the reporting period at each installation (not higher than the expected allocation for a particular installation in 2013) and the fair value of allowances as at the end of the reporting period. After receipt and registration of the allowance allocation the Group will reclassify the above allowances as inventory. Data as at 31 December 2012 has been presented after accounting for this change.

The following table presents the impact of changes to CO<sub>2</sub> emission allowances on the consolidated statement of financial position as at 31 December 2012:

	Approved	Restated	Effect of restatement
	As at Dec 31 2012	As at Dec 31 2012	
<b>Assets</b>			
<b>Non-current assets</b>	<b>3,651,148</b>	<b>3,552,652</b>	<b>(98,496)</b>
<b>Current assets, including:</b>	<b>1,688,510</b>	<b>1,804,389</b>	<b>115,879</b>
Inventories	723,682	839,561	115,879
<b>Total assets</b>	<b>5,339,658</b>	<b>5,357,041</b>	<b>17,383</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>3,490,698</b>	<b>3,490,698</b>	<b>-</b>
<b>Non-current liabilities</b>	<b>718,725</b>	<b>718,725</b>	<b>-</b>
<b>Current liabilities, including:</b>	<b>1,130,235</b>	<b>1,147,618</b>	<b>17,383</b>
Other provisions	133,275	134,437	1,162
Government grants	768	16,989	16,221
<b>Total equity and liabilities</b>	<b>5,339,658</b>	<b>5,357,041</b>	<b>17,383</b>

- exchange rates applied to translate currency items as at the end of the reporting period. Cash items expressed in foreign currencies are translated into PLN at the National Bank of Poland's average exchange rate for a given currency as at the end of the reporting period. Previously they were translated at the end of the reporting period at the closing exchange rates (spot rates), i.e. at the leading bank's first quote as at the end of the reporting period. This change did not have a material impact on the Group's Q3 2013 results or comparative data.
- early adoption of IFRS 10, 11, 12, amended IAS 28 and IFRS 13.

The Azoty Group elected to early adopt IFRS 10, IFRS 11, IFRS 12 and the amended IAS 28. IFRS 10 introduces a single consolidation model for all investees based on control. Control is based on whether an investor has power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the returns. Under IFRS 11, the Group classifies its interests in joint arrangements as either joint operations or joint ventures depending on the Group's rights to the assets and obligations for the liabilities of the arrangements. When making this assessment, the Group considers the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. IFRS 12 requires the Group to disclose information that enables users of financial statements to evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

The application of IFRS 10, IFRS 11 and the amendment to IAS 28 did not have a material impact on the consolidated financial statements. The application of IFRS 12 may require additional disclosures in the annual consolidated financial statements.

The Group applies IFRS 13 which provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement wherever fair value measurements are required or permissible under other IFRS. In particular, the standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Moreover, the standard changes or extends the scope of fair value disclosures as specified in other IFRS, including in IFRS 7. Some of these disclosures, regarding financial instruments, are specifically required in interim financial statements.

## b) Changes in International Financial Reporting Standards

The Azoty Group intends to adopt changes in IFRS published but not yet in effect as at the publication date of these interim condensed consolidated financial statements, as of their respective dates of coming into force.

## c) Changes in presentation of the financial statements

Presentation of the financial statements was changed to reflect a terminology change from 'statement of comprehensive income' to 'statement of profit and loss and other comprehensive income'. In addition, in these financial statements 'other comprehensive income' was divided into income which can be reclassified to profit or loss and income which will not be reclassified to profit or loss.

## d) Judgements and estimates

The preparation of financial statements in accordance with EU-endorsed IFRS requires management to make judgements, estimates and assumptions that affect the applied accounting policies and the reported amounts of assets and liabilities, income and expense. The estimates and associated assumptions are based on historical experience and other factors which are considered reasonable in the circumstances, and their results provide a basis for judging, as to the value of assets and liabilities which cannot be obtained from other sources. Actual values may differ from 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 current and any future periods affected.

Significant judgements and estimates made by management in the consolidated interim financial statements were the same as those applied to the consolidated financial statements for the financial year ended 31 December 2012.

## 4. Selected additional notes

### 4.1. Accounting estimates and assumptions

The following changes in accounting estimates occurred in the reporting period:

#### Changes in provisions (other than deferred tax liabilities)

	for the period Jul 1- Sep 30 2013	for the period Jan 1-Sep 30 2013	for the period Jul 1- Sep 30 2012	for the period Jan 1- Sep 30 2012	for the period Jan 1- Dec 31 2012
As at the beginning of the period	545,348	405,808	405,272	405,272	405,272
Recognised as a result of acquisition	-	144,403	-	-	-
Recognition	46,733	200,759	5,977	56,150	97,857
Release (-)	(4,747)	(26,910)	(10,362)	(22,884)	(59,780)
Use (-)	(28,550)	(165,276)	(2,493)	(39,821)	(36,379)
As at the end of the period	<b>558,784</b>	<b>558,784</b>	<b>398,717</b>	<b>398,717</b>	<b>406,970</b>

#### Changes in impairment of property, plant and equipment

	for the period Jul 1- Sep 30 2013	for the period Jan 1-Sep 30 2013	for the period Jul 1- Sep 30 2012	for the period Jan 1- Sep 30 2012	for the period Jan 1- Dec 31 2012
<b>As at the beginning of the period</b>	<b>132,306</b>	<b>129,971</b>	<b>136,571</b>	<b>123,852</b>	<b>123,852</b>
Recognition	2,210	5,399	643	18,786	22,908
Release (-)	(3,377)	(3,792)	(1,021)	(6,445)	(7,217)
Use (-)	(1,648)	(2,087)	(226)	(226)	(9,572)
<b>As at the end of the period</b>	<b>129,491</b>	<b>129,491</b>	<b>135,967</b>	<b>135,967</b>	<b>129,971</b>

#### Changes in impairment of inventories

	for the period Jul 1- Sep 30 2013	for the period Jan 1-Sep 30 2013	for the period Jul 1- Sep 30 2012	for the period Jan 1- Sep 30 2012	for the period Jan 1- Dec 31 2012
<b>As at the beginning of the period</b>	<b>38,055</b>	<b>20,005</b>	<b>16,216</b>	<b>15,509</b>	<b>15,509</b>
Recognised as a result of acquisition	-	39,900	-	-	-
Recognition	9,849	30,673	21,415	29,495	38,842
Release (-)	(6,247)	(28,487)	(21,314)	(24,435)	(33,657)
Use (-)	(2,507)	(22,941)	(696)	(4,948)	(689)
<b>As at the end of the period</b>	<b>39,150</b>	<b>39,150</b>	<b>15,621</b>	<b>15,621</b>	<b>20,005</b>

#### Changes in impairment of receivables

	for the period Jul 1- Sep 30 2013	for the period Jan 1-Sep 30 2013	for the period Jul 1- Sep 30 2012	for the period Jan 1- Sep 30 2012	for the period Jan 1- Dec 31 2012
<b>As at the beginning of the period</b>	<b>80,732</b>	<b>21,291</b>	<b>19,698</b>	<b>20,970</b>	<b>20,970</b>
Recognised as a result of acquisition	-	45,757	-	-	-
Recognition	1,217	19,627	1,190	2,073	5,929
Release (-)	(1,902)	(5,783)	(199)	(2,309)	(1,150)
Use (-)	(214)	(1,059)	(44)	(89)	(4,458)
<b>As at the end of the period</b>	<b>79,833</b>	<b>79,833</b>	<b>20,645</b>	<b>20,645</b>	<b>21,291</b>

## 4.2. Segment reporting

### Business segments

The Azoty Group operates in four main business segments, each with a separate management strategy for production, sales, and marketing. The Grupa Azoty Management Board reviews internal reports from each segment on a monthly basis.

In H1 2013, the presentation of business segments was changed through the addition of a new Chemicals Segment and the change of name of the Fertilisers segment. The change in the

presentation of business segments was a result of the acquisition of Grupa Azoty PUŁAWY. The former Oxo segment is currently presented in the Chemicals segment, whereas the Fertilisers segment is presented as the Agro Fertilisers segment.

The profiles of the Group's particular business segments are presented below.

- The Agro Fertilisers segment comprises manufacture and marketing of the following products: nitrogen fertilisers (ammonium nitrate mixtures, ammonium nitrate with filler, carbonic acid diamide, water solution of ammonium nitrate and carbonic acid diamide, ammonium nitrate, urea, nitrate and urea solution), sulphur-based nitrogen fertilisers (mixtures of ammonium nitrate and ammonium sulphate, mixtures of ammonium nitrate and calcium sulphate, ammonium sulphate), compound fertilisers, phosphate fertilisers, ammonia, ammonium nitrate; syngas, nitric acid, industrial gases;
- The Plastics segment comprises manufacture and marketing of the following products: polyamide 6 (PA6), acetal copolymer, polypropylene, polybutylene terephthalate, polyamide 66 (PA66), caprolactam;
- The Chemicals segment comprises manufacture and marketing of the following products: alcohols (2-ethylhexanol, isobutanol, n-butanol, distillation residue, by-products from the manufacture of 2-ethylhexane-1-ol), plasticisers (diisobutyl phthalate, bis phthalate, bis terephthalate), melamine, aqueous urea solution, maleic anhydride, urea solutions, AdBlue, ammonia solution, carbon dioxide (also in solid form), hydrogen peroxide, compressed hydrogen, nitric acid, anhydrous ammonia;
- The Pigments segment comprises manufacture and marketing of titanium white and Tytanpol;
- The Other Activity segment comprises the remaining business lines: power generation, laboratory services, rental of real estate, and other activities which cannot be assigned to any of the segments specified above.

The performance of each of the segments is discussed below. The key measures of the segments' performance are revenue, EBIT and EBITDA.

### **Geographical segments**

The Azoty Group has the following reportable geographical segments:

- Poland,
- Germany,
- Other EU countries,
- Asia,
- South America,
- Other countries.

Geographical segments' revenue is recognised based on customer location. Assets are assigned to an area based on their geographical location.

## Business segments

### Revenue, costs and net profit/(loss) by business segments for the three months ended September 30th 2013

	Agro Fertilisers	Plastics	Chemicals	Pigments	Other	Total
<b>Continuing operations</b>						
External revenue	1,258,826	356,611	435,833	85,007	89,813	2,226,090
Inter-segment revenue	448,282	80,920	197,612	433	886,172	1,613,419
<b>Total revenue</b>	<b>1,707,108</b>	<b>437,531</b>	<b>633,445</b>	<b>85,440</b>	<b>975,985</b>	<b>3,839,509</b>
Operating expenses, including: (-)	(1,655,329)	(469,059)	(664,946)	(79,986)	(972,409)	(3,841,729)
<i>selling and distribution expenses (-)</i>	(80,180)	(11,970)	(16,867)	(1,102)	768	(109,351)
<i>administrative expenses (-)</i>	(82,184)	(29,304)	(27,660)	(5,412)	(15,421)	(159,981)
Other income	2,282	410	2,369	-	18,772	23,833
Other expenses (-)	(2,660)	(2,793)	(2,077)	1	(22,621)	(30,150)
<b>Segment's EBIT*</b>	<b>51,401</b>	<b>(33,911)</b>	<b>(31,209)</b>	<b>5,455</b>	<b>(273)</b>	<b>(8,537)</b>
Gain from a bargain purchase	-	-	-	-	-	-
<b>Operating profit/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,537)</b>
Finance income	-	-	-	-	-	1,169
Finance costs (-)	-	-	-	-	-	(7,417)
Share of profit of equity-accounted investees	-	-	-	-	-	2,819
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(11,966)</b>
<b>Profit/(loss) on discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(140)</b>
Tax expense	-	-	-	-	-	12,319
<b>Profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>213</b>
EBIT	51,401	(33,911)	(31,209)	5,455	(273)	(8,537)
Depreciation and amortisation	31,742	12,817	16,526	1,732	55,703	118,520
Unallocated depreciation and amortisation	-	-	-	-	-	1,273
<b>EBITDA**</b>	<b>83,143</b>	<b>(21,094)</b>	<b>(14,683)</b>	<b>7,187</b>	<b>55,430</b>	<b>111,256</b>

\* EBIT: operating profit/(loss) presented in the statement of profit and loss and other comprehensive income, adjusted for gain from a bargain purchase.

\*\* EBITDA: operating profit/(loss) on operating activities before depreciation and amortisation.

**Revenue, costs and net profit/loss by business segments for the nine months ended September 30th 2013**

	<b>Agro Fertilisers</b>	<b>Plastics</b>	<b>Chemicals</b>	<b>Pigments</b>	<b>Other</b>	<b>Total</b>
<b>Continuing operations</b>						
External revenue	4,245,901	1,111,767	1,529,230	265,797	320,441	7,473,136
Inter-segment revenue	1,439,656	266,320	471,501	1,912	2,675,695	4,855,084
<b>Total revenue</b>	<b>5,685,557</b>	<b>1,378,087</b>	<b>2,000,731</b>	<b>267,709</b>	<b>2,996,136</b>	<b>12,328,220</b>
Operating expenses, including: (-)	(5,264,176)	(1,457,167)	(1,977,878)	(270,222)	(3,021,420)	(11,990,863)
<i>selling and distribution expenses (-)</i>	(209,805)	(37,159)	(52,996)	(3,801)	(12,091)	(315,852)
<i>administrative expenses (-)</i>	(241,420)	(86,405)	(81,205)	(15,063)	(65,200)	(489,293)
Other income	14,130	4,332	7,967	4,402	36,535	67,366
Other expenses (-)	(5,618)	(6,699)	(3,354)	(185)	(55,368)	(71,224)
<b>Segment's EBIT*</b>	<b>429,893</b>	<b>(81,447)</b>	<b>27,466</b>	<b>1,704</b>	<b>(44,117)</b>	<b>333,499</b>
Gain from a bargain purchase	-	-	-	-	-	446,116
<b>Operating profit/(loss)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>779,615</b>
Finance income	-	-	-	-	-	65,734
Finance costs (-)	-	-	-	-	-	(35,991)
Share of profit of equity-accounted investees	-	-	-	-	-	8,267
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>817,625</b>
<b>Profit/(loss) on discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(394)</b>
Tax expense	-	-	-	-	-	(46,500)
<b>Profit for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>770,731</b>
EBIT	429,893	(81,447)	27,466	1,704	(44,117)	333,499
Depreciation and amortisation	173,932	34,571	50,586	5,346	147,989	412,424
Unallocated depreciation and amortisation	-	-	-	-	-	4,035
<b>EBITDA**</b>	<b>603,825</b>	<b>(46,876)</b>	<b>78,052</b>	<b>7,050</b>	<b>103,872</b>	<b>749,958</b>

\* EBIT: operating profit/(loss) presented in the statement of profit and loss and other comprehensive income, adjusted for gain from a bargain purchase.

\*\* EBITDA: operating profit/(loss) on operating activities before depreciation and amortisation.

**Revenue, costs and net profit/(loss) by business segments for the three months ended September 30th 2012**

	Agro Fertilisers*	Plastics	Chemicals**	Pigments	Other***	Total
<b>Continuing operations</b>						
External revenues	1,015,258	279,903	210,291	103,687	88,013	1,697,152
Inter-segment revenue	155,193	73,005	1,771	906	351,775	582,650
<b>Total revenue</b>	<b>1,170,451</b>	<b>352,908</b>	<b>212,062</b>	<b>104,593</b>	<b>439,788</b>	<b>2,279,802</b>
Operating expenses, including: (-)	(1,108,590)	(365,842)	(237,504)	(97,205)	(436,232)	(2,245,373)
<i>selling and distribution expenses (-)</i>	(25,967)	(9,428)	(7,885)	(1,157)	2,521	(41,916)
<i>administrative expenses (-)</i>	(53,804)	(28,281)	(9,776)	(3,625)	(11,071)	(106,557)
Other income	565	3,211	106	-	(2,935)	947
Other expenses (-)	(2,738)	(1,340)	(271)	68	(10,351)	(14,632)
<b>Segment's EBIT****</b>	<b>59,688</b>	<b>(11,063)</b>	<b>(25,607)</b>	<b>7,456</b>	<b>(9,730)</b>	<b>20,744</b>
Finance income	-	-	-	-	-	6,286
Finance costs (-)	-	-	-	-	-	(2,421)
Share of profit of equity-accounted associates	-	-	-	-	-	2,468
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27,077</b>
<b>Profit/(loss) on discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Tax expense	-	-	-	-	-	(6,815)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,262</b>
EBIT	59,688	(11,063)	(25,607)	7,456	(9,730)	20,744
Depreciation and amortisation	20,313	8,640	6,255	1,744	16,067	53,019
Unallocated depreciation and amortisation	-	-	-	-	-	4,547
<b>EBITDA*****</b>	<b>80,001</b>	<b>(2,423)</b>	<b>(19,352)</b>	<b>9,200</b>	<b>6,337</b>	<b>78,310</b>

\* Fertilisers in Q3 2012 report.

\*\* OXO in Q3 2012 report.

\*\*\* Other Activity in Q3 2012 report.

\*\*\*\* EBIT: operating profit/(loss) presented in the statement of profit and loss and other comprehensive income.

\*\*\*\*\* EBITDA: operating profit/(loss) on operating activities before depreciation and amortisation.

**Revenue, costs and net profit/(loss) by business segments for the nine months ended September 30th 2012**

	Agro Fertilisers*	Plastics	Chemicals**	Pigments	Other***	Total
<b>Continuing operations</b>						
External revenue	3,224,982	892,337	813,617	329,731	251,133	5,511,800
Inter-segment revenue	445,775	208,046	1,967	(46)	1,088,461	1,744,203
<b>Total revenue</b>	<b>3,670,757</b>	<b>1,100,383</b>	<b>815,584</b>	<b>329,685</b>	<b>1,339,594</b>	<b>7,256,003</b>
Operating expenses, including: (-)	(3,340,494)	(1,036,694)	(783,772)	(272,643)	(1,409,232)	(6,842,835)
<i>selling and distribution expenses (-)</i>	(81,229)	(29,213)	(29,811)	(3,198)	9,385	(134,066)
<i>administrative expenses (-)</i>	(136,125)	(65,981)	(28,636)	(12,107)	(36,916)	(279,765)
Other income	6,647	4,866	127	1,268	7,632	20,540
Other expenses (-)	(10,186)	(3,954)	(457)	(40)	(45,436)	(60,073)
<b>Segment's EBIT****</b>	<b>326,724</b>	<b>64,601</b>	<b>31,482</b>	<b>58,270</b>	<b>(107,442)</b>	<b>373,635</b>
Finance income	-	-	-	-	-	14,816
Finance costs (-)	-	-	-	-	-	(25,730)
Share of profit of equity-accounted associates	-	-	-	-	-	6,766
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>369,487</b>
<b>Profit/(loss) on discontinued operations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Tax expense	-	-	-	-	-	(76,681)
<b>Net profit</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>292,806</b>
EBIT	326,724	64,601	31,482	58,270	(107,442)	373,635
Depreciation and amortisation	64,111	21,844	18,479	5,197	61,349	170,980
Unallocated depreciation and amortisation	-	-	-	-	-	6,525
<b>EBITDA*****</b>	<b>390,835</b>	<b>86,445</b>	<b>49,961</b>	<b>63,467</b>	<b>(46,093)</b>	<b>551,140</b>

\* Fertilisers in Q3 2012 report.

\*\* OXO in Q3 2012 report.

\*\*\* Other Activity in Q3 2012 report.

\*\*\*\* EBIT: operating profit/(loss) presented in the statement of profit and loss and other comprehensive income.

\*\*\*\*\* EBITDA: operating profit/(loss) on operating activities before depreciation and amortisation.

## Geographical segments

### Geographical segments for the three months ended September 30th 2013

	Revenue	Expenses
Poland	1,192,951	1,193,048
Germany	245,228	251,122
Other EU countries	517,543	514,374
Asia	119,882	117,431
South America	63,872	63,655
Other countries	86,614	88,680
<b>Total</b>	<b>2,226,090</b>	<b>2,228,310</b>

### Geographical segments for the nine months ended September 30th 2013

	Revenue	Expenses
Poland	4,148,714	3,904,021
Germany	699,070	698,284
Other EU countries	1,682,276	1,614,020
Asia	398,870	384,222
South America	295,702	291,218
Other countries	248,504	244,014
<b>Total</b>	<b>7,473,136</b>	<b>7,135,779</b>

### Geographical segments for the three months ended September 30th 2012

	Revenue	Expenses
Poland	908,287	899,772
Germany	228,204	230,999
Other EU countries	355,377	332,001
Asia	41,996	41,559
South America	99,876	96,112
Other countries	63,412	62,280
<b>Total</b>	<b>1,697,152</b>	<b>1,662,723</b>

### Geographical segments for the nine months ended September 30th 2012

	Revenue	Expenses
Poland	2,758,993	2,586,600
Germany	740,287	674,556
Other EU countries	1,338,985	1,209,136
Asia	154,261	131,334
South America	212,784	202,939
Other countries	306,490	294,067
<b>Total</b>	<b>5,511,800</b>	<b>5,098,632</b>

### 4.3. Contingent assets and liabilities, sureties, guarantees and other collateral

#### Contingent assets

	As at Sep 30 2013	As at Dec 31 2012
Contingent receivables	32,258	13,098
Other Activity	10,209	5,206
	<b>42,467</b>	<b>18,304</b>

#### Contingent liabilities, sureties and guarantees

	As at Sep 30 2013	As at Dec 31 2012
Guarantees, sureties	1,344,463	39,621
Other Activity	131,955	32,857
	<b>1,476,418</b>	<b>72,478</b>

The increase in contingent liabilities as at September 30th 2013 relates primarily to the claim for payment of PLN 18,864 thousand, raised against Ciech S.A. in connection with its breach of warranties under the agreement for sale of shares in GZNF Fosfory S.A. (a subsidiary of Grupa Azoty PUŁAWY). On October 30th 2012, Grupa Azoty PUŁAWY brought an action concerning this breach to the Regional Court of Warsaw. Contingent liabilities disclosed as "other" include a claim related to the action brought on February 12th 2013 by Ciech S.A. to the Regional Court of Gdańsk, whereby Ciech S.A. is seeking PLN 18,864 thousand from GZNF Fosfory Sp. z o.o. as compensation for the damage sustained by Ciech S.A. in connection with the defendant having made untrue representations as to its and its subsidiaries' legal status and financial standing. The plaintiff has applied for suspension of these proceedings until a final ruling is issued in the case which is pending before the Regional Court of Warsaw, brought by Grupa Azoty PUŁAWY against Ciech S.A. Furthermore, as at September 30th 2013, the balance of contingent receivables was reduced by the amount of PLN 4,500 thousand, securing instalment payment for the shares in ZWRI Sp. z o.o. sold by Grupa Azoty PKCh Sp. z o.o. This amount is recognised in the consolidated statement of financial position in receivables.

The increase in guarantees and sureties as at September 30th 2013 relates mainly to a promise signed by Grupa Azoty PUŁAWY for the benefit of Elektrownia Puławy Sp. z o.o., to provide financing of PLN 1,300,000 for a power construction project. Other guarantees and sureties mainly secure customs procedures or repayment of a credit facility of PLN 5,739 thousand by one of the associates (surety).

#### ISARIOS Industriekapital AG's claim concerning Grupa Azoty ATT Polymers GmbH

As discussed in the consolidated financial statements for 2012, proceedings are pending against the Parent concerning reverse transfer of ownership of shares in Grupa Azoty ATT Polymers GmbH. With respect to formal charges, the Parent contested the understated value of the claim. In September 2013, the arbitration court shared this position, increased the value of the claim to EUR 10,200 thousand, and called the parties to pay additional arbitration fees. The Parent's fee was USD 140 thousand, and was paid in full.

#### 4.4. Related parties

Significant related-party transactions:

**a) Significant related-party transactions executed by the Group on non-market terms**

During the three months ended September 30th 2013 the Azoty Group did not execute any related-party transactions on non-market 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 2013 the Group did not grant any advances, loans, guarantees or sureties to management and supervisory personnel or persons closely related to them, nor did it enter into any agreements with them to provide benefits to the Group.

#### 4.5. Events after the end of the reporting period that could have an impact on future financial performance

In Current Report No. 128/2013 of November 7th 2013, the Management Board reported that the total value of transactions concluded between the Azoty Group and the Nitron Group over the preceding 12 months had reached PLN 1.03bn (exclusive of VAT).

The highest value contract was the contract for sale of compound fertilisers, concluded on November 7th 2013 between Grupa Azoty Police, the Company's subsidiary, and Nitron International Corporation with its registered offices in the United States.

The contract was executed for the period from January 1st 2014 to December 31st 2016, in accordance with the agreed schedule and business terms. The estimated value of the contract over its term is approximately PLN 607.9m (exclusive of VAT), which makes it the highest value contract among the agreements/annexes concluded between the Azoty Group and the Nitron Group in the period of the past 12 months.

#### 4.6. Seasonality

Seasonality is seen mainly in the markets for mineral fertilisers and pigments.

##### **Mineral fertilisers**

Every year, late Q1 and early Q2 (March, April and May) and Q3 (August and September) are periods of increased activity in the agricultural sector, when demand for agricultural materials (including mineral fertilisers) is at all-year high. The seasonality of fertiliser sales at the Azoty Group is minimised through a distribution strategy involving year-round supply which improves product availability on the market.

##### **Titanium white**

Sales of titanium white usually decline during the winter season. Sales pick up in the spring-summer period (Q2 and Q3) on the back of increased demand for paints and varnishes in the construction industry. Titanium white is a seasonal product, but because of its numerous applications, the demand for it is driven chiefly by overall market conditions.

For other chemicals manufactured by the Azoty Group, seasonality may occur but it has limited effect on the Group's performance due to such chemicals' insignificant contribution to the total output.

**CONDENSED SEPARATE INTERIM FINANCIAL STATEMENTS  
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30TH 2013  
PREPARED IN ACCORDANCE WITH MSR 34, INTERIM FINANCIAL  
REPORTING  
AS ADOPTED BY THE EUROPEAN UNION**

## REPRESENTATION BY THE MANAGEMENT BOARD

The Management Board of Grupa Azoty S.A. presents the interim condensed separate financial statements for the three and nine months ended September 30th 2013, comprising:

- Condensed separate statement of profit and loss and other comprehensive income for the period July 1st-September 30th 2013 and for the period January 1st-September 30th 2013,
- Separate statement of financial position as at September 30th 2013,
- Condensed separate statement of changes in equity for the period January 1st-September 30th 2013,
- Condensed separate statement of cash flows for the period January 1st-September 30th 2013,
- Notes

The interim condensed separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and present fairly and clearly the financial position and performance of Grupa Azoty S.A.

### Signatures of Management Board members

.....  
Paweł Jarczewski  
*President of the Management Board*

.....  
Andrzej Skolmowski  
*Vice-President of the Management Board*

.....  
Witold Szczypiński  
*Vice-President of the Management Board*

.....  
Marek Kapłucha  
*Vice-President of the Management Board*

.....  
Marian Rybak  
*Vice-President of the Management Board*

.....  
Krzysztof Jałosiński  
*Vice-President of the Management Board*

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

### Person responsible for maintaining the accounts

.....  
Ewa Gładysz  
*Corporate Finance Department Director*

Tarnów, November 12th 2013

## Condensed separate statement of profit and loss and other comprehensive income for the period ended September 30th 2013

	for the period Jul 1- Sep 30 2013	for the period Jan 1- Sep 30 2013	for the period Jul 1- Sep 30 2012	for the period Jan 1- Sep 30 2012
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
<b>Profit and loss</b>				
<b><i>Continuing operations</i></b>				
Revenue	448,469	1,415,273	526,566	1,525,804
Cost of sales	(410,409)	(1,256,663)	(463,773)	(1,226,017)
<b>Gross profit</b>	<b>38,060</b>	<b>158,610</b>	<b>62,793</b>	<b>299,787</b>
Selling and distribution expenses	(14,804)	(42,275)	(16,270)	(50,653)
Administrative expenses	(35,851)	(102,852)	(49,207)	(113,027)
Other income	895	3,146	1,067	4,274
Other expenses	(6,795)	(16,266)	(6,901)	(17,512)
<b>Operating profit/(loss)</b>	<b>(18,495)</b>	<b>363</b>	<b>(8,518)</b>	<b>122,869</b>
Finance income	1,347	132,792	23,039	139,698
Finance costs	(5,990)	(19,703)	(3,144)	(11,037)
<b>Net finance income/(costs)</b>	<b>(4,643)</b>	<b>113,089</b>	<b>19,895</b>	<b>128,661</b>
<b>Profit/(loss) before tax</b>	<b>(23,138)</b>	<b>113,452</b>	<b>11,377</b>	<b>251,530</b>
Tax expense	3,994	2,195	973	(26,004)
<b>Net profit/(loss)</b>	<b>(19,144)</b>	<b>115,647</b>	<b>12,350</b>	<b>225,526</b>
<b><i>Other comprehensive income</i></b>				
<b><i>Items that will not be reclassified to profit or loss</i></b>				
Restatement of defined benefit obligation	-	(166)	-	-
Tax on items that will not be reclassified to profit or loss	-	31	-	-
	-	<b>(135)</b>	-	-

Notes and explanatory information are an integral part of the interim condensed separate financial statements.

## Condensed separate statement of profit and loss and other comprehensive income (continued) for the period ended September 30th 2013

	for the period Jul 1- Sep 30 2013	for the period Jan 1- Sep 30 2013	for the period Jul 1- Sep 30 2012	for the period Jan 1- Sep 30 2012
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
<b><i>Items that are or will be reclassified to profit or loss</i></b>				
Effective portion of changes in fair value of cash flow hedges	-	-	130	408
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	329	1,045
Net change in fair value of available-for-sale financial assets	-	(18,696)	25,585	25,585
Change in fair value of available-for-sale investments, reclassified to profit or loss	-	(27,256)	-	-
Tax on items that are or will be reclassified to profit or loss	-	8,731	(4,948)	(5,137)
	-	(37,221)		
<b>Total other comprehensive income</b>	<b>-</b>	<b>(37,356)</b>	<b>21,096</b>	<b>21,901</b>
<b>Profit/(loss) and other comprehensive income</b>	<b>(19,144)</b>	<b>78,291</b>	<b>33,446</b>	<b>247,427</b>
<b>Earnings/(loss) per share:</b>				
Basic (PLN)	(0.19)	1.17	0.20	3.52
Diluted (PLN)	(0.19)	1.17	0.20	3.52

Notes and explanatory information are an integral part of the interim condensed separate financial statements.

## Condensed separate statement of financial position

As at September 30th 2013

	As at Sep 30 2013	As at Dec 31 2012* restated
	<i>unaudited</i>	<i>audited</i>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	1,025,367	998,260
Investment property	15,246	14,444
Intangible assets	46,150	40,087
Investments in subordinated entities	3,490,430	993,757
Available-for-sale investments	12,204	282,815
Other financial assets	1,309	4,940
Other non-current assets	690	690
<b>Total non-current assets</b>	<b>4,591,396</b>	<b>2,334,993</b>
<b>Current assets</b>		
Inventories	213,204	263,906
Other financial assets	5,713	23,850
Current tax assets	12,467	2,755
Trade and other receivables	228,705	220,012
Cash and cash equivalents	8,960	66,992
Other current assets	5,788	13,026
Assets held for sale	125	347
<b>Total current assets</b>	<b>474,962</b>	<b>590,888</b>
<b>Total assets</b>	<b>5,066,358</b>	<b>2,925,881</b>

\* Financial data restated in accordance with the information provided in notes to the interim condensed separate financial statements regarding CO<sub>2</sub> emission allowances.

Notes and explanatory information are an integral part of the interim condensed separate financial statements.

## Condensed separate statement of financial position (continued)

As at September 30th 2013

	As at Sep 30 2013	As at Dec 31 2012* restated
	<i>unaudited</i>	<i>audited</i>
<b>Equity and liabilities</b>		
<b>Equity</b>		
Share capital	495,977	320,577
Share premium	2,418,270	680,688
Fair value reserve	-	37,221
Retained earnings, including:	1,143,368	1,176,649
<i>Profit for the period</i>	<i>115,647</i>	<i>250,692</i>
<b>Total equity</b>	<b>4,057,615</b>	<b>2,215,135</b>
<b>Liabilities</b>		
Borrowings	366,513	172,473
Employee benefits	38,975	38,409
Other provisions	22,564	22,324
Government grants	3,501	3,614
Deferred tax liabilities	53,245	61,740
Other financial liabilities	2,016	1,314
<b>Total non-current liabilities</b>	<b>486,814</b>	<b>299,874</b>
Borrowings	222,304	43,742
Employee benefits	2,860	2,528
Trade and other payables	193,603	255,417
Other provisions	34,531	34,631
Government grants	17,891	16,384
Deferred income	33	-
Other financial liabilities	50,707	58,170
<b>Total current liabilities</b>	<b>521,929</b>	<b>410,872</b>
<b>Total liabilities</b>	<b>1,008,743</b>	<b>710,746</b>
<b>Total equity and liabilities</b>	<b>5,066,358</b>	<b>2,925,881</b>

\* Financial data restated in accordance with the information provided in notes to the interim condensed separate financial statements regarding CO<sub>2</sub> emission allowances.

Notes and explanatory information are an integral part of the interim condensed separate financial statements.

## Condensed separate statement of changes in equity

For the periods ended September 30th 2013 and September 30th 2012

	Share capital	Share premium	Fair value reserve	Retained earnings	Total equity
As at January 1st 2013	320,577	680,688	37,221	1,176,649	2,215,135
<b><i>Profit/(loss) and other comprehensive income</i></b>					
Profit for the period	-	-	-	115,647	115,647
Total other comprehensive income	-	-	(37,221)	(135)	(37,356)
<b>Profit/(loss) and other comprehensive income</b>	-	-	<b>(37,221)</b>	<b>115,512</b>	<b>78,291</b>
<b><i>Transactions with owners of the Company, recognised directly in equity</i></b>					
Share issue	175,400	1,737,582	-	-	1,912,982
Dividends	-	-	-	(148,793)	(148,793)
<b>Total transactions with owners of the Company</b>	<b>175,400</b>	<b>1,737,582</b>	<b>-</b>	<b>(148,793)</b>	<b>1,764,189</b>
<b>As at September 30th 2013 (unaudited)</b>	<b>495,977</b>	<b>2,418,270</b>	<b>-</b>	<b>1,143,368</b>	<b>4,057,615</b>

	Share capital	Share premium	Hedging reserve	Fair value reserve	Retained earnings	Total equity
As at January 1st 2012	320,577	680,688	(1,634)	-	925,958	1,925,589
<b><i>Profit/(loss) and other comprehensive income</i></b>						
Profit for the period	-	-	-	-	225,526	225,526
Total other comprehensive income	-	-	1,177	20,724	-	21,901
<b>Profit/(loss) and other comprehensive income</b>	-	-	<b>1,177</b>	<b>20,724</b>	<b>225,526</b>	<b>247,427</b>
Other	-	-	-	-	(1)	(1)
<b>As at September 30th 2012 (unaudited)</b>	<b>320,577</b>	<b>680,688</b>	<b>(457)</b>	<b>20,724</b>	<b>1,151,483</b>	<b>2,173,015</b>

Notes and explanatory information are an integral part of the interim condensed separate financial statements.

## Condensed separate statement of cash flows for the period ended September 30th 2013

	for the period Jan 1- Sep 30 2013	for the period Jan 1- Sep 30 2012
	<i>unaudited</i>	<i>unaudited</i>
<b>Cash flows from operating activities</b>		
Profit before tax	113,452	251,530
<i>Adjustments for:</i>	<i>(50,730)</i>	<i>(72,355)</i>
Depreciation and amortisation	65,350	54,803
Impairment loss (reversal)	2,090	(4,782)
Profit (loss) on investing activities	(25,830)	6,812
Interest, foreign exchange gains or losses	17,183	3,227
Dividends	(99,754)	(131,330)
Change in fair value of financial assets	(9,769)	(1,085)
<b><i>Cash generated from operating activities before changes in working capital</i></b>	<b><i>62,722</i></b>	<b><i>179,175</i></b>
Change in trade and other receivables	(8,525)	2,753
Changes in inventories	50,703	(37,498)
Change in trade and other payables	(31,049)	66,290
Changes in provisions, prepayments and grants	(103)	(3,460)
Other adjustments	-	(3,246)
<b>Cash generated from operating activities</b>	<b>73,748</b>	<b>204,014</b>
Income taxes paid	(7,250)	(27,441)
<b><i>Net cash from operating activities</i></b>	<b><i>66,498</i></b>	<b><i>176,573</i></b>

Notes and explanatory information are an integral part of the interim condensed separate financial statements.

## Condensed separate statement of cash flows (continued) for the period ended September 30th 2013

	for the period Jan 1- Sep 30 2013	for the period Jan 1- Sep 30 2012
	<i>unaudited</i>	<i>unaudited</i>
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	1,770	1,038
Acquisition of property, plant and equipment, intangible assets and investment property	(121,676)	(128,801)
Dividends received	118,254	131,330
Acquisition of financial assets	(320,618)	(216,489)
Grants received	2,013	2,976
Loans	3,336	4,732
Other investment outflows	(3,965)	(3,947)
<b>Net cash from investing activities</b>	<b>(320,886)</b>	<b>(209,161)</b>
<b>Cash flows from financing activities</b>		
Net outflows on issue of share capital	(11,159)	-
Dividends paid	(148,802)	-
Proceeds from loans and borrowings	443,195	404,488
Payment of loans and borrowings	(70,898)	(309,165)
Interest paid	(16,878)	(5,556)
Payment of finance lease liabilities	(1,627)	(2,239)
Other finance income/costs	2,525	(9,333)
<b>Net cash flows from financing activities</b>	<b>196,356</b>	<b>78,195</b>
<b>Total net cash flows</b>	<b>(58,032)</b>	<b>45,607</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>66,992</b>	<b>86,289</b>
Effect of exchange rate fluctuations on cash held	-	-
<b>Cash and cash equivalents at the end of the period</b>	<b>8,960</b>	<b>131,896</b>

Notes and explanatory information are an integral part of the interim condensed separate financial statements.

## Notes to the interim condensed separate financial statements

These interim condensed separate financial statements of Grupa Azoty S.A. should be read together with the interim condensed consolidated financial statements of the Azoty Group for the three and nine months ended September 30th 2013 and the audited separate financial statements of Zakłady Azotowe w Tarnowie-Mościcach S.A. for the year ended December 31st 2012.

The interim condensed separate financial statements were prepared on the basis of the same accounting policies as those applied in the preparation of the separate annual financial statements for 2012, with the following exceptions:

- Recognition of actuarial gains and losses on defined benefit plans, in connection with amendments to IAS 19 Employee Benefits. In accordance with the previous applied accounting policy, actuarial gains and losses on defined benefit plans were recognised in profit or loss for the period. Currently, actuarial gains and losses on a defined benefit obligation are recognised in total comprehensive income. This change did not have a material impact on the Company's Q3 2013 results or comparative data.
- Recognition of emission allowances allocated free of charge, measurement of acquired emission allowances and their presentation in the statement of financial position. In accordance with the previously-applied accounting policy, emission allowances received free-of-charge were not recognised in the statement of financial position, while purchased emission allowances were recognised at restated value and presented as intangible assets. As of 1 January 2013 the Company changed its accounting policy in this respect, and now presents emission allowances both purchased and received free of charge as inventories in the statement of financial position, and recognises emission allowances received free of charge at fair value as at their registration date, with government grants being recognised as the corresponding entry. Emission allowances are not re-measured to realisable value, lower than their purchase price, on the balance sheet date if there is an expectation that the finished products for the manufacture of which they will be used will be sold at purchase price or cost of manufacture or at a higher price. Settlement of a government grant relating to emission allowances is recognised as a decrease in the cost of sales proportionately to the CO<sub>2</sub> emissions generated during the reporting period against an annual emission forecast. Given the fact that the final allocation of free-of-charge allowances for 2013 has not been finished and due to the absence of relevant entries for the allowances in registers, in the financial statements for the period ended September 30th 2013 the Company recognised a free-of-charge CO<sub>2</sub> emission allowance grant as other receivables, estimated as the product of the volume of emissions generated during the reporting period at each installation (not higher than the expected allocation for a particular installation in 2013) and the fair value of allowances as at the end of the reporting period. After receipt of allowances and registration of the allocation the Company will reclassify the allowances to inventories. Data as at December 31st 2012 has been presented after accounting for this change.

The table below presents the impact of the change on the separate statement of financial position as at December 31st 2012:

	Approved	Restated	
	As at	As at	Effect of
	Dec 31 2012	Dec 31 2012	restatement
<b>Assets</b>			
<b>Non-current assets</b>	2,334,204	2,334,993	-,9,211
<b>Current assets, including:</b>	543,440	590,888	47,448
Inventories	216,458	263,906	47,448
<b>Total assets</b>	<b>2,887,644</b>	<b>2,925,881</b>	<b>38,237</b>
<b>Equity and liabilities</b>			
<b>Equity</b>	2,215,135	2,215,135	-
<b>Non-current liabilities</b>	299,874	299,874	-
<b>Current liabilities, including:</b>	372,635	410,872	38,237
Other provisions	12,615	34,631	22,016
Government grants	163	16,384	16,221
<b>Total equity and liabilities</b>	<b>2,887,644</b>	<b>2,925,881</b>	<b>38,237</b>

- Exchange rates applied to translate currency items as at the end of the reporting period. Cash items expressed in foreign currencies are translated into PLN at the National Bank of Poland's average exchange rate for a given currency as at the end of the reporting period. Previously they were translated at the end of the reporting period at the closing exchange rates (spot rates), i.e. at the leading bank's first quote as at the end of the reporting period. This change did not have a material impact on the Company's Q3 2013 results or comparative data.
- Application of IFRS 13.

The Company applies IFRS 13 which provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement wherever fair value measurements are required or permissible under other IFRS. In particular, the standard defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Moreover, the standard changes or extends the scope of fair value disclosures as specified in other IFRS, including in IFRS 7. Some of these disclosures, regarding financial instruments, are specifically required in interim financial statements.

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

**MANAGEMENT DISCUSSION AND ANALYSIS:  
THE AZOTY GROUP  
IN Q3 2013**

## 1. Discussion of the interim consolidated financial statements

### 1.1. Significant factors and events having a material impact on the Azoty Group's operations and financial performance

#### 1.1.1. Volatility of exchange rates

Changes in the EUR/USD exchange rate in Q3 2013 had a direct effect on the PLN/USD and PLN/EUR exchange rates.

In Q3 2013, the Polish zloty appreciated by approximately 5.9% vs. the US dollar and 2.6% vs. the euro, compared with the rates as at June 30th 2013. The average PLN/USD and PLN/EUR exchange rates were close to the previous quarter's average: depreciation of the zloty seen in Q2 2013 reversed in Q3 2013 with the gradual rise of PLN/USD and PLN/EUR exchange rates.

The PLN/USD rate in Q3 2013 was down approximately 0.18% on the average Q2 2013 rate, while the PLN/EUR exchange rate rose by approximately 1.19% on the previous quarter.

As average quarter-on-quarter changes in the PLN/USD and PLN/EUR rates were not significant and in fact offset each other, they did not have a major impact on the Group's financial performance, particularly in the context of the Group's positive currency exposures in EUR and USD, resulting from an excess of currency income over currency expenses.

In accordance with the 2013 Market Risk Management Policy, the 2013 Budget, and the guidelines of the internal Foreign Exchange Risk Committee, in Q3 2013 the Azoty Group hedged up to 50% of its planned currency exposure under existing contracts with instruments maturing up to six months from the origination date.

In Q3 2013, the Azoty Group used EUR and USD currency forward contracts which matched its planned net exposures in those currencies.

The Azoty Group saw a PLN 2,243 thousand gain on hedging transactions realised in the first nine months of 2013, and recorded a PLN 3,157 thousand gain on revaluation of cash-flow hedges.

On non-hedged net currency exposure, the Group reported PLN 7,995 in foreign exchange gains, and a PLN 7,300 thousand surplus of foreign-currency income over expenses.

In total, during the first nine months of 2013, the Azoty Group's total result on foreign exchange differences and currency derivative transactions (taking into account revaluation as at the end of the reporting period) was PLN 20,695 thousand (including PLN 11,238 thousand on realised foreign exchange differences and hedging transactions and PLN 10,457 thousand on unrealised items).

In the first nine months of 2013, the Azoty Group recorded a PLN 30.3 thousand realised gain on valuation of interest rate hedging instruments (collar transactions for EUR-denominated loans).

In the first nine months of 2013 the Group also reported a PLN (251) thousand realised deficit on valuation on conversion of EUAs into CER carbon credits.

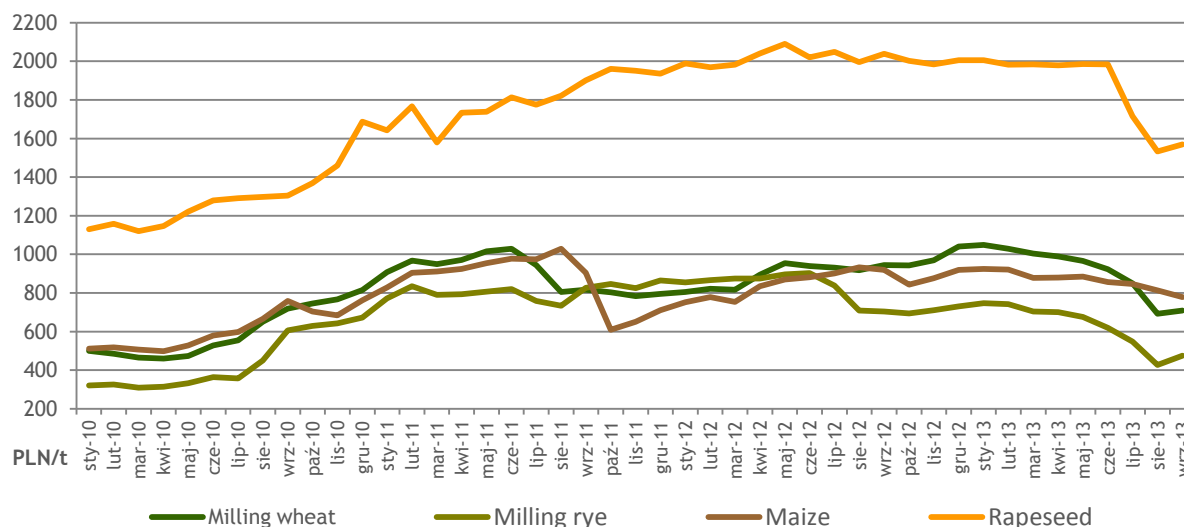
#### 1.1.2. Market overview

### FERTILISERS SEGMENT

#### Agricultural market

On the Polish agricultural market, Q3 2013 was a season of crop harvesting and lower produce prices. And although lower produce prices are typical of the harvesting season, the declining price trend, persisting from the beginning of the year, significantly aggravated the situation. For instance, the prices of milling wheat fell by an average of 4%-7% in Q1 and Q2, then plummeted 17% in Q3. The reason for these lower produce prices is an optimistic crop forecast for Europe and the rest of the world. In the European Union alone, an 8% year-on-year increase in total production is projected, with the volume for the year estimated at 301.1m tonnes. These estimates do not support produce prices at the levels seen over the last few years.

## Oil seed rape, wheat, rye and corn prices

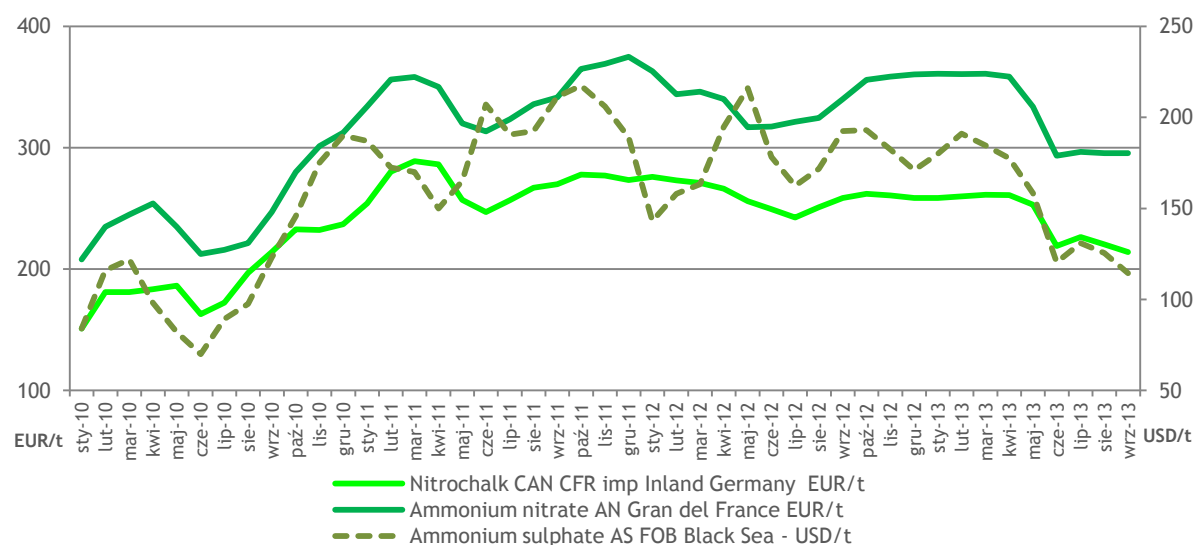


Source: Ministry of Agriculture and Rural Development

## Natural gas

The price of natural gas did not change in Q3 2013. It was set in the PGNiG Gas Fuel Tariff, in effect since January 1st 2013.

## CAN, AN and AS prices



Source: FERTECON

## Nitrate fertilisers

On the domestic market, nitrate fertiliser prices were down on Q3 2013, with demand flagging over the entire period under analysis. The harvesting season was the period of lowest demand for fertiliser products during the year, with the situation additionally aggravated by the falling produce prices. Expecting a further decline in fertiliser prices accompanied by higher produce prices, agricultural producers postponed their fertiliser purchases in anticipation of further developments on the produce market.

On foreign markets, the situation in the fertiliser sector was similar. The situation on the global urea market also played an important part - falling product prices contributed to downward pressure on the prices of other nitrogen fertilisers.

During the period, fertiliser imports remained low, with no threat to sales of domestic products, while at the same time there were a significant number of sale offers available at the national border, mainly for urea and ammonium nitrate.

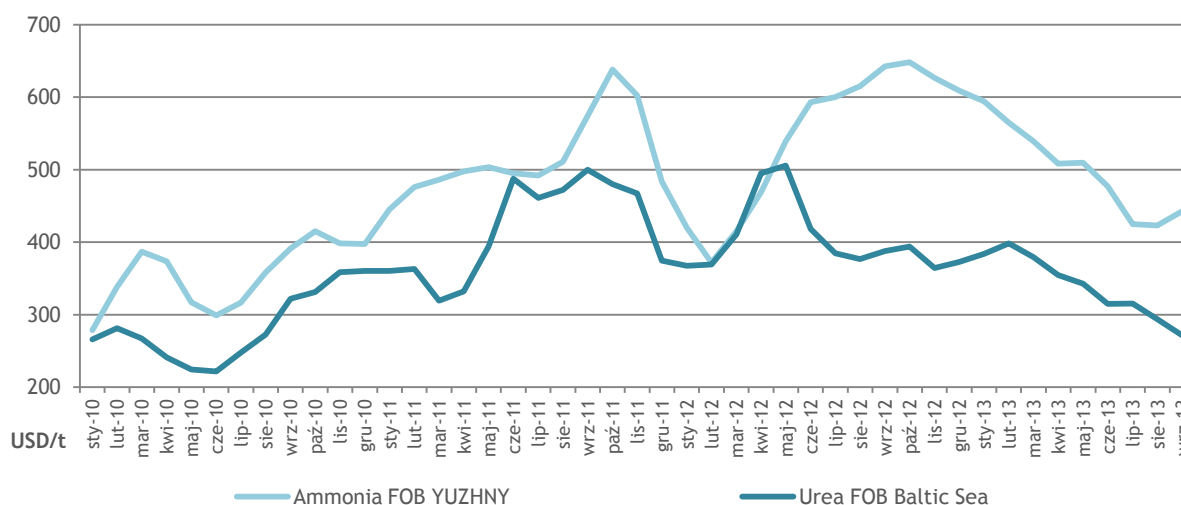
### Sulphur fertilisers

In Q3 2013, prices of ammonium sulphate declined, relative to the previous year. This was a consequence of falling urea prices on the global markets and large supplies of ammonium sulphate, mainly in China, Korea, and the United States. The average price of ammonium sulphate in Q3 2013 fell to USD 124 per tonne, from USD 176 per tonne in the previous quarter.

### Liquid fertilisers

In Q3 2013, UAN prices on the European market were driven down by falling prices of urea and agricultural produce. The average UAN price (FOB Baltic Sea) in Q3 2013 was EUR 172 per tonne, down approximately 16.5% on the previous quarter.

### Ammonia and urea prices



Sources: ICIS, FMB

### Ammonia

Prices on the global ammonia markets were mostly depressed in Q3 2013, falling to below USD 450 per tonne (FOB Yuzhny). The contributing factors here included an imbalance between supply and demand, as well as a clear downturn in the fertiliser sector. Intensified importing also had a further adverse effect on prices. Oversupply then translated into lower prices on the key reference markets, which declined to approximately USD 430 per tonne.

### Urea

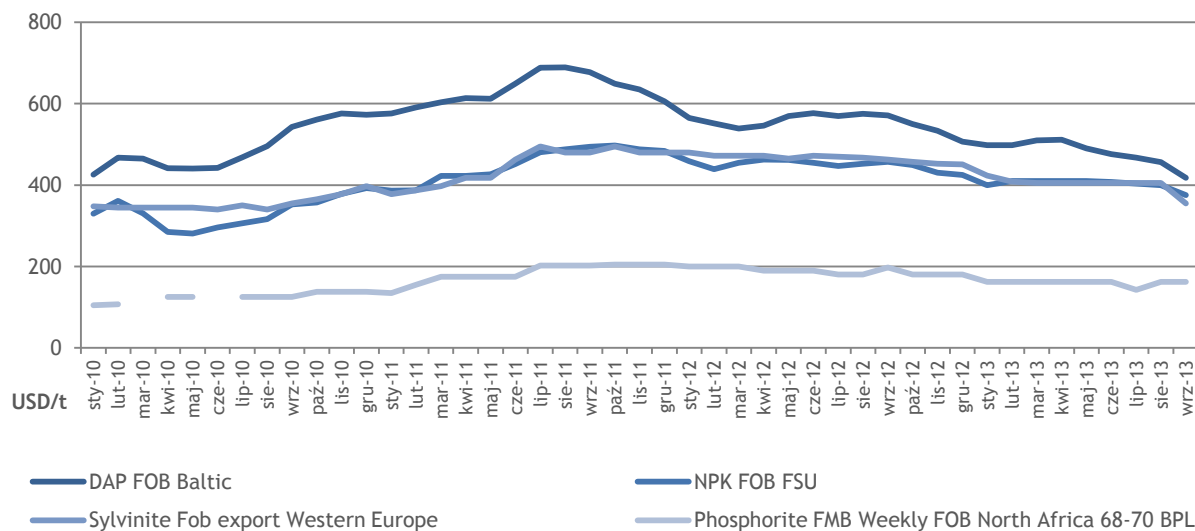
Q3 2013 was also a period of price volatility on the urea market. The market continued to suffer from a long-established slowdown caused by the attitude taken by its participants, who withheld their urea purchases in anticipation of lower prices. Despite the surpluses seen on the global markets, the supply of urea-based fertiliser in the Black Sea and Baltic markets was low. Seeking to exert pressure on the price, certain producers (such as NF Trading and the plants in Horlivka, Severdonetsk and Cherkassy) further limited the urea supply by reducing their output by 50%. A major contributor to the overall situation on the global urea market in Q3 2013 (especially urea prices) was the period of reduced customs duty on urea exports from China, whose total volume for 2013 was estimated at approximately 10m tonnes.

In Q3 2013, total urea exports from China were estimated at 2.8m tonnes, with a further 3m tonnes stocked for export by Chinese cargo ports in Q4 2013. The low-duty window is set to close on October 31st 2013. Given the current surplus of urea on the global markets, prices may remain flat until the end of 2013.

### Sulphur

In Q3 2013 sulphur prices were on the decline. In Europe they stood at USD 143-155/tonne (Benelux). This was a result of the situation on the fertilisers market (particularly NPK fertilisers), and of the growing supply of petrochemical sulphur. The reduced output of phosphate fertilisers adversely affected demand for sulphur and added to price pressures.

### Prices of NPK, DAP, potassium salt and phosphate rock



Sources: FMB, FERTECON

### NPK fertilisers

The demand in Q3 2013 for NPK fertilisers in Poland and Europe was low. Underlying causes for this included:

- A sharp, 30-40% decline in the prices of agricultural produce (cereals, rapeseed, corn) in mid-June,
- Discontinued trade relations between Uralkali and Belaruskali, which led to a trade war between the two manufacturers and depressed prices of potassium salt - the basic component in the manufacture of NPK fertilisers,
- The limited income of farmers, who despite the period of winter crops' sowing, used their funds for other purposes than the purchase of NPK fertilisers.

However, the favourable weather conditions in September extended the sowing period, contributing to a rise in demand. Less expensive compound fertilisers with lower concentrations of nutrients attracted the strongest interest, despite the availability of a wide range of NPK fertilisers, including imported fertilisers, at attractive prices. Dealers expressed little interest in stocking up on these. In Q3 2013, the average price of standard 16-16-16 NPK fertiliser fell from USD 400/tonne to USD 340/tonne (FOB Baltic).

### **DAP fertilisers**

DAP prices on global markets continued their decline throughout Q3 2013. This was caused by low demand across all markets and large stocks in the US and China. Due to financial difficulties, India (the world's largest DAP importer) imported less, which affected the prices. In Q3 2013, a window of lower export duties on phosphate fertilisers was open to China, and due to limited demand on the domestic market, the Chinese manufacturers had large supplies to sell. In Europe, as usual, Q3 DAP sales were weak. In these circumstances, the supply of DAP fertiliser was reduced in China (by 50-60%), Morocco (by 65%), Tunisia (50%), and the US. In September, OCP Morocco changed its trading policy and pursued aggressive sale on all markets, in order to dispose of its excess stock. The campaign by OCP and the price pressure on India led to a further drop in DAP prices on the global markets. The average price of DAP in Q3 2013 fell from USD 467/tonne to USD 417/tonne (FOB Baltic/Black Sea).

### **Phosphorites**

Q3 2013 saw prices of phosphorites fall, relative to both Q2 2013 and Q3 2012. The average price of phosphorites in Q3 2013 was USD 156/tonne, down from USD 186/tonne in Q2 2013. The price volatility of this commodity was perceptible.

In July, the official price of the largest phosphorite exporter, OCP Morocco, was USD 140-145/tonne. In August, the price fell to USD 115-130/tonne, remaining stable in September. Rumours suggest that some transactions were made at even lower prices. Other phosphorite producers in North Africa reduced their prices in June and August too, although these adjustments were limited to approximately USD 5/tonnes. In Q3 2013, following the price decline in phosphorites and phosphate fertilisers, PhosAgro (Russia) reduced the price of apatites from USD 230-245/tonne to USD 210-215/tonne (FOB Murmansk).

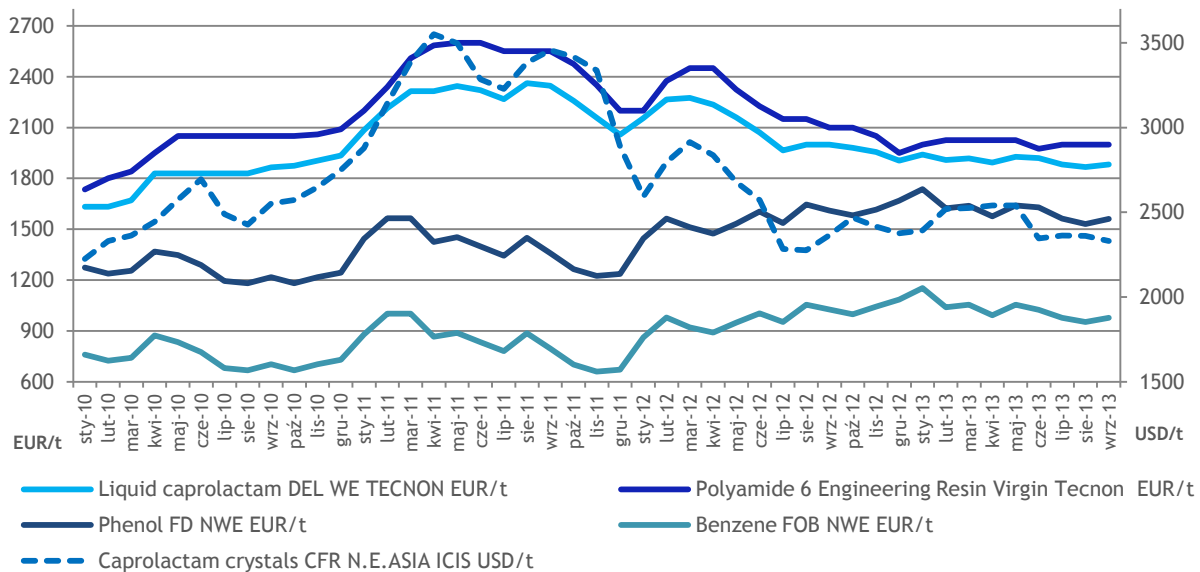
### **Potassium salt (KCl)**

At the end of July 2013, Russia's largest manufacturer of potassium salt changed its trading policy and discontinued its exclusive export relationship for potassium salt from Russia and Belarus. The manufacturer also published a forecast for potassium salt prices, setting them below USD 300/tonne.

The termination of Uralkali and Belaruskali's joint marketing agreement had a strong adverse effect on the potassium salt market, and the share prices of the largest global potassium salt manufacturers dropped 25%. In August and September both Uralkali and Belaruskali tried to find customers for their potassium salt on their own. Spot prices of the salt fell to USD 310-365/tonne at the end of September (FOB Baltic). Having very large stocks, potassium salt manufactures significantly reduced their output. In North America, four potash mines were temporarily shut down, operations at two mines in Belarus were stopped, and APC of Jordan limited output for an indefinite period, reducing its production capacity by 20%. Q3 2013 saw prices of potassium salt fall, both relative to Q2 2013 and Q3 2012. The average price of potassium salt in Q3 2013 was USD 388/tonne, down from USD 405/tonne in Q2 2013 and from USD 467/tonne in Q3 2012.

## PLASTICS SEGMENT

### Prices of caprolactam, PA6, benzene and phenol



Source: TECNON, ICIS

### Caprolactam

In Q3 2013, despite temporarily weaker demand in Europe over the holiday season, the caprolactam market remained relatively stable. In the period, liquid caprolactam prices (DDP WE Tecnon contract) fell quarter on quarter by approximately 40 EUR/tonne following a drop in benzene prices, with a concurrent 6% year-on-year decrease. According to many sources, supply and demand are expected to remain balanced until October, maybe even until the end of 2013.

### Polyamide 6 (PA 6)

According to Tecnon, despite lower benzene and caprolactam prices in Q3 2013 the average monthly price of polyamide 6 settled at EUR 1,950-2,050/tonne (DDP WE), having decreased by approximately 7% year on year. In Q3 2013, the demand for polyamide 6 was weak, mainly due to the holiday season. In general, the demand varied depending on region and the purpose for the product's ultimate application. With Southern Europe more adversely affected by the macroeconomic crisis, it showed weaker demand than Northern Europe. In September, demand from the premium car sector, chiefly focused in North-Western Europe, was considered stable compared with the corresponding period of the prior year. The sector did not suffer from the macroeconomic crisis, thanks to demand from the Chinese market.

### Polyacetal/Tarnoform® (POM)

According to ICIS, the average monthly Q3 2013 price of polyacetal in Europe remained at EUR 2,200-2,300/tonne - flat on the previous year. Cheaper supplies from Asia continue to make it difficult for European manufacturers to raise their prices. Demand on the polyacetal market is stable as the automotive market has helped offset the adverse effect of the summer slowdown, and some customers are forecasting a Q4 2013 demand similar to that of Q3 2013. Manufacturers expect polyacetal prices to be stable in the next quarter, thanks to demand from the German automotive industry.

### Crude oil

The onset of Q3 2013 saw a significant rise in global crude prices, resulting from the unrest in Egypt (fears that oil shipments through the Suez Canal would be blocked) and the civil war in Syria (with the possibility of the conflict spilling into neighbouring countries). Crude oil prices began to decline at the end of August with the United States Congress's opposition to intervention in Syria, and in reaction to positive economic data from around the world. This downward trend continued until the

end of Q3 2013, when WTI crude at the New York exchange was traded at USD 102.56 per barrel, and the price of Brent crude in London was USD 109.08 per barrel.

### Benzene

The market situation in Q3 2013 was still very unstable, with speculative transactions and periodically reduced supply. Benzene contract prices were not reflected on the caprolactam and polyamide-6 markets (benzene prices in Europe are shaped by other applications, such as styrene production and use as a fuel additive). The high prices of benzene prevailing for an extended period were unfavourable to manufacturers in these sectors, which resulted in reduced supply and a temporary downsizing of production programmes.

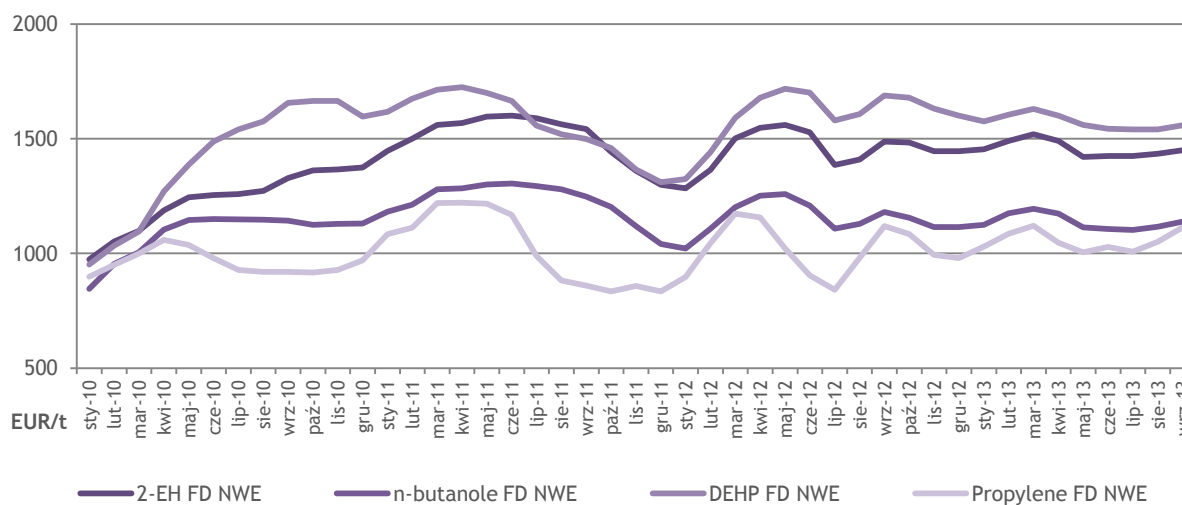
In effect, the average benzene price in Q3 2013 dropped to EUR 969/tonne, compared to EUR 1,024/tonne in Q2 2013.

### Phenol

In Q3 2013, the market situation was stable, with an apparent oversupply. Due to weaker demand for key phenol-based products, the largest European manufacturers had to temporarily reduce their phenol production. The situation on the phenol market was also adversely affected by the high benzene prices (above EUR 950/tonne) and weak benzene price forecasts for Q4 2013 and 2014. The market slump seen in previous months continued, and also on the caprolactam and plastics markets. This was caused by various adverse developments, such as production cuts in the automotive industry. As a result, trading conditions became conducive to competitively-priced spot contracts for phenol from outside Europe, which were available regularly throughout Q3 2013. At the end of the quarter, spot prices were approximately EUR 1,250 - 1,290/tonne, similarly to previous months.

## CHEMICALS SEGMENT

### 2-EH, n-Butanol, DEHP and propylene prices



Source: ICIS

### Propylene

At the beginning of Q3 2013, the contract prices of propylene were flat on the end of Q2 2013. In subsequent months, the price began to climb to reach EUR 1,150/tonne in September, driven by higher crude oil prices. At the beginning of Q3 2013, demand for propylene was sluggish, showing only a slight pick-up from mid-August. The supply and demand balance was stable and propylene was generally available on the market.

### Oxo alcohols

In Q3 2013, the alcohols market was affected by two major propylene price rises (in August by 50 EUR/tonne and in September by 60 EUR/tonne), as well as both scheduled and emergency process shutdowns and the August holiday season, when the market is usually slow. Given the market conditions, demand for key alcohols (2-EH, N-Butanol) was strong. Alcohol prices strictly followed

propylene prices, although the price increase in August could not be easily transferred to customers on the spot market, due to the seasonal slowdown on the market. Conditions on the isobutanol market were unfavourable throughout the reporting period. Weak demand shifted focus to non-EU markets, where isobutanol was marketed at a discount on the prices in Europe.

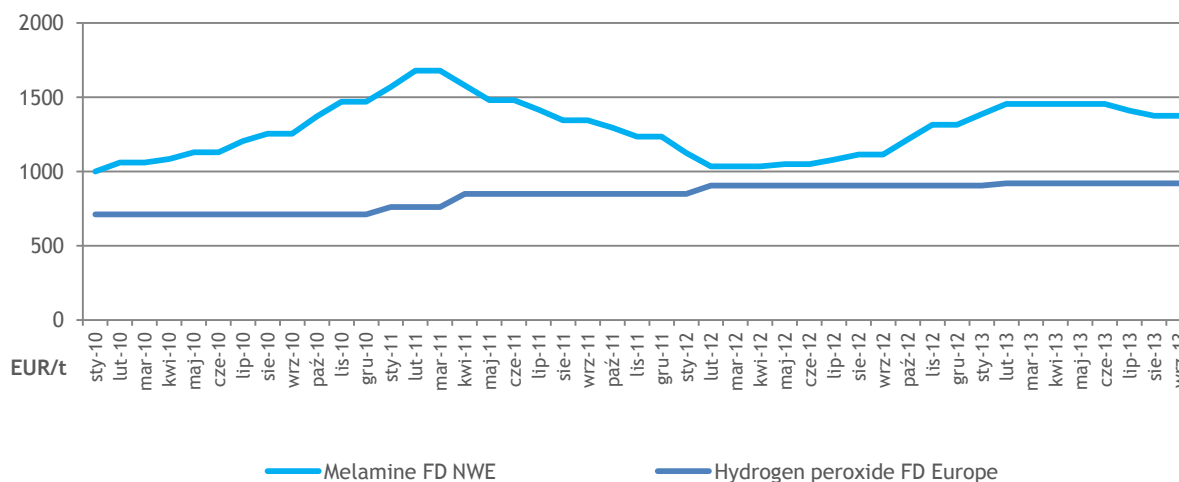
### Plasticisers

In Q3 2013, the plasticisers market was weak, which particularly affected sales of DEHP, Grupa Azoty ZAK's flagship product. PVC processing companies had scheduled plant shutdowns for July and August, which - coupled with the adverse macroeconomic conditions - further eroded demand. The August rise in feedstock prices (propylene, OXO alcohols) made the stalled market reluctant to accept higher plasticiser prices, which further impacted DEHP's profitability. The post-holiday rebound seen in September was not strong enough for the increase in DEHP prices to keep pace with a further rise in feedstock prices. Somewhat better sentiments were seen in the high phthalates and non-phthalates (DOTP) segment, although demand was not fully satisfactory there either. The market also saw growing competition between individual plasticisers and the stronger presence of less expensive products imported from outside the EU, which had an adverse effect on the position of the European manufacturers.

### Melamine

In Q3 2013, the European melamine market was stable. However, demand was slightly weaker quarter on quarter and year on year, limited by the continued macroeconomic adversities in Europe. Contract prices were down nearly 5% quarter on quarter. One of the Russian melamine manufacturers carried out an overhaul of its units and resumed production at the end of the reporting period, while an Austrian manufacturer brought production back on line following a May 2013 overhaul of its units.

### Prices of melamine and hydrogen peroxide (100% solution)



Source: ICIS.

## Hydrogen peroxide

In Q3 2013, the European hydrogen peroxide market remained stable, despite the summer season's usually depressed activity, and neither were there any disturbances on the supply side.

At the beginning of the reporting period, demand for hydrogen peroxide was reduced, though stable. At the end of Q3 2013, consumption of hydrogen peroxide was above expectations. The greatest demand was seen in Northern Europe in the pulp and paper industry, while in other sectors it was slightly weaker, though balanced.

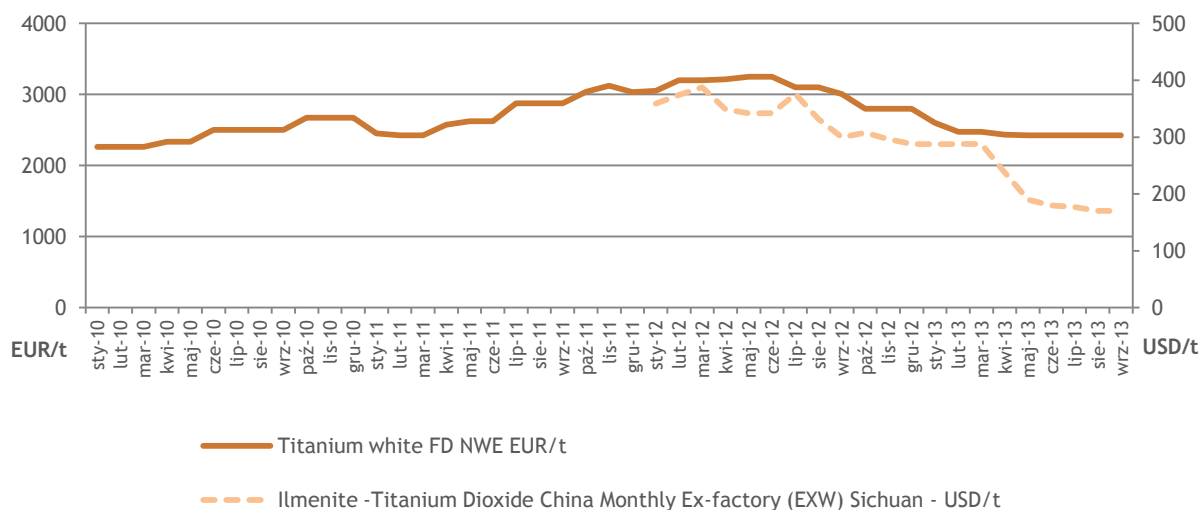
## AdBlue®

The AdBlue® distribution market in Europe has been growing. In July 2013 AdBlue® was available at more than 5.1 thousand service stations, including 120 points of sale in Poland.

The AdBlue® market is gradually expanding, fuelled by the growing number of vehicles that meet the Euro 5 emission standard. Preparations are underway for a new and more stringent emission standard, Euro 6, which will become effective in 2014.

## PIGMENTS SEGMENT

### Titanium white, ilmenite and sulphate slag prices



Source: ICIS, TZMI

### Titanium white

The situation on the titanium white market remained relatively unchanged in Q3 2013 compared with the previous period. There was no significant rise in titanium white sales during the summer season. The continued economic weakness in the US and Europe affected demand for the product, and a scaling-back of production by manufacturers helped reduce their titanium white inventory cycle from 120 days to 30-45 days. The global economic slowdown and shrinking exports also curbed demand for the product in China (which accounts for 30% of titanium white's global output). Many titanium white manufacturers in the country reduced utilisation of their production capacities, with one Chinese titanium white production unit of 200 thousand tonnes' capacity shut down for three months. In view of the market conditions and the continued lack of profitability, ISK, a Japanese manufacturer, permanently closed its Singapore-based chloridised titanium white plant, which had had an annual capacity of 56 thousand tonnes. In Q3 2013, the average price of titanium white in Europe remained flat at EUR 2,425/tonne (FD NW Europe).

### Ilmenite and titanium slag

Q3 2013 saw a continued downward trend in the prices of raw materials for production of titanium white. On the Chinese market (30% of world titanium white production), which is a good proxy for the global market, the price of titanium slag fell from USD 835/tonne in July to USD 815/tonne ex works in September. The price of Ilmenite dropped from USD 177/tonne in July, to USD 170/tonne ex works in September.

## 1.2. Key financial data

### 1.2.1. Consolidated financial performance

In Q3 2013, the Azoty Group generated a positive EBIDTA of PLN 111,256 thousand and a net profit of PLN 213 thousand. Compared with the corresponding period of the previous year, these figures changed by PLN 32,946 thousand and PLN (20,049) thousand, respectively.

The table below presents the key items of the consolidated statement of profit and loss for Q3 2013 and Q3 2012.

#### Consolidated data

Item	3Q 2013	3Q 2012	change	% change
Revenue	2,226,090	1,697,152	528,938	31.2
Cost of sales	(1,958,978)	(1,514,250)	(444,728)	29.4
<b>Gross profit</b>	<b>267,112</b>	<b>182,902</b>	<b>84,210</b>	<b>46.0</b>
Selling and distribution expenses	(109,351)	(41,916)	(67,435)	160.9
Administrative expenses	(159,981)	(106,557)	(53,424)	50.1
<b>Profit/(loss)</b>	<b>(2,220)</b>	<b>34,429</b>	<b>(36,649)</b>	<b>(106.4)</b>
Other income/(expenses)	(6,317)	(13,685)	7,368	(53.8)
<b>Operating profit/(loss) (EBIT)</b>	<b>(8,537)</b>	<b>20,744</b>	<b>(29,281)</b>	<b>(141.2)</b>
Finance income/(costs)	(6,248)	3,865	(10,113)	(261.7)
Share of profit of equity-accounted investees	2,819	2,468	351	14.2
<b>Profit before tax</b>	<b>(11,966)</b>	<b>27,077</b>	<b>(39,043)</b>	<b>(144.2)</b>
Tax expense	12,319	(6,815)	19,134	(280.8)
Loss on discontinued operations	(140)	-	(140)	-
<b>Net profit (loss)</b>	<b>213</b>	<b>20,262</b>	<b>(20,049)</b>	<b>(98.9)</b>
<b>EBIT</b>	<b>(8,537)</b>	<b>20,744</b>	<b>(29,281)</b>	<b>(141.2)</b>
Depreciation and amortisation	119,793	57,566	62,227	108.1
<b>EBITDA</b>	<b>111,256</b>	<b>78,310</b>	<b>32,946</b>	<b>42.1</b>

Source: Grupa Azoty

The year-on-year increase in revenue is attributable to the Azoty Group having generated higher sales in its Agro Fertilisers, Plastics, Chemicals and Other segments. As the Azoty Group's revenue grew faster than its cost of sales, the Group generated a gross profit, which helped achieve a net profit for the period. However, the increase in selling and distribution expenses as well as in administrative expenses, resulted in a loss on sales.

In Q3 2013, the balance of other income and other expenses was negative, at PLN (6,317) thousand, which adversely affected EBIT.

In Q3 2013, the balance of finance income and costs was negative.

## 1.2.2. Segment results

### EBIT by segment

Item	Agro Fertilisers	Plastics	Chemicals	Pigments	Other Activity
Revenue	1,258,826	356,611	435,833	85,007	89,813
Share [%]	56.5	16.0	19.6	3.8	4.0
Net profit/(loss)	51,779	(31,528)	(31,501)	5,454	3,576
EBIT*	51,401	(33,911)	(31,209)	5,455	(273)

Source: Grupa Azoty

\* EBIT: operating profit/(loss) presented in the statement of profit and loss and other comprehensive income, adjusted for gain from a bargain purchase.

Sales of the Azoty Group's products in Q3 2013 were determined primarily by the market situation in the Agro Fertilisers, Chemicals and Plastics segments. The strongest revenue increases were reported by the Chemicals, Plastics and Agro Fertilisers segments (up by 107.3%, 27.4% and 24.0%, respectively). The rises seen in these segments were directly attributable to a new entity - the PUŁAWY Group - having joined the Azoty Group. Shares of the individual segments in the overall revenue structure remained relatively unchanged compared with Q3 2012.

### Agro Fertilisers

In Q3 2013, revenue in the Agro Fertilisers segment amounted to PLN 1,258,826 thousand and accounted for 56.5% of the Azoty Group's total revenue. The revenue grew year on year on the back of the acquisition of Grupa Azoty PUŁAWY, and following rise in sales generated by other companies of the Azoty Group.

Most of the revenue was derived from the domestic market, which accounted for 71% of the total fertiliser sales.

### Revenue of the Agro Fertilisers segment



Source: Grupa Azoty

### Plastics

In Q3 2013, revenue in the Plastics segment amounted to PLN 356,611 thousand and accounted for 16.0% of the Azoty Group's total revenue. Year on year, the revenue was up by over 27.4 %, although the rise was not sufficient to prevent the segment from incurring a loss caused by considerable cost increases (particularly costs of key production inputs). The loss, however, was bigger than in the corresponding period of the previous year.

Most of the revenue was derived from foreign markets.

### Revenue of the Plastics segment



Source: Grupa Azoty

### Chemicals

The Chemicals segment includes the former OXO segment, as well as the new products added to the Azoty Group's offering after the PUŁAWY acquisition. Revenue in this segment reached PLN 435,833 thousand, up by nearly 107.3%. The segment's revenue represented 19.6% of the Group's total revenue. Despite the revenue growth, the costs incurred in the segment's operations resulted in a negative EBIT for Q3 2013.

### Revenue of the Chemicals segment

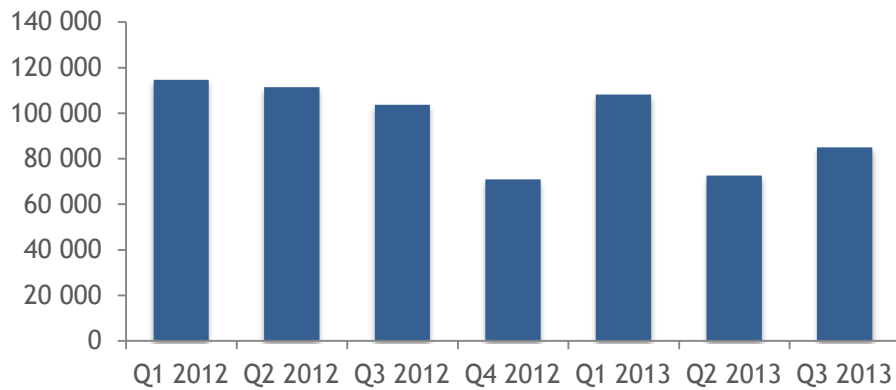


Source: Grupa Azoty

### Pigments

The segment's revenue was down, though its operating profit rose. The situation in the segment is very difficult due to the declining selling prices for its products (particularly on the back of distress in the construction and automotive industries, the segment's main customers), and because of the continuing high prices of the segment's key production inputs, i.e. slag and ilmenite.

### Revenue of the Pigments segment

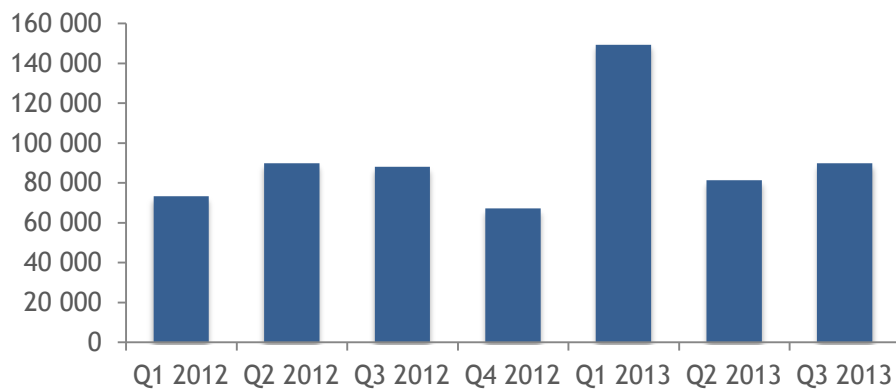


Source: Grupa Azoty

### Other Activity

The growing revenue in the Other Activities segment in Q3 2013 is chiefly attributable to new entities having joined the Azoty Group. Despite the revenue growth and the segment having reported a positive result on sales, the costs related to other activities had a considerable effect on its EBIT. The net loss on operating activity in this segment was lower than in the corresponding period of the previous year.

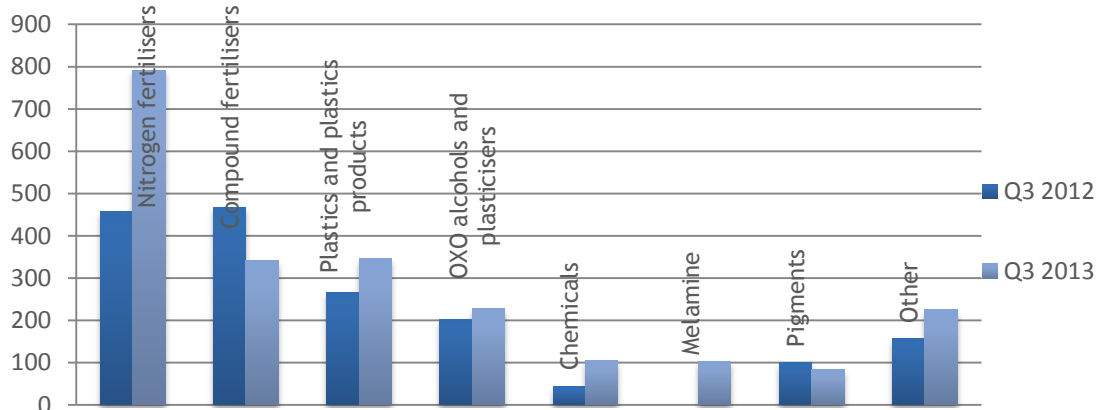
### Revenue of the Other Activity segment



Source: Grupa Azoty

### Sales by product group

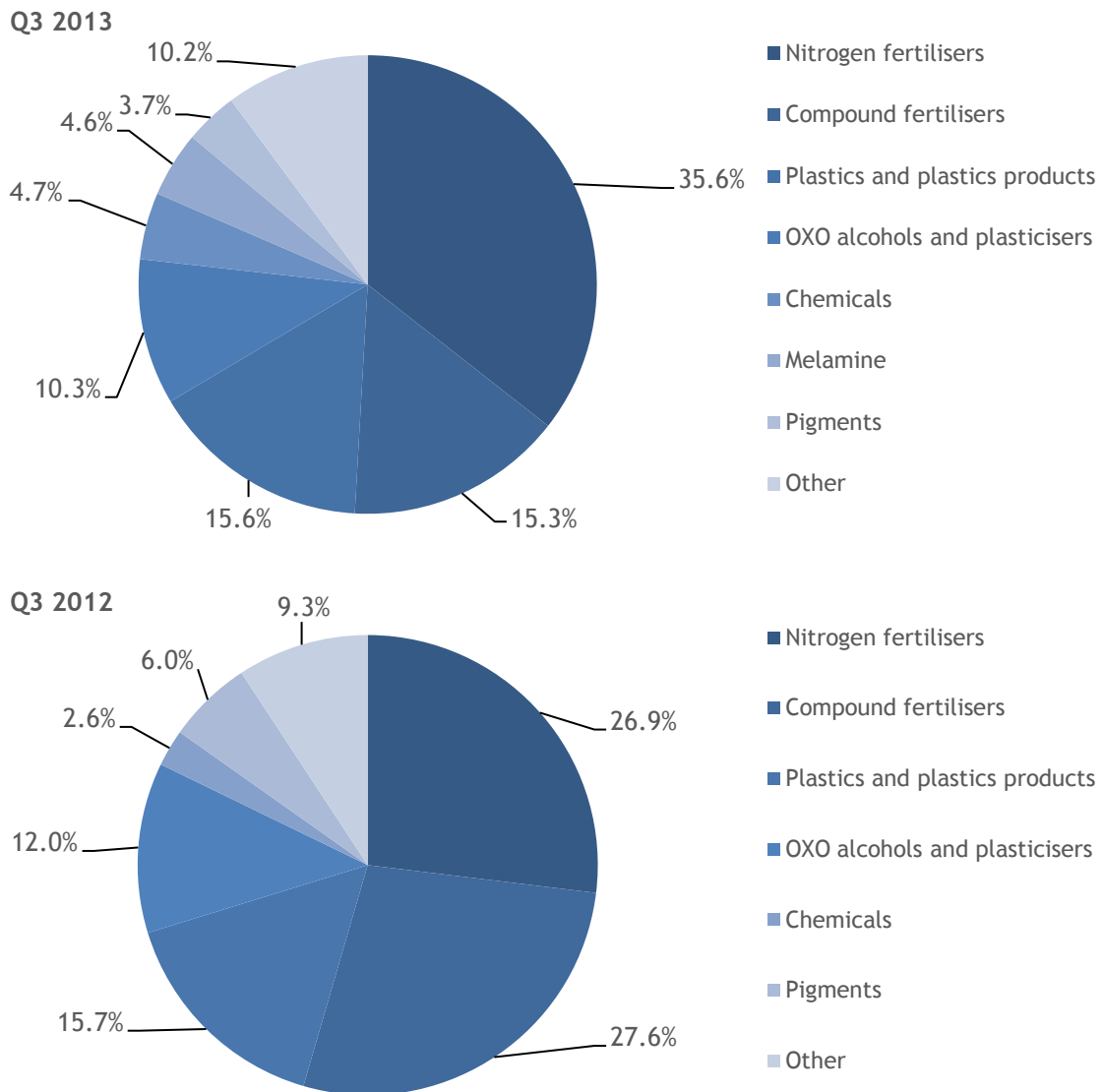
#### Revenue by product group



Source: Grupa Azoty

In Q3 2013, sales of nitrogen fertilizers rose considerably year on year, and represented the key item of the Azoty Group's revenue. The considerable increase in revenue from the sale of nitrogen fertilisers directly reflects the addition of Grupa Azoty PUŁAWY to the Azoty Group. Other revenue is derived from the sale of compound fertilizers, plastics, products made of plastics, OXO alcohols, plasticisers, chemicals and melamine.

**Revenue by product group**



Source: Grupa Azoty

Compared with Q3 2012, the share of nitrogen fertilizers in the revenue structure rose considerably, from 26.9% to 35.6%. The shares of other product groups in the total revenue declined; the share of compound fertilizers fell from 27.6% to 15.3%, and the share of OXO alcohols and plasticisers was down from 12.0% to 10.3%. The share of plastics and plastics products remained fairly unchanged (down from 15.7% to 15.6%). To note, however, these products continue to contribute considerably to the Azoty Group's total revenue.

### 1.2.3. Structure of operating expenses by nature

In Q3 2013, operating expenses were PLN 2,287,295 thousand, up by PLN 606,062 thousand year on year. The most significant growth, by PLN 316,505 thousand, was recorded in the largest cost item, i.e. raw materials and consumables used. Considerable increases were also seen in depreciation/amortisation and services. Costs were also higher due to increases in prices of key feedstocks and their higher consumption caused by the larger scale of production operations (acquisition of the Grupa Azoty PUŁAWY).

#### Operating expenses by nature

Item	Q3 2013	Q3 2012	change	% change
Depreciation and amortisation	119,793	57,566	62,227	108.1
Raw materials and consumables used	1,605,596	1,289,091	316,505	24.6
Services	220,804	112,633	108,171	96.0
Salaries and wages, including overheads, and other benefits	257,844	161,747	96,097	59.4
Taxes and fees	55,419	41,078	14,341	34.9
Other expenses by nature	27,839	19,118	8,721	45.6
<b>Total</b>	<b>2,287,295</b>	<b>1,681,233</b>	<b>606,062</b>	<b>36.0</b>

Source: Grupa Azoty

#### Raw materials and consumables used

In Q3 2013, the cost of raw materials and consumables used was 24.6% higher year on year, a result of addition of a new entity to the Group and of the higher prices of key production feedstocks.

#### Raw materials and consumables used at the Azoty Group

Item	3Q 2013	3Q 2012	change	% change
Parent	198,930	303,882	(104,952)	(34.5)
Grupa Azoty ZAK	255,310	252,044	3,266	1.3
Grupa Azoty POLICE	256,456	408,010	(151,554)	(37.1)
Grupa Azoty PUŁAWY	310,132	-	-	-
Natural gas	571,672	294,283	277,389	94.3
Other Group entities	13,096	30,872	(17,776)	(57.6)
<b>Total</b>	<b>1,605,596</b>	<b>1,289,091</b>	<b>316,505</b>	<b>24.6</b>

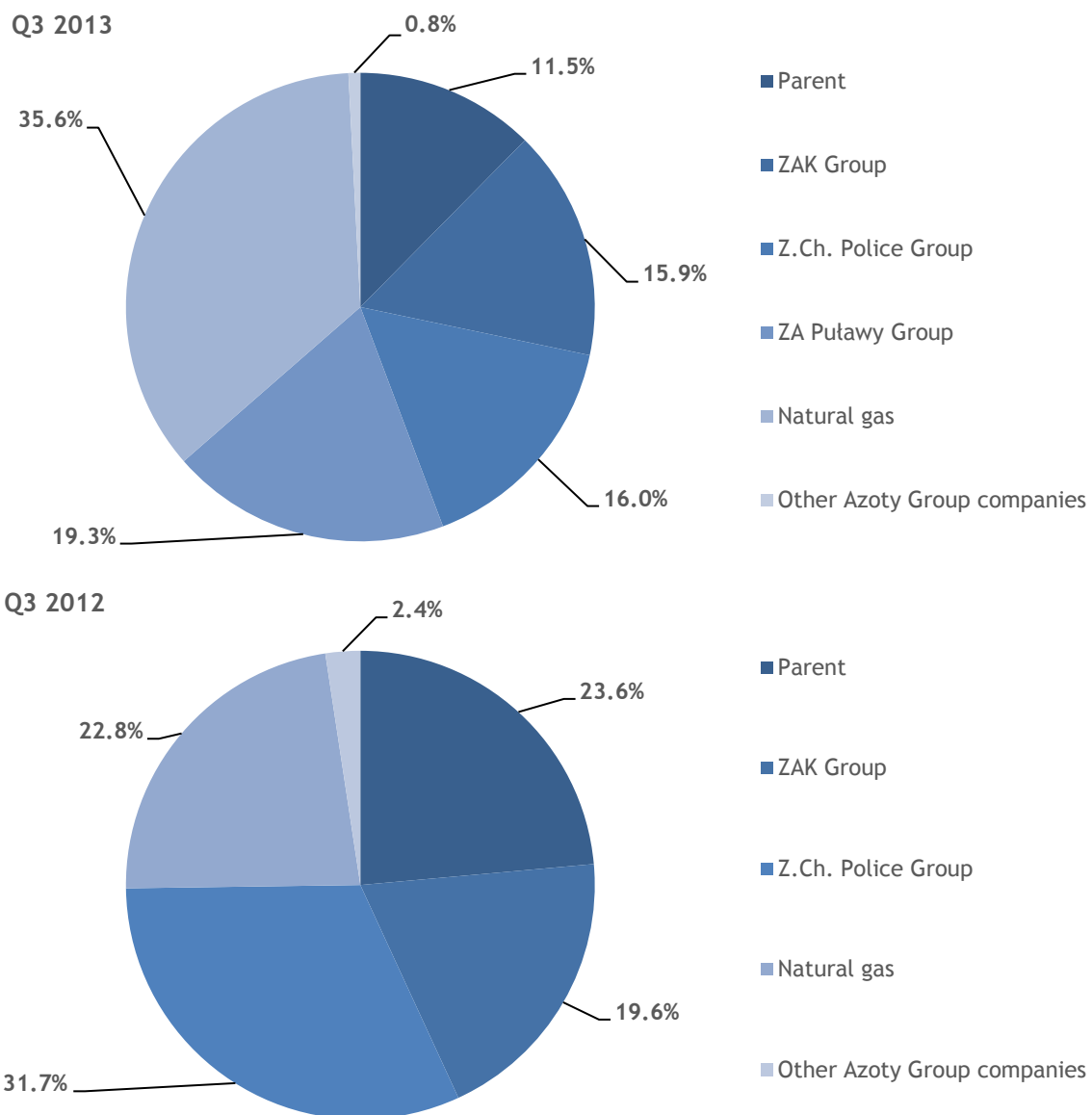
Source: Grupa Azoty

In Q3 2013, natural gas represented the highest share in the value of raw materials and consumables used. The cost of natural gas was PLN 571,672 thousand, and accounted for 35.6% of the total costs incurred by the Azoty Group. Net of the natural gas costs, the PUŁAWY Group incurred costs of PLN 310,132 thousand (19% of the total costs), the POLICE Group incurred costs of PLN 256,456 thousand (16.0% of the total costs), and the ZAK Group incurred costs of PLN 255,310 thousand (15.9% of the total costs).

Excluding the cost of natural gas, the Parent incurred costs of PLN 198,930 thousand, down 34.5% on Q3 2012.

Other entities of the Azoty Group did not significantly contribute to the costs of raw materials and consumables used; their contribution was PLN 13,096 thousand, or 0.8% of the total.

### Structure of raw materials and consumables used at the Azoty Group



Source: Grupa Azoty

### Other expenses by nature

Net of raw materials and consumables used, in Q3 2013 costs represented 29,8% of total costs by nature of expense, vs. 23.3% in Q3 2012.

### Other expenses by nature [%]

Item	3Q 2013	3Q 2012
Depreciation and amortisation	5.2	3.4
Services	9.7	6.7
Salaries and wages, including overheads, and other benefits	11.3	9.6
Taxes and fees	2.4	2.4
Other expenses by nature	1.2	1.1
<b>Total</b>	<b>29.8</b>	<b>23.3</b>

Source: Grupa Azoty

An analysis of the changes in the structure of other costs reveals:

- higher share of depreciation/amortisation in the global cost structure,
- higher costs of services,
- higher costs of labour.

#### 1.2.4. Structure of assets, equity and liabilities

In Q3 2013, the Azoty Group's assets rose to PLN 9,330,023 thousand. i.e. by 74.7% over the end of Q3 2012. As at September 30th 2013, non-current assets were PLN 6,225,970 thousand, and current assets stood at PLN 3,104,053 thousand.

To note, the increase in assets, equity and liabilities was attributable mainly to the acquisition of Grupa Azoty PUŁAWY.

Year on year, the most significant changes in assets in Q3 2013 included:

- a 101.3% increase in intangible assets,
- a 92.9% increase in property, plant and equipment,
- a 91.6% decline in investments available for sale,
- a 65.8% increase in inventories,
- a 56.4% increase in trade and other receivables,
- a 100.2% increase in cash.

#### Structure of assets

Item	3Q 2013	3Q 2012	change	% change
<b>Non-current assets, including:</b>	<b>6,225,970</b>	<b>3,535,379</b>	<b>2,690,591</b>	<b>76.1</b>
Property, plant and equipment	5,376,581	2,787,142	2,589,439	92.9
Intangible assets	533,578	265,022	268,556	101.3
Investment property	52,115	28,691	23,424	81.6
Investments in subordinated entities	129,821	78,322	51,499	65.8
Available-for-sale investments	21,497	254,684	(233,187)	(91.6)
<b>Current assets, including:</b>	<b>3,104,053</b>	<b>1,805,093</b>	<b>1,298,960</b>	<b>72.0</b>
Inventories	1,063,006	640,977	422,029	65.8
Trade and other receivables	1,267,085	810,405	456,680	56.4
Cash and cash equivalents	652,614	325,983	326,631	100.2
Other financial assets	58,891	1,343	57,548	4,285.0
<b>Total assets</b>	<b>9,330,023</b>	<b>5,340,472</b>	<b>3,989,551</b>	<b>74.7</b>

Source: Grupa Azoty

Year on year, the most significant changes in equity and liabilities in Q3 2013 included:

- an 81.4% increase in the Azoty Group's equity,
- a 63.2% increase in non-current liabilities under borrowings,
- an 86.6% increase in non-current liabilities under employee benefits,
- a 43.2% increase in trade and other payables,
- a 330.9% increase in current liabilities under borrowings.

### Structure of equity and liabilities

Item	3Q 2013	3Q 2012	change	% change
<b>Equity</b>	<b>6,267,027</b>	<b>3,454,845</b>	<b>2,812,182</b>	<b>81.4</b>
<b>Non-current liabilities, including:</b>	<b>1,174,781</b>	<b>723,562</b>	<b>451,219</b>	<b>62.4</b>
Borrowings	491,462	301,121	190,341	63.2
Employee benefits	241,905	129,668	112,237	86.6
Other provisions	118,140	112,950	5,190	4.6
<b>Current liabilities, including:</b>	<b>1,888,215</b>	<b>1,162,065</b>	<b>726,150</b>	<b>62.5</b>
Trade and other payables	1,179,263	823,644	355,619	43.2
Borrowings	397,400	92,232	305,168	330.9
Other provisions	175,934	146,127	29,807	20.4
<b>Total liabilities</b>	<b>3,062,996</b>	<b>1,885,627</b>	<b>1,177,369</b>	<b>62.4</b>
<b>Total equity and liabilities</b>	<b>9,330,023</b>	<b>5,340,472</b>	<b>3,989,551</b>	<b>74.7</b>

Source: Grupa Azoty

### 1.2.5. Financial ratios

#### Profitability

The profitability ratios for Q3 2013 showed varied year-on-year changes. The gross margin increased by 1.2 pp. This reflected a 31.2% rise in revenue coupled with a stronger increase in gross profit by 46.0%. The increase in EBITDA margin was attributable to a more than double increase in depreciation/amortisation which grew much faster than revenue. The decrease in EBIT margin was caused by the loss on sales and higher operating expenses. In the analysed period, the return on capital employed (ROE) deteriorated on the back of negative EBIT. Given the value of net profit, the other ratios are close to zero.

#### Profitability ratios

Ratio	3Q 2013	3Q 2012
Return on sales	12.0%	10.8%
EBIT margin	(0.4)%	1.2%
EBITDA margin	5.0%	4.6%
Net profit margin	0.0%	1.2%
ROA	0.0%	0.4%
ROCE	(0.1)%	0.5%
ROE	0.0%	0.6%
Return on non-current assets	0.0%	0.6%

Source: Grupa Azoty

#### Ratio formulas:

*Return on sales = gross profit (loss) on sales / revenue (statement of comprehensive income in multiple-step format)*

*EBIT margin = EBIT / revenue*

*EBITDA margin = EBITDA / revenue*

*Net profit margin = net profit (loss) / revenue*

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

*Return on capital employed = EBIT / total assets less current liabilities*

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

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

## Liquidity

At the end of Q3 2013, the Azoty Group's current ratio stayed flat year on year, while the other ratios rose on the back of the rising current assets and the concurrent smaller increase in current liabilities.

### Liquidity ratios

Ratio	3Q 2013	3Q 2012
Liquidity ratio I	1.6	1.6
Liquidity ratio II	1.1	1.0
Liquidity ratio III	0.4	0.3

Source: Grupa Azoty

#### Ratio formulas:

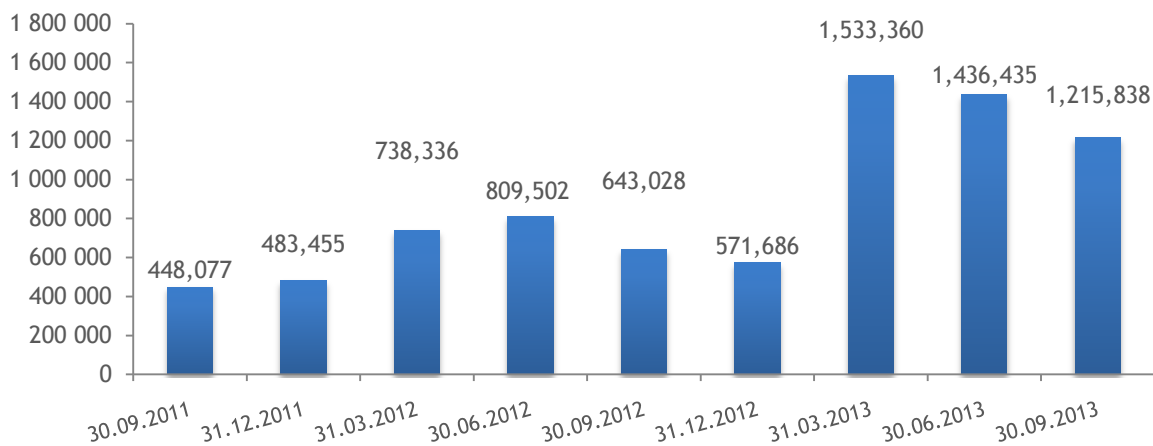
*Liquidity ratio I = current assets / current liabilities*

*Liquidity ratio II = (current assets - inventory - current accruals) / current liabilities*

*Liquidity ratio III = (cash and cash equivalents + other financial assets) / current liabilities*

As a result of the changes in current assets and current liabilities, as at September 30th 2013 working capital was PLN 1,215,838 thousand.

### Working capital



Source: Grupa Azoty

### Management efficiency

The inventory turnover ratios rose mainly due to the higher inventory volumes. The average collection period extended to 51 days. The average payment period also extended, mainly as a result of an increase in liabilities in relation to the cost of sales (mainly prices of production feedstocks); this contributed to the cash conversion cycle setting at 46 days, which is favourable for the Azoty Group and is also reflected in the liquidity ratios.

### Efficiency ratios

Ratio	3Q 2013	3Q 2012
Inventory turnover	49	38
Average collection period	51	43
Average payment period	54	49
Cash conversion cycle	46	32

Source: Grupa Azoty

#### Ratio formulas:

*Inventory turnover = inventory \* 90 / cost of sales*

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

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

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

### Debt

In the analysed period, equity was the predominant source of financing of the Azoty Group's assets and operations. The financial gearing was stable, financially efficient and safe in terms of the financing risk. The interest coverage ratio was negative throughout the period, which was an effect of the pre-tax loss.

### Debt ratios

Ratio	3Q 2013	3Q 2012
Total debt ratio	32.8%	35.3%
Long-term debt ratio	12.6%	13.5%
Short-term debt ratio	20.2%	21.8%
Equity-to-debt ratio	204.6%	183.2%
Interest coverage ratio	(21.6)%	478.6%

Source: Grupa Azoty

#### 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 coverage ratio = [profit before tax + interest expense] / interest expense*

### 1.3. Significant agreements

In Q3 2013, the Parent reported information on significant agreements in Current Report No. 121/2013 of September 26th 2013. The total value of commercial transactions concluded by and between the Azoty Group and the PGNiG Group in the period from March 13th 2013 to September 26th 2013 was PLN 875,300, VAT exclusive (this figure does not include the commercial transactions concluded by the Parent's subsidiaries, Grupa Azoty POLICE and Grupa Azoty PUŁAWY, under their own significant agreements, which were reported by the Parent in Current Report No. 79/2012 of December 24th 2012 and Current Report No. 44/2013 of March 13th 2013).

During the reporting period, the Azoty Group also executed the following significant financial agreements and annexes thereto:

#### **Annex to Grupa Azoty PUŁAWY's overdraft facility agreement with BZ WBK**

On July 2nd 2013, Grupa Azoty PUŁAWY and BZ WBK executed an annex to the PLN 50 million Overdraft Facility Agreement of December 29th 2009. Under the annex, the term of the facility was extended to May 31st 2014, and commissions were waived.

#### **Annex to overdraft facility agreement with PKO Bank Polski S.A.**

On August 19th 2013, the Parent, acting also on behalf of the other Azoty Group companies, executed an annex to the Group's overdraft facility agreement, extending the agreement's term by two years, i.e. until September 30th 2016, and increasing the facility limit from PLN 250,000 thousand to PLN 302,000 thousand. The annex also optimised financing terms, including by reducing the bank's margin over 1M WIBOR.

At the same time, on August 19th 2013, the Parent, acting also on behalf of the other Azoty Group companies, executed an annex to the agreement with PKO Bank Polski S.A. for provision of virtual cash-pooling services, whereby the services were extended to include Grupa Azoty PUŁAWY and some of its subsidiaries.

#### **Annexes to multi-purpose credit facility agreements with PKO Bank Polski S.A.**

The following Azoty Group companies executed with PKO Bank Polski S.A. annexes to multi-purpose credit facility agreements, with a view to optimising and standardising financing terms of such agreements and extending their terms until September 30th 2016, including:

- the Parent - an annex of August 19th 2013 to the PLN 25,000 thousand credit facility agreement expiring on August 31st 2014;
- Grupa Azoty PUŁAWY - an annex of September 4th 2013, lowering the credit facility amount from PLN 80,000 thousand to PLN 30,000 thousand (in connection with a PLN 50,000 thousand sub-limit granted at the same time under the Azoty Group's current account overdraft facility), to the credit facility agreement expiring on September 5th 2013;
- Grupa Azoty ZAK - an annex of September 9th 2013 to the PLN 100,000 thousand credit facility agreement expiring on March 31st 2014;
- Grupa Azoty POLICE - an annex of October 30th 2013 to the PLN 82,000 thousand credit facility agreement expiring on September 30th 2014.

#### **Annex to the Factoring Agreement between the Parent and BGŻ S.A.**

On July 12th 2013, August 8th 2013 and September 12th 2013, the Parent and BGŻ S.A. executed annexes to the Factoring Agreement, extending the term of the agreement for subsequent periods, and ultimately until September 12th 2015. The last annex also optimised the agreement's financing terms, including by lowering the margin over 1M WIBOR and standardising the financial covenants (incl. ratios monitored at the level of the consolidated financial statements) to bring them in line with those applied in the other financing agreements.

#### **Annexes to the Investment Loan Agreement between the Parent and BGŻ S.A.**

On September 12th 2013, the Parent and BGŻ S.A. executed an annex to the Investment Loan Agreement of March 30th 2012 used to finance the Modernisation of the Sulphuric Acid Facility. The purpose of the annex was to standardise the financial covenants of the Agreement (incl. ratios monitored at the level of the consolidated financial statements) to bring them in line with those applied in the other financing agreements. Additionally, on September 30th 2013, the Parent executed another annex to the Agreement to extend by three months, i.e. until December 31st 2013, the deadline for disbursement of the loan tranches to the Parent.

#### **Annex to the Receivables Discounting Agreement with BRE Bank S.A.**

On September 17th 2013, the Parent and BRE Bank S.A. executed an annex to the Receivables Discounting Agreement of July 30th 2010, which, among other things, extended the term of the agreement until September 5th 2014 and optimised some of its other terms.

#### **Annex to the Joint Financing Agreement between the Parent, PKO Bank Polski S.A. and PZU na Życie S.A.**

On September 23rd 2013, the Parent entered into the fourth agreement amending the Credit Facility Agreement for the total amount of PLN 711,000 thousand. The purpose of the amending agreement was to extend, from September 30th 2013 to October 31st 2013, the final drawdown deadlines for tranches C and C1, totalling PLN 239,752 thousand, extended to partially finance the acquisition of a 85% interest in Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. of Grzybów by the Parent from the State Treasury, and amend the tranches' repayment schedule (from 18 equal quarterly payments starting on September 30th 2013 to 17 equal quarterly payments starting on December 31st 2013).

Other material terms of the Joint Financing Agreement remained unchanged.

### Credit Limit Agreement between Grupa Azoty POLICE and Raiffeisen Bank Polska S.A.

On October 4th 2013, Grupa Azoty POLICE and Raiffeisen Bank Polska S.A. executed a PLN 120,000 thousand Credit Limit Agreement whereby the following sub-limits were made available to the borrower: a current account overdraft limit of up to PLN 80,000 thousand, as well as factoring, LoC and guarantee limits, each up to PLN 60,000 thousand, with a proviso that the aggregate amount used under the limits may not exceed the main credit limit.

The agreement was concluded for a period until June 15th 2013 and interest accrues at 1M WIBOR plus bank's margin. The agreement was concluded to provide Grupa Azoty POLICE with financing limits replacing the expired financing facilities contracted from BOŚ S.A. and to further optimise the borrowing costs of the Azoty Group.

### Significant financing agreements executed or annexed in Q3 2013

	Agreement date	Annex date	Currency	Amount	Maturity
Annex to Current-Account Overdraft Facility Agreement between Grupa Azoty PUŁAWY and BZ WBK S.A.	December 29th 2009	July 2nd 2013	PLN	50,000	May 31st 2014
Annex to Current-Account Overdraft Facility Agreement between the Azoty Group companies and PKO BP S.A.	October 1st 2010	August 19th 2013	PLN	302,000	September 30th 2016
Annex to Multi-Purpose Credit Facility Agreement between the Parent and PKO BP S.A.	July 5th 2006	August 19th 2013	PLN	25,000	September 30th 2016
Annex to Multi-Purpose Credit Facility Agreement between Grupa Azoty PUŁAWY and PKO BP S.A.	September 8th 2009	September 4th 2013	PLN	30,000	September 30th 2016
Annex to Multi-Purpose Credit Facility Agreement between Grupa Azoty ZAK and PKO BP S.A.	March 30th 2011	September 9th 2013	PLN	100,000	September 30th 2016
Annex to Multi-Purpose Credit Facility Agreement between Grupa Azoty POLICE and PKO BP S.A.	January 30th 2007	30.10.2013 July 12th 2013, August 8th 2013,	PLN	82,000	September 30th 2016
Annex to Factoring Agreement between the Parent and BGŻ S.A.	Mat 27th 2011	September 12th 2013	PLN	25,000	September 12th 2015
Annexes to Investment Loan Agreement between the Parent and BGŻ S.A.	March 30th 2012	September 12th 2013 September 30th 2013	PLN	45,000	from March 31st 2014 to December 31st 2018
Annex to Receivables Discounting Agreement between the Parent and BRE Bank S.A.	July 30th 2010	September 17th 2013	EUR	17,000	September 5th 2014
Fourth agreement amending Joint Financing Agreement between the Parent, PKO BP S.A. and PZU na Życie S.A.	August 14th 2012	September 23rd 2013	PLN	710,992	from March 31st 2013 to December 31st 2017

	Agreement date	Annex date	Currency	Amount	Maturity
Credit Limit Agreement between Grupa Azoty POLICE and Raiffeisen Bank Polska S.A.	October 4th 2013	-	PLN	120,000	from October 4th 2013 to June 15th 2015

#### 1.4. Use of issue proceeds and achievement of issue objectives

The Parent had spent the proceeds from Public Offerings by the end of H1 2013 (see Azoty Group's consolidated financial report for H1 2013, Directors' Report for H1 2013, section 1.4). The proceeds were used in line with the original issue objectives.

#### 1.5. Nature and amount of non-typical items affecting assets, liabilities, equity, net financial result or cash flows

Except the acquisitions described in the condensed consolidated financial statements for the three and nine months ended September 30th 2013 (notes 1.2 and 2), in Q3 2013 there were no items which would non-typical in terms of their type, size or effect, having an impact on the Azoty Group's assets, liabilities, equity, earnings or cash flows.

#### 1.6. Issue, buyback and repayment of debt and equity securities

For information on the offering of Series D share carried out by the Parent at the end of 2012 see the annual report for 2012 (p. 17 of the Directors' Report on the operations of the Azoty Group); and the interim condensed consolidated financial statements for the six months ended June 30th 2013 (note 1.2. Acquisition of controlling interest in Grupa Azoty PUŁAWY, p. 19).

## 2. Other information

### 2.1. Organisational structure of the Azoty Group

The organisational structure of the Azoty Group, with the relevant chart, is presented in these financial statements in section 1.1

Grupa Azoty's direct shareholdings as at September 30th 2013

Company	Registered office / address	Share capital	Ownership interest (%)
Grupa Azoty ATT Polymers GmbH	Forster Straße 72 D 03172 Guben, Germany	EUR 9,000,000	100.00
Grupa Azoty Koltar Sp. z o.o.	ul. Kwiatkowskiego 8 33-101 Tarnów, Poland	PLN 32,760,000	100.00
Grupa Azoty ZAK S.A.	ul. Mostowa 30 A skr. poczt. 163 47-220 Kędzierzyn-Koźle, Poland	PLN 285,064,300	93.48
Grupa Azoty PUŁAWY	Al. Tysiąclecia Państwa Polskiego 13 24-110 Puławy, Poland	PLN 191,150,000	95.98
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
Navitrans Sp. z o.o.	ul. Świętojańska 18/5 81-368 Gdynia, Poland	PLN 75,625	26.45

As at September 30th 2013 the Parent also held minority interests in 12 entities. The Parent's minority shareholdings are presented below.

**Grupa Azoty's minority shareholdings as at September 30th 2013**

<b>Company</b>	<b>Ownership interest (%)</b>
Centrum Naukowo - Produkcyjne Materiałów Elektronicznych CEMAT'70 S.A.	1.24
* Francusko-Polskie Przedsiębiorstwo Instalacji Przemysłowych POLSNIG Sp. z o.o.	2.67
INWESTSTAR S.A.	0.06
Konsorcjum Rozwoju Eksploatacji Majątku Trwałego EKSPLOSYSTEM Sp. z o.o.	3.36
LEN S.A. w Likwidacji	0.29
Tarnowska Agencja Rozwoju Regionalnego S.A.	0.06
Tarnowski Klaster Przemysłowy S.A.	0.11
**Tarnowskie Wodociągi Sp. z o.o.	12.55
Tłocznia Metali PRESSTA S.A. w Upadłości Likwidacyjnej	0.02
Wytwórnia Silników PZL MIELEC Sp. z o.o. w Upadłości	0.12
Zakłady Tworzyw Sztucznych PRONIT S.A. w Upadłości	0.28
Zakłady Włókien Chemicznych WISTOM S.A. w Upadłości	<u>9.83</u>

\* On October 1st 2013 the Parent executed an agreement to sell 300 shares in Francusko-Polskie Przedsiębiorstwo Instalacji Przemysłowych „Polsnig” Sp. z o.o., representing 2.67% of the company's share capital. As of the same date the ownership title was transferred to the Buyer, who paid the purchase price in full. Currently, the Parent does not hold any shares in Francusko-Polskie Przedsiębiorstwo Instalacji Przemysłowych „Polsnig” Sp. z o.o. Under the agreement, its terms, and in particular the transaction price and the method of payment, are confidential, unless their disclosure is required by law.

\*\* On September 25th 2013 the extraordinary general meeting of Tarnowskie Wodociągi Sp. z o.o. resolved to cancel its resolution of March 25th 2013 concerning increase of the company's share capital, and adopted a new resolution to change the company's articles of association and to increase its share capital. On October 21st 2013 the District Court in Kraków entered the resolutions in the National Court Register. In connection with the share capital increase, the Parent's ownership interest in Tarnowskie Wodociągi Sp. z o.o. will decrease from 12.39% to 2.55%.

## 2.2. Changes in the Group's organisation

For information on the effects of changes in the Group's organisation during the reporting period, including the effects of business combinations, acquisitions or disposals of Azoty Group companies, or long-term investments, demergers, restructuring or discontinuation of operations, see section 1.2 of the interim condensed consolidated financial statements for the three and nine months ended September 30th 2013.

## 2.3. Position of the Parent's Management Board concerning achievement of forecasts

As no financial forecasts or profit guidance for 2013 have been published, we cannot present the position of the Parent's Management Board concerning achievement of such forecasts.

**2.4. Shareholders holding directly, or indirectly through subsidiaries, at least 5% of the total vote at the Parent's General Meeting as at the date of this report, including information on the number of shares held by such entities, their respective ownership interests, the number of votes held, and their share in the total number of votes at the General Meeting. Changes in the large holdings of the Parent shares since the release of the Group's most recent financial report**

Shareholding structure as at August 30th 2013 (date of release of the most recent financial report)

Shareholder	Number of shares	Ownership interest (%)	Number of votes	% of total vote
State Treasury of Poland	32,734,509	33.00	32,734,509	33.00
Norica Holding S.à.r.l.	15,216,094	15.34	15,216,094	15.34
ING OFE	9,883,323	9.96	9,883,323	9.96
TFI PZU S.A.	8,689,591	8.76	8,689,591	8.76
Aviva OFE Aviva BZ WBK	7,800,000	7.86	7,800,000	7.86
EBRD	5,700,000	5.75	5,700,000	5.75
Other	19,171,967	19.33	19,171,967	19.33
	<b>99,195,484</b>	<b>100.0</b>	<b>99,195,484</b>	<b>100.0</b>

From August 30th 2013 to the date of this report, the Parent has not been notified of any changes in large holdings of its shares.

**2.5. Grupa Azoty shares held by management and supervisory personnel as at the date of release of this report, with information on changes in such holdings during the period from publication of the most recent financial report, presented separately for each individual**

As at the date of release of this report, members of the Parent's Management Board do not hold any shares in the Parent.

**Grupa Azoty shares held by supervisory personnel**

	Number of shares / votes		
	As at Jan 1 2013	As at Aug 30 2013	As at Nov 12th 2013
Tomasz Klikowicz	190	190	190

The other members of the Parent's supervisory personnel do not hold any shares in the Parent.

## 2.6. Litigation

At present, no proceedings are pending which would involve the Azoty Group companies and where the value of claims would, individually or in aggregate, represent 10% of the Parent's equity, i.e. which would satisfy the criterion of significance defined in § 87, point 7, item 7 of the Ordinance of the Minister of Finance on current and periodic information of February 19th 2009.

As discussed in the consolidated financial statements for 2012, proceedings are pending against the Parent concerning reverse transfer of ownership of shares in Grupa Azoty ATT Polymers GmbH.

With respect to formal charges, the Parent contested the understated value of the claim. The arbitration court shared this position, increased the value of the claim to EUR 10,200 thousand, and called the parties to pay additional arbitration fees. The Parent's fee was USD 140 thousand, and was paid in full.

## 2.7. Related parties

For information on related-party transactions see section 4.4 of the interim condensed consolidated financial statements for the three and nine months ended September 30th 2013.

## 2.8. Credit or loan guarantees, sureties issued

In Q3 2013 the Azoty Group did not provide any sureties or guarantees whose total value would exceed 10% of the Parent's equity.

## 2.9. Other information essential to assessment of the HR, property, and financial position of, as well as financial performance and changes at the Parent and its Group, including information essential to assessment of the Parent's and the Group's ability to fulfil their obligations

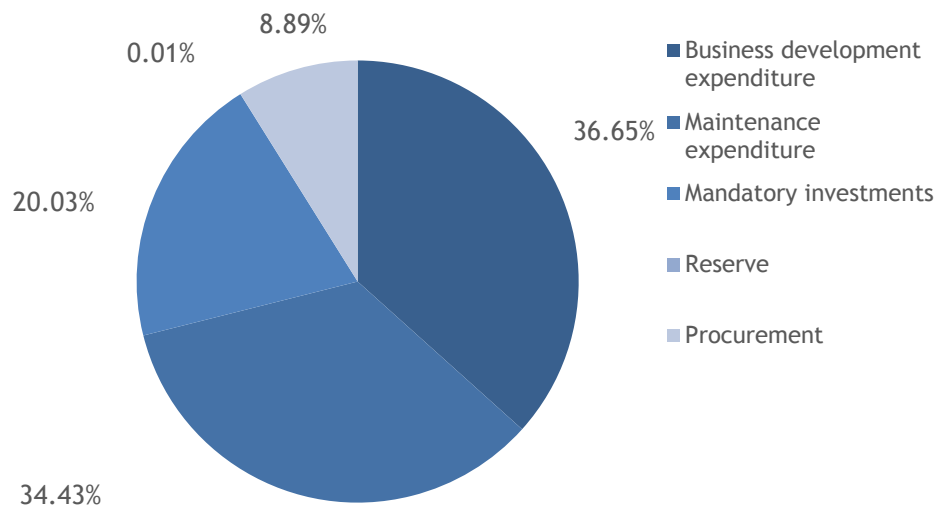
### 2.9.1. Implementation of key investments

Total capital expenditure incurred by the Azoty Group in Q3 2013 amounted to PLN 169,797 thousand.

The structure of capital expenditure by the Azoty Group was as follows:

• Business development expenditure	PLN 62,225 thousand
• Maintenance expenditure	PLN 58,455 thousand
• Mandatory investments	PLN 34,005 thousand
• Reserve	PLN 16 thousand
• Procurement	PLN 15,096 thousand

### Structure of capital expenditure at the Azoty Group in Q3 2013



Source: Grupa Azoty

Capital expenditure at the Azoty Group in Q3 2013 was as follows:

• The Parent	PLN 32,411 thousand
• Grupa Azoty PUŁAWY Group	PLN 75,371 thousand
• Grupa Azoty POLICE Group	PLN 44,027 thousand
• Grupa Azoty ZAK Group	PLN 13,485 thousand
• Grupa Azoty PKCh Group	PLN 2,699 thousand
• Grupa Azoty ATT Polymers GmbH	PLN 412 thousand
• Grupa Azoty KOLTAR Sp. z o.o.	PLN 1,392 thousand

#### The Parent

The Parent's largest project is modernisation of the sulphuric acid facility. The project aims to ensure the operational continuity of one of the core facilities of the caprolactam plant, to improve environmental performance and to increase the steam production ratio.

Its budget is PLN 64,600,000. The capital expenditure incurred to date amounts to PLN 60,336 thousand, including PLN 6,546 thousand in Q3 2013.

Other key projects implemented by the Parent:

- Modernisation of interiors of ammonia synthesis reactors - project's budget: PLN 18,600 thousand; expenditure incurred to date: PLN 7,497 thousand (including PLN 6,685 thousand in Q3 2013).
- Purchase and assembly of a new hydrogen compressor for the phenol hydrogenation installation in the palladium catalyst - project's budget: PLN 16,200 thousand; expenditure incurred to date: PLN 773 thousand (including PLN 614 thousand in Q3 2013).
- IT consolidation at the Azoty Group - project's budget: PLN 9,800 thousand; expenditure incurred to date: PLN 8,807 thousand (including PLN 132 thousand in Q3 2013).

#### Grupa Azoty PUŁAWY Group

Business development and maintenance projects accounted for the largest share of capital expenditure at the Grupa Azoty PUŁAWY Group in Q3 2013:

- Manufacture of liquid fertilisers based on urea and ammonium sulphate - project's budget: PLN 69,500 thousand; expenditure incurred to date: PLN 63,629 thousand (including PLN 14,656.5 thousand in Q3 2013),
- Manufacture of urea-based solid fertilisers - project's budget: PLN 137,500 thousand; expenditure incurred to date: PLN 48,494.4 thousand (including PLN 3,039.9 thousand in Q3 2013),
- Construction of ammonia storage facility - project's budget: PLN 108,500 thousand; expenditure incurred to date: PLN 65,775.7 thousand (including PLN 12,553.0 thousand in Q3 2013),

- Design and construction of a facility to process animal fats and plant oils into distilled fatty acids and stearin, with annual processing capacity of 16,000 tonnes - project's budget: PLN 63,429 thousand; expenditure incurred in Q3 2013: PLN 3,790.7 thousand,
- Purchase of 380 25-cubic-metre and 50-cubic-metre containers for the RSM<sup>®</sup> distribution network, including field commissioning - aggregate addition of 600 new RSM<sup>®</sup> containers to the RSM<sup>®</sup> network - project's budget: PLN 21,620 thousand; expenditure incurred to date: PLN 11,350.2 thousand (including PLN 4,225.5 thousand in Q3 2013).

#### **Grupa Azoty POLICE Group**

The key projects in Q3 2013 included:

- Modernisation of ammonia synthesis reactors - project's budget: PLN 24,400 thousand; expenditure incurred to date: PLN 7,980 thousand (including PLN 7,829 thousand in Q3 2013),
- Extension of the post-calcination gas desulphurisation installation through addition of two new reactors - project's budget: PLN 8,860 thousand; expenditure incurred to date: PLN 1,664 thousand (including PLN 873 thousand in Q3 2013),
- Purchase and assembly of the second 63-7 roller mill facility - project's budget: PLN 5,390 thousand; expenditure incurred to date: PLN 2,747 thousand (including PLN 2,333 thousand in Q3 2013),
- Flue gas purification unit and modernisation of the EC II cogeneration plant - project's budget: PLN 163,700 thousand; expenditure incurred to date: PLN 32,551 thousand (including PLN 21,608 thousand in Q3 2013),
- Manufacture of POLIFOSKA 21 and ammonium sulphate at the DAP facility - project's budget: PLN 11,000 thousand; expenditure incurred to date: PLN 7,789 thousand (including PLN 2,505 thousand in Q3 2013),
- Modernisation of the ammonia unit - project's budget: PLN 155,600 thousand; the project commenced in September 2013 and no capital expenditure had been incurred by September 30th 2013.
- Construction of an industrial wastewater neutralisation unit at the titanium white plant - project's budget: PLN 20,000 thousand; expenditure incurred to date: PLN 52 thousand (the total amount was incurred in Q3 2013),
- Construction of a decomposition sludge neutralisation unit - project's budget: PLN 7,400 thousand; no expenditure had been incurred on the project by September 30th 2013.

#### **Grupa Azoty ZAK Group**

The key projects in Q3 2013 included:

- Terephthalate - adaptation of ester installations to production of di(2-ethylhexyl) terephthalate - project's budget: PLN 5,050 thousand; expenditure incurred to date: PLN 4,509 thousand (including PLN 249 thousand in Q2 2013). The project is at process start-up phase. The plant is currently being inspected by the Provincial Environmental Protection Inspectorate. The project will be commissioned once a positive opinion of the Inspectorate is obtained.
- Upgrade of waste treatment facilities - project's budget: PLN 4,500 thousand; expenditure incurred to date: PLN 2,895 thousand (including PLN 312 thousand in Q3 2013),
- Expansion of the steam network through addition of a 4.0 Mpa steam manifold - project's budget: PLN 3,600 thousand; expenditure incurred to date: PLN 3,492 thousand (including PLN 356 thousand in Q3 2013).
- Replacement of the LaMont boiler at the TK IV nitric acid plant - project's budget: PLN 7,000 thousand; expenditure incurred to date: PLN 2,030 thousand (no expenditure incurred in Q3 2013).

## 2.9.2. Financial liquidity and borrowings

Both the Parent and its leading Group companies are creditworthy and able to pay their obligations. The Azoty Group is able to make timely repayment of its liabilities and to hold and generate free cash, which further strengthens its solid liquidity position.

In Q3 2013, the Azoty Group satisfied all of its borrowing-related liabilities in a timely manner, and there is no threat to the Group's ability to continue servicing its debt.

The Azoty Group has access to overdraft limits in combination with virtual cash pooling arrangements; these can be used at times of potential growth in short-term requirements for funding, as may arise at Group companies, with additional free multi-purpose credit lines available to the Group subsidiaries. The Group fulfils unified covenants under loan agreements, in accordance with which it has the capability to make significant increases in the scale of financial liabilities as required.

In the opinion of the key lenders, the Azoty Group has solid financial standing and there are no threats or risks of its deterioration in the future.

## 2.9.3. Composition and powers of the Management Board and the Supervisory Board

### Management Board of the Parent

As at June 30th 2013, the composition of the Management Board was as follows:

- Paweł Jarczewski - President of the Management Board,
- Andrzej Skolmowski - Vice-President of the Management Board,
- Krzysztof Jałosiński - Vice-President of the Management Board,
- Witold Szczypiński - Vice-President of the Management Board,
- Artur Kopeć - Member of the Management Board.

On July 4th 2013 the Parent's Supervisory Board appointed Marek Kapłucha and Marian Rybak to the Parent's Management Board.

This decision constituted an element in implementation of the consolidation agreement between the Parent and Grupa Azoty PUŁAWY, as executed in November 2012.

On June 27th 2013 the Parent's Management Board adopted the Rules of Procedure for the Grupa Azoty Management Board (approved by the Supervisory Board on August 14th 2013), and on August 20th 2013 the Management Board adopted a resolution on the division of powers and responsibilities between the Management Board members.

As at September 30th 2013, the composition and powers of the Parent's Management Board members were as follows:

- Paweł Jarczewski - President of the Management Board,
- Andrzej Skolmowski - Vice-President of the Management Board, responsible for finance and IT at the Azoty Group,
- Witold Szczypiński - Vice-President of the Management Board, responsible for integration of production processes, plastics and organic synthesis at the Azoty Group,
- Marek Kapłucha - Vice-President of the Management Board, responsible for supply chain management at the Azoty Group,
- Marian Rybak - Vice-President of the Management Board, responsible for investments at the Azoty Group,
- Krzysztof Jałosiński - Vice-President of the Management Board, responsible for strategy and development at the Azoty Group,
- Artur Kopeć - Member of the Management Board, responsible for social dialogue, technical safety and environmental protection at the Azoty Group.

The Parent's Management Board operates pursuant to:

- the Polish Commercial Companies Code (Dz. U. No. 94, item 1037, as amended),
- the Act on Commercialisation and Privatisation of August 30th 1996, as amended,
- the Act of July 29th 2005 on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies,
- the Act of July 29th 2005 on Trade in Financial Instruments,
- and secondary legislation to the above acts,

- provisions of the Parent's Articles of Association,

The powers and responsibilities of the Parent's Management Board are governed by Article 21 of the Parent's Articles of Association.

### **Powers and responsibilities of the managing personnel**

For detailed information on the division of powers among members of the Management Board, as per Resolution No. 467/IX/2013 of the Parent's Management Board of August 20th 2013, see p. 101 of the Azoty Group's consolidated financial report for H1 2013.

### **Supervisory Board**

In Q3 2013 there were no changes in the composition of the Supervisory Board.

As at September 30th 2013, the composition of the Parent's Supervisory Board was as follows:

- Monika Kacprzyk-Wojdyga - Chairperson of the Supervisory Board,
- Jacek Obłękowski - Deputy Chairman,
- Ewa Lis - Secretary,
- Robert Kapka - Member,
- Tomasz Klikowicz - Member,
- Artur Kucharski - Member,
- Marek Mroczkowski - Member,
- Zbigniew Paprocki - Member,
- Ryszard Trepczyński - Member.

The Parent's Supervisory Board operates pursuant to:

- the Polish Commercial Companies Code (Dz. U. No. 94, item 1037, as amended),
- the Act on Commercialisation and Privatisation (...),
- the Accounting Act,
- the Parent's Articles of Association (Article 33),
- the By-laws of the Parent's Supervisory Board.

The powers and responsibilities of the Parent's Supervisory are governed by Article 33 of the Parent's Articles of Association.

On July 4th 2013 the Supervisory Board adopted Resolution No. 21/IX/2013 on appointment of the Audit Committee, whose composition was the same as of the Audit Committee of the Supervisory Board in the previous term, namely:

- Jacek Obłękowski - Chairman,
- Tomasz Klikowicz,
- Marek Mroczkowski.

The rules of operation of the Audit Committee are provided for in the Audit Committee By-laws drawn up with based on Annex I, sec. 4 (Audit Committee) to the European Council Recommendation of February 15th 2005 on the role of non-executive or supervisory directors of listed companies and on the committees of the (supervisory) board (Official Journal of the European Union L 52/52) and art. 86, sec. 1 of the Act of May 7th 2009 on Qualified Auditors, Their Self-Government, Entities Qualified to Audit Financial Statements and Public Supervision. The rules have been adopted by the Board in Resolution no. 22/VIII/2011 of January 4th 2011. Under the rules the main tasks of the Committee are:

- monitoring the financial reporting process,
- monitoring the effectiveness of internal control systems,
- monitoring financial audit,
- monitoring the independence of the statutory auditor and of the entity qualified to audit financial statements,
- monitoring the audit of the annual and consolidated financial statements,
- monitoring the work of the internal audit team,
- monitoring the work and reports of the independent auditor.

## **2.10. Factors affecting the Group's performance over at least the next reporting period**

### **2.10.1. Income from placements of share issue proceeds**

No such income is expected, as the issue objectives have been completed and all proceeds had been used by the end of H1 2013.

### **2.10.2. Exchange rates**

The signs of economic recovery, manifest in the leading economies of the euro zone in Q3 (including Germany and France), have improved the perception of risk posed by the sovereign debt crisis in the EU's Mediterranean countries, which coupled with the increasing risk of political instability in the US, may result in limited strengthening or at least stabilisation of EUR against USD continuing into Q4 2013. However, if political compromise is reached in the US, the trend may change and USD may temporarily strengthen against EUR and PLN.

At the same time, the stable GDP growth in Poland, accompanied by low inflation and limited risk of the sovereign debt threshold being exceeded, offers a positive outlook for the PLN exchange rates against USD and EUR, i.e. higher probability of the currency's limited strengthening.

It may thus be expected that in Q4 2013, the EUR/PLN exchange rate returns to its medium-term level (4.10-4.20). However, the increased volatility of the USD/PLN exchange rate may continue a direct result of the highly variable EUR/USD exchange rate.

The current and anticipated USD/PLN and EUR/PLN exchange rate fluctuations are unlikely to pose a risk to the Group's performance in Q4 2013 as regards net currency exposure, since the current trend towards limited PLN strengthening follows earlier depreciation of the Polish currency in Q2 2013, and was taken into account in the Group's plans.

### **2.10.3. Interest rates on the Polish market**

In Q3 2013, in view of economic recovery symptoms, the Monetary Policy Council called an end to the series of interest rate cuts in Poland. Following the last rate reduction in July 2013, the interest rates are now at a historical low. The most probable scenario is that over the next six months interest rates in Poland (including WIBOR) will continue low, which will help reduce debt service costs in the current year, also potentially enabling the Group to serve larger debt if increased debt financing is needed for investment projects.

The signals of individual leading EU member states moving out of recession, the continued economic downturn among the Mediterranean EU countries, and low inflation in the euro zone suggest that the European Central Bank will not change its monetary policy in Q4 2013, and will maintain EUR interest rates at the current very low levels.

In addition, despite initially announcing tapering of its stimulus measures, the Fed has not yet signalled any intent to increase the currently low interest rates for the US dollar.

In summary, it is relatively unlikely that Q4 2013 will see any adverse changes in the presently low interest rates for the Azoty Group's principal currencies (PLN, EUR and USD), so the risk of the Group's funding costs adversely affecting its financial position or performance is limited.

Any increase in EURIBOR, LIBOR, and WIBOR rates would have to be preceded by growth trends in the euro zone, as well as in Poland and in the US. Such an increase could occur only after at least six or nine months of improvements in the economic climate.

In terms of market rates, a relatively low spread between credit rates and deposits available to the Azoty Group is expected to continue.

Interest income earned by the Group on free cash under cash pooling and fixed-term deposits will partially offset the cost of funding under overdraft facilities and investment loans.

### **2.10.4. Commodity and product prices over the next reporting period**

#### **Nitrogen fertilisers**

In Q4 2013, an increase in demand for nitrogen fertilisers is expected, however not as high as during a typical spring season. The demand will be shaped by a decline of fertiliser prices expected in autumn, as well as by actual prices of crops and the dates and amounts of direct subsidy payments.

### **NPK fertilisers**

The market situation suggests that in Q4 2013 the downtrend will continue with respect to prices of compound fertilisers and basic feedstocks used in their manufacturing (phosphorites, sulphur, and potassium salt). However, a number of factors may change this trend, including:

- wholesalers and farmers stocking up on fertilisers for the spring season,
- unstable political and economic situation in the regions where phosphorite reserves are located (Syria, Egypt, and Tunisia),
- potassium salt prices - price falls to USD 300/tonne (CFR) and less are expected on the Chinese, Indian, and Brazilian markets by the end of 2013. Most importantly, lower prices of potassium salt will in decisions being made to further limit quarrying of KCl-rich rocks.

### **Ammonia**

According to forecasts, in Q4 2013, ammonia prices will be 5%-10% lower than the average prices seen in Q3 2013.

### **Caprolactam**

There is a significant oversupply of caprolactam in nearly every part of the globe (particularly in Europe and North America). Additional production capacities that are being commissioned in China will have a negative impact on the global market. The short- as well as long-term effects of this situation will include decline of caprolactam prices. In 2014, the prices may fall by as much as 10% relative to 2013.

### **Petroleum materials**

The markets closely follow the tense situation in Syria, as it may impact the crude oil market and the entire crude-related production chain. Due to weaker demand for key phenol-based products, the largest European manufacturers have to temporarily reduce phenol production. Also, the situation on the phenol market may be affected by prevailing high benzene prices (above EUR 950/tonne) and unfavourable forecast prices of benzene for Q4 2013 and 2014.

### **OXO products**

Over the next reporting periods, the market for OXO products will be shaped by crude oil prices, and hence by the prices of petroleum feedstocks used in the manufacturing of OXO alcohols and plasticisers. It is expected that in Q4 2013, crude prices will remain stable, and thus propylene prices will be similar to the prices seen in October. However, a slight downward correction is possible when European cracking units are brought back onstream following maintenance shutdowns.

Demand will be another factor shaping the prices. Following the autumn spike in October, the demand for OXO alcohols and plasticisers should temporarily weaken in the coming months, and thus a downward correction of prices is expected.

### **Melamine**

Demand for melamine is usually higher in Q4 than in Q3, however, the demand in Q4 2013 is expected to be rather lower year on year. The underlying cause is the significant slowdown of the construction output in Southern Europe, compared with the better outlook in Western and Northern parts of the continent.

Negotiations began for contract prices in Q4 2013. There is a significant gap between the producers' and customers' expectations, as customers believe that the prices should be lower, given the large supply and relatively stable demand, while manufacturers will strive to increase or at least keep the prices at the current level.

It is expected that in 2014 the demand for melamine in Turkey will rise, since a new MDF<sup>1</sup> manufacturer is set to enter the market in the region, becoming a new sources of demand for at least 50-60 thousand tonnes a year.

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<sup>1</sup>MDF - medium-density fibreboard, one of the primary materials used in the furniture industry.

### **Pigments**

The stable prices of titanium white in Q3 2013 are likely to continue in Q4 2013, as the market situation would not support any increase. Any price fluctuations may be caused by low stocks of titanium white at the manufacturers and customers.

Prices of feedstocks, primarily ilmenite, used in titanium white manufacturing should stabilise in Q4 2013.

### **Other feedstocks**

Relatively high contract prices of methanol are partly due to speculation, as there are no grounds for such high prices across a number of industry sectors using methanol, primarily in Central and Eastern Europe. High prices were also caused by incidents at methanol units in Russia and the resulting intermittent deliveries of contracted volumes, as well as maintenance stoppages (periodically limited supply). According to forecasts, the market situation may lead to an increase in prices in the next reporting periods.

Consolidated interim report of the Azoty Group for Q3 2013 contains 80 pages.

#### Signatures of Management Board members

.....  
Paweł Jarczewski  
*President of the Management Board*

.....  
Andrzej Skolmowski  
*Vice-President of the Management Board*

.....  
Witold Szczypiński  
*Vice-President of the Management Board*

.....  
Marek Kaptucha  
*Vice-President of the Management Board*

.....  
Marian Rybak  
*Vice-President of the Management Board*

.....  
Krzysztof Jałosiński  
*Vice-President of the Management Board*

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

#### Person responsible for maintaining the accounts

.....  
Ewa Gładysz  
*Corporate Finance Department Director*

Tarnów, November 12th 2013