Consolidated interim report for H1 2014

Grupa Azoty Group

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Financial highlights

Consolidated financial information

	PLN '000		EUR '000	
	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013
Revenue	5,073,146	5,247,046	1,214,136	1,245,146
Operating profit	285,427	788,152	68,310	187,032
Profit before tax	284,188	829,591	68,014	196,865
Net profit	234,686	770,518	56,166	182,847
Total comprehensive income	226,037	737,507	54,097	175,014
Number of shares	99,195,484	99,195,484	99,195,484	99,195,484
Earnings per ordinary share (PLN)	2.11	7.56	0.50	1.79
Net cash provided by operating activities	416,115	755,106	99,587	179,190
Net cash provided by/(used in) investing activities	(170,570)	(5,564)	(40,822)	(1,320)
Net cash used in financing activities	(351,649)	(273,320)	(84,159)	(64,860)
Net increase/(decrease) in cash and cash equivalents	(106,104)	476,222	(25,393)	113,009
Cash at the beginning of the period	713,024	243,440	170,645	57,769
Cash at the end of the period	606,853	721,962	145,236	171,325
	as at Jun 30 2014	as at Dec 31 2013	as at Jun 30 2014	as at Dec 31 2013
Non-current assets	6,596,727	6,635,580	1,585,409	1,600,014
Current assets	3,070,391	3,325,950	737,915	801,975
Non-current liabilities	1,362,167	1,412,617	327,373	340,619
Current liabilities	1,842,043	2,278,262	442,703	549,349
Equity	6,462,908	6,270,651	1,553,248	1,512,020
Share capital	495,977	495,977	119,199	119,593
Non-controlling interests	719,118	709,194	172,828	171,005

Separate financial information

	PLN '000		EUR '000	
	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013
Revenue	912,886	966,804	218,477	229,427
Operating profit	4,202	18,858	1,006	4,475
Profit before tax	256,803	136,590	61,460	32,413
Net profit	255,730	134,791	61,203	31,986
Total comprehensive income	254,538	97,435	60,918	23,122
Number of shares	99.195.484	99.195.484	99.195.484	99.195.484
Earnings per ordinary share (PLN)	2.58	1.40	0.62	0.33
Net cash provided by operating activities	(4,975)	51,119	(1,191)	12,131
Net cash provided by/(used in) investing activities	223,761	(277,261)	53,552	(65,795)
Net cash used in financing activities	(201,322)	164,298	(48,182)	38,989
Net increase/(decrease) in cash and cash equivalents	17,464	(61,844)	4,180	(14,676)
Cash at the beginning of the period	6,349	66,992	1,519	15,897
Cash at the end of the period	23,813	5,148	5,699	1,222
	as at Jun 30 2014	as at Dec 31 2013	as at Jun 30 2014	as at Dec 31 2013
Non-current assets	4,874,481	4,883,941	1,171,497	1,177,648
Current assets	499,578	491,865	120,065	118,602
Non-current liabilities	535,469	617,167	128,691	148,815
Current liabilities	620,010	774,758	149,009	186,815
Equity	4,218,580	3,983,881	1,013,862	960,619
Share capital	495,977	495,977	119,199	119,593

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

- individual items of assets and equity and liabilities in the statement of financial position have been translated using the exchange rate effective for the last day of the reporting period:
  the exchange rate as at December 31st 2013 was EUR 1 = PLN 4.1472 (table No. 251/A/NBP/2013),
  the exchange rate as at June 30th 2014 was EUR 1 = PLN 4.1609 (table No. 124/A/NBP/2014),
- items of the statement of profit or loss and other comprehensive income and statement of cash flows have been translated using the arithmetic averages of the EUR/PLN rates quoted by the National Bank of Poland as effective for the last day of each month in the reporting period:
  in Jan 1st–Jun 30th 2013, the average exchange rate was EUR 1 = PLN 4.2140,
  in Jan 1st–Jun 30th 2014, the average exchange rate was EUR 1 = PLN 4,1784.

The translation was made using the exchange rates specified above by dividing amounts expressed in thousands of the złoty by the exchange rate.

Interim condensed consolidated financial statements for the six months ended June 30th 2014 prepared in accordance with IAS 34 'Interim Financial Reporting', as endorsed by the European Union

STATEMENT OF THE MANAGEMENT BOARD

The Management Board of Grupa Azoty S.A. presents the interim condensed consolidated financial statements for the six months ended June 30th 2014, comprising:

- Condensed consolidated statement of profit or loss and other comprehensive income for the period January 1st – June 30th 2014,
- Condensed consolidated statement of financial position as at June 30th 2014,
- Condensed consolidated statement of changes in equity for the period January 1st–June 30th 2014,
- Condensed consolidated statement of cash flows for the period January 1st–June 30th 2014,
- Supplementary information to the interim condensed consolidated financial statements.

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

Signatures of the Members of the Management Board

……
Paweł Jarczewski
President of the Management Board

……
Andrzej Skolmowski
Vice-President of the Management Board

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

……
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 Kopeć
Member of the Management Board

Person entrusted with maintaining accounting records

……
Ewa Gładysz
Head of Corporate Finance Department
Finance Department

Tarnów, August 12th 2014

Condensed consolidated statement of profit or loss and other comprehensive income

	Note	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013
		unaudited	*unaudited*
Continuing operations			
Revenue	1	5,073,146	5,247,046
Cost of sales	2	(4,165,084)	(4,371,656)
Gross profit		**908,062**	**875,390**
Selling and distribution expenses	2	(274,960)	(206,501)
Administrative expenses	2	(353,371)	(329,312)
Other income, including:	3	25,341	489,649
gain from a bargain purchase		-	446,116
Other expenses	4	(19,645)	(41,074)
Operating profit		**285,427**	**788,152**
Finance income	5	26,568	64,565
Finance costs	6	(32,897)	(28,574)
Net finance income/(costs)		**(6,329)**	**35,991**
Share of profit of equity-accounted associates		5,090	5,448
Profit before tax		**284,188**	**829,591**
Tax expense	7	(49,137)	(58,819)
Net profit from continuing operations		**235,051**	**770,772**
Discontinued operations			
Net loss from discontinued operations		(365)	(254)
Net profit		**234,686**	**770,518**

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

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

	Note	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013
		unaudited	*unaudited*
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit obligation		(12,282)	275
Tax on items that will never be reclassified to profit or loss		2,213	(100)
		(10,069)	**175**
Items that will be reclassified to profit or loss			
Change in fair value of available-for-sale financial assets		7	(18,180)
Change in fair value of available-for-sale financial assets reclassified to profit or loss	5	(2,912)	(27,256)
Exchange differences on translating foreign operations		3,766	3,617
Tax on items that will be reclassified to profit or loss		559	8,633
		1,420	**(33,186)**
Total other comprehensive income		**(8,649)**	**(33,011)**
Total profit or loss and other comprehensive income		**226,037**	**737,507**
Net profit attributable to:			
Owners of the parent		208,833	727,833
Non-controlling interests		25,853	42,685
Total profit or loss and other comprehensive income attributable to:			
Owners of the parent		202,172	694,607
Non-controlling interests		23,865	42,900
Earnings per share:	8		
Basic (PLN)		2.11	7.56
Diluted (PLN)		2.11	7.56

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

Condensed consolidated statement of financial position

	Note	as at Jun 30 2014	as at Dec 31 2013
		unaudited	
Assets			
Non-current assets			
Property, plant and equipment	9	5,804,381	5,791,013
Investment property		53,865	53,374
Intangible assets	10	486,734	516,099
Goodwill		11,617	11,617
Investments in subordinated entities		120,856	128,944
Available-for-sale financial assets		13,254	23,989
Other financial assets		9,000	53
Non-current receivables		1,895	3,408
Deferred tax assets	7.4	91,362	102,621
Other non-current assets		3,763	4,462
Total non-current assets		**6,596,727**	**6,635,580**
Current assets			
Inventory		1,272,045	1,170,626
Other financial assets		33,948	106,822
Current tax assets		26,448	40,558
Trade and other receivables		1,099,629	1,273,112
Cash and cash equivalents	11	606,853	713,024
Other current assets		31,169	21,016
Assets held for sale		299	792
Total current assets		**3,070,391**	**3,325,950**
Total assets		**9,667,118**	**9,961,530**

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

Condensed consolidated statement of financial position (continued)

	Note	as at Jun 30 2014	as at Dec 31 2013
		unaudited	
Equity and liabilities			
Equity			
Share capital		495,977	495,977
Share premium		2,418,270	2,418,270
Fair value reserve		-	2,346
Exchange differences on translating foreign operations		(3,249)	(9,623)
Retained earnings, including:		2,832,792	2,654,487
profit for the period		*208,833*	*679,593*
Equity attributable to owners of the parent		**5,743,790**	**5,561,457**
Non-controlling interests		**719,118**	**709,194**
Total equity		**6,462,908**	**6,270,651**
Liabilities			
Borrowings	12	555,577	634,693
Employee benefit obligations	13	283,799	254,613
Other non-current liabilities		62,379	61,821
Provisions	14	119,132	119,343
Government grants		41,124	24,906
Deferred tax liabilities	7.4	279,471	294,728
Other financial liabilities		20,685	22,513
Total non-current liabilities		**1,362,167**	**1,412,617**
Borrowings	12	385,873	604,140
Employee benefit obligations	13	30,820	34,008
Current tax expense		4,253	4,903
Trade and other payables		1,159,175	1,313,547
Provisions	14	133,159	213,839
Government grants		55,860	2,936
Deferred income		1,640	25,921
Other financial liabilities		71,263	78,968
Total current liabilities		**1,842,043**	**2,278,262**
Total liabilities		**3,204,210**	**3,690,879**
Total equity and liabilities		**9,667,118**	**9,961,530**

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

Condensed consolidated statement of changes in equity
for the period ended June 30th 2014

	Share capital	Share premium	Fair value reserve	Exchange differences on translating foreign operations	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at January 1st 2014	**495,977**	**2,418,270**	**2,346**	**(9,623)**	**2,654,487**	**5,561,457**	**709,194**	**6,270,651**
Profit or loss and other comprehensive income								
Net profit	-	-	-	-	208,833	208,833	25,853	234,686
Other comprehensive income	-	-	(2,346)	6,374	(10,689)	(6,661)	(1,988)	(8,649)
Total profit or loss and other comprehensive income	**-**	**-**	**(2,346)**	**6,374**	**198,144**	**202,172**	**23,865**	**226,037**
Transactions with owners of the Company, recognised directly in equity								
Dividends	-	-	-	-	(19,839)	(19,839)	(13,941)	(33,780)
Total transactions with owners of the Company	**-**	**-**	**-**	**-**	**(19,839)**	**(19,839)**	**(13,941)**	**(33,780)**
Balance at June 30th 2014 (unaudited)	**495,977**	**2,418,270**	**-**	**(3,249)**	**2,832,792**	**5,743,790**	**719,118**	**6,462,908**

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

Consolidated statement of changes in equity (continued)
for the period ended June 30th 2013

	Share capital	Share premium	Fair value reserve	Exchange differences on translating foreign operations	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at January 1st 2013	**320,577**	**680,688**	**37,221**	**(1,279)**	**2,039,413**	**3,076,620**	**414,078**	**3,490,698**
Profit or loss and other comprehensive income								
Net profit	-	-	-	-	727,833	727,833	42,685	770,518
Other comprehensive income	-	-	(36,803)	3,617	(40)	(33,226)	215	(33,011)
Total profit or loss and other comprehensive income	**-**	**-**	**(36,803)**	**3,617**	**727,793**	**694,607**	**42,900**	**737,507**
Transactions with owners of the Company, recognised directly in equity								
Share issue	175,400	1,737,582	-	-	-	1,912,982	-	1,912,982
Dividends	-	-	-	-	(148,793)	(148,793)	(22,023)	(170,816)
Total contributions by and distributions to owners	**175,400**	**1,737,582**	**-**	**-**	**(148,793)**	**1,764,189**	**(22,023)**	**1,742,166**
Acquisition of non-controlling interests without change of control	-	-	-	-	84,519	84,519	(395,557)	(311,038)
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	529,120	529,120
Total transactions with owners of the Company	**175,400**	**1,737,582**	**-**	**-**	**(64,274)**	**1,848,708**	**111,540**	**1,960,248**
Other	-	-		-	5,100	5,100	-	5,100
Balance at June 30th 2013 (unaudited)	**495,977**	**2,418,270**	**418**	**2,338**	**2,708,032**	**5,625,035**	**568,518**	**6,193,553**

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

Consolidated statement of changes in equity (continued)
for the year ended 31 December 2013

	Share capital	Share premium	Fair value reserve	Exchange differences on translating foreign operations	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at January 1st 2013	**320,577**	**680,688**	**37,221**	**(1,279)**	**2,039,413**	**3,076,620**	**414,078**	**3,490,698**
Profit or loss and other comprehensive income								
Net profit	-	-	-	-	679,593	679,593	33,932	713,525
Other comprehensive income	-	-	(34,875)	(8,344)	(631)	(43,850)	(2,616)	(46,466)
Total profit or loss and other comprehensive income	**-**	**-**	**(34,875)**	**(8,344)**	**678,962**	**635,743**	**31,316**	**667,059**
Transactions with owners of the Company, recognised directly in equity								
Share issue	175,400	1,737,582	-	-	-	1,912,982	-	1,912,982
Dividends	-	-	-	-	(148,793)	(148,793)	(30,005)	(178,798)
Total contributions by and distributions to owners	**175,400**	**1,737,582**	**-**	**-**	**(148,793)**	**1,764,189**	**(30,005)**	**1,734,184**
Acquisition of non-controlling interests without change of control	-	-	-	-	84,905	84,905	(396,221)	(311,316)
Acquisition of subsidiary with non-controlling interests	-	-	-	-	-	-	690,026	690,026
Total transactions with owners of the Company	**175,400**	**1,737,582**	**-**	**-**	**(63,888)**	**1,849,094**	**263,800**	**2,112,894**
Balance at 31 December 2013	**495,977**	**2,418,270**	**2,346**	**(9,623)**	**2,654,487**	**5,561,457**	**709,194**	**6,270,651**

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

Condensed consolidated statement of cash flows

	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013 restated*
	unaudited	*unaudited*
Cash flows from operating activities		
Profit before tax	**284,188**	**829,591**
Adjustments for:	*286,059*	*(167,664)*
Depreciation and amortisation	278,836	296,666
Impairment	880	1,838
Loss/(profit) from investing activities	395	(472,436)
Profit on disposal of financial assets	(2,912)	(4)
Share of profit/loss of equity-accounted associates	(5,090)	(5,448)
Interest, foreign exchange gains or losses	19,815	17,761
Dividends	(1,151)	(1,231)
Change in fair value of financial assets at fair value through profit or loss	(4,714)	(4,810)
Cash from operating activities before changes in working capital	***570,247***	***661,927***
Changes in trade and other receivables	173,459	(100,538)
Changes in inventory	(100,178)	240,338
Changes in trade and other payables	(155,683)	14,537
Changes in provisions, prepayments and grants	(33,068)	24,568
Other adjustments	(4,237)	(13,548)
Cash from operating activities	***450,540***	***827,284***
Income taxes paid	(34,425)	(72,178)
Net cash from operating activities	**416,115**	**755,106**

* See Note 3.2.b.

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

Condensed consolidated statement of cash flows (continued)

	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013 restated*
	unaudited	*unaudited*
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	2,692	3,522
Acquisition of property, plant and equipment, intangible assets and investment property	(262,577)	(277,956)
Dividends received	11,366	27,262
Acquisition of financial assets	(37,522)	(31,040)
Proceeds from sale of financial assets	116,906	1,518
Cash acquired, net of consideration transferred in acquisition of subsidiaries	-	273,797
Interest received	1,993	939
Government grants	-	497
Loans	(645)	(1,803)
Other disbursements	(2,783)	(2,300)
Net cash used in investing activities	**(170,570)**	**(5,564)**
Cash flows from financing activities		
Net expenses related to share issue	-	(11,158)
Dividends paid	(21,897)	(170,628)
Proceeds from borrowings	103,242	369,903
Payment of borrowings	(397,588)	(143,945)
Acquisition of non-controlling interests	-	(311,036)
Interest paid	(25,046)	(18,270)
Payment of finance lease liabilities	(6,468)	(6,148)
Other (disbursements)/ proceeds	(3,892)	17,962
Net cash from financing activities	**(351,649)**	**(273,320)**
Net increase/(decrease) in cash and cash equivalents	**(106,104)**	**476,222**
Cash and cash equivalents at the beginning of the period	**713,024**	**243,440**
Effect of exchange rate fluctuations	(67)	2,300
Cash and cash equivalents at the end of the period	**606,853**	**721,962**

* See Note 3.2.b.

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

Supplementary information to the interim condensed consolidated financial statements

1. About the Grupa Azoty Group

1.1. Organisational structure

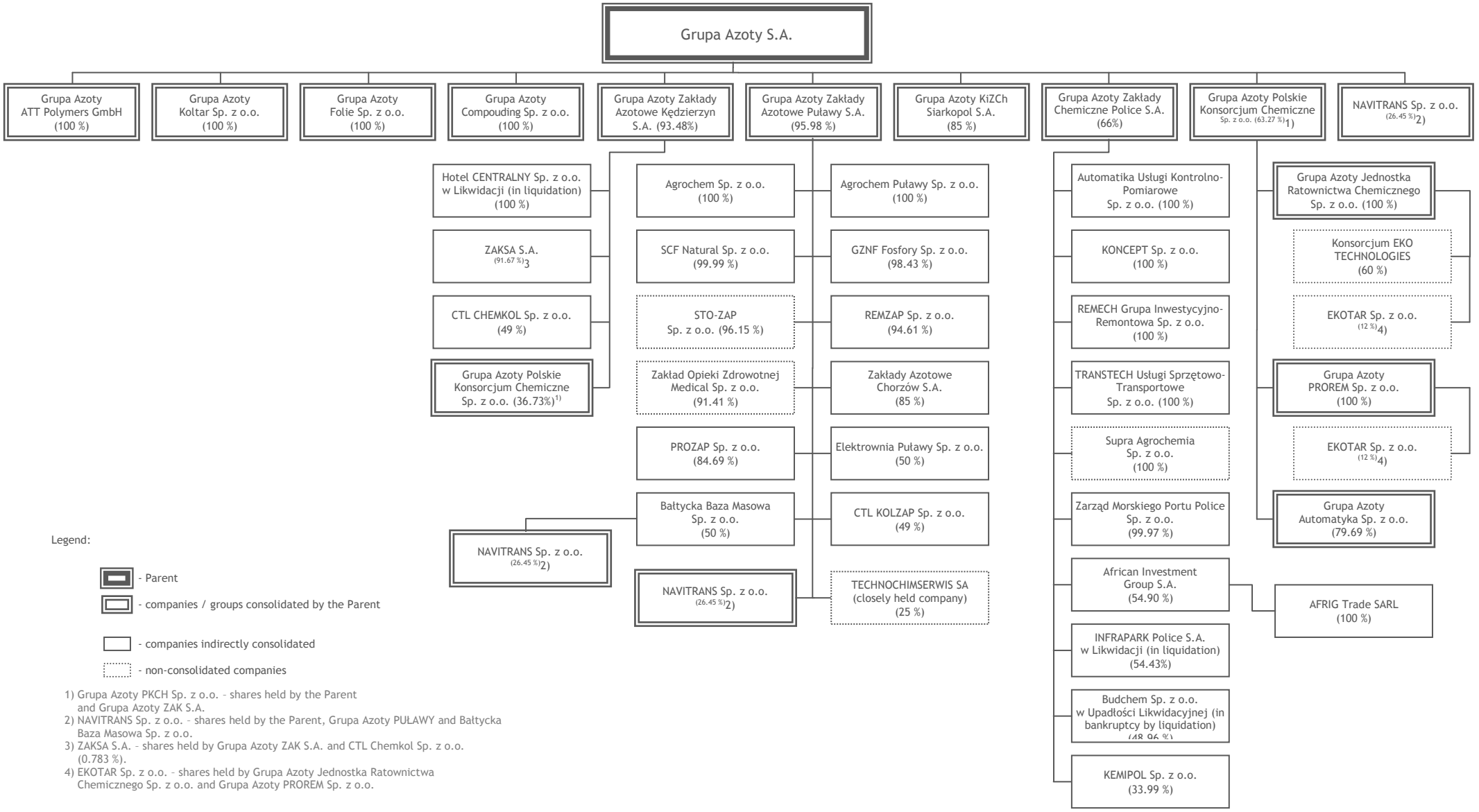
As at June 30th 2014, the Grupa Azoty Group (or the 'Group') comprised Grupa Azoty S.A. (the Parent) and ten subsidiaries (nine companies in which the Parent holds ownership interests above 50%, and one indirectly controlled entity), including:

- 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. (Grupa Azoty KOLTAR Sp. z o.o.),
- Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. (Grupa Azoty SIARKOPOL),
- Grupa Azoty Folie Sp. z o.o.,
- Grupa Azoty Compounding Sp. z o.o.,
- Navitrans Sp. z o.o., an indirectly controlled subsidiary.

Further:

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

Structure of the Group as at June 30th 2014:



1) Grupa Azoty PKCH Sp. z o.o. – shares held by the Parent and Grupa Azoty ZAK S.A.
2) NAVITRANS Sp. z o.o. – shares held by the Parent, Grupa Azoty PUŁAWY and Bałtycka Baza Masowa Sp. z o.o.
3) ZAKSA S.A. – shares held by Grupa Azoty ZAK S.A. and CTL Chemkol Sp. z o.o. (0.783 %).
4) 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.

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

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

In the six months ended June 30th 2014, adjustments to the initial accounting for the acquisition of African Investment Group S.A., presented in Section 1.2.4 of the Grupa Azoty Group's full-year consolidated financial statements, were not made. Since the final amounts representing the fair value of all net assets acquired had not been determined as at the date of these interim condensed consolidated financial statements, the estimated gain from a bargain purchase may change upon final accounting for the acquisition. The final accounting will be made at the end of one-year period from the date of acquisition of African Investment Group S.A., that is by August 28th 2014.

Establishment of AFRIG Trade SARL, African Investment Group S.A.'s subsidiary

On May 14th 2014, AFRIG Trade SARL of Senegal was established, with 100% of its shares acquired by African Investment Group S.A. AFRIG Trade SARL's business consists in import and distribution of and trade in chemical products and raw materials, as well as storage and logistics services.

Change of name of the acquired company to Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A.

On January 9th 2014, the Extraordinary General Meeting of the company resolved to amend the company's Articles of Association by changing the company's name to Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. The new name was registered on February 11th 2014.

Dissolution of Dom Wczasowy Jawor Sp. z o.o., Grupa Azoty PUŁAWY's subsidiary

On May 16th 2014, the Annual General Meeting of Dom Wczasowy Jawor Sp. z o.o. w likwidacji (in liquidation) adopted resolutions to approve the company's liquidation report for the period from March 12th 2013 to May 15th 2014 and distribute its assets to the shareholders. On May 19th 2014, the company's liquidator filed with the registry court to delete the company from the National Court Register. On June 9th 2014, Dom Wczasowy Jawor Sp. z o.o. w likwidacji was deleted from the National Court Register. Deletion became final on June 20th 2014.

Share capital increase at Agrochem Puławy Sp. z o.o., Grupa Azoty PUŁAWY's subsidiary

By virtue of a resolution by the Extraordinary General Meeting of Agrochem Puławy Sp. z o.o. of June 9th 2014, the company's share capital was increased by PLN 10,000 thousand, to PLN 42,533.5 thousand, through an issue of 100,000 new, equal and indivisible shares, with a par value of PLN 100 per share. All of the new shares were acquired by the company's existing shareholder, Zakłady Azotowe Puławy S.A., and paid for with cash.

Cancellation of liquidation of Supra Agrochemia Sp. z o.o., Grupa Azoty POLICE's subsidiary

In accordance with a resolution of the Extraordinary General Meeting of Supra Agrochemia Sp. z o.o. w likwidacji (in liquidation), dated December 16th 2013, the liquidation proceedings were cancelled as of December 31st 2013 and since January 1st 2014 the company has continued its operations under its previous name, Supra Agrochemia Sp. z o.o.

Business combination at Grupa Azoty PKCh Sp. z o.o.

On March 14th 2014, a merger of Grupa Azoty Jednostka Ratownictwa Chemicznego Sp. z o.o. (the acquirer) and Regionalne Laboratorium Oceny Mleka Sp. z o.o. (the acquiree) was registered. The merger was effected through the transfer of all acquiree's assets to the acquirer, with no share capital increase.

SCF Natural Sp. z o.o.

The Fertilizer Research Institute of Puławy (Instytut Nawozów Sztucznych) failed to obtain clearance from the Minister of Economy and the Minister of State Treasury to make an in-kind

contribution in the form of a hops extraction unit and hops extraction technology to SCF Natural Sp. z o.o. Currently, negotiations are being conducted on further cooperation between the two entities.

Establishment of Grupa Azoty Compounding Sp. z o.o. and Grupa Azoty Folie Sp. z o.o.

On May 19th 2014, the Parent established two new companies: Grupa Azoty Compounding Sp. z o.o. (registered with the National Court Register on June 18th 2014) and Grupa Azoty Folie Sp. z o.o. (registered with the National Court Register on June 24th 2014). The companies' registered offices are in Tarnów and their share capitals are PLN 5 thousand each.

Grupa Azoty Compounding Sp. z o.o. is a special purpose vehicle whose business, to be conducted in cooperation with a partner, will consist in plastics compounding using innovative technological solutions. The project will be located in a subzone of the Kraków Special Economic Zone, and will involve construction of a compounding facility with state-of-the-art plant and equipment.

On June 27th 2014, Grupa Azoty Compounding Sp. z o.o. was granted a licence to operate in the Kraków Special Economic Zone.

Grupa Azoty Folie Sp. z o.o. is a special purpose vehicle whose business will be manufacturing of specialist films for the flexible packaging sector.

Events after the end of the reporting period

There were no events subsequent to the end of the reporting period that would require disclosure in these condensed interim consolidated financial statements.

2. Key events in the six months ended June 30th 2014

Letter of intent signed with KGHM Polska Miedź S.A.

On January 16th 2014, the Management Boards of the Parent and KGHM Polska Miedź S.A. of Lubin signed a letter of intent outlining general terms on which the parties may collaborate in the areas of phosphogypsum processing, acquisition of potassium chloride deposits abroad, accessing natural gas reserves, construction of a polygeneration power plant, and phosphate rock exploration and production.

Collaboration in these areas is a step towards implementation of the Parent's strategy. In order to maintain production continuity and maximise utilisation of its production capacities, the Parent seeks to secure strategic feedstock supplies from new or alternative sources, also by forming equity relationships with suppliers.

A similar agreement was signed on January 10th 2014 by the Management Boards of Grupa Azoty PUŁAWY, Gdańskie Zakłady Nawozów Fosforowych Fosfory Sp. z o.o. and KGHM Polska Miedź S.A. It defines the objectives of a joint-venture project in the exploration for, appraisal and production of potassium chloride, phosphates, halite and non-ferrous metals. The agreement marks another step in the cooperation initiated with the letter of intent between Gdańskie Zakłady Nawozów Fosforowych Fosfory Sp. z o.o. and KGHM Polska Miedź S.A. on the joint execution of projects in the exploration for and appraisal of mineral deposits, including potassium chloride, and mining projects involving the development of existing mineral deposits, in Poland and abroad, as well as on the management of recyclable materials (waste) in the recovery of critical metals (including rare earth metals).

Negotiations to acquire shares in Zakłady Chemiczne Organika-Sarzyna S.A.

In connection with the change of the majority shareholder, negotiations with CIECH S.A. on acquisition by Grupa Azoty PUŁAWY of a 99,64% interest in Zakłady Chemiczne Organika-Sarzyna S.A. of Nowa Sarzyna were not finalised.

Execution of the contract for stage 1 of construction of a new CHP Plant at Grupa Azoty ZAK S.A.

On May 23rd 2014, Grupa Azoty ZAK S.A. and Rafako S.A. signed a contract for the first stage of construction of a new CHP plant at Grupa Azoty ZAK S.A. Compared with the original assumptions for the project, the plant's fuel was changed from natural gas (planned to be burned in CCGT units) to coal (to be burned in a steam boiler).

The project will be executed in stages. Stage 1, whose cost has been estimated at PLN 375m, will include installation of a 25 MWe pass-out and condensing turbine, construction of a coal-fired boiler house with a capacity of 140 Mg/h, and construction of a control centre. Its completion is scheduled for the fourth quarter of 2016.

Stage 2, involving construction of another 140 Mg/h coal-fired boiler and a peak-load and reserve boiler house, is planned for 2017–2019. The new CHP plant will operate in parallel with the existing one until around 2019, when the latter will be shut down and its boilers decommissioned.

Further stages of the project will be defined in greater detail once development and replacement investments at the Grupa Azoty Group have been approved.

Letter of intent signed with chemical research institutes

The letter of intent was signed during the 2014 Polish Chemical Industry Congress on June 13th 2014.

The purpose of the letter is to use the research potential and infrastructure of the institutes to help implement Grupa Azoty Group's growth strategy. The cooperation is also expected to improve chances of success in applying for co-financing of business activities (e.g. from the Innovative Development Operational Programme).

As stated in the letter of intent, the Parent will engage the research institutes to perform R&D work and develop strategic plans and growth programmes. It will also finance or co-finance these projects. The research institutes declared the intention to work with the Parent on preparation of applications for co-financing of R&D work and give priority to projects carried out as part of the cooperation.

3. Policies applied in the preparation of the interim condensed consolidated financial statements

3.1. Statement of compliance and general policies

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting', as endorsed by the European Union, and in accordance with the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (consolidated text: Dz.U. of 2014, item 133), and present the Grupa Azoty Group's financial standing as at June 30th 2014, and its operating performance and cash flows for the six months ended June 30th 2014.

These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of the Grupa Azoty Group for the financial year ended December 31st 2013, prepared in accordance with the International Financial Reporting Standards endorsed by the European Union ('EU IFRS') and other applicable laws.

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

3.2. Accounting policies and computation methods

a) Applied accounting policies

The accounting policies applied in these interim condensed consolidated financial statements are the same as those applied in the full-year consolidated financial statements for 2013.

b) Adjustments to items presented in the condensed consolidated statement of cash flows

In the interim condensed statement of cash flows for the period ended June 30th 2013, the Group presented the following items: cash acquired net of consideration transferred in acquisition of subsidiaries, cash flows relating to acquisition of non-controlling interests, and acquisition costs, as cash flows relating to acquisition of financial assets under cash flows from investing activities.

In the interim condensed statement of cash flows for the period ended June 30th 2014, the Group adjusted the presentation of the above transactions. Cash acquired net of consideration transferred in acquisition of subsidiaries was presented as a separate item under cash flows from investing activities, cash flows relating to acquisition of non-controlling interests were presented as a separate item under cash flows from financing activities, and acquisition costs reduced profit from investing activities under cash flows from operating activities.

The table below presents the effect of the changed presentation of the above transactions on the condensed consolidated statement of cash flows for the period ended June 30th 2013:

	Before changes	After changes	
	For the period Jan 1 2013 to Jun 30 2013	**For the period Jan 1 2013 to Jun 30 2013**	**Impact of changes**
Cash flows from operating activities			
Profit from investing activities	(462,856)	(472,436)	(9,580)
Net cash from operating activities	**764,686**	**755,106**	**(9,580)**
Cash flows from investing activities			
Acquisition of financial assets	(77,859)	(31,040)	46,819
Cash acquired, net of consideration transferred in acquisition of subsidiaries	-	273,797	273,797
Net cash used in investing activities	(326,180)	(5,564)	320,616
Cash flows from financing activities			
Acquisition of non-controlling interests	-	(311,036)	(311,036)
Net cash from financing activities	37,716	(273,320)	(311,036)

c) Changes in International Financial Reporting Standards

The Grupa Azoty Group intends to adopt the changes in IFRS issued but not yet effective as at the date of issue of these interim condensed consolidated financial statements, as of their effective date.

d) Judgements and estimates

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

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

The key judgements and estimates made by the Management Board in preparing these interim condensed consolidated financial statements were the same as those made in preparing the consolidated financial statements for the financial year ended December 31st 2013.

4. Selected supplementary and explanatory notes

4.1. Explanatory notes

Segment reporting

Operating segments

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

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

- Agro Fertilizers Segment comprises manufacture and marketing of the following products: nitrogen fertilizers (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), sulfur-based nitrogen fertilizers (mixtures of ammonium nitrate and ammonium sulphate, mixtures of ammonium nitrate and calcium sulphate, ammonium sulphate), compound fertilizers, phosphate fertilizers, ammonia, ammonium nitrate, syngas, nitric acid, industrial gases;
- Plastics Segment comprises manufacture and marketing of the following products: polyamide 6 (PA6), acetal copolymer, polypropylene, polybutylene terephthalate, polyamide 66 (PA66), caprolactam;
- Chemicals Segment comprises manufacture and marketing of the following products: oxo alcohols (2-ethylohexanol, n-butanol, isobutanol, octanol F), plasticizers (DEHP, DIBP, DPHP, DEHT), titanium white, Tytanpol®, melamine, maleic anhydride, AdBlue®, Fespol;
- Energy Segment comprises activities involving production of electricity and heat for the purposes of the chemical installations and contract-based sale of electricity to customers connected to the power network;
- Other Activities Segment comprises the remaining activities, including laboratory services, catalysts, rental of real estate, and other activities.

Performance of each of the segments is discussed below. Performance of each segment is measured based on sales revenue, EBIT and EBITDA.

Geographical areas

Geographical areas' revenue is determined based on customer location, while assets are allocated to particular areas based on the assets' location.

Operating segments

Revenue, expenses and financial result of operating segments for the six months ended June 30th 2014

Continuing operations	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	2,856,429	731,552	1,312,412	94,387	78,366	5,073,146
Inter-segment revenue	1,184,565	172,676	527,572	1,494,262	350,634	3,729,709
Total revenue	4,040,994	904,228	1,839,984	1,588,649	429,000	8,802,855
Operating expenses, including:(-)	(3,746,930)	(942,782)	(1,803,961)	(1,585,734)	(443,717)	(8,523,124)
Selling and distribution expenses (-)	*(184,750)*	*(25,528)*	*(63,700)*	*(41)*	*(941)*	*(274,960)*
Administrative expenses (-)	*(172,369)*	*(58,138)*	*(87,254)*	*(5,943)*	*(29,667)*	*(353,371)*
Other income	7,636	4,414	2,372	3,149	7,770	25,341
Other expenses(-)	(5,013)	(611)	(2,350)	(2,322)	(9,349)	(19,645)
Segment's EBIT*	**296,687**	**(34,751)**	**36,045**	**3,742**	**(16,296)**	**285,427**
Finance income (unallocated)						26,568
Finance costs (-) (unallocated)						(32,897)
Share of profit of equity-accounted associates (unallocated)						5,090
Profit before tax						**284,188**
Result from discontinued operation						**(365)**
Income tax (unallocated)						(49,137)
Net profit						**234,686**
EBIT*	296,687	(34,751)	36,045	3,742	(16,296)	285,427
Depreciation and amortisation	86,741	23,919	54,527	37,248	39,991	242,426
Unallocated depreciation and amortisation						36,410
EBITDA**	**383,428**	**(10,832)**	**90,572**	**40,990**	**23,695**	**564,263**

* EBIT is calculated as operating profit (loss) as disclosed in the statement of profit or loss.
** EBITDA is calculated as operating profit (loss) before depreciation and amortisation.

Revenue, expenses and financial result of operating segments for the six months ended June 30th 2013

	Agro Fertilizers	Plastics	Chemicals*	Energy*	Other*	Total
External revenue	2,987,075	755,156	1,274,187	152,738	77,890	5,247,046
Inter-segment revenue	991,374	185,400	275,368	1,403,082	386,441	3,241,665
Total revenue	3,978,449	940,556	1,549,555	1,555,820	464,331	8,488,711
Operating expenses, including:(-)	(3,608,847)	(988,108)	(1,503,168)	(1,584,498)	(464,513)	(8,149,134)
Selling and distribution expenses (-)	*(129,625)*	*(25,189)*	*(38,828)*	*(232)*	*(12,627)*	*(206,501)*
Administrative expenses (-)	*(159,236)*	*(57,101)*	*(63,196)*	*(8,941)*	*(40,838)*	*(329,312)*
Other income	11,848	3,922	10,000	3,384	14,379	43,533
Other expenses(-)	(2,958)	(3,906)	(1,463)	(940)	(31,807)	(41,074)
Segment's EBIT	**378,492**	**(47,536)**	**54,924**	**(26,234)**	**(17,610)**	**342,036**
Gain from a bargain purchase (unallocated)						446,116
Operating profit						**788,152**
Finance income (unallocated)						64,565
Finance costs (-) (unallocated)						(28,574)
Share of profit of equity-accounted associates (unallocated)						5,448
Profit before tax						**829,591**
Result from discontinued operation						**(254)**
Income tax (unallocated)						(58,819)
Net profit						**770,518**
EBIT**	378,492	(47,536)	54,924	(26,234)	(17,610)	342,036
Depreciation and amortisation	142,190	21,754	37,674	36,595	55,691	293,904
Unallocated depreciation and amortisation						2,762
EBITDA* **	**520,682**	**(25,782)**	**92,598**	**10,361**	**38,081**	**638,702**

* Following the acquisition of Grupa Azoty PUŁAWY, in 2013 the Group changed the presentation of the operating segments. The comparative data of the Chemicals Segment include the data attributable to the Chemicals and Pigments Segments presented previously. The Energy Segment was previously presented under the Other Activities Segment.

** EBIT is calculated as operating profit (loss) as disclosed in the statement of profit or loss and adjusted for gain from a bargain purchase.

*** EBITDA is calculated as operating profit (loss) before depreciation and amortisation and adjusted for gain from a bargain purchase.

Assets and liabilities by segment

	Agro Fertilizers	Plastics	Chemicals*	Energy*	Other*	Total
As at June 30th 2014						
Reportable segment assets	3,037,025	1,063,881	1,659,999	1,109,700	875,798	7,746,403
Reportable segment liabilities	666,223	315,821	216,470	277,504	222,287	1,698,305
As at December 31st 2013						
Reportable segment assets	2,922,665	1,151,256	1,679,753	1,039,611	734,446	7,527,731
Reportable segment liabilities	727,122	323,728	212,070	348,715	261,018	1,872,653
As at June 30th 2013						
Reportable segment assets	2,618,296	966,351	1,390,646	898,168	1,075,058	6,948,519
Reportable segment liabilities	554,744	296,756	186,483	229,038	310,365	1,577,386

* Following the acquisition of Grupa Azoty PUŁAWY, in 2013 the Group changed the presentation of the operating segments. The comparative data of the Chemicals Segment include the data attributable to the Chemicals and Pigments Segments presented previously. The Energy Segment was previously presented under the Other Activities Segment.

Geographical areas

Geographical information for the six months ended June 30th 2014

	Revenue	Expenses
Poland	2,649,586	2,454,569
Germany	557,128	532,465
Other EU countries	1,198,358	1,154,121
Asian countries	263,390	251,069
South American countries	211,333	216,068
Other countries	193,351	185,123
Total	**5,073,146**	**4,793,415**

Geographical information for the six months ended June 30th 2013

	Revenue	Expenses
Poland	2,955,763	2,710,973
Germany	453,842	447,162
Other EU countries	1,164,733	1,099,646
Asian countries	278,988	266,791
South American countries	231,830	227,563
Other countries	161,890	155,334
Total	**5,247,046**	**4,907,469**

Note 1 Revenue

	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013
Sales of goods and services	4,953,386	5,088,888
Construction contract revenue	15,776	4,552
Sales of merchandise and raw materials	103,815	108,503
Sales of emission rights, including ERUs emission rights	-	12,854
Licence fees	24	-
Sale of certificates of origin for energy	145	32,031
Other revenue	-	218
	5,073,146	**5,247,046**

Note 2 Operating expenses

	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013
Depreciation and amortisation	278,836	296,666
Raw material and consumables used	3,212,241	3,331,185
Services	478,476	395,782
Taxes and charges	149,334	112,475
Wages and salaries	454,576	393,628
Social security and other employee benefits	117,877	108,418
Other costs by type	64,278	45,290
Costs by kind	**4,755,618**	**4,683,444**
Changes in inventories of finished goods and work in progress (+/-)	36,137	109,858
Work performed by the entity and capitalised (-)	(83,519)	2,596
Selling and distribution expenses (-)	(274,960)	(206,501)
Administrative expenses (-)	(353,371)	(329,312)
Cost of merchandise and raw materials sold	85,179	111,571
Cost of sales	**4,165,084**	**4,371,656**
Includes excise duty	16,151	14,958

Note 3 Other income

	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013
Gain on disposal of assets		
Gain on disposal of property, plant and equipment	1,360	2,412
	1,360	**2,412**
Reversed impairment losses on:		
Property, plant and equipment	243	341
Investment property	60	-
Trade receivables	686	3,513
Other	347	12,323
	1,336	**16,177**
Other operating income:		
Gain from a bargain purchase	-	446,116
Received compensations	5,232	1,976
Sales of social services	9	7
Reversal of provisions	1,512	12,115
Government grants	3,393	3,113
Fixed assets restored to use	1	711
Stock-taking surplus	-	151
Other (aggregated insignificant items)	12,498	6,871
	22,645	**471,060**
	25,341	**489,649**

Note 4 Other expenses

	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013
Loss on disposal of assets		
Loss on disposal of property, plant and equipment	1,931	1,065
Loss on disposal of intangible assets	7	6
	1,938	**1,071**
Recognised impairment loss on:		
Property, plant and equipment	1,054	2,713
Trade receivables	1,315	17,882
Other	327	2,099
	2,696	**22,694**
Other expenses:		
Fines and compensations	847	640
Plant outages	2,506	2,861
Cost of social services sold	154	136
Current and non-current asset decommissioning costs	847	1,308
Failure recovery expenses	3,903	4,065
Provisions recognised	4,059	5,938
Stock-taking shortage	-	95
Other (aggregated insignificant items)	2,695	2,266
	15,011	**17,309**
	19,645	**41,074**

Note 5 Finance income

	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013
Interest income on:		
Bank deposits	3,226	7,421
Cash pooling	1,488	977
Loans	302	76
Trade receivables	2,519	1,222
Other	311	273
	7,846	**9,969**
Gains on disposal of financial investments:		
Gain on disposal of financial investments	2,912	4
	2,912	**4**
Gain on valuation of financial assets and liabilities:		
Remeasurement to fair value of pre-existing interest in acquiree at the acquisition date	-	27,256
Net change in fair value of financial assets at fair value through profit or loss	5,214	-
Net change in fair value of financial liabilities at fair value through profit or loss	-	34
	5,214	**27,290**
Other finance income		
Net foreign exchange gains	7,036	25,677
Dividends received	1,151	1,231
Discount on provisions and borrowings	433	-
Other finance income	1,976	394
	10,596	**27,302**
	26,568	**64,565**

Note 6 Finance costs

	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013
Interest expense on:		
Credit facilities, including overdrafts	17,068	14,324
Cash pooling	1,482	1,092
Loans	1,819	67
Finance leases	973	1,251
Factoring	327	327
Receivables discounting	694	700
Trade payables	93	149
Tax liabilities	759	200
Other	4,521	3,990
	27,736	**22,100**
Loss from valuation of financial assets and liabilities:		
Net change in fair value of financial assets at fair value through profit or loss	500	736
Net change in fair value of financial liabilities at fair value through profit or loss	-	4,607
	500	**5,343**
Other finance costs:		
Net foreign exchange losses	1,610	38
Unwind of discount on provisions and borrowings	2,453	638
Other finance costs	598	455
	4,661	**1,131**
	32,897	**28,574**

Note 7 Income tax expense

Note 7.1 Tax recognised in the statement of profit or loss

	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013
Current tax expense:		
Current year	52,074	65,727
Adjustment for prior years	(1,757)	1,314
	50,317	**67,041**
Deferred tax expense:		
Origination and reversal of temporary differences	(1,180)	(8,222)
	(1,180)	**(8,222)**
Tax expense in the statement of profit or loss	**49,137**	**58,819**

Note 7.2 Effective tax rate

	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013
Profit before tax	**284,188**	**829,591**
Tax at the Company's domestic tax rate	53,996	157,622
Effect of tax rates in foreign jurisdictions	(1,033)	286
Non-taxable income (+/-)	(5,815)	(89,268)
Non-deductible expenses (+/-)	9,376	4,408
Effect of tax losses deducted in the period (+/-)	2,656	(432)
Recognition of government grants deductible in subsequent periods (+/-)	(13,635)	(10,345)
Other(+/-)	3,592	(3,452)
Tax expense in the statement of profit or loss	**49,137**	**58,819**
Effective tax rate	**17.3%**	**7.1%**

Note 7.3 Income tax recognised in other comprehensive income

	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013
Tax on items that will never be reclassified to profit or loss (+/-)	**(2,213)**	**100**
Remeasurements of defined benefit obligation	(2,213)	100
Tax on items that are or may be reclassified to profit or loss (+/-)	**(559)**	**(8,633)**
Change in fair value of available-for-sale financial assets reclassified to profit or loss	(559)	(8,633)
Tax expense recognised in other comprehensive income	**(2,772)**	**(8,533)**

Note 7.4 Deferred tax assets and liabilities

	Deferred tax assets (-)		Deferred tax liabilities (+)	
	Jun 30 2014	Dec 31 2013	Jun 30 2014	Dec 31 2013
Property, plant and equipment	(76,114)	(75,386)	441,236	431,005
Investment property	-	-	6,034	5,941
Intangible assets	(7,627)	(6,371)	85,949	102,379
Financial assets	(11,884)	(11,699)	19,495	23,338
Inventory	(11,456)	(9,018)	12,558	4,090
Trade and other receivables	(3,410)	(4,579)	414	4,669
Trade and other payables	(5,752)	(4,954)	363	362
Current prepayments and accrued income	(16,551)	(13,547)	344	335
Employee benefits	(59,469)	(57,856)	-	-
Provisions	(57,622)	(57,901)	-	-
Interest	(14)	45	402	490
Foreign exchange gain/losses	(333)	(1,469)	117	158
Financial assets at fair value through profit or loss	(5)	(351)	793	148
Government grants deductible in subsequent periods	(81,629)	(79,544)	-	-
Tax losses carried forward	(46,494)	(63,767)	-	-
Other	(10,989)	(4,629)	9,753	10,218
Deferred tax assets(-)/liabilities(+)	**(389,349)**	**(391,026)**	**577,458**	**583,133**
Offsetting	**297,987**	**288,405**	**(297,987)**	**(288,405)**
Deferred tax assets(-)/liabilities(+) recognised in the statement of financial position	**(91,362)**	**(102,621)**	**279,471**	**294,728**

Note 8 Earnings per share

The calculation of basic earnings per share was based on the net profit attributable to ordinary shareholders of the Parent and the weighted average number of ordinary shares outstanding at the reporting date and was calculated as follows:

	for the period Jan 1-Jun 30 2014	for the period Jan 1-Jun 30 2013
Net profit	**208,833**	**727,833**
Issued ordinary shares at the beginning of the period	99,195,484	64,115,444
Issue of Series D shares	-	35,080,040
Issued ordinary shares at the end of the period	99,195,484	99,195,484
Weighted average number of ordinary shares in the period	**99,195,484**	**96,288,298**
Earnings per share:		
Basic (PLN)	2.11	7.56
Diluted (PLN)	2.11	7.56

Diluted earnings per share

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

Note 9 Property, plant and equipment

Carrying amounts

	as at Jun 30 2014	as at Dec 31 2013
Land	505,454	507,367
Mineral deposits	332,576	343,397
Buildings and structures	1,803,602	1,772,736
Technical devices and machines	2,387,891	2,422,371
Vehicles	134,768	138,409
Other	99,919	91,740
	5,264,210	**5,276,020**
Exploration and evaluation assets	12,311	3,532
Property, plant and equipment under construction	477,350	466,915
Advances paid for property, plant and equipment	50,510	44,546
	5,804,381	**5,791,013**

Carrying amounts of property, plant and equipment

	Land	Mineral deposits	Buildings and structures	Technical devices and machines	Vehicles	Other	Exploration and evaluation assets	Property, plant and equipment under construction	Advances paid for property, plant and equipment	Total
As at Jun 30 2014										
Gross carrying amount	522,104	347,315	2,460,142	3,888,233	234,555	176,689	12,311	529,003	50,510	8,220,862
Accumulated depreciation (-)	(15,234)	(14,739)	(628,476)	(1,447,068)	(63,239)	(76,713)	-	-	-	(2,245,469)
Impairment loss (-)	(1,416)	-	(28,064)	(53,274)	(36,548)	(57)	-	(51,653)	-	(171,012)
Net carrying amount as at Jun 30 2014	**505,454**	**332,576**	**1,803,602**	**2,387,891**	**134,768**	**99,919**	**12,311**	**477,350**	**50,510**	**5,804,381**
As at Dec 31 2013										
Gross carrying amount	519,710	347,852	2,373,468	3,791,744	229,260	157,944	3,532	518,013	44,547	7,986,070
Accumulated depreciation (-)	(10,927)	(4,455)	(571,586)	(1,315,793)	(54,303)	(66,148)	-	-	(1)	(2,023,213)
Impairment loss (-)	(1,416)	-	(29,146)	(53,580)	(36,548)	(56)	-	(51,098)	-	(171,844)
Net carrying amount as at Dec 31 2013	**507,367**	**343,397**	**1,772,736**	**2,422,371**	**138,409**	**91,740**	**3,532**	**466,915**	**44,546**	**5,791,013**

Note 10 Intangible assets

Carrying amounts

	as at Jun 30 2014	as at Dec 31 2013
Trademarks	88,788	88,788
Corporate mark	130,545	130,545
Customer base	119,312	150,067
Patents and licences	97,902	97,403
Computer software	26,090	27,367
Development costs	2,323	2,471
Other intangible assets	5,715	6,061
	470,675	**502,702**
Intangible assets under construction	15,410	13,046
Advances for intangible assets	649	351
	486,734	**516,099**

Note 11 Cash and cash equivalents11

	as at Jun 30 2014	as at Dec 31 2013
Cash in hand	383	430
Bank balances in PLN	93,794	110,585
Bank balances in foreign currencies (translated to PLN)	90,946	153,353
Bank deposits - up to 3 months	420,673	430,453
Bank deposits - other	1,057	18,203
	606,853	**713,024**
Cash and cash equivalents in the statement of financial position	**606,853**	**713,024**
Cash and cash equivalents in the statement of cash flows	**606,853**	**713,024**

As at June 30th 2014, the Group held restricted cash in the amount of PLN 11,917 thousand (December 31st 2013: PLN 17,647 thousand).

Note 12 Borrowings

	as at Jun 30 2014	as at Dec 31 2013
Bank borrowings	517,441	780,729
Other borrowings	424,009	458,104
	941,450	**1,238,833**
Thereof:		
Non-current	555,577	634,693
Current	385,873	604,140
	941,450	**1,238,833**

Change in Parent's borrowings in H1 2014 was directly connected with the repayment of borrowing tranches under the Joint Financing Agreement with PKO BP S.A. and PZU Życie, in the amount of

PLN 76,956 thousand, and reduction of the debt under an overdraft facility and working capital facilities, totalling PLN 88,310 thousand.

on June 27th 2014, Grupa Azoty ZAK S.A. repaid two borrowings used to refinance an investment credit facility for the construction of the TK IV nitric acid unit and a water treatment plant, totalling PLN 37,187 thousand, and reduced its debt under a working capital facility by PLN 20,000 thousand.

Zakłady Azotowe Chorzów S.A. (subsidiary of Grupa Azoty PUŁAWY) repaid a loan of PLN 45,746 thousand.

In February 2014, Grupa Azoty POLICE and its subsidiary African Investment Group S.A. entered into an agreement on financing the subsidiary's day-today operations. The agreement provides for a multi-purpose credit line of EUR 8,000 thousand, available from February 18th 2014 to February 17th 2016, of which EUR 6,000 thousand was used as at June 30th 2014. . Moreover, in H1 2014 Grupa Azoty POLICE reduced its debt under overdraft facilities by PLN 46,079 thousand.

Maturities and currencies

As at June 30th 2014

Currency	Reference rate	Value as at the reporting date		Less than 1 year	1-2 year(s)	2-5 years	>5 years
		in original currency	in PLN				
PLN	variable	890,182	890,182	351,909	162,487	316,842	58,944
EUR	variable	8,463	35,066	29,250	3,322	2,494	-
USD	variable	5,317	16,202	4,714	4,714	6,774	-
			941,450	**385,873**	**170,523**	**326,110**	**58,944**

As at December 31st 2013

Currency	Reference rate	Value as at the reporting date		Less than 1 year	1-2 year(s)	2-5 years	>5 years
		in original currency	in PLN				
PLN	variable	1,163,822	1,163,822	578,391	180,932	357,848	46,651
EUR	variable	13,680	56,666	21,089	28,665	6,912	-
USD	variable	6,090	18,345	4,660	4,660	9,025	-
			1,238,833	**604,140**	**214,257**	**373,785**	**46,651**

The financing of the Group is based on variable interest rates. Depending on the currency, the rates are based on WIBOR, EURIBOR or LIBOR.

Note 13 Employee benefits

	as at Jun 30 2014	as at Dec 31 2013
Pension benefit obligations	93,891	82,549
Jubilee benefit obligations	185,777	173,594
Pensioner Social Fund benefit obligations	11,828	11,346
Other liabilities	23,123	21,132
	314,619	**288,621**
Thereof:		
Non-current	283,799	254,613
Current	30,820	34,008
	314,619	**288,621**

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

- discount rate of 4.0%
- average pay increase rate of 3.0%
- minimum pay increase rate of 4.0%

Note 14 Provisions

	as at Jun 30 2014	as at Dec 31 2013
Provision for legal claims	5,705	5,846
Provision for environmental protection, including site restoration	117,405	115,064
Provision for demolition of mercury electrolysis plant	7,058	6,870
Provisions for guarantees and sureties	2,068	2,304
Provision for bonuses and discounts	3,223	3,440
Provision for CO2 emission rights	87,276	167,122
Other provisions, including:	29,556	32,536
Provision for property cleaning and restoration services	16,492	16,023
Provision for demolition	525	525
other	12,539	15,988
	252,291	**333,182**
Thereof:		
Non-current	119,132	119,343
Current	133,159	213,839
	252,291	**333,182**

Note 15 Financial instruments

Categories of financial instruments

Financial assets

	as at Jun 30 2014	as at Dec 31 2013
At fair value through profit or loss	4,225	782
Loans and receivables	861,861	949,669
Cash and cash equivalents	606,853	713,024
Available-for-sale financial assets	13,315	33,499
	1,486,254	**1,696,974**
Recognised in the statement of financial position as:		
Available-for-sale financial assets	12,355	33,499
Trade and other receivables	823,199	853,086
Cash and cash equivalents	606,853	713,024
Other financial assets	43,,847	97,365
	1,486,254	**1,696,974**

Financial liabilities

	as at Jun 30 2014	as at Dec 31 2013
At fair value through profit or loss	27	1,797
At amortised cost	1,977,282	2,402,306
	1,977,309	**2,404,103**
Recognised in the statement of financial position as:		
Non-current borrowings	555,577	634,693
Current borrowings	385,873	604,140
Trade and other payables	943,911	1,063,789
Other financial liabilities	91,948	101,481
	1,977,309	**2,404,103**

Profit/(loss) on categories of financial instruments (+/-)

	for the period Jan 1-Jun 30 2014	for the period Jan 1-Jun 30 2013
Financial assets		
At fair value through profit or loss	4,588	832
Loans and receivables	25	1,575
Cash and cash equivalents	-	7,802
Available-for-sale financial assets	2,912	27,796
Other financial assets	-	172
Financial liabilities		
At fair value through profit or loss	(27)	(1,975)
At amortised cost	-	(16,988)
	7,498	**19,214**

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk is primarily connected with receivables from the Group's customers and financial investments.

Taking into account the procedures in place at the Group and its diversified customer base, the concentration of credit risk is not considered significant. Part of free cash held by Group companies (PLN 91,656 thousand as at June 30th 2014; PLN 17,647 thousand as at December 31st 2013) was deposited in virtual cash-pooling accounts connected to overdraft facilities granted to the Group by PKO BP S.A. In this way, the Group optimises its interest expense and income and reduces the credit risk. On February 19th 2014, Grupa Azoty SIARKOPOL was included in the cash-pooling structure. Furthermore, as at June 30th 2014, Group companies placed their remaining free cash as short-term deposits with various banks having sound solvency ratings.

The Group operates a unified credit risk management policy by performing ongoing credit assessment and customer monitoring. For these purposes, it reviews business intelligence reports, debtor registers and the customer's credit history. In justified cases, the Group requires collateral.

The following table presents the maximum exposure of the Group to credit risk:

	as at Jun 30 2014	as at Dec 31 2013
Assets at fair value through profit or loss	4,225	782
Loans and receivables	861,861	949,669
Cash and cash equivalents	606,853	713,024
	1,472,939	**1,663,475**

Trade receivables

The structure of credit risk concerning trade receivables based on groups of products is presented in the following table:

	as at Jun 30 2014	as at Dec 31 2013
Agro Fertilizers	358,433	332,341
Plastics	97,217	196,901
Chemicals	221,717	178,700
Energy Segment	13,768	22,536
Other Activities	97,131	101,757
	788,266	**832,235**

Not impaired overdue trade receivables

	as at Jun 30 2014	as at Dec 31 2013
Past due to 60 days	64,100	82,541
Past due 60-180 days	22,237	4,863
Past due 180-360 days	15,142	357
Past due more than 360 days	1,159	421
	102,638	**88,182**

The Group's trade receivables are insured under trade credit insurance policies issued by Korporacja Ubezpieczeń Kredytów Eksportowych, Atradius Credit Insurance and Euler Hermes, which limit the credit risk to the amount of deductible (5-10% of the insured receivables). The insurance policies provide the facility for current monitoring of customer's current financial position and debt recovery when required. Additionally, upon customer's real or legal insolvency, the Group receives the compensation payment amounting to 90-95% of insured receivable value.

A majority of the Group's remaining trade receivables from non-related entities are secured by letters of credit, guarantees or collateral.

Trade credit is typically granted subject to approval by an insurance company and also on the basis of a positive trading history and the partner's credit standing assessed based on business intelligence reports, financial statements and payment history.

Whenever no positive trading history exists between a trading partner and the Group or when transactions are occasional and the credit limit cannot be insured, a prepayment or security are required.

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

Fair value of financial instruments

Details of the fair value of financial instruments, where measurement is possible, are presented below:

- Cash and cash equivalents, short-term bank deposits and short-term bank borrowings. Carrying amounts of such instruments approximate their fair value because of the short maturities of such instruments.
- Trade and other receivables, trade payables. Carrying amounts of such instruments approximate their fair value because of the short maturities of such instruments.
- long-term bank borrowings. Carrying amounts of such instruments approximate their fair value due to the variable interest rates.
- Currency, interest rate and emission right derivatives Carrying amounts of such instruments are equal to their fair values,
- Available-for-sale financial assets. Carrying amounts of such instruments are equal to their fair values.

The fair values of the Group's fair value-measured financial instruments by input level in the fair value hierarchy as at June 30th 2014:

Classification level	Level 1	Level 2	Level 3
Financial assets at fair value, including:			
available-for-sale shares	-	-	13,315
currency forwards	-	3,667	-
futures contracts for emission rights	-	558	-
	-	**4,225**	**13,315**
Financial liabilities at fair value, including:			
currency forwards	**-**	(27)	**-**
	-	**(27)**	**-**

The table below shows financial instruments carried at fair value as at December 31st 2013, by levels in the fair value hierarchy:

Hierarchy level	Level 1	Level 2	Level 3
Financial assets at fair value, including:			
available-for-sale shares	18,308	-	13,224
investment fund units classified as available for sale	1,967	-	-
currency forwards	-	782	-
	20,275	**782**	**13,224**
Financial liabilities at fair value, including:			
futures contracts for emission rights	**-**	(934)	**-**
FRAs	**-**	(863)	**-**
	-	**(1,797)**	**-**

The fair value hierarchy presented in the tables above is as follows:
Level 1 – price quoted on the active market for the same assets or liabilities,
Level 2 – the value determined based on inputs other than quoted prices included in level 1 that are directly or indirectly observable or ascertainable based on the market information,
Level 3 – the value determined on the basis of data inputs that are not based on observable market inputs.

The fair value of the currency forwards and interest rate and emission right contracts presented under Level 2 is determined based on a valuation carried out by banks and financial institutions with which the relevant contracts were entered into. Such valuations are reviewed by discounting the expected cash flows from the contracts using market interest rates prevailing at the reporting date.

The Group carries an investment of PLN 13,315 thousand (December 31st 2013: PLN 13,224 thousand) in shares that were classified under Level 3 as they were not quoted on an active market and there were no transactions in the shares. The fair value of the shares was estimated by an expert using valuation techniques containing significant unobservable inputs, i.e. the expected cash flows and discount rates.

Derivative instruments and hedge accounting

Currency derivatives

As at June 30th 2014, the notional value of the Group's open currency derivatives (forwards) was EUR 53.3m (with EUR 13.5m maturing in July 2014, EUR 11.2m maturing in August, EUR 7.5m maturing in September, EUR 6.2m maturing in October, EUR 7.5m in November and EUR 7.4m in December) and USD 13.1m (with USD 5.5m maturing in July 2014, USD 2m in August, USD 1m in September, USD 1.4m in October, USD 1.8m in November and USD 1.4m in December). As at December 31st 2013, the notional value of the Group's open currency derivatives (forwards) was EUR 9.3m and USD 5.1m.

Transactions are only concluded with reliable banks and are based on framework agreements. All derivative transactions reflect the real transactions affecting the currency cash flows. The currency forwards and derivatives are entered into based on the Group's net currency exposure in order to reduce the impact of currency fluctuations on profit or loss.

Fair value of derivatives

As at June 30th 2014, the Company's open currency forwards were measured at PLN 3,667 thousand (December 31st 2013: 782 thousand), and an open futures contract for purchase of CO_2 emission rights amounted to PLN 558 thousand (December 31st 2013: PLN (934) thousand), which gives the total fair value of derivative instruments recognised under current financial assets of PLN 4,225 thousand.

As at June 30th 2014, the negative fair value of open currency forwards stood at PLN (27) thousand, and that was total fair value of the derivative instruments recognised under current financial liabilities. As at December 31st 2013, an unrealised interest rate hedge was measured at PLN 863 thousand and charged to other financial liabilities.

Hedge accounting

In H1 2014, the Group did not use hedge accounting.

Note 16 Contingent liabilities, contingent assets and guarantees

Contingent assets

	as at Jun 30 2014	as at Dec 31 2013
Contingent receivables	32,613	28,812

Contingent liabilities and guarantees

	as at Jun 30 2014	as at Dec 31 2013
Guarantees	11,893	13,336
Other	1,594	1,302,503
Other contingent liabilities	22,626	27,879
	36,113	**1,343,718**

As at June 30th 2014, Grupa Azoty PUŁAWY had secured a signed financing commitment for the benefit of its associate, Elektrownia Puławy Sp. z o.o., to finance a power plant construction project, amounting to PLN 1,300,000 thousand (December 31st 2013: PLN 1,300,000 thousand).

ISARIOS Industriekapital AG's claim concerning ATT Polymers

On June 2nd 2014, under proceedings concerning reverse transfer of ownership of shares in Grupa Azoty ATT Polymers GmbH (described in more detail in the consolidated financial statements of the Grupa Azoty Group for the 12 months ended December 31st 2013), the International Chamber of Commerce in Paris issued a ruling in which it upheld the validity of the agreement for the purchase of shares in Grupa Azoty ATT Polymers GmbH by the Parent, dated November 18th 2009.

Additionally, the arbitration tribunal determined that the share sale agreement satisfied all necessary formal and substantial requirements, and in particular that the seller's resolution dated December 23rd 2009, being one of the preconditions for closing the transaction, was valid. The tribunal also ruled that the Grupa Azoty Group was under no obligation to return dividend. The ruling is final and cannot be subject to any ordinary legal remedies.

Note 17 Accounting estimates and assumptions

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

	for the period Jan 1-Jun 30 2014	for the period Jan 1–Dec 31 2013	for the period Jan 1-Jun 30 2013
Balance at the beginning of the period	**621,803**	**406,970**	**406,970**
Effect of acquisition of subsidiaries	-	163,655	144,403
Recognised	134,165	247,068	154,026
Reversed (-)	(7,040)	(50,240)	(22,164)
Used (-)	(182,018)	(145,650)	(136,726)
Balance at the end of the period	**566,910**	**621,803**	**546,509**

Changes in impairment loss of property, plant and equipment

	for the period Jan 1-Jun 30 2014	for the period Jan 1–Dec 31 2013	for the period Jan 1-Jun 30 2013
Balance at the beginning of the period	**171,844**	**129,971**	**129,971**
Effect of acquisition of subsidiaries	-	341	-
Recognised	1,062	47,658	3,189
Reversed (-)	(373)	(2,366)	(415)
Used (-)	(1,521)	(3,760)	(439)
Balance at the end of the period	**171,012**	**171,844**	**132,306**

Changes in inventory write-downs

	for the period Jan 1-Jun 30 2014	for the period Jan 1–Dec 31 2013	for the period Jan 1-Jun 30 2013
Balance at the beginning of the period	**41,400**	**21,192**	**21,192**
Effect of acquisition of subsidiaries	-	41,122	39,900
Recognised	46,701	44,582	20,824
Reversed (-)	(24,166)	(30,289)	(22,240)
Used (-)	(12,448)	(35,207)	(20,434)
Balance at the end of the period	**51,487**	**41,400**	**39,242**

Changes in impairment loss on receivables

	for the period Jan 1-Jun 30 2014	for the period Jan 1–Dec 31 2013	for the period Jan 1-Jun 30 2013
Balance at the beginning of the period	**78,665**	**21,291**	**21,291**
Effect of acquisition of subsidiaries	-	46,529	45,757
Recognised	4,294	21,073	18,410
Reversed (-)	(2,288)	(7,354)	(3,881)
Used (-)	(919)	(2,874)	(845)
Balance at the end of the period	**79,752**	**78,665**	**80,732**

Note 18 Capital commitments

In the period ended June 30th 2014, the Group signed contracts concerning construction of a new CHP plant at Grupa Azoty ZAK S.A. and continuation of on-going investment projects. The contracts concerning continuation of on-going investment projects comprise construction, mechanical, electric, design and supervision services.

The Group is committed to incur capital expenditure of PLN 452,957 thousand (December 31st 2013: PLN 132,174 thousand).

Moreover, in the agreement on acquisition of Grupa Azoty SIARKOPOL the Parent agreed to make capital expenditure of at least PLN 30,000 thousand during 36 months from the agreement date.

4.2. Related parties

Significant related-party transactions:

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

In the six months ended June 30th 2014, the Grupa Azoty Group did not execute any related-party transactions on non-arm's length terms.

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

During the six months ended June 30th 2014, the Grupa Azoty Group did not grant any advances, loans, guarantees or sureties to management or supervisory personnel or persons closely related to them, nor did it enter into any agreements with them to provide benefits to the Group.

4.3. Dividends

On June 10th 2014, the Parent's Annual General Meeting resolved on the distribution of the 2013 profit. From the profit, PLN 44,117 thousand (PLN 0.20 per share) was allocated to payment of dividend. The remaining profit amount was allocated to statutory reserve funds. The dividend record date was June 18th 2014, and the dividend was paid out after the end of the reporting period, on July 9th 2014.

From the 2012 profit, PLN 148,793 thousand (PLN 1.50 per share) was allocated to payment of dividend.

4.4. Seasonality of operations

Mineral fertilizers

The first half of each year is a period of increased activity in the agricultural sector, when demand for agricultural materials (including mineral fertilizers) is at all-year high. The seasonality of fertilizer sales at the Grupa Azoty Group is minimised through a distribution strategy based on year-round supplies.

Titanium white

Sales of titanium white usually decline during the winter season – in the fourth and first quarter of each year. Sales pick up in the spring-summer period (Q2 and Q3) on the back of stronger demand for paints and varnishes, mainly in the construction industry. Given its chief application, titanium white remains a seasonal product largely dependent on market conditions.

With respect to chemical products, seasonality is not a significant factor.

Interim condensed separate financial statements for the six months ended June 30th 2014
prepared in accordance with IAS 34 'Interim Financial Reporting'
as endorsed by the European Union

STATEMENT OF THE MANAGEMENT BOARD

The Management Board of Grupa Azoty S.A. presents the interim condensed separate financial statements for the six months ended June 30th 2014, comprising:

- Condensed separate statement of profit or loss and other comprehensive income for the period January 1st–June 30th 2014,
- Condensed separate statement of financial position as at June 30th 2014,
- Condensed separate statement of changes in equity for the period January 1st–June 30th 2014,
- Condensed separate statement of cash flows for the period January 1st–June 30th 2014,
- Supplementary information to the interim condensed separate financial statements.

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

Signatures of the Members of the Management Board

……
Paweł Jarczewski
President of the Management Board

……
Andrzej Skolmowski
Vice-President of the Management Board

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

……
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 Kopeć
Member of the Management Board

Person entrusted with maintaining accounting records

……
Ewa Gładysz
Head of Corporate Finance Department
Finance Department

Tarnów, August 12th 2014

Condensed separate statement of profit or loss and other comprehensive income

	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013
	unaudited	*unaudited*
Profit or loss		
Revenue	912,886	966,804
Cost of sales	(798,410)	(846,254)
Gross profit	**114,476**	**120,550**
Selling and distribution expenses	(38,410)	(27,471)
Administrative expenses	(67,432)	(67,001)
Other income	2,777	2,251
Other expenses	(7,209)	(9,471)
Operating profit	**4,202**	**18,858**
Finance income	271,752	131,445
Finance costs	(19,151)	(13,713)
Net finance income	**252,601**	**117,732**
Profit before tax	**256,803**	**136,590**
Tax expense	(1,073)	(1,799)
Net profit	**255,730**	**134,791**
Other comprehensive income		
Items that will never be reclassified to profit or loss		
Remeasurements of defined benefit obligation	(1,471)	(166)
Tax on items that will never be reclassified to profit or loss	279	31
	(1,192)	**(135)**
Items that are or may be reclassified to profit or loss		
Change in fair value of available-for-sale financial assets	-	(18,696)
Change in fair value of available-for-sale financial assets reclassified to profit or loss	-	(27,256)
Tax on items that will be reclassified to profit or loss	-	8,731
	-	**(37,221)**
Total other comprehensive income	**(1,192)**	**(37,356)**
Total profit or loss and other comprehensive income	**254,538**	**97,435**
Earnings per share:		
Basic (PLN)	2.58	1.40
Diluted (PLN)	2.58	1.40

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

Condensed separate statement of financial position

	as at Jun 30 2014	as at Dec 31 2013
	unaudited	
Assets		
Non-current assets		
Property, plant and equipment	991,031	1,000,610
Investment property	14,629	15,154
Intangible assets	41,244	40,370
Investments in subordinated entities	3,814,993	3,814,983
Available-for-sale financial assets	12,134	12,134
Other non-current assets	450	690
Total non-current assets	**4,874,481**	**4,883,941**
Current assets		
Inventory	223,903	236,749
Other financial assets	3,333	5,649
Current tax assets	-	10,268
Trade and other receivables	240,780	227,114
Cash and cash equivalents	23,813	6,349
Other current assets	7,624	5,611
Assets held for sale	125	125
Total current assets	**499,578**	**491,865**
Total assets	**5,374,059**	**5,375,806**

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

Condensed separate statement of financial position (continued)

	as at Jun 30 2014	as at Dec 31 2013
	unaudited	
Equity and liabilities		
Equity		
Share capital	495,977	495,977
Share premium	2,418,270	2,418,270
Retained earnings, including:	1,304,333	1,069,634
Profit for the period	*255,730*	*44,117*
Total equity	**4,218,580**	**3,983,881**
Liabilities		
Borrowings	429,948	513,827
Employee benefit obligations	44,749	41,873
Provisions	23,364	22,781
Government grants	3,388	3,463
Deferred tax liabilities	32,827	33,381
Other financial liabilities	1,193	1,842
Total non-current liabilities	**535,469**	**617,167**
Borrowings	308,488	402,883
Employee benefit obligations	1,977	2,369
Trade and other payables	214,472	257,177
Provisions	23,713	40,145
Government grants	8,740	533
Deferred income	4	3,669
Other financial liabilities	62,616	67,982
Total current liabilities	**620,010**	**774,758**
Total liabilities	**1,155,479**	**1,391,925**
Total equity and liabilities	**5,374,059**	**5,375,806**

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

Condensed separate statement of changes in equity
for the period ended June 30th 2014

	Share capital	Share premium	Retained earnings	Total equity
Balance at January 1st 2014	**495,977**	**2,418,270**	**1,069,634**	**3,983,881**
Profit or loss and other comprehensive income				
Net profit	-	-	255,730	255,730
Other comprehensive income	-	-	(1,192)	(1,192)
Total profit or loss and other comprehensive income	**-**	**-**	**254,538**	**254,538**
Transactions with owners of the Company, recognised directly in equity				
Dividends	-	-	(19,839)	(19,839)
Total transactions with owners of the Company	**-**	**-**	**(19,839)**	**(19,839)**
Balance at June 30th 2014 (unaudited)	**495,977**	**2,418,270**	**1,304,333**	**4,218,580**

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

Condensed separate statement of changes in equity (continued)
for the period ended June 30th 2013 and December 31st 2013

	Share capital	Share premium	Fair value reserve	Retained earnings	Total equity
Balance at January 1st 2013	**320,577**	**680,688**	**37,221**	**1,176,649**	**2,215,135**
Profit or loss and other comprehensive income					
Net profit	-	-	-	134,791	134,791
Other comprehensive income	-	-	(37,221)	(135)	(37,356)
Total profit or loss and other comprehensive income	**-**	**-**	**(37,221)**	**134,656**	**97,435**
Transactions with owners of the Company, recognised directly in equity					
Share issue	175,400	1,737,582	-	-	1,912,982
Dividends	-	-	-	(148,793)	(148,793)
Total transactions with owners of the Company	**175,400**	**1,737,582**	**-**	**(148,793)**	**1,764,189**
Balance at June 30th 2013 (unaudited)	**495,977**	**2,418,270**	**-**	**1,162,512**	**4,076,759**
Balance at January 1st 2013	**320,577**	**680,688**	**37,221**	**1,176,649**	**2,215,135**
Profit or loss and other comprehensive income					
Net profit	-	-	-	44,117	44,117
Other comprehensive income	-	-	(37,221)	(2,339)	(39,560)
Total profit or loss and other comprehensive income	**-**	**-**	**(37,221)**	**41,778**	**4,557**
Transactions with owners of the Company, recognised directly in equity					
Share issue	175,400	1,737,582	-	-	1,912,982
Dividends	-	-	-	(148,793)	(148,793)
Total transactions with owners of the Company	**175,400**	**1,737,582**	**-**	**(148,793)**	**1,764,189**
Balance at 31 December 2013	**495,977**	**2,418,270**	**-**	**1,069,634**	**3,983,881**

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

Condensed separate statement of cash flows

	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013
	unaudited	*unaudited*
Cash flows from operating activities		
Profit before tax	**256,803**	**136,590**
Adjustments for:	*(205,995)*	*(76,698)*
Depreciation and amortisation	44,595	43,576
Impairment	349	2,162
Loss/(profit) from investing activities	1,612	(27,095)
Interest, foreign exchange gains or losses	17,636	12,074
Dividends	(269,938)	(99,754)
Change in fair value of financial assets at fair value through profit or loss	(249)	(7,661)
Cash from operating activities before changes in working capital	***50,808***	***59,892***
Changes in trade and other receivables	(13,675)	3,713
Changes in inventory	12,846	39,228
Changes in trade and other payables	(50,889)	(43,745)
Changes in provisions, prepayments and grants	(12,986)	(719)
Cash from operating activities	***(13,896)***	***58,369***
Income taxes paid/refunded	8,921	(7,250)
Net cash from operating activities	**(4,975)**	**51,119**

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

Condensed separate statement of cash flows (continued)

	for the period Jan 1- Jun 30 2014	for the period Jan 1- Jun 30 2013
	unaudited	*unaudited*
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	1,199	1,441
Acquisition of property, plant and equipment, intangible assets and investment property	(47,262)	(75,302)
Dividends received	269,938	117,797
Acquisition of financial assets	(10)	(320,618)
Interest received	101	-
Loans	2,566	1,818
Other disbursements	(2,771)	(2,397)
Net cash used in investing activities	**223,761**	**(277,261)**
Cash flows from financing activities		
Net expenses related to share issue	-	(11,159)
Dividends paid	(1)	(148,802)
Proceeds from borrowings	50,976	357,822
Payment of borrowings	(230,060)	(40,152)
Interest paid	(16,927)	(10,230)
Payment of finance lease liabilities	(934)	(1,061)
Other (disbursements)/ proceeds	(4,376)	17,880
Net cash from financing activities	**(201,322)**	**164,298**
Net increase/(decrease) in cash and cash equivalents	**17,464**	**(61,844)**
Cash and cash equivalents at the beginning of the period	**6,349**	**66,992**
Cash and cash equivalents at the end of the period	**23,813**	**5,148**

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

Supplementary information to the interim condensed separate financial statements

These interim condensed separate financial statements should be read in conjunction with the interim condensed consolidated financial statements of the Grupa Azoty Group for the six months ended June 30th 2014, and the audited separate financial statements of Grupa Azoty S.A. for the financial year ended December 31st 2013.

The accounting policies applied in these interim condensed separate financial statements are the same as those applied in the full-year separate financial statements for 2013.

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

Management's discussion and analysis: the Grupa Azoty Group in H1 2014

1. Discussion of the interim consolidated financial statements

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

1.1.1. Volatility of exchange rates

The conflict in Ukraine and its ensuing escalation, the annexation of Crimea by Russia and the separatist revolt in the Donbas region led to increased volatility of the PLN/EUR and PLN/USD exchange rates, which was however offset by the positive effects of economic recovery in Poland and globally.
The first half of 2014 saw PLN weakened marginally against USD (by some 1.2%), and against EUR (by some 0.3%), relative to exchange rates on December 31st 2013. At the same time, the average PLN/USD exchange rate in H1 2014 improved by 3.1% on H2 2013, while the average PLN/EUR exchange rate went up by about 1%, improving slightly on the previous half-year period.
Since the strengthening of PLN/EUR and PLN/USD exchange rates relative to H2 2013 was not significant, it did not have a material impact on the Grupa Azoty Group's performance in H1 2014.
Based on the Market Risk Management Policy and in accordance with the internal guidelines of the Foreign Exchange Risk Committee, in H1 2014 the Group applied hedges to up to 50% of its planned currency exposure under open contracts, in a time horizon of up to 12 months from the hedge contract date.
In H1 2014, the Group's hedging tools were EUR and USD swap forwards, reflecting its planned net exposure in both currencies.
The Grupa Azoty Group earned a PLN 2,158 thousand gain on hedging transactions realised in the six months of 2014, and a PLN 2,857 thousand gain on revaluation of hedges.
On non-hedged net currency exposure, the Group reported a PLN (4,361) thousand foreign exchange loss, and a PLN 5,411 thousand surplus of foreign-currency income over expenses.
In total, during the six months of 2014, the 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 6,065 thousand (including PLN (2,203) thousand on realised foreign exchange differences and currency hedging transactions and PLN 8,268 thousand on unrealised items).
In the six months of 2014, the Group had a PLN (46) thousand loss on valuation and settlement of an interest rate hedging collar transaction for a EUR-denominated loan (the transaction was settled and closed on June 27th 2014, and the loan was repaid), and a PLN 1,480 thousand gain on valuation and settlement of transactions hedging the price of emission allowances.

1.1.2. CO_2 emission allowances

In H1 2014, the CO_2 allowances market was characterised by uncertainty and volatility, due to the nearing allowances redemption deadline, the risk that production installations may not receive free allowances, a lower number of allowances available at auctions (as a result of backloading), and information on possible structural changes after 2020.
In the reporting period, the average spot price of EUA rights was EUR 5.59, while the maximum and minimum prices were EUR 7.12 and EUR 4.17, respectively.
In Early April 2014, a regulation was brought to law which contained a list of installations, other than those for electricity generation, covered by the greenhouse gas emission allowance trading system subsequent to January 1st 2013, along with the number of allowances allocated to each installation. In the days following the enactment, Polish companies received their allowances for 2013–2014.
In the first half of April 2014, the Polish Council of Ministers approved a regulation containing a list of electricity generating installations covered by the ETS system. Allowances for the modernisation of the energy sector were subsequently allocated in accordance with the derogation specified in Art. 10c of the Directive.

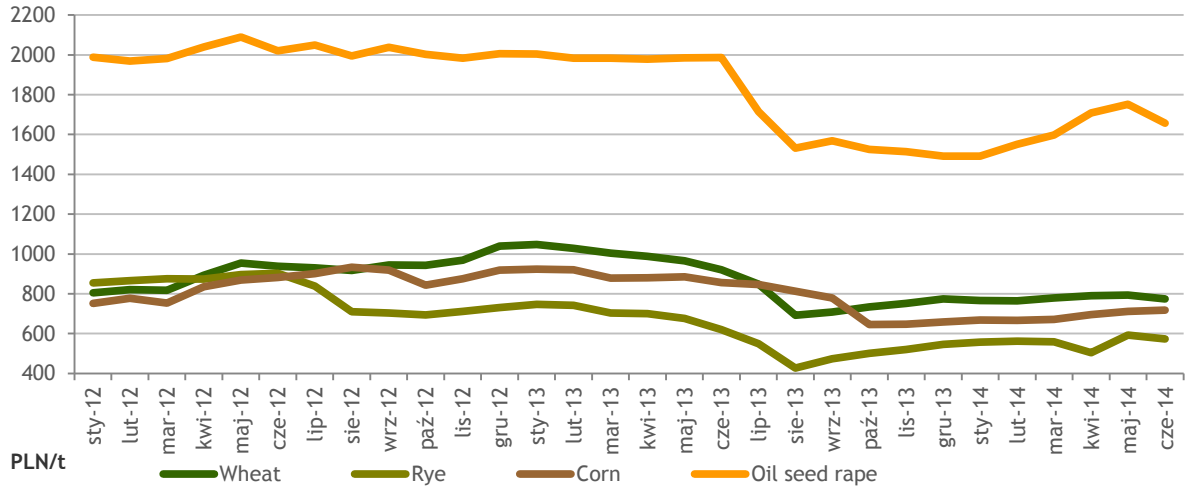
1.1.3. Market overview

Agro Fertilizers

Agricultural market

Relative to H1 2013, grain prices were lower. As forecasts predict high yields and production surplus estimates for the 2013/2014 season increase, global commodity exchanges record declining grain prices. On the domestic market, the pressure is rising as the demand for animal feed and industrial-grade grain increases, which may reduce exports and closing stocks if the current harvest forecasts prove correct and prices remain low. By June 17th 2014, according to the Agency for Restructuring and Modernisation of Agriculture, over 93% of direct subsidies for 2013 were paid to Polish farmers. The subsidies were paid out from December 2nd 2013 to June 30th 2014. The amount available for distribution in the form of direct subsidies in Poland was approximately EUR 3.53bn, or PLN 14.91bn.

Oil seed rape, wheat, rye and corn prices

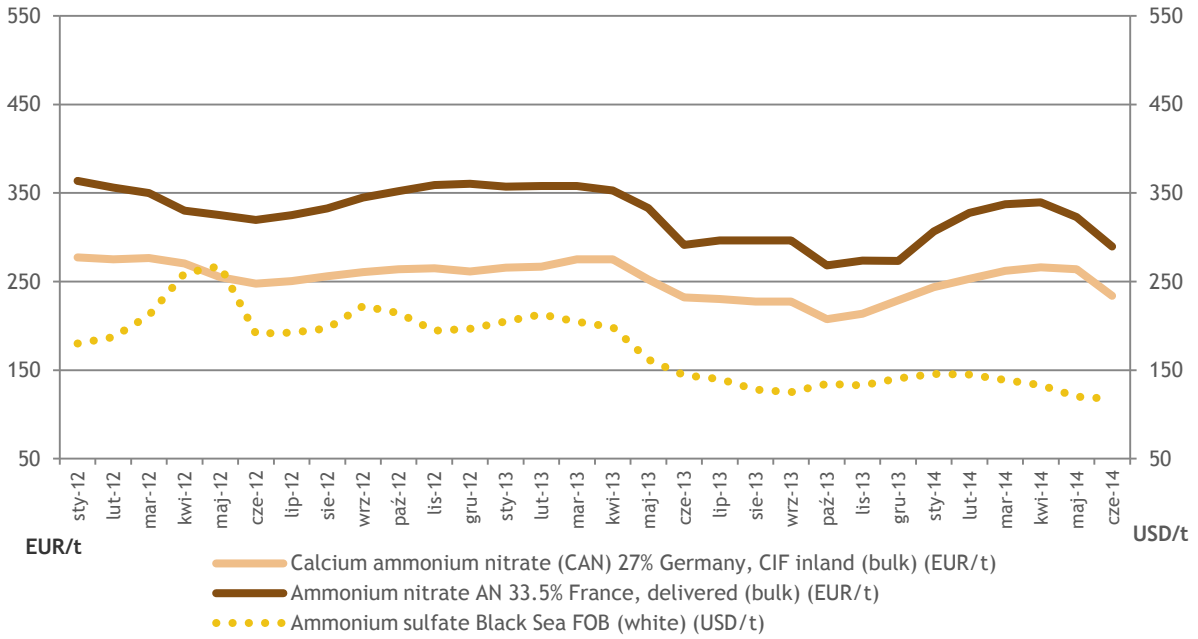


Source: Ministry of Agriculture and Rural Development

Nitrogen fertilizers

A sudden surge in demand was reported on the fertilizer market in H1 2014. Shortening of the plant vegetation cycle (by two weeks on average), caused by weather conditions, has resulted in local fertilizer shortfalls, which were mostly covered with imported urea. The amount of direct subsidies distributed to the farmers also contributed to this surge in demand.

CAN, AN and AS prices



Sources: ICIS, FMB.

Ammonium nitrate/calcium ammonium nitrate (CAN)

H1 2014 saw a sudden surge in demand for AN/CAN (particularly during the spring fertilizer season) as well as technical difficulties affecting production plants of major West European producers, which were the main reason behind the nitrogen fertilizer shortages on the market. The low prices reported in the period, followed by further decreases, were the result of the pricing policy adopted by the region's largest players.

In H1 2014, prices of both calcium ammonium nitrate and ammonium nitrate fell year on year; the average price of calcium ammonium nitrate was down from EUR 261 per tonne in H1 2013 to EUR 254 per tonne in H1 2014, while the average annual price of ammonium nitrate decreased from EUR 342 per tonne in H1 2013 to EUR 321 per tonne. The prices followed the decrease in urea prices on global markets.

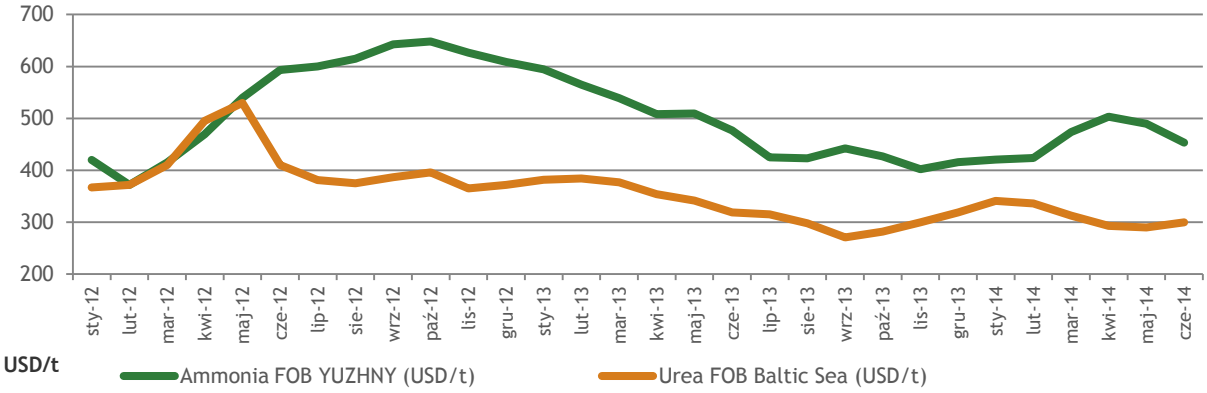
Ammonium sulfate

H1 2014 saw lower ammonium sulfate prices, with the average half-year price decreasing from USD 188 per tonne in 2013 to USD 133 per tonne. Prices of the fertilizer dwindled given the oversupply of caprolactam-derived ammonium sulfate on global markets (particularly from China).

Saletrosan®

Similarly to nitrate fertilizers, the prices of ammonium sulfate nitrate (Saletrosan®) followed global urea and ammonium sulfate prices.

Ammonia and urea prices



Sources: ICIS, FMB.

Ammonia

In H1 2014, the situation on the ammonia market remained unstable, mainly due to the situation in Ukraine. Because of the social unrest in Ukraine, ammonia production units in Gorlowka and Severodonetsk were shut down and ammonia supplies from there were discontinued. A number of maintenance shutdowns also took place. Ammonia producers in Trinidad and Egypt faced limitations in gas supplies. Also importers in the fertilizer sector reduced their activity. In the second half of May ammonia prices were determined for supplies to US fertilizer manufacturers. In the wake of a price decrease on the market of the largest ammonia importer (the US), prices went down also on other markets. Companies exporting ammonia through the Baltic and Black Sea ports had to reduce their to harmonise them with the lower price in the US.

Like urea prices, ammonia prices were on a downward trend in H1 2014 compared with H1 2013. The average price was USD 532 per tonne in H1 2013 and only USD 461 per tonne in H1 2014.

In the period under analysis, the Polish market remained stable, with short-term increases in demand from Western Europe, attributable to disruptions on the eastern market. An important fact is the commencement of spot purchases of gas by the largest gas consumers in Poland, which helped to reduce ammonia production costs. In a long term, gas market deregulation and better diversification options will favourably affect the domestic ammonia market.

Urea

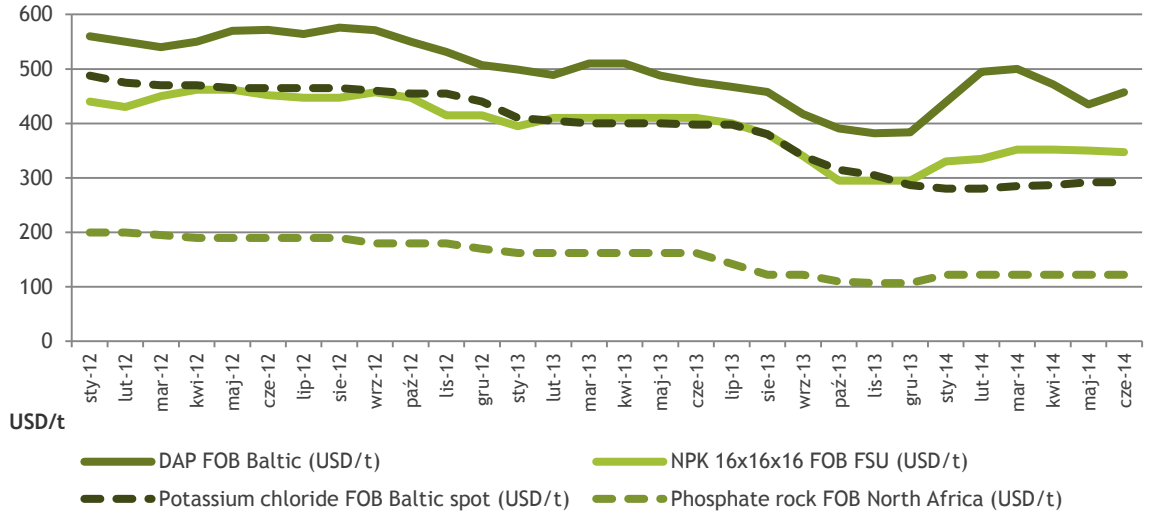
H1 2014 saw urea prices lower than in the same period last year. The average price was USD 360 per tonne in H1 2013 and only USD 312 per tonne in H1 2014.

At the beginning of 2014, retail prices of urea did not change significantly from their level observed at the end of 2013 (drop by ca. 0.8%). Winter and low temperatures limited the demand for urea and in H1 2014 retail prices of the product fell by ca. 3%, while between March and May 2014 they went up by ca. 0.5%. Given the end of the fertilizer application season, May and June 2014 saw lower demand for urea. In June 2014, retail prices of urea remained close to their May levels, with a slight downward trend.

UAN

In H1 2014, UAN prices (FOB Black Sea 32% N) decreased year on year. The average price was USD 288 per tonne in H1 2013 and USD 257 per tonne in H1 2014.

Prices of NPK, DAP, potassium chloride and phosphate rock



Source: FMB, FERTECON, Profercy.

NPK fertilizers

The beginning of 2014 saw lower sales of fertilizers, but the trend reversed in the wake of spring coming two to three weeks earlier. Farmers showed strong interest in Police's new fertilizer, NPK 7-18-28. The end of sowing season resulted in dwindling demand for NPK fertilizers. In late May and in June, demand for NPK fertilizers remained very low in most of Europe.

In H1 2014, NPK fertilizer prices went down year on year. The average price was USD 408 per tonne in H1 2013 and only USD 344 per tonne in H1 2014.

DAP fertilizers

Late December 2013 and subsequent months saw higher demand for DAP fertilizers and other phosphorus fertilizers (MAP and NP). At the beginning of the year, the highest demand for the fertilizers was recorded in Brazil, Australia and Europe, as well as in the US, Turkey, Vietnam and Pakistan. A substantial increase in prices of DAP fertilizers continued until the end of March. In April, most markets saw a downward trend in DAP fertilizer prices due to oversupply accompanied by lower demand from the largest consumers, such as India, the US and China. The largest DAP manufacturers, OCP (Morocco), Mosaic (US), PhosAgro (Russia), GCT (Tunisia), Ma'aden (Saudi Arabia), JPMC (Jordan) and Eurochem (Lithuania and Russia) reduced prices in an attempt to sell out their products before the competition. In June 2014, DAP prices rose, mainly due to large imports to the United States and South America. Without announcing any major tenders for April and May, India purchased approximately 300,000 tonnes of DAP fertilizers from various suppliers, to reduce purchases in June having accumulated significant stocks of those of fertilizers.

The average price was USD 495 per tonne in H1 2013 and USD 466 per tonne in H1 2014. The falling trend in DAP fertilizer prices is accompanied by price declines in other fertilizer sectors.

Phosphate rock

In H1 2014, average phosphate rock prices did not change materially and amounted to USD 122 per tonne (Morocco phosphate rock). In 2013, the prices were higher, at USD 162 per tonne.

Potassium chloride (KCl)

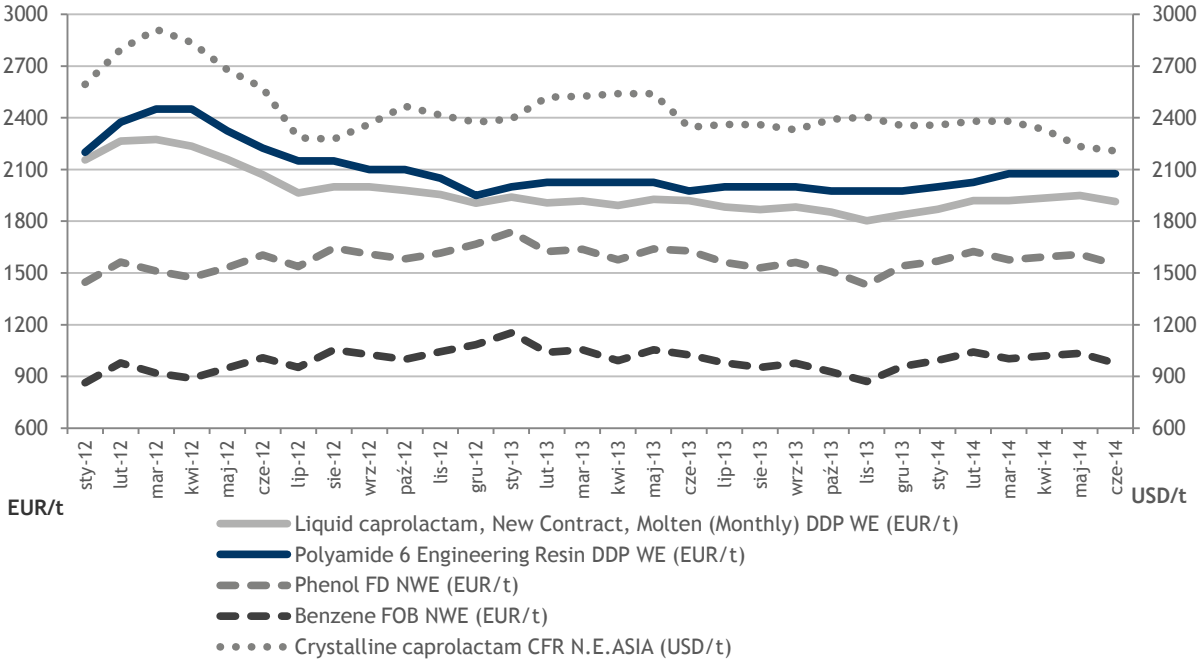
Large contracts for imports of potassium chloride to China, India, Malaysia, Philippines, Indonesia and Brazil, concluded at the beginning of the year, stopped the downward price trend and the price stabilised at USD 240–320 per tonne in FOB Baltic Sea spot transactions.

Increased demand observed during spring pushed the price in new contracts for Q2 2014 up to USD 255–330 per tonne (FOB Baltic Sea).

The average potassium chloride price was USD 402 per tonne in H1 2013, to go down to USD 286 per tonne in H1 2014.

Plastics

Prices of caprolactam, PA6, benzene and phenol



Source: TECNON, ICIS.

Benzene

At the end of H1 2014 contract prices of benzene fell below EUR 1,000 per tonne. This decrease was not directly justified by market conditions and followed chiefly from strong demand for benzene (exports outside the EU) and volatile market conditions, strong increase in demand for this material on global markets (driven by higher purchases of European benzene by the United States) as well as speculative transactions (fall from the high price levels observed in May 2014). Markets remained volatile throughout H1 2014, with strong periodic movements in supply and demand as well as regular monthly increase in demand from non-European importers. The average benzene price was EUR 1,053 per tonne in H1 2013 and EUR 1,011 per tonne in H1 2014.

Phenol

Towards the end of Q2 2014, the phenol market was stable and more balanced than in Q1, especially given the fall in benzene price below EUR 1,000 per tonne. The largest European phenol producers had to further curb production and the average capacity utilisation rate at Europe's largest plants was relatively low. Favourable conditions on the acetone market was a positive signal contributing to market stabilisation.

The benzene market and price forecasts have a strong impact on the phenol market, making it highly volatile and unstable. Given the price levels expected in 2014, the phenol market is the buyer's market as phenol producers are compelled to reduce their margins. Nonetheless, benzene contract prices remain the key element of pricing formulas. The average phenol price in H1 2014 amounted to EUR 1,587 per tonne. In H1 2013, the price was higher, at EUR 1,641 per tonne.

Caprolactam

Demand for caprolactam in Europe in January was driven by inventory restocking.

A drop in caprolactam prices followed to some extent from lower benzene prices. The overall situation on the caprolactam market is balanced, with supply matching demand. The market's balance remained unaffected by numerous overhauls and scheduled shutdowns of several caprolactam installations thanks to accumulated inventories and feedstocks.

On the Chinese market, the period under review was a time of continued discrepancy between prices of imported caprolactam and local caprolactam produced by new facilities. Due to strong

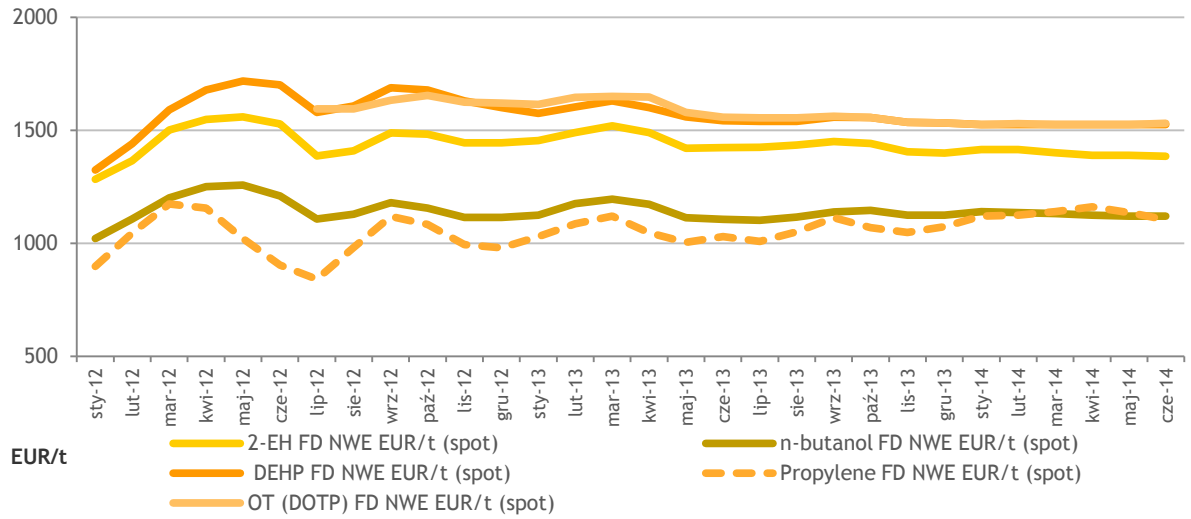
competition from Chinese producers (very low local caprolactam prices, extended payment deadlines), PA6 producers in China lost interest in imported caprolactam, which led to a large fall of the product's price in Asia. In H1 2014, the average flaked caprolactam price was USD 2,315 per tonne, compared with USD 2,477 per tonne in 2013. In the case of liquid caprolactam, average prices in H1 2013 and H1 2014 remained at around EUR 1,918 per tonne.

Polyamide 6 (PA 6)

The average polyamide price in H1 2014 amounted to EUR 2,054 per tonne. In 2013, the price was lower, at EUR 2,013 per tonne. PA 6 price rose mainly in February and March. The average monthly price has been unchanged since March, staying at EUR 2,075 per tonne. This year's higher polyamide price is related to the condition of the automotive industry, which is back on a growth track, especially in Germany and UK, and to the needs of the electric and electronic industries.

Chemicals

2-EH, n-Butanol, DEHP, OT (DOTP) and propylene prices



Source: ICIS.

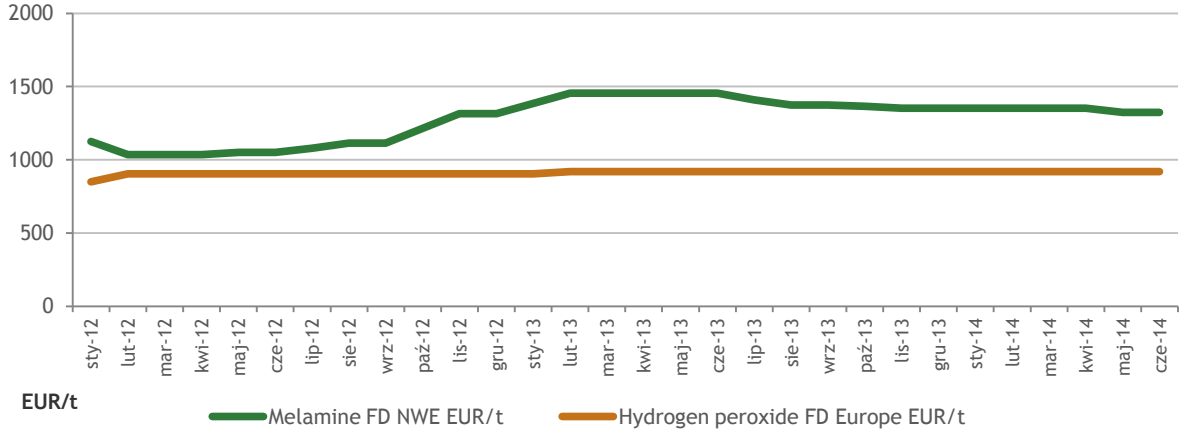
Propylene

From the beginning of the year, there were periodic problems with propylene availability, especially in Western Europe, due to scheduled and unscheduled production stoppages. Supply and demand balance started to improve only in the last weeks of Q2 2014.
In H1 2014, propylene prices went up year on year. The average price was USD 1,053 per tonne in H1 2013 and USD 1,132 per tonne in H1 2014.

Oxo alcohols and plasticizers

The demand situation differed in H1 2014 from H1 2013. Demand dynamics on target markets in Q2 2014 was lower than in the first quarter, largely due to the mild winter. In addition, launch of new production capacities in Asia in 2013 and 2014 and strong supply had an adverse effect of European producers' exports.
Demand for OXO alcohols on the European market was good considering the conditions prevailing in target segments. On the plasticiser market, the demand for DEHP continued to fall (plants processing PCV are abandoning the use of this product) in favour of its substitute, DOTP, which is becoming a key compound in the PCV industry. This non-phthalic plasticiser offers good prospects and potential for production capacity increase in Europe and worldwide.
In H1 2014, OXO alcohol and plasticiser prices went down year on year. The average price of 2-EH was EUR 1,466 per tonne in H1 2013 and just EUR 1,399 per tonne in H1 2014. N-butanol prices amounted to EUR 1,148 per tonne in H1 2013, to fall to EUR 1,129 per tonne in H1 2014. The same trend was observed with respect to DEHP and OT (DOTP). DEHP price in H1 2014 was EUR 1,525 per tonne, compared with the average price of EUR 1,585 per tonne in H1 2013. The price of plasticiser OT (DOTP) in H1 2013 was EUR 1,616 per tonne, and in 2014 it fell to EUR 1,527 per tonne.

Prices of melamine and hydrogen peroxide (100% solution)



Source: ICIS, Global Bleaching Chemicals.

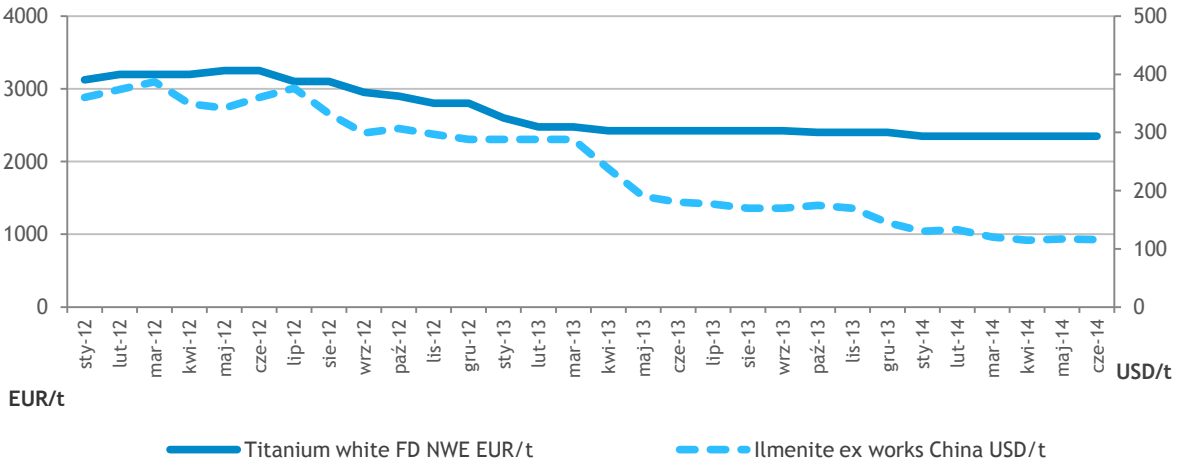
Melamine

In terms of supply and demand, the European melamine market in H1 2014 was stable. Production went on without any major disruptions and therefore there were no availability constraints. Demand was a little below expectations but still 5-10% higher than in H1 2013. In H1 2014, melamine prices went down year on year. The average price was EUR 1,443 per tonne in H1 2013 and EUR 1,344 per tonne in H1 2014.

Hydrogen peroxide

Supply and demand for the product were balanced in H1 2014. The supply of hydrogen peroxide was sufficient, save for temporary disruptions in northern Europe, and capacity utilisation was satisfactory. Also demand was good and stable. The recent slight consumption decline in the paper industry is being offset by growing consumption of the product in other sectors (non-pulp).
Hydrogen peroxide prices in H1 2014 were close to the levels observed in the comparative period. The average price was EUR 918 per tonne in H1 2013 and EUR 920 per tonne in H1 2014.

Market prices of titanium white and ilmenite



Sources: ICIS, CCM.

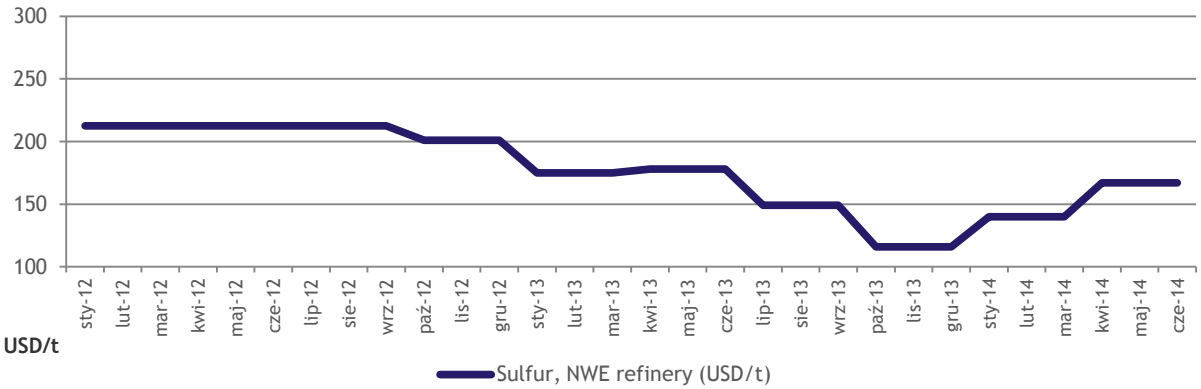
Titanium white

Due to a global downturn on the titanium white market, prices of basic materials for its production were falling in H1 2014.
The average price was EUR 2,471 per tonne in H1 2013 and EUR 2,350 per tonne in H1 2014.

Ilmenite and titanium slag

The average ilmenite price fell from USD 245 per tonne in H1 2013 to USD 122 per tonne in H1 2014. The average titanium slag price fell from USD 1,003 per tonne in H1 2013 to USD 620 per tonne in H1 2014.

Sulfur prices



Sources: FERTECON.

Sulfur

In H1 2014, sulfur prices fell year on year. In H1 2013, the price was EUR 177 per tonne, and dropped to EUR 154 per tonne in H1 2014. Despite lower prices, since January quoted sulfur prices have been on a rising trend. Higher sulfur supply had a major effect on market prices.

Energy Segment

Electricity

In H1 2014, electricity prices on the spot market of the Polish Power Exchange were on a steady rise and averaged at PLN 168.65 per MWh for the Day-Ahead Market (increase of 7.42% on H1 2013 - PLN 157.00 per MWh). The average electricity trading volume in H1 2014 was higher than in H1 2013.
The total trading volume on the spot and futures electricity market in Poland in H1 2014 was 81,276,491 MWh.

Coal

Given the oversupply of coal in Q2 2014, ARA quoted coal prices fell quarter on quarter by approximately 4%, while contract prices were down approximately 8%.
In H1 2014, ARA coal prices went down year on year. The average price was USD 83.1 per tonne in H1 2013 and USD 79.57 per tonne in H1 2014.

Natural gas

In H1 2014, contract prices of natural gas went down year on year. The average contract price was USD 10.57 per MMBtu in H1 2013 and USD 10.00 per MMBtu in H1 2014.
Spot prices of natural gas also went down year on year. The average spot price was USD 10.72 per MMBtu in H1 2013 and USD 9.32 per MMBtu in H1 2014.

1.2. Key financial data of the Grupa Azoty Group

1.2.1. Consolidated financial information

For H1 2014, the Grupa Azoty Group posted a positive EBITDA of PLN 564,263 thousand and a net profit of PLN 234,686 thousand.
Year on year, these figures fell by PLN 74,439 thousand and PLN 535,832 thousand, respectively.
It should be noted that in the comparative period earnings substantially benefited from gain from a bargain purchase of PLN 446,116 thousand.
The table below compares the key items in the consolidated statement of profit and loss for H1 2014 and H1 2013.

Consolidated data

	H1 2014	H1 2013	change	% change
Revenue	5,073,146	5,247,046	(173,900)	(3.3)
Cost of sales	(4,165,084)	(4,371,656)	206,572	(4.7)
Gross profit	**908,062**	**875,390**	**32,672**	**3.7**
Selling and distribution expenses	(274,960)	(206,501)	(68,459)	33.2
Administrative expenses	(353,371)	(329,312)	(24,059)	7.3
Profit from sales	**279,731**	**339,577**	**(59,846)**	**(17.6)**
Net other income/(expenses)	5,696	2,459	3,237	131.6
EBIT	**285,427**	**342,036**	**(56,609)**	**(16.6)**
Gain from a bargain purchase	-	446,116	(446,116)	(100.0)
Operating profit	**285,427**	**788,152**	**(502,725)**	**(63.8)**
Net finance income/(costs)	(6,329)	35,991	(42,320)	(117.6)
Share of profit of equity-accounted associates	5,090	5,448	(358)	(6.6)
Profit before tax	**284,188**	**829,591**	**(545,403)**	**(65.7)**
Tax expense	(49,137)	(58,819)	9,682	(16.5)
Net profit from continuing operations	**235,051**	**770,772**	**(535,721)**	**(69.5)**
Net loss from discontinued operations	(365)	(254)	(111)	43.7
Net profit	**234,686**	**770,518**	**(535,832)**	**(69.5)**
EBIT	**285,427**	**342,036**	**(56,609)**	(16.6)
Depreciation and amortisation	278,836	296,666	(17,830)	(6.0)
EBITDA	**564,263**	**638,702**	**(74,439)**	**(11.7)**

Source: Company data.

The slight decrease in revenue is attributable to the Grupa Azoty Group having generated lower sales in its Agro Fertilizers, Plastics and Other segments. Although cost of sales grew a little faster than revenue, the Group earned a gross profit and a net profit for the period.
In H1 2014, the Group posted net other income of PLN 5,696 thousand, higher than in the comparative period.
The large difference between profits on operating activities posted by the Group in the presented periods is attributable to gain from a bargain purchase of shares in Grupa Azoty PUŁAWY of PLN 446,116 thousand.
The Group posted a net loss on financing activities in H1 2014. The loss is attributable chiefly to costs related to interest payments.

1.2.2. Segments' results

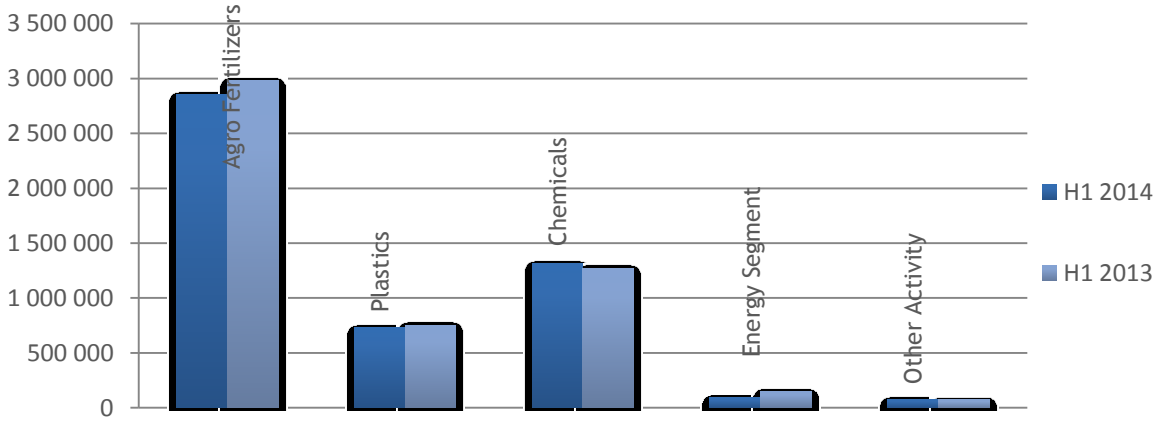
EBIT by segment

	Agro Fertilizers	Plastics	Chemicals	Energy	Other
Revenue	2,856,429	731,552	1,312,412	94,387	78,366
Share [%]	*56.3*	*14.4*	*25.9*	*1.9*	*1.5*
Net profit on sales	294,064	(38,554)	36,023	2,915	(14,717)
EBIT	296,687	(34,751)	36,045	3,742	(16,296)

Source: Company data.
*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 Grupa Azoty Group's products in H1 2014 were driven primarily by the market situation in the Agro Fertilizers, Plastics and Chemicals segments. The segments whose year-on-year revenue increase was the most significant included Chemicals (3.0%) and Other Activities (0.6%). The other segments' revenue fell slightly (save for the Energy segment, whose revenue shrank by 38.2%). Shares of the individual segments in the overall revenue structure remained relatively unchanged compared with H1 2013.

Revenue by segment



Source: Company data.

Agro Fertilizers

In H1 2014, revenue in the Agro Fertilizers segment was PLN 2,856,429 thousand and accounted for 56.3% of the Group's total revenue. Compared with H1 2013, the segment's revenue was lower.
Most of the revenue from sale of products in the segment was derived from the domestic market, which accounted for 67.8% of total fertilizer sales.

Plastics

In H1 2014, revenue in the Plastics segment was PLN 731,552 thousand and accounted for 14.4% of the Group's total revenue. The segment's revenue remained practically unchanged year on year. Even though revenue in this segment fell compared with the first half of the previous year, loss on sales was reduced by over 18.9%.
More than 92.1% of the segment's revenue from sale of products was derived from foreign markets.

Chemicals

The Chemicals segment includes the former OXO segment, as well as the new products added to the Grupa Azoty Group's offering following the acquisition of Grupa Azoty PUŁAWY and Grupa Azoty SIARKOPOL. In H1 2014, revenue in this segment reached PLN 1,312,412 thousand, which represented 25.9% of the Group's total revenue.
63.5% of the segment's revenue from sale of products was derived from foreign markets.

Energy Segment

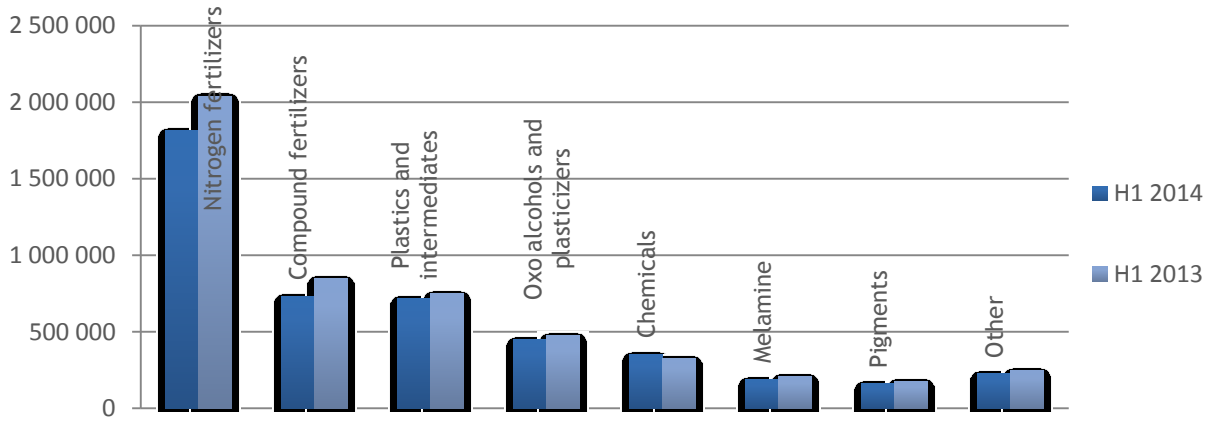
The Energy Segment comprises activities involving production of electricity and heat for the purposes of the chemical installations and contract-based sale of electricity to customers connected to the power network.
Energy is a new segment: in H1 2013, the corresponding revenue was reported as part of Other Activities.
In H1 2014, the Energy segment generated revenue of PLN 94,387 thousand, which accounted for 1.9% of the Group's total revenue.

Other Activities

In H1 2014, revenue of the Other Activities segment increased year on year, to PLN 78,366 thousand.
Loss on sales and the segment's other expenses resulted in a negative EBIT. The segment's revenue accounts for 1.5% of the total revenue.

Sales by product group

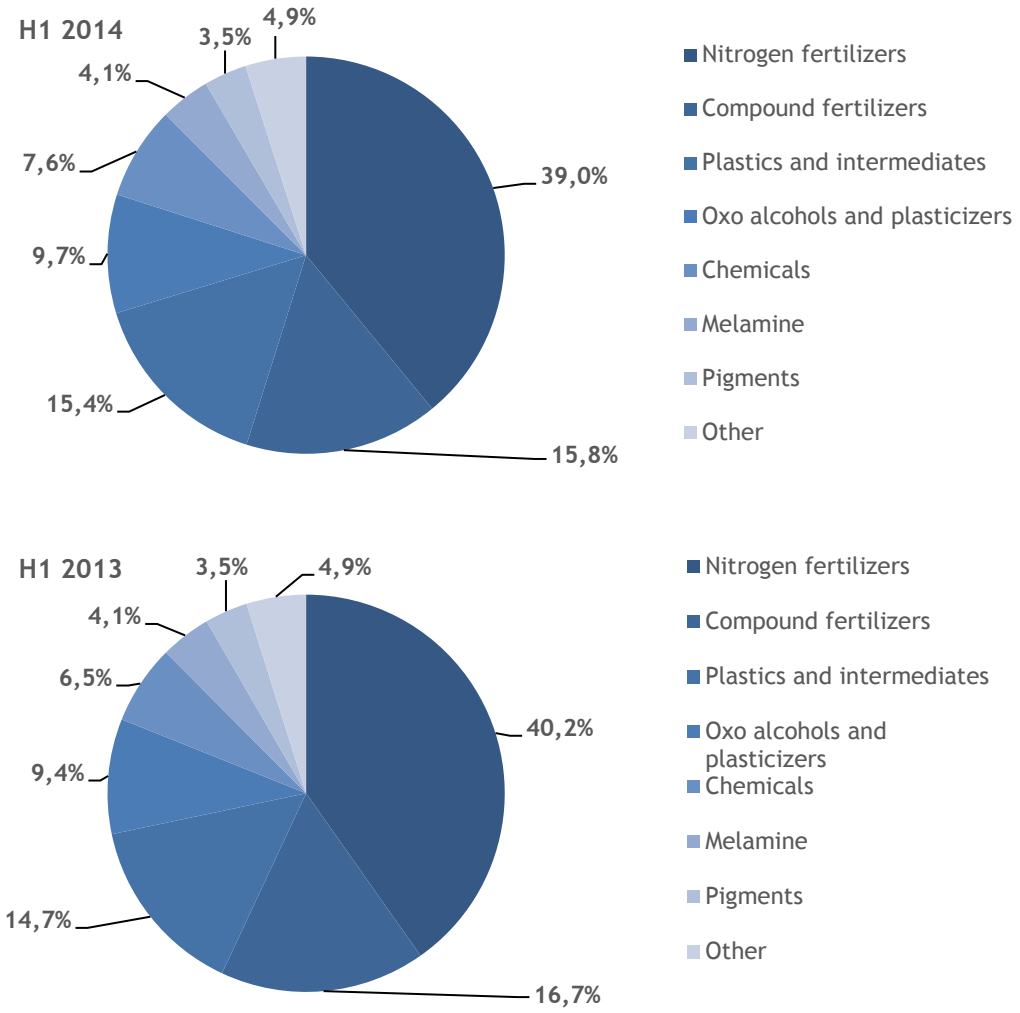
Revenue by product group



Source: Company data.

The key revenue drivers in the Grupa Azoty Group's sales are nitrogen fertilizers and compound fertilizers. The share of plastics and intermediates, oxo alcohols and plasticizers in the revenue is also significant.
Compared with the same period of the previous year, in H1 2014 revenue from sale of nitrogen and compound fertilizers fell slightly and the decrease affected the total revenue of the Agro Fertilizers segment, which was lower than in the comparative period.
A year-on-year increase in revenue from sales of chemicals, as well as in revenue of the entire Chemicals segment, was recorded.
Sale of other products generated slightly lower revenue year on year.

Revenue by product group



Source: Company data.

Compared with H1 2013, the share of nitrogen fertilizers in revenue decreased from 40.2% to 39.1%. A lower share was also recorded in the case of compound fertilizers (from 16.7% to 15.8%). The share of plastics and intermediates rose from 14.7% to 15.4%. Other products' shares in total revenue from sale of products either slightly rose or remained unchanged.

1.2.3. Operating expenses

In H1 2014, operating expenses were PLN 4,755,618 thousand, up PLN 72,174 thousand year on year. A significant rise occurred in costs of services – by PLN 82,694 thousand, and in labour costs – by PLN 70,407 thousand. Costs of raw material and consumables used, the largest item of expenses, decreased by PLN 118,944 thousand.

Operating expenses by nature

	H1 2014	H1 2013	change	% change
Depreciation and amortisation	278,836	296,666	(17,830)	(6.0)
Raw material and consumables used	3,212,241	3,331,185	(118,944)	(3.6)
Services	478,476	395,782	82,694	20.9
Salaries and wages, including overheads, and other benefits	572,453	502,046	70,407	14.0
Taxes and charges	149,334	112,475	36,859	32.8
Other costs by type	64,278	45,290	18,988	41.9
Total	**4,755,618**	**4,683,444**	**72,174**	**1.5**

Source: Company data.

Raw material and consumables used

In H1 2014, the cost of raw material and consumables used was 3.6% lower year on year. Among other factors, this decrease was attributable to lower prices of basic commodities.

Raw material and consumables used

	H1 2014	H1 2013	change	% change
Parent	461,237	489,616	(28,379)	(5.8)
Grupa Azoty POLICE Group				
Group	752,207	964,959	(212,752)	(22.0)
Grupa Azoty PUŁAWY Group				
Grupa Azoty PUŁAWY	1,159,984	1,053,066	106,918	10.2
Grupa Azoty ZAK Group				
Grupa Azoty ZAK S.A.	731,703	736,362	(4,659)	(0.6)
Other Grupa Azoty Group companies	107,110	87,182	19,928	22.9
Total	**3,212,241**	**3,331,185**	**(118,944)**	**(3.6)**

Source: Company data.

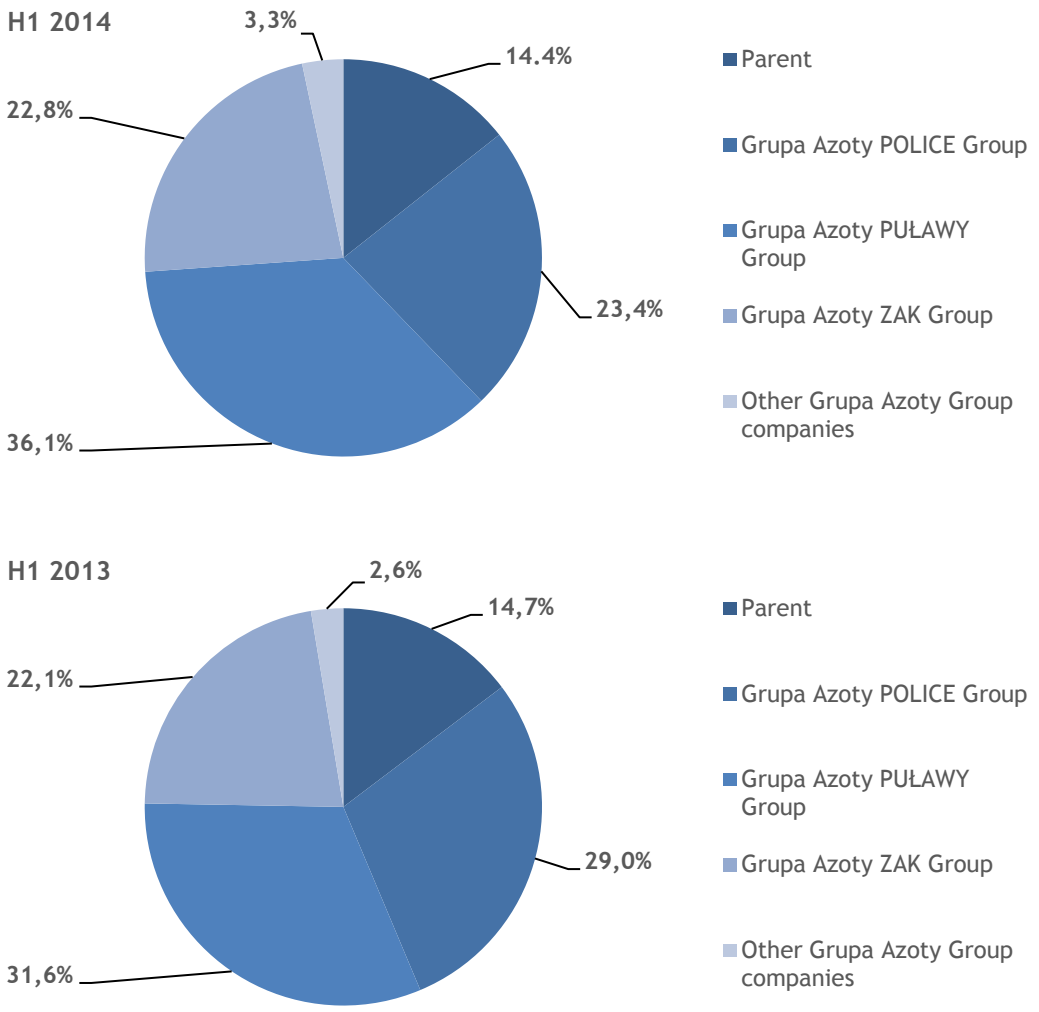
The Grupa Azoty PUŁAWY Group accounted for the largest share of raw material and consumables used in H1 2014, which translated into its largest share in the corresponding costs (36.1% of the total raw material and consumables costs incurred by the Grupa Azoty Group).

Grupa Azoty ZAK Group and Grupa Azoty POLICE Group incurred costs of PLN 731,703 thousand and 752,207 thousand respectively, which in aggregate accounted for 46.2% of the total costs.

Compared with H1 2013, this item of the Parent's costs fell 5.8% year on year, to PLN 461,237 thousand.

Other Group companies accounted for 3,3% of the total costs.

Raw material and consumables used



Source: Company data.

Other costs

Costs by kind net of raw material and consumables used represented 32.5% of total costs by kind in H1 2014 (in H1 2013 – 28.9% of total costs by kind).

Structure of other costs [%]

	H1 2014	H1 2013
Depreciation and amortisation	5.9	6.3
Services	10.1	8.5
Salaries and wages, including overheads, and other benefits	12.0	10.7
Taxes and charges	3.1	2.4
Other costs by type	1.4	1.0
Total	**32.5**	**28.9**

Source: Company data.

An analysis of changes in the structure of other costs reveals:
- higher share of labour costs in total costs,
- higher costs of services,

- higher share of taxes and charges in total costs.

1.2.4. Structure of assets, equity and liabilities

In H1 2014, the Group's assets rose to PLN 9,667,118 thousand, up 6.6% on the end of H1 2013. As at June 30th 2014, non-current assets stood at PLN 6,596,727 thousand, and current assets were PLN 3,070,391 thousand.
The most significant year-on-year changes in assets in H1 2014 included:

- a 14.0% increase in property, plant and equipment,
- a 11.4% decrease in intangible assets,
- a 24.7% increase in inventory,
- a 172.7% increase in current tax assets.
- a 15.0% decrease in trade receivables,
- a 15.9% decrease in cash.

Structure of assets

	H1 2014	H1 2013	change	% change
Non-current assets, including:	**6,596,727**	**5,947,052**	**649,675**	**10.9**
Property, plant and equipment	5,804,381	5,091,867	712,514	14.0
Investment property	53,865	52,104	1,761	3.4
Intangible assets	486,734	549,165	(62,431)	(11.4)
Investments in subordinated entities	120,856	122,003	(1,147)	(0.9)
Available-for-sale financial assets	13,254	21,879	(8,625)	(39.4)
Current assets, including:	**3,070,391**	**3,117,750**	**(47,359)**	**(1.5)**
Inventory	1,272,045	1,020,020	252,025	24.7
Other financial assets	33,948	35,011	(1,063)	(3.0)
Current tax assets	26,448	9,699	16,749	172.7
Trade and other receivables	1,099,629	1,293,203	(193,574)	(15.0)
Cash and cash equivalents	606,853	721,962	(115,109)	(15.9)
Other current assets	31,169	37,556	(6,387)	(17.0)
Total assets	**9,667,118**	**9,064,802**	**602,316**	**6.6**

Source: Company data.

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

- a 17.5% increase in non-current employee benefit obligations,
- a 16.5% increase in non-current deferred tax liabilities,
- a 75.5% increase in current liabilities under borrowings,
- a 15.9% decrease in long-term provisions.

Structure of equity and liabilities

Item	H1 2014	H1 2013	change	% change
Equity	**6,462,908**	**6,193,553**	**269,355**	**4.3**
Non-current liabilities, including:	**1,362,167**	**1,189,934**	**172,233**	**14.5**
Borrowings	555,577	540,527	15,050	2.8
Employee benefit obligations	283,799	241,583	42,216	17.5
Provisions	119,132	118,270	862	0.7
Deferred tax liabilities	279,471	239,868	39,603	16.5
Current liabilities, including:	**1,842,043**	**1,681,315**	**160,728**	**9.6**
Borrowings	385,873	219,866	166,007	75.5
Trade and other payables	1,159,175	1,142,892	16,283	1.4
Provisions	133,159	158,254	(25,095)	(15.9)
Other financial liabilities	71,263	82,013	(10,750)	(13.1)
Total liabilities	**3,204,210**	**2,871,249**	**332,961**	**11.6**
Total equity and liabilities	**9,667,118**	**9,064,802**	**602,316**	**6.6**

Source: Company data.

1.2.5. Financial ratios

Profitability

In H1 2014, almost all profitability ratios deteriorated when compared with the same period of 2013. Only gross margin rose by 1.2 pp, on the back of a higher gross profit, which improved 3.7% year on year. Lower EBIT and EBITDA margins are attributable to the decline in operating profit (EBIT), which was down 16,6%, and a simultaneous increase in revenue.

The dynamics of changes in net margin was similar. Net margin fell owing to lower net profit, with slightly lower revenue.

A similar pattern is seen in the case of ROA, ROE, and return on non-current assets. Net profit decrease with a concurrent growth in assets and equity resulted in lower ROA and ROE.

In the reporting period, return on capital employed fell, mainly as a result of EBIT growing slower than the capital employed.

Profitability ratios

	H1 2014	H1 2013
Gross margin	17.9 %	16.7 %
EBIT margin	5.6 %	6.5 %
EBITDA margin	11.1 %	12.2 %
Net margin	4.6 %	14.7 %
ROE	2.4 %	8.5 %
ROCE	3.6 %	4.6 %
ROE	3.6 %	12.4 %
Return on non-current assets	3.6 %	13.0 %

Source: Company data.

Ratio formulas:

Gross margin = gross profit (loss) / revenue (statement of comprehensive income by function)
EBIT margin = EBIT / revenue
EBITDA margin = EBITDA / revenue
Net margin = net profit (loss) / revenue
ROA (return on assets) = net profit (loss) / total assets
ROCE (return on capital employed) = EBIT / total assets less current liabilities, that is: EBIT / total assets less current liabilities
ROE (return on equity) = net profit (loss) / equity
Return on non-current assets = net profit (loss) / non-current assets

Liquidity

The liquidity ratios fell slightly as at the end of H1 2014, due to higher current liabilities.

Liquidity ratios

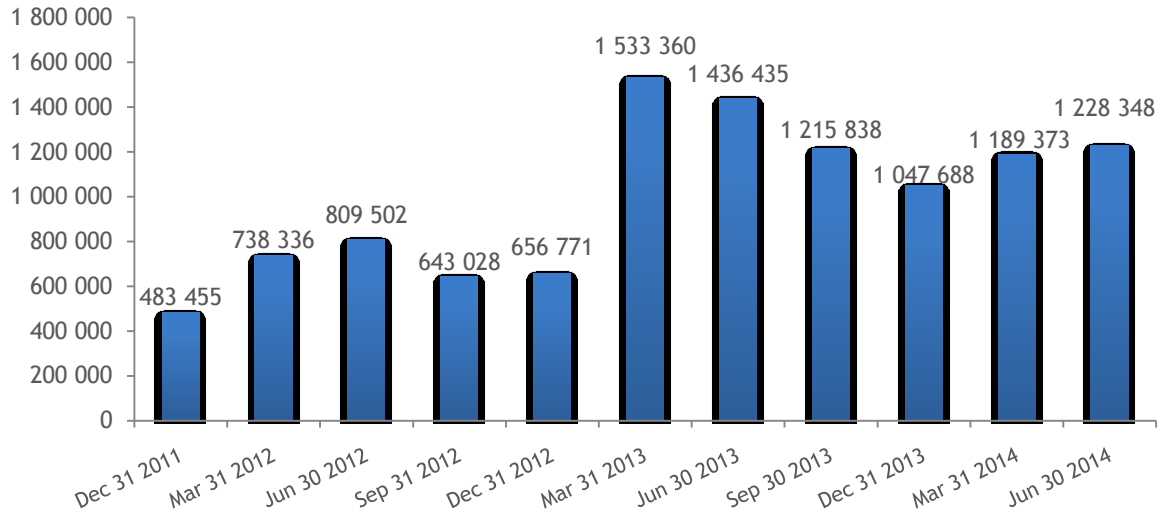
	H1 2014	H1 2013
Current ratio	1.7	1.9
Quick ratio	1.0	1.2
Cash ratio	0.3	0.5

Source: Company data.

Ratio formulas:
Current ratio = current assets / current liabilities
Quick ratio = (current assets - inventory - current prepayments and accrued income) / current liabilities
Cash ratio = (cash + other financial assets) / current liabilities

As a result of the changes in current assets and liabilities, as at June 30th 2014 working capital was PLN 1,228,348 thousand.

Changes in working capital



Source: Company data.

Operating efficiency

Inventory turnover increased, primarily due to an increase in inventory. The average collection period shortened to 39 days, which is directly attributable to lower trade receivables. At the same time, the average payment period, which lengthened following a decline in cost of sales, led to the cash conversion cycle of 44 days, which is also reflected in the liquidity ratios.

Operating efficiency ratios

	H1 2014	H1 2013
Inventory turnover	55	42
Average collection period	39	44
Average payment period	50	47
Cash conversion cycle	44	39

Source: Company data.

Ratio formulas:
*Inventory turnover = inventory * 180 / cost of sales*
*Average collection period = trade and other receivables * 180 / revenue*
*Average payment period = trade and other payables * 180 / cost of sales*
Cash conversion cycle = inventory turnover + average collection period - average payment period

Debt

During the reporting period the main source of financing of the Company's assets and operations was equity. Stable leverage was maintained throughout the period, which was financially effective and safe in terms of the financing risk. Throughout the period, the interest cover ratio remained at a level ensuring the Group's good credit standing and full ability to service debt.

Debt ratios

Ratio	H1 2014	H1 2013
Total debt ratio	33.1 %	31.7 %
Long-term debt ratio	14.1 %	13.1 %
Short-term debt ratio	19.1 %	18.5 %
Equity-to-debt ratio	201.7 %	215.7 %
Interest cover ratio	1,124.6 %	3,907.6 %

Source: Company data.

Ratio formulas:
Total debt ratio = total liabilities / total assets
Long-term debt ratio = non-current liabilities / total assets
Short-term debt ratio = current liabilities / total assets
Equity-to-debt ratio = equity / current and non-current liabilities
Interest cover ratio = [Profit before tax + interest expense] / interest expense

1.3. Significant agreements

In Current Report No. 2/2014 of January 9th 2014, the Parent's Management Board announced that the value of commercial transactions between the Grupa Azoty Group and the Pfleiderer Group of Germany had reached the significance threshold.
The value of transactions made in the 12 months preceding the date of the report totalled PLN 1,060,000 thousand (including the estimated value of products and services contracted for delivery over a five-year period, of PLN 694,200 thousand, VAT-exclusive).

The highest value contract was a contract for the supply of prilled urea 46% and crystalline urea, executed on January 9th 2014 between Grupa Azoty ZAK S.A. (the Parent's subsidiary) and Silekol Sp. z o.o. of Kędzierzyn-Koźle, a member of the Pfleiderer Group. The estimated value of the contract over its term of about five years is approximately PLN 694,200 thousand (exclusive of VAT),

which makes it the highest value contract among the agreements/annexes concluded between the Parent and the Pfleiderer Group in the 12-month period.

After the reporting date, in Current Report No. 46/2014 of July 15th 2014, the Parent's Management Board announced that the value of commercial transactions between the Grupa Azoty Group and Ampol – Merol Sp. z o.o. of Wąbrzeźno had reached the significance threshold.

The total value of contracts and commercial transactions in the period from July 14th 2013 to the date of the report reached PLN 1,143,000 thousand (VAT exclusive).

The contract of the highest value was the annex of July 14th 2014 to the contract of February 6th 2002 for sale of compound fertilizers and urea to be resold by the buyer, between Grupa Azoty POLICE, the Parent's subsidiary, and Ampol - Merol Sp. z o.o., reported by Grupa Azoty POLICE in Current Report No. 24/2014 of July 14th 2014.

Under the annex, the term of the contract was extended by 5 years, i.e. for the period from July 1st 2014 to June 30th 2019. The value of the annex throughout its entire term is estimated at PLN 384,295.70 thousand, calculated as the product of the number of years (five years) covered by the contract and the value estimate (given the expected variation in quantities sold and possible price revisions) for the first year of its term.

Further, in the reporting period the Grupa Azoty Group executed the following material financing agreements or annexes to such agreements:

Annex to investment credit facility agreement between the Parent and BGŻ S.A.

On January 14th 2014, the Parent and BGŻ S.A. executed an annex to the investment credit facility agreement of March 30th 2012 for financing of the modernisation of sulfuric acid unit, whereby individual payments were proportionately reduced to reflect partial use of the facility.

Annex to receivables discounting agreement with mBank S.A.

On January 20th 2014, March 31st 2014, and June 23rd 2014, the Parent and mBank S.A. (formerly BRE Bank S.A.) executed annexes to the receivables discounting agreement of July 30th 2010, under which the financing limit was raised to EUR 18,000 thousand, the agreement validity period was extended until November 7th 2014, and the parties also agreed upon greater flexibility in settlements under the agreement.

Multi-purpose credit facility agreement between Grupa Azoty POLICE, AIG and BNP Paribas Bank Polska S.A.

On February 18th 2014, Grupa Azoty POLICE and African Investment Group S.A. entered into a multi-purpose credit facility agreement with BNP Paribas Bank Polska S.A. The bank granted the borrowers (acting as joint borrowers) a receivables limit of up to EUR 8,000 thousand for the period until February 17th 2016. The limit may be used to finance day-to-day operations through an overdraft facility, letters of credit and bank guarantees. The interest rate on the facility is based on a variable 1M EURIBOR rate + the bank's margin.

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

On February 19th 2014, the Parent, acting also on behalf of the other Group companies, executed another annex to the virtual cash-pooling agreement. The scope of the agreement was extended to include Grupa Azoty SIARKOPOL.
On April 16th 2014, the Parent, acting also on behalf of the other Group companies, executed an annex to the overdraft facility agreement; the scope of the agreement was extended to include Grupa Azoty SIARKOPOL as a potential borrower and to adjust the amounts of available sub-limits to their most recent allocation for the period April 1st–October 1st 2014.

Overdraft facility of Grupa Azoty PUŁAWY with Bank Zachodni WBK S.A.

On May 30th 2014, Grupa Azoty PUŁAWY signed an annex to the overdraft facility agreement of December 29th 2009. The annex extended the facility term until May 31st 2015. The overdraft amount, unchanged at PLN 50,000 thousand, is to be used to finance day-to-day operations.

Investment credit facility of Grupa Azoty POLICE with PKO Bank Polski S.A.
On June 13th 2014, Grupa Azoty POLICE entered into an investment credit facility agreement of PLN 50,000 thousand to finance the project to construct an exhaust gas treatment unit and upgrade the EC II CHP plant. The facility repayment date is December 31st 2022. Amounts drawn under the facility bear interest at a rate per annum equal to 3M WIBOR plus the bank's margin.

Material financing agreements of the Azoty Group executed or amended in H1 2014

	Agreement date	Annex date	Currency	Amount	Maturity
Annex to investment credit facility agreement between the Parent and BGŻ S.A.	Mar 30 2012	Jan 14 2014	PLN	43,662	from Mar 31 2014 to Dec 31 2018
Annexes to Parent's receivables discounting agreement with mBank S.A. (formerly BRE Bank S.A.)	Jul 30 2010	Jan 21 2014 Mar 31 2014 Jun 23 2014	EUR	18,000	Nov 7 2014
Multi-purpose credit facility agreement between Grupa Azoty POLICE, AIG and BNP Paribas Polska	Feb 18 2014	-	EUR	8,000	Feb 17 2016
Annex to overdraft facility agreement between the Grupa Azoty Group companies and PKO Bank Polski S.A.	Oct 1 2010	Apr 16 2014	PLN	302,000	Sep 30 2016
Annex to Grupa Azoty PUŁAWY's overdraft facility agreement with Bank Zachodni WBK S.A.	Dec 29 2009	May 30 2014	PLN	50,000	May 31 2015
Investment credit facility agreement between Grupa Azoty POLICE and PKO BP S.A.	un 13 2014	-	PLN	50,000	from Jan 31 2016 to Dec 31 2022

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. The proceeds were used in line with the original issue objectives.

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

There were no one-off events non-typical in terms of their nature, size or effect which would impact the Grupa Azoty Group's assets, equity and liabilities, capital, net profit/loss or cash flows.

1.6. Issue, redemption, and repayment of debt and equity securities

The most recent equity issue (Series D shares) was carried out at the end of 2012 and beginning of 2013 and was completed.

2. Other information

2.1. Organisational structure

For a description of the Group's organisational structure see Section 1.1 of the Financial Statements.

Parent's direct shareholdings in subsidiaries as at June 30th 2014

		(currency)	
Company	**Registered office/address**	**Share capital**	**Ownership interest (%)**
Grupa Azoty Group ATT Polymers GmbH	Forster Straße 72 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 PUŁAWY	Al. Tysiąclecia Państwa Polskiego 13. 24-110 Puławy, Poland	PLN 191,150,000	95.98
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 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
Grupa Azoty SIARKOPOL	Grzybów 28-200 Staszów, Poland	PLN 55,000,000	85.00
Grupa Azoty Folie Sp. z o.o.	ul. Chemiczna 118 33-101 Tarnów, Poland	PLN 5,000	100.00
Grupa Azoty Compounding Sp. z o.o.	ul. Chemiczna 118 33-101 Tarnów, Poland	PLN 5,000	100.00
Navitrans Sp. z o.o.	ul. Świętojańska 18/5 81-368 Gdynia, Poland	PLN 75,625	26.45

In addition, as at June 30th 2014 the Parent also held non-controlling interests in 11 entities. Parent's non-controlling interests are presented below.

Parent's non-controlling interests as at June 30th 2014

Company	Ownership interest (%)
Centrum Naukowo-Produkcyjne Materiałów Elektronicznych CEMAT'70 S.A.	1.24
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.	12.39
Tłocznia Metali PRESSTA S.A. w Upadłości Likwidacyjnej (in bankruptcy by liquidation)	0.02
*Wytwórnia Silników PZL MIELEC Sp. z o.o. (in bankruptcy)	0.12
Zakłady Tworzyw Sztucznych PRONIT S.A. (in bankruptcy)	0.28
**Zakłady Włókien Chemicznych WISTOM S.A. (in bankruptcy)	9.83

* Wytwórnia Silników PZL MIELEC Sp. z o.o. (in bankruptcy) – June 18th 2014 saw the entry in the National Court Register of the Decision of the District Court of Tarnobrzeg, 5th Commercial Division, Bankruptcy Section, on termination of bankruptcy proceedings pursuant to Art. 368.1. of the Bankruptcy and Reorganisation Law ("In cases where bankruptcy proceedings involve liquidation of assets, the court shall confirm completion of the bankruptcy proceedings after the final distribution plan has been implemented"), dated December 30th 2013.

** Zakłady Włókien Chemicznych WISTOM S.A. – the bankruptcy administrator has completed the last stage of distribution of the bankruptcy estate funds and, pursuant to Art. 217 of the Bankruptcy Law, on January 14th 2014 applied to the court for termination of bankruptcy proceedings of the company following liquidation of all assets of the bankruptcy estate. The announcement of termination of proceedings will be published by the Court in the official gazette 'Monitor Sądowy i Gospodarczy'.

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 the Grupa 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 six months ended June 30th 2014.

2.3. Management Board's position on the achievement of forecasts

As no forecasts for 2014 have been published, the position of the Parent's Management Board concerning achievement of such forecasts is not presented.

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

Shareholding structure as at May 15th 2014 (issue date of the Q1 2014 report)

Shareholder	Number of shares	% of share capital	Number of votes	% of voting rights
State Treasury of Poland	32,734,509	33.00	32,734,509	33.00
Norica Holding S.à.r.l and Cliffstone Holdings Limited	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
Total	**99,195,484**	**100.00**	**99,195,484**	**100.00**

On June 3rd 2014, the Parent's Management Board received a notification of June 2nd 2014 from Aviva Powszechne Towarzystwo Emerytalne Aviva BZ WBK S.A, to the effect that as a result of the sale of the Parent's shares on May 23rd 2014 Aviva Otwarty Fundusz Emerytalny Aviva BZ WBK ('Aviva OFE') decreased its share in the total number of voting rights to below 5%.
Prior to the settlement of the transaction, as at May 27th 2014, Aviva OFE held 4,960,249 shares in the Parent, representing 5.00% of its share capital (outstanding shares) and 4,960,249 votes at the Parent's General Meeting, i.e. 5.00% of total voting rights.
After the settlement of the transaction, as at May 28th 2014, Aviva OFE held 4,260,249 shares in the Parent, representing 4.29% of its share capital (outstanding shares) and 4,260,249 votes at the Parent's General Meeting, i.e. 4.29% of total voting rights.

Shareholding structure as at June 3rd 2014

Shareholder	Number of shares	% of share capital	Number of votes	% of voting rights
State Treasury of Poland	32,734,509	33.00	32,734,509	33.00
Norica Holding S.à.r.l and Cliffstone Holdings Limited	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
EBRD	5,700,000	5.75	5,700,000	5.75
Other	26,971,967	27.19	26,971,967	27.19
Total	**99,195,484**	**100.00**	**99,195,484**	**100.00**

On June 11th 2014 the Parent's Management Board received a notification from Norica Holding S.à.r.l. of Luxembourg ('Norica'), acting in its own name and on behalf of:

- TrustService Limited Liability Company of Veliky Novgorod, Russia ('TrustService'),
- JSC Acron of Veliky Novgorod, Russia ('Acron'),
- Subero Associates Inc. of Tortola, British Virgin Islands, a private limited company ('Subero'), and
- Mr Viatcheslav Kantor, a citizen of Israel.

In the notification, the Parent was informed that a series of transactions (the 'Transaction') was executed on June 6th and June 9th 2014, both in and outside of the regulated market, consisting in the purchase by Norica of 2,755,606 Parent shares, representing approximately 2.778% of its share capital and carrying 2,755,606 voting rights (approximately 2.778% of total voting rights) at the Parent's General Meeting. As a result, Norica increased its shareholding and voting rights in the Parent to above 20% of total voting rights at the Parent's General Meeting.
Prior to the Transaction, Norica held 17,086,094 Parent shares, representing approximately 17.225% of its share capital and carrying 17,086,094 voting rights (approximately 17.225% of total voting rights) at the Parent's General Meeting.
Following the Transaction, Norica holds 19,841,700 shares in the Parent, representing approximately 20.0026% of its share capital and carrying 19,841,700 voting rights (approximately 20.0026% of total voting rights) at the Parent's General Meeting.
Also, as a result of the Transaction:

- TrustService, Norica's parent, exceeded (indirectly through the subsidiary) the 20% threshold of total voting rights at the Parent's General Meeting and now holds 19,841,700 shares in the Parent, representing approximately 20.0026% of the Parent's share capital and carrying 19,841,700 voting rights (approximately 20.0026% of total voting rights) at the Parent's General Meeting.
- Acron, TrustService's parent, has exceeded (indirectly through Norica) the 20% threshold of total voting rights at the Parent's General Meeting, and now holds 19,841,700 shares in the Parent, representing approximately 20.0026% of its share capital and carrying 19,841,700 voting rights (approximately 20.0026% of total voting rights) at the Parent's General Meeting.
- Subero, Acron's parent, has exceeded (indirectly through Norica) the 20% threshold of total voting rights at the Parent's General Meeting, and now holds 19,841,700 shares in the Parent, representing approximately 20.0026% of its share capital and carrying 19,841,700 voting rights (approximately 20.0026% of total voting rights) at the Parent's General Meeting.
- Mr Kantor, Subero's parent, has exceeded (indirectly through Norica) the 20% threshold of total voting rights at the Parent's General Meeting, and now holds 19,841,700 shares in the Parent, representing approximately 20.0026% of its share capital and carrying 19,841,700 voting rights (approximately 20.0026% of total voting rights) at the Parent's General Meeting.

Prior to the Transaction:

- TrustService, Norica's parent, (indirectly through Norica) held 17,086,094 shares in the Parent, representing approximately 17.225% of its share capital and carrying 17,086,094 voting rights (approximately 17.225% of total voting rights) at the Parent's General Meeting.
- Acron, TrustService's parent (indirectly through Norica) held 17,086,094 shares in the Parent, representing approximately 17.225% of its share capital and carrying 17,086,094 voting rights (approximately 17.225% of total voting rights) at the Parent's General Meeting.
- Subero, Acron's parent, (indirectly through Norica) held 17,086,094 shares in the Parent, representing approximately 17.225% of its share capital and carrying 17,086,094 voting rights (approximately 17.225% of total voting rights) at the Parent's General Meeting.
- Mr Kantor, Subero's parent (indirectly through Norica) held 17,086,094 shares in the Parent, representing approximately 17.225% of its share capital and carrying 17,086,094 voting rights (approximately 17.225% of total voting rights) at the Parent's General Meeting.

Mr Kantor also notified the Parent that aside from Norica none of his subsidiaries held any Parent shares.
Subero notified the Parent that aside from Norica none of its subsidiaries held any Parent shares.
Acron notified the Parent that aside from Norica none of its subsidiaries held any Parent shares.
TrustService notified the Parent that aside from Norica none of its subsidiaries held any Parent shares.
Norica notified the Parent that none of its subsidiaries held any Parent shares.
Each of Mr Kantor, Subero, Norica, Acron and TrustService separately informed the Parent that there were no persons such as those referred to in Art. 87.1.3.c of the Public Offering Act.
They also communicated that during the twelve months from the notification date they may from time to time, directly or indirectly, acquire or sell Parent shares.

Shareholding structure as at June 11th 2014

Shareholder	Number of shares	% of share capital	Number of votes	% of voting rights
State Treasury of Poland	32,734,509	33.00	32,734,509	33.00
Norica Holding S.à.r.l and Cliffstone Holdings Limited	19,841,700	20.00	19,841,700	20.00
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
EBRD	5,700,000	5.75	5,700,000	5.75
Other	22,346,361	22.53	22,346,361	22.53
Total	**99,195,484**	**100.00**	**99,195,484**	**100.00**

In the period from June 11th 2014 to the date of this report, the Parent was not officially notified of any changes in the large holdings of its shares.

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

As at the date of issue of these financial statements, none of the Management Board members held any shares in the Parent.

Grupa Azoty shares held by supervisory personnel

	Number of shares/voting rights		
	As at Jan 1 2014	as at Jun 30 2014	as at 12.08.2014
Tomasz Klikowicz	190	190	190

The remaining members of the Parent's supervisory personnel held no Grupa Azoty shares.

2.6. Litigation

There are no proceedings pending at the Grupa Azoty Group companies concerning liabilities or debt claims whose individual or aggregate value would represent 10% of the Parent's equity, i.e. would satisfy the materiality criteria specified in the Regulation of the Minister of Finance of February 19th 2009 on current and periodic information(consolidated text: Dz. U. of 2014, item 133).
Proceedings against the Parent concerning reverse transfer of ownership of shares in Grupa Azoty ATT Polymers GmbH, discussed in Note 17 'Contingent liabilities, contingent assets and guarantees' of the interim condensed consolidated financial statements for the six months ended June 30th 2014, were terminated.

2.7. Related parties

For information on related-party transactions, see Section 4.2. of the interim condensed consolidated financial statements for the six months ended June 30th 2014.

2.8. Sureties on borrowings, guarantees granted

In H1 2014, the Grupa Azoty Group did not issue any sureties or guarantees whose value would exceed 10% of the Parent's equity.

2.9. Other information essential for the assessment of the staffing levels, assets, financial position and financial performance, or changes in any of the foregoing, at the Parent and its Group, including information essential for the assessment of the Parent's and the Group's ability to fulfil their obligations

2.9.1. New investment projects of the Parent

On March 28th 2014, the Parent's Management Board obtained all the necessary corporate approvals required to commence its two investment projects located in Tarnów, with the projects' aggregate capital expenditure amounting to approximately PLN 460,000 thousand.
The Parent has launched an investment project in the fertilizers and plastics segments. New plants, which will give employment to 110 people and will be placed in service in 2016, include:

- Polyamide 6 Plant with an annual production capacity of 80,000 tonnes – the project with a total cost of up to PLN 320m will be financed with own funds and a credit facility. The new facility will be erected directly next to the existing PA6 plant in the Kraków Special Economic Zone, a subzone which is currently being expanded, and will cover an area of 3.5ha. The decision to build the facility follows from the consolidation of caprolactam production capacities at Grupa Azoty, and was made in the context of an abrupt change seen recently on the global caprolactam market.

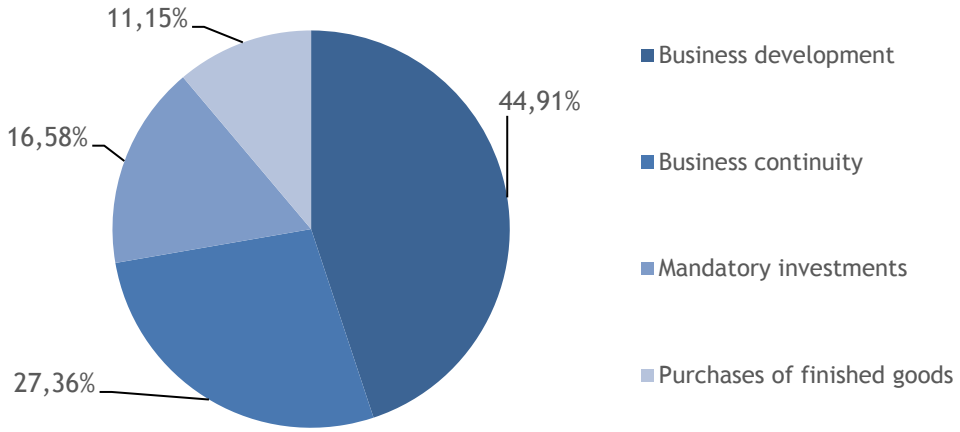
- Granulation Plant II – according to the Parent's strategy, the new facility will help optimise fertilizer offering and add further value to ammonium sulfate production. Its cost is estimated at PLN 141,000 thousand and, similarly to the Polyamide 6 Plant, it will be financed with own funds and a credit facility. The project is an element of the Group's activities designed to maintain its competitive position on the CAN market, started in 2006–2009 with the construction of the first granulation plant.

2.9.2. Execution of key investment projects

The Group's total capital expenditure in H1 2014 was PLN 225,939 thousand. The expenditure does not include maintenance capex (PLN 16,873 thousand) and expenditure on overhauls (PLN 6,346 thousand) and catalysts (PLN 6,708 thousand). Structure of capital expenditure:

- Business development PLN 101,466 thousand
- Business continuity PLN 61,827 thousand
- Mandatory investments PLN 37,454 thousand
- Purchase of finished goods PLN 25,192 thousand

Structure of the Grupa Azoty Group's capital expenditure in H1 2014



Source: Company data.

Capital expenditure at the Grupa Azoty Group in H1 2014 was as follows:

- Parent PLN 19,856 thousand
- Grupa Azoty PUŁAWY Group PLN 109,087 thousand
- Grupa Azoty ZAK Group PLN 23,855 thousand
- Grupa Azoty POLICE Group PLN 62,538 thousand
- Grupa Azoty ATT Polymers GmbH PLN 33 thousand
- Grupa Azoty PKCh Sp. z o.o. PLN 3,159 thousand
- Grupa Azoty KOLTAR Sp. z o.o. PLN 1,159 thousand
- Grupa Azoty SIARKOPOL PLN 6,252 thousand

Parent

The key investment projects in H1 2014 included:

- Upgrade of the interior of ammonia synthesis reactors – the project's budget is PLN 18,600 thousand. Expenditure incurred so far is PLN 11,010 thousand, of which PLN 788 thousand was spent in H1 2014.
- Purchase and assembly of a new circulating hydrogen compressor for the phenol hydrogenation unit at the PD catalyst – the project's budget is PLN 16,200 thousand. Expenditure incurred so far is PLN 13,220 thousand, of which PLN 1,670 thousand was spent in H1 2014.
- Consolidation of IT systems of the Grupa Azoty Group companies – the project's budget is PLN 9,800 thousand. Expenditure incurred so far is PLN 9,428 thousand, of which PLN 363 thousand was spent in H1 2014.
- Bulk fertilizer storage facility – the project's budget is PLN 43,000 thousand. Expenditure incurred so far is PLN 831 thousand, of which PLN 466 thousand was spent in H1 2014.
- Granulation Plant – one of the two investments described in the section above, the project's budget is PLN 141,000 thousand. Expenditure incurred so far is PLN 50 thousand, all spent in H1 2014.

Grupa Azoty PUŁAWY Group

The key investment projects in H1 2014 included:

- Construction of ammonia storage and distribution facilities – the project's budget is PLN 108,500 thousand. Expenditure incurred so far is PLN 87,836 thousand, of which PLN 13,364 thousand was spent in H1 2014.
- Construction of unit for manufacture of solid fertilizers based on urea and ammonium sulphate – the project's budget is PLN 137,500 thousand. Expenditure incurred so far is PLN 106,916 thousand, of which PLN 18,216 thousand was spent in H1 2014.
- Purchase and assembly of three-layer plastic film extrusion line – the project's budget is PLN 12,760 thousand. Expenditure incurred so far is PLN 1,793 thousand, of which PLN 1,714 thousand was spent in H1 2014.
- Biological Wastewater Treatment Plant's precipitate dehydration unit – the project's budget is

PLN 15,400 thousand. Expenditure incurred so far is PLN 9,510 thousand, of which PLN 2,650 thousand was spent in 2014.
- Construction of NOx reduction units at two boilers at the CHP plant – the project's budget is PLN 16,000 thousand. Expenditure incurred so far is PLN 10,322 thousand, of which PLN 752 thousand was spent in H1 2014.

Grupa Azoty ZAK Group

The key investment projects in H1 2014 included:
- Upgrade of waste treatment facilities – the project's budget is PLN 6,580 thousand. Expenditure incurred so far is PLN 6,243 thousand, of which PLN 841 thousand was spent in H1 2014.
- Replacement of a LaMont boiler at the TK IV nitric acid unit – the project's budget is PLN 8,120 thousand. Expenditure incurred so far is PLN 5,743 thousand, of which PLN 2,713 thousand was spent in H1 2014.
- Launch of OXOPLAST® OT continuous-flow production – the project's budget is PLN 62,300 thousand. Expenditure incurred so far is PLN 10,384 thousand, of which PLN 8,347 thousand was spent in H1 2014.
- New CHP Plant at Grupa Azoty ZAK S.A. – Phase 1 (previous name of the project: New power for ZAK) – for a more detailed description of the project, see Section 2 of the Interim consolidated financial statements for the six months ended June 30th 2014.
  The project's budget is PLN 375,000 thousand. Expenditure incurred so far is PLN 6,042 thousand, of which PLN 1,846 thousand was spent in H1 2014.
- Replacement of the interior of the R-1001 ammonia synthesis reactor – the project's budget is PLN 18,500 thousand. Expenditure incurred is PLN 1,953 thousand, all spent in H1 2014.

Grupa Azoty POLICE Group

The key investment projects in H1 2014 included:
- Exhaust gas treatment unit and upgrade of the EC II CHP plant – the project's budget is PLN 163,700 thousand. Expenditure incurred so far is PLN 71,635 thousand, of which PLN 23,211 thousand was spent in H1 2014.
- Upgrade of the ammonia unit – the project's budget is PLN 155,600 thousand. Expenditure incurred so far is PLN 1,094 thousand, all spent in H1 2014.
- Upgrade of ammonia synthesis reactors – the project's budget is PLN 24,400 thousand. Expenditure made so far is PLN 18,468 thousand, of which PLN 6,922 thousand was spent in H1 2014.
- Purchase and assembly of the second 63-7 roller mill facility – the project's budget is PLN 5,390 thousand. Expenditure incurred so far is PLN 4,863 thousand, of which PLN 1,204 thousand was spent in H1 2014.
- Production of POLIFOSKA® 21 and ammonium sulfate at the DAP facility – the project's budget is PLN 11,000 thousand. Expenditure incurred so far is PLN 10,875 thousand, of which PLN 2,183 thousand was spent in H1 2014.
- Construction of industrial wastewater neutralisation unit at the titanium white plant – the project's budget is PLN 20,000 thousand. Expenditure incurred so far is PLN 574 thousand, of which PLN 32 thousand was spent in H1 2014.

Grupa Azoty SIARKOPOL

- Construction of sulfur pelletizing unit – the project's budget is PLN 35,000 thousand. Expenditure incurred so far is PLN 11,698 thousand, of which PLN 2,057 thousand was spent in H1 2014.
- Production wells with productive lives longer than one year – the project's budget is PLN 24,750 thousand. Expenditure incurred so far is PLN 6,072 thousand, of which PLN 3,335 thousand was spent in H1 2014.
- Upgrade of the water and electricity system at the Osiek Sulfur Mine – assembly of the fourth line of exchangers – the project's budget is PLN 8,100 thousand. Expenditure incurred in 2012 and 2013 is PLN 400 thousand.

2.9.3. Financial liquidity

The Parent and other leading Group companies are fully solvent, with good credit standing. This means that the Group is able to pay its liabilities as they fall due and to hold and generate free operating cash flows to further support payment of such liabilities in a timely manner.
The liquidity management policy operated by the Grupa Azoty Group consists in maintaining cash surpluses and available credit facilities that are safe and adequate to the scale of its business.

2.9.4. Loans

In H1 2014, the Group paid all of its borrowing-related liabilities when due, and there is no threat to its ability to continue servicing its debt.

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

The Group complies with the uniform covenants of its facility agreements which provide it with an ability to significantly increase financial debt as needed.

The aggregate value of available overdraft limits and multi-purpose credit lines available to the Group at June 30st 2014 was PLN 470m. The Group also had access to free factoring limits totalling PLN 79m, and available investment credit facilities totalling PLN 179m.

The Group's strategic lenders view its financial standing as sound, and there are no significant threats or risks of this strong position deteriorating in the future.

2.9.5. Development of strategic partnership with fertilizer distributors

In line with its trade policy, the Grupa Azoty Group is working to develop strategic partnerships with distributors for all its fertilizer products from the plants in Tarnów, Kędzierzyn, Police, Puławy, Gdańsk and Dobre Miasto.
The Grupa Azoty Group's sales policy for the agro segment in Poland relies on long-term commercial contracts with experienced trading partners. In the new season, the distribution network will include more than 90 companies, through which the Group's products reach end customers. This partnership is not limited to the distribution of fertilizers, but also supports continuous dialogue with customers, enabling the Group to adjust its products and services to meet their needs and expectations. The cornerstone of this strong distribution structure are five-year framework contracts with volumes of distributed fertilizers determined on an annual basis.

2.9.6. Composition and powers of the Management Board and the Supervisory Board

Parent's Management Board
In H1 2014, there were no changes in the composition of the Management Board.
As at June 30th 2014, the composition of the Parent's Management Board was as follows:

- 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 Kopeć – Member of the Management Board.

The composition of the Parent's Management Board and the powers and responsibilities of its members are as follows:

- Paweł Jarczewski – President of the Management Board,

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

At the beginning of April 2014, the Management Board of Grupa Azoty appointed Mr Witold Szczypiński, Vice-President of the Management Board, to serve as Director General of the Parent. The role of the Director General is to initiate and coordinate activities related to the day-to-day operational management of the Parent in cooperation with other Vice-Presidents and the Managing Director. In line with the division of powers in the Management Board, Mr Szczypiński will continue to be responsible for managing and coordinating production processes, planning overhauls and maintenance shut-downs, and initiating development and investment projects. He will also manage the Parent's core businesses area and the support area, supervise the operations of the Plastics Business Segment as well as other organisational units, oversee and coordinate the restructuring processes being implemented at the Parent, and approve reports, documents and protocols related to the areas under his supervision.

The Parent's Management Board operates on the basis of:
- the Commercial Companies Code,
- the Act on Commercialisation and Privatisation of August 30th 1996, as amended,
- the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies of July 29th 2005,
- the Act on Trading in Financial Instruments of July 29th 2005,
- and secondary legislation issued on the basis of the above acts,
- provisions of the Parent's Articles of Association.

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

Powers and responsibilities of the Management Board members

For detailed information on the division of authority among members of the Management Board, as per Resolution No. 467/IX/2013 of August 20th 2013, see p. 101 of the Grupa Azoty Group's half-year 2013 consolidated report.

Supervisory Board

In H1 2014, there were no changes in the composition of the Supervisory Board.
Composition of the Parent's Supervisory Board as at June 30th 2014 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 Supervisory Board operates on the basis of:
- the Commercial Companies Code of September 15th 2000 (Dz.U. No. 94, item 1037, as amended),
- the Act on Commercialisation and Privatisation (...),

- the Accountancy Act,
- the Parent's Articles of Association (Article 33),
- the Rules of Procedure for the Parent's Supervisory Board.

The powers and responsibilities of the Supervisory Board are defined in Article 33 of the Parent's Articles of Association.

To streamline work and improve control over the Parent and the Group, 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 – Chairperson,
- Tomasz Klikowicz,
- Marek Mroczkowski.

The rules of operation of the Audit Committee are provided for in the Rules for the Audit Committee, 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 of the Act on Qualified Auditors, Their Self-Government, Entities Qualified to Audit Financial Statements and Public Supervision of May 7th 2009. The Rules were adopted by the Supervisory Board by way of Resolution No. 22/VIII/2011 of January 4th 2011. Under the Rules, the main tasks of the Committee are:
- monitoring of the financial reporting process,
- monitoring of the effectiveness of internal control systems,
- monitoring of financial audit,
- monitoring of the independence of the auditor and the entity qualified to audit financial statements,
- monitoring the audit of full-year and consolidated financial statements,
- monitoring the work of the internal audit team,
- monitoring the work and reports of the independent qualified auditor.

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

2.10.1. Exchange rates

Continued economic recovery in Poland, combined with encouraging signs of growth observed in the leading global economies (including the US and the eurozone), offsets political risks related to Russia's annexation of Crimea and its support for separatist revolts in the Donbas region in Ukraine.
With the European Central Bank reducing interest rates and loosening its monetary policy in the eurozone and given the US Federal Reserve's plans to taper its monetary policy in response to positive economic developments in the US, it is likely that the US dollar will gradually strengthen against the euro.
If the GDP growth rate in Poland is maintained and inflation remains low, the medium-term outlook for the PLN exchange rate against USD and EUR will be positive, with higher probability of the currency's gradual strengthening. Nevertheless, potential escalation of the conflict in Ukraine following the shoot-down of the Malaysian passenger plane, resulting in more intense EU involvement and more severe sanctions for Russia, may lead to a temporary depreciation of the domestic currency.
In H2 2014, the PLN/EUR exchange rate should remain at the range of PLN 4.10-4.20 in the medium term, with appreciation possible if the current GDP growth continues. The PLN/USD exchange rate will continue to trail the EUR/USD exchange rates.
The current and anticipated PLN/USD and PLN/EUR exchange rate fluctuations are unlikely to pose a risk to the Group's performance in H2 2014, since the medium-term gradual strengthening of PLN is offset by short-term adjustments related to the political risks discussed above.

2.10.2. Interest rates in Poland

Domestic interest rates remained stable throughout H1 2014 and, in line with the Monetary Policy Council's announcement, they should remain unchanged in the medium term. Any potential increases would only be considered in a long-term perspective as the economic recovery in Poland has not been accompanied by inflationary pressures, which allows the Council to postpone its decisions until the recovery has stabilised. In this context, within the period of at least the next twelve months, it is expected that the Group's basic reference rate (1M WIBOR) should remain flat (approximately 2.60%), which will help improve the stability of the Group's borrowing costs by keeping them relatively low and facilitate debt service if the Group decides to increase debt to finance investing activities, especially with the concurrent decrease of credit rates.
Signs of global economic rebound, including gradual recovery of leading EU economies, are not accompanied by higher inflation, with some eurozone economies even facing deflation. As a result, in H1 2014 the European Central Bank made a decision to cut interest rates to below zero (-0.1% on EBC deposits) and adopt non-standard solutions (quantitative easing of the monetary policy) to avoid deflation. In this context, the Group expects that interest rates for the euro will stay very low at least until the middle of 2015.
On the other hand, FED has begun to gradually taper its monetary policy, while continuing to postpone the increase of USD interest rates, which are currently low and likely to remain unchanged until the end of 2014.

In summary, it is relatively unlikely that any adverse changes in the presently low interest rates for the Grupa Azoty Group's principal currencies (PLN, EUR and USD) will occur within the next twelve months, 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 approximately twelve months of positive growth trends in the eurozone, the US and Poland, as well as emergence of inflationary pressures.
In terms of market rates, a relatively narrow spread between credit and deposit rates available to the Group is expected to continue.
Interest income earned by the Group on free cash under cash pooling and fixed-term deposits will partially offset the cost of credit and loan funding.

2.10.3. Raw material and product price dynamics

The Grupa Azoty Group analyses its growth prospects mainly in the context of its business lines, paying special attention to the information from the target markets and raw materials markets, depending on current tendencies and macroeconomic conditions.
The future performance of the Grupa Azoty Group is shaped by various factors, including:

Macroeconomics

- gradual independence of Russian gas supplies,
- the National Bank of Poland's optimistic forecasts concerning Polish economy. In the recently published report, NBP predicts that in the coming years Poland will maintain a steady GDP growth rate of approximately 3.5%,
- favourable conditions on the emerging markets,
- currency risk.

Agricultural market

Political unrest east of Poland, as well as Russia's embargo on Polish fruit and vegetables, will bring down prices of agricultural products, which are anyway lower compared with the previous season (2012/2013) due to strong crops. Also grain crops are expected to be strong this year in Poland. According to the Central Statistics Office of Poland, the sown area of basic grains with mixed grains is 9% larger than in the previous year. Owing to favourable weather, the grain is expected to be of good baking quality, which is a factor enhancing grain exports.
According to forecasts, the production of poultry and milk will continue to grow, which will result in growing domestic demand for grains.

Fertilizer market

As usual, the demand for nitrogen fertilizers in Q3 is expected to be lower, due to intensive field works and harvest. Pricing will depend on prices of agricultural produce and the volume of new crops.

The fertilizer market will largely depend on urea and the purchasing capacity of India and the American market. The global prices of urea are expected to go up in H2 2014. The prices of DAP fertilizers in the next period may be affected by the end of the US summer season in August. At the same time, a growing demand for NP 11-52 and NP 11-44 fertilizers, replacing DAP fertilizers, has been observed in South America.

Environmental protection market and the use of urea for non-agricultural purposes are significant challenges for the Grupa Azoty Group.

Plasticisers and OXO alcohols markets

The average prices of plasticisers and OXO alcohols in H2 are expected to be higher compared with H1 2014, and a further growth of raw material prices is possible in the event of recurring availability problems and rising oil prices (due to the present global geopolitical situation, including the conflicts in Libya and Iraq).

Plastics market

The European benzene market have seen a growing demand for the product on global markets (exports outside the EU), due to such factors as increased purchases of the European benzene by the US. The demand for toluen and styrene is growing, albeit slowly. The benzene market and price forecasts have a strong impact on the phenol market, making it highly volatile and unstable. On the other hand, the demand for caprolactam changes depending on the sector and the geographical market, but remains at a stable level on the end markets, in particular the automotive market. Therefore, the demand for Polyamide 6 remains stable and a slight growth in the demand is expected as usual after the end of the summer season.

Melamine market

Melamine prices in the next quarter will depend on the results of ongoing negotiations. Melamine buyers expect the price to be reduced by EUR 30-50 per tonne.

Titanium white market

Contracts are currently being negotiated on the titanium white market for Q3 2014. Buyers have been offered purchase prices higher by EUR 20-160 per tonne. Some manufacturers closed their pricing negotiations with a per tonne increase of EUR 50. The titanium white market is expected to stabilise (from the supply-demand standpoint) next year, when some Chinese titanium white factories non-compliant with environmental requirements are closed. Many of the market participants believe that demand for titanium white in Europe will grow given the improving macroeconomic situation.

Raw material market

The chemical industry has always depended on oil and gas prices. Thanks to its pursuit of infrastructure investments, Poland will gain better access to global gas markets, which will result in more diversified gas supplies, higher energy security, improved liquidity of the wholesale gas market, and reduction of gas prices for end customers in the future. According to IHS CERA,

- in H1 2014 the average contract price of natural gas was USD 10/MMBtu, and in H2 2014 the average contract price is expected at USD 10.04/MMBtu. The figure forecast for 2015 is USD 10.19/MMBtu.
- In H1 2014, European spot prices of gas reached USD 9.32/MMBtu. The all-year average for 2014 is forecast at USD 9.57/MMBtu, while in 2015 the prices are expected to reach USD 10.32/MMBtu.

Raw material markets will be affected by increased production and use of shale oil and gas, which will be of significance for numerous industry branches in the future. At the same time, unstable supply and demand situation and speculative translations are driving benzene prices up.

In the next quarter, certain volatility in benzene prices is expected, with rising and falling trends driven by the situation on the crude oil market and markets of benzene-based products.

The phenol pricing formulas continue to rely chiefly on benzene contract prices, but this correlation may discontinue in case of suppressed demand for phenol-based products.

In 2014, prices of phosphate rock are expected to stabilise, although an increase is possible during the period of higher prices of DAP and other phosphate fertilizers. Concurrently, a drop in potassium chloride production is expected due to lower production of NPK fertilizers.

2.10.4. Laws governing international trade

Fertilizers
In May 2014, the tariffs on Ukrainian urea and other fertilizers imported into the European Union were reduced from 6.5% to 5.5%. The tariff reduction, being is a means to support the Ukrainian economy, is temporary and the lowered tariffs will apply until November 1st 2014 or until the EU-Ukraine mutual trading agreements come into force.

Chemical products

Caprolactam
With effect from October 22nd 2011, China imposed an anti-dumping tariff on caprolactam imports from the European Union and the United States, to be effective for five years. The Chinese government has been maintaining the duty on imported caprolactam justifying it with the need to protect its domestic manufacturers.
Companies of the Grupa Azoty Group are among the entities subject to the duty. The duty rate is 4.4% for caprolactam sold by Grupa Azoty Puławy, and 4.9% for caprolactam sold by the Parent.

Melamine
The anti-dumping tariff for melamine originating from China (USD 415 per tonne in the case of most manufacturers) and a minimum import price of EUR 1,153 per tonne (CIF European ports for the group of producers comprising Sichuan Jade Elephant Melamine S&T Co. Ltd, Shandong Lither Chemical Industry Co. Ltd and Henan Junhua Development Company Ltd.) continue to apply. . The duty will remain in effect until May 13th 2016.

Energy segment products
The Polish Energy Law of April 10th 1997 was amended by the amending act of March 14th 2014.
In April 2014, the Council of Ministers approved the bill on renewable energy sources (RES), which envisages that the RES should account for no less than 15% of the final gross energy consumption in 2020. The bill will not be notified to the European Commission as state aid.
The Regulation of the Minister of Economy on detailed rules for determining and calculating tariffs for gas fuels and on settlement of transactions in gas fuels trading, dated June 28th 2013, implemented the provisions of the third energy package, including those concerning the measurement units to be used for settlement purposes in the gas system, into the Polish legal framework. Transitional provisions of the tariff regulation postponed the obligation to make settlements in energy units [kWh] rather than in volume units [m^3].
On June 13th 2014, the President of the Energy Regulatory Office approved the amendment to the tariff for Polskie Górnictwo Naftowe i Gazownictwo S.A., permitting, as of August 1st 2014, settlements for gas fuel delivered to customers based on energy units [kWh].

2.11. Potential risks and threats in the remaining months of the financial year

The Group is exposed to various risks which may have an impact on its operations, financial standing, performance or stock value.
Any deterioration of the macroeconomic situation may have an adverse effect on implementation of the Group's business and financial strategies. Factors such as the phase of the economic cycle, GDP level and its growth rate, currency exchange rates or geopolitical situation have a bearing on the Group's financial performance. Unfavourable changes in the economy may adversely affect demand for and prices of the Group's products, and cause an increase in prices of raw materials. The Group companies monitor the market situation on an ongoing basis, and carry out in-depth analyses of the economic conditions on and prepare forecasts for their target markets.

Beside the credit risk discussed in [Note 16 'Financial instruments' to the interim condensed consolidated financial statements for the six months ended June 30th 2014, the Grupa Azoty Group identifies the following risks:

Risk related to economic volatility and product price fluctuations

The Group companies operate in a demanding and volatile competitive environment, often in saturated markets, while prices of the chemical products they manufacture are a function of the supply and demand levels seen locally and internationally. Some of the Group's competitors may have access to newer technologies or cheaper raw materials, or – thanks to their more favourable geographical location – may have better access to raw materials and target markets.
In this risk category, the Group identifies:

Risk of fertilizer oversupply, including due to inflow of products manufactured from cheaper raw materials

An oversupply of fertilizers in the Group's key market, i.e. the European market (the European market, including Poland, accounts for 90% of the Group's revenue from sales of fertilizers), may be caused by the following factors:

- an inflow of cheaper fertilizers from the Russian market, produced using gas that is cheaper than that available to European manufacturers, including to the Group. In some countries, prices of commodities are centrally fixed and those countries are able to export cheap fertilizers, posing a threat to the products manufactured by the Group companies. In their markets, such countries develop dual pricing systems for natural gas, potassium chloride and phosphate rock. Russia, for instance, exports gas to Europe at prices nearly twice as high as those charged for the commodity from Russian fertilizer manufacturers. Such practices, unacceptable in free trade, are used by the Russian government as a tool to support Russian manufacturers. In such cases, protection is provided by anti-dumping tariffs put in place by the European Commission. In the middle of the previous year, the European Commission embarked on a review of the customs tariffs applicable to Russian nitrate, and there is considerable likelihood that the duties will remain in place for another five-year period,
- periodic oversupply, mainly in Asia.

Risk mitigation measures

- In order to reduce the impact of adverse market trends, the Group has been integrating its sales policies and diversifying its sales markets and customer base. With a view to minimising seasonal fluctuations in demand for its products, the Group enters into long-term trade alliances based on framework offtake agreements and enters markets that are characterised by asymmetrical seasonality,
- mitigation of the risk is provided by the anti-dumping tariffs imposed by the European Union to protect the European market. The Grupa Azoty Group provides active support to Fertilizers Europe, a fertilizer industry organisation, to help it convince the European Commission that there is a strong case for keeping the tariffs. These efforts have resulted in the European Commission re-visiting the issue of the potential effect of expiry of the anti-dumping tariffs on Russian ammonium nitrate. This means that the tariffs, which were to expire on July 13th 2013, will remain effective at least until the end of the proceedings, which may continue for up to 15 months. It is highly likely that after the closing of the proceedings the Commission will propose to keep the tariffs for another five years.
  The Group is active internationally as a member of a number of other European industry organisations, including CEFIC, ECPI and IFA. It leverages its membership in these organisations to strengthen market protection tools and to monitor the market for any possible threats, which enables it to come up with a quick response and mitigate their adverse effects.
  The Group has also implemented the Product Stewardship standard, covering all stages of the fertilizer lifecycle, which has been confirmed by a relevant a certificate granted to the Group,
- to make its products stand out on the market against those of the competition, the Group has been shifting its focus to increasingly more specialized fertilizers which are better tailored to particular soil and crop types, and has been enriching its fertilizers with desirable nutrients, such as sulfur,
- the Group has undertaken a number of operating initiatives designed to strengthen its control of the market, shorten the delivery chain from the producer to end user (farmer), ensure streamlined dispatch and distribution of fertilizers, quickly react to market price fluctuations

etc.; these initiatives include taking control of transport operations, establishment of external storage depots, formation of the Trade Committee, etc.
- the Group has been strengthening its market position and enhancing its business security through acquisitions, including acquisitions that provide it with direct access to raw materials. Also, the Group has been consolidating its position on foreign markets by leveraging synergies available in the Group with respect to trading contacts relating to raw material purchases.

Risk related to the structural change on the global caprolactam market

A rapid growth of caprolactam production capacities in China results in gradual downsizing of caprolactam imports by China, which in turn has a significant effect on the global supply and demand balance in the caprolactam-polyamide and ammonium sulfate product chains.

Risk mitigation measures

To minimise the effect of projected market trends, the Parent has undertaken a number of initiatives to reinforce its competitive position:
- construction of a new PA6 installation with annual production capacity of 80,000 tonnes in Tarnów will help achieve balance with respect to caprolactam within the Group and extend the value chain to manufacture polyamides and their compounds. Also, there will be a change with respect to the geographical structure of the markets where the Group is present: the Asian caprolactam market, where we have no cost or logistical advantages, will gradually be replaced by the European PA6 market,
- the Parent is in talks with foreign investors seriously interested in developing the processing of plastics in Tarnów within the Kraków Special Economic Zone, on the basis of PA6 manufactured by the Parent. This would further extend the processing chain towards products made of polyamide;
- a long-term manufacturing cost reduction programme for Tarnów and Puławy has been developed. The programme envisages modernisation projects leading to permanent reduction of manufacturing costs.
- initiatives taken with a view to fully leveraging the synergies between Tarnów's and Puławy's installations following from the integration of the companies' production and sales potential,
- the Parent is focused on meeting customer expectations by offering new products tailored to specific customer needs,
- the Parent seeks to optimise the portfolio of its raw material suppliers, with particular emphasis on direct cooperation with producers under long-term strategic contracts, and develop an optimum procurement logistics model,
- the Parent is active internationally as a member of a number of European industry organisations, such as CEFIC or Plastics Europe, and monitors the situation for any possible threats to be able to come up with a quick response and mitigate their adverse effects.

Risks related to availability and prices of raw materials

In its manufacturing activity, the Group is dependent principally on a number of different fossil resources, chemical raw materials and energy. The Group companies do not always have a bargaining advantage or ability to negotiate better prices, particularly in the case of raw materials sold by a limited number of suppliers. There is a risk that limitations in raw material supplies can adversely affect the Group's production capacity and any temporary increase in raw material prices can narrow margins.

The key risks in this area may be as follows:
- the price and disruptions in the supply of natural gas,
- the global political situation and speculative market behaviours may affect the market prices of crude oil and petrochemical products, such as benzene, phenol, propylene and ortoxylene which are used by the Group as production feedstocks.

Natural gas is supplied to the Group mainly by PGNiG. Gas is supplied under long-term contracts at prices determined in tariffs which are subject to approval by the President of the Energy Regulatory Office. In turn, PGNiG acquires natural gas chiefly from Gazprom of Russia, to a smaller extent from Polish fields, and the rest is imported from the West.

The costs of natural gas purchase are the largest component in the structure of the Group's costs.

Given the Group's considerable dependence on the gas supplied by PGNiG and Poland's strong dependence on gas supplies from Russia, there is a risk of prices being dictated or raised from their current levels and of adverse changes in the pricing formulae. The situation is aggravated by the

current political situation in Ukraine, which increases the likelihood of disruptions in gas supplies to Poland.

Risk mitigation measures

- the Group's strategy is to purchase raw materials within the framework of a common procurement policy, and to ensure security of supplies through long-term contracts with guaranteed delivery volumes and price formulae,
- to mitigate the risk of dependence on one principal gas supplier, the Group has been actively seeking to diversify its gas supply sources. Currently, about 30% of the Group's demand for natural gas is met with gas imported through the Lasów and Mallnow interconnectors on the German border and gas purchased under short-term contracts executed on OTC and exchange markets. In short-term contracts, the risk of gas price increase is limited through the application of pricing formulae linking the cost of the commodity to its quoted market prices,
- the Group has been engaged in efforts aimed at diversifying the sources from which it procures its other strategic feedstocks and executing long-term strategic contracts directly with producers, while also developing an optimised logistics model in this area. Terms of transactions are usually determined using price formulae linked to quoted market prices,
- the Group has made acquisitions to secure its own sources of two raw materials: sulfur (acquisition of Grupa Azoty SIARKOPOL) and phosphate rock (acquisition of phosphate rock reserves in Senegal) and it keeps looking for other opportunities to obtain direct access to production inputs,
- in the case of some key raw materials, the Group enjoys a competitive advantage as the largest or one of the largest consumers in Poland and in Central and Eastern Europe; this gives the Group a considerable bargaining power (to leverage potential synergies, it has been conducting a coherent procurement policy).

Risk of major industrial accidents or technical failures disrupting the continuity of processes and operation of key production units

The Parent, Grupa Azoty PUŁAWY, Grupa Azoty ZAK S.A. and Grupa Azoty POLICE have been classified as facilities with a high risk of a serious industrial incident, as chemical production is a source of potential risk. It is a risk inherent in the Group's day-to-day operations. Industrial accidents may result in plant stoppages, fires, environmental contamination, accidents at work or, in extreme cases, explosions.

The Group has reliable safety systems and preventive measures in place at all organisational and technological levels, including occupational health and safety as well as protection against industrial accidents, however there is no assurance that these will completely eliminate the risk of such accidents and ensure the continuity of production processes. Their relevance is assessed by external and internal inspection authorities, as well as accreditation/certification bodies.

Prevention of industrial accidents at the Group companies is achieved through a range of activities, including:

- identification of hazards inherent in technological processes, storage and transport, and implementation of measures to reduce the risk of an accident,
- ongoing monitoring of the condition of machinery and equipment,
- fitting of plants and units with safety and protection systems to minimise the risk of a major accident and environmental contamination, as well as risks to life and limb,
- implementation of new projects and upgrades based on technical and organisational solutions designed to ensure occupational health and safety (the Group's facilities are compliant with the Best Available Techniques (BAT) reference documents, which are the source of the world's strictest safety requirements, including environmental regulations),
- ongoing employee training,
- introduction of corporate rules on how to report actual and potential industrial accidents and failures and how to prevent them,
- analysis of technical and technological risks at the Grupa Azoty Group,
- implementation of an operational excellence programme,
- the Group has also implemented the Product Stewardship standard, which covers all stages of the fertilizer lifecycle, which has been confirmed by the issuing of a certificate.

Risks associated with the planning and execution of strategic projects

The delivery of the Grupa Azoty Group Strategy for 2013–2020 and the implementation of the 'Grupa Azoty Group strategy for 2014–2020 – Operationalisation' depends on a range of factors, including certain internal factors (ability to implement uniform management of all processes, Group-wide projects and projects pursued by individual Group companies) as well as those outside of the Group's control (external factors in the Group's environment, such as macroeconomic factors and market conditions). Their negative impact could hinder the Group from successfully implementing its plans and strategies.

The risk inherent in the execution of strategic projects lies in the possibility that growth-oriented initiatives and projects will not be completed according to plan or will not deliver the expected results. Internal procedures in place at the Group companies mitigate these risks by appropriately governing the preparation and execution of investment projects.

Risk associated with new legal requirements relating to production processes, including environmental regulations

Following the implementation of the Industrial Emissions Directive (IED) in January 2014, the Grupa Azoty Group companies will be required to bring their production facilities in line with the new regulations. The companies will have to undertake specific adaptation work, and bear its costs, with respect to:

- NOx, SOx and dust emissions from the CHP plants operated by the Group companies,
- urea and ammonia dust emissions at the urea production unit,
- sulfur and dust emissions from the titanium white plant and discharge of sulfates from the plant into the sewage system.

Necessary investments/adaptation work at the Group companies will include:

- bringing the CHP plants operated by the Grupa Azoty Group companies in line with the new, more restrictive, standards of NOx, SO_2 and dust emissions. The plants in Tarnów, Police, and Puławy will be brought in line with the requirements of the IED Directive, and a new energy source will be built at the Kędzierzyn plant,
- modernisation of the urea production plant in Kędzierzyn and Police – brining the existing urea production plant in Kędzierzyn in line with new legal requirements, including environmental regulations, with respect to urea and ammonia dust emissions, and in Police – with respect to urea dust emissions,
- modernisation of the titanium white production plant in Police – bringing the plant in line with IED requirements with respect to sulfur and dust emissions to the atmosphere and sulfate emissions to water.

Risk mitigation measures

To ensure that there is sufficient time for taking appropriate steps to adapt the Group's facilities to changing legal regulations, the Grupa Azoty Group continuously monitors all planned and implemented changes in the legal environment which could affect the Group's operations. Investments necessary in the light of new legal regulations are included in Group companies' investment plans for future periods.

Risk associated with permitted levels of GHG and other pollutant emissions, and management of emission limits as required by EU directives

The Group's technological processes generate atmospheric emissions of greenhouse gases and pollutants. The procedure for managing emissions is prescribed by legal regulations and entails expenses related to the EU emissions trading scheme (EU ETS). Directive 2009/29/EC expanded the scope of the EU ETS to cover selected businesses, including the chemical industry, in the third trading period from 2013 to 2020. This means that, apart from the Group's onsite co-generation plants, which have been covered by the scheme since 2006, it now also covers other units, including the ammonia and nitric acid plants. On the one hand, the ETS III system is based on free allocation of GHG emission rights for industrial installations and co-generation plants (according to the effective emissions monitoring plan) and, on the other hand, on purchases of deficit rights by auction. These mechanisms drive up the costs incurred by the Group companies in connection with GHG emissions. Given that the level of GHG emissions exceeds the free-of-charge allocation of emission rights, the IED Directive forces companies to make costly investments to reduce their emissions of dust, NOx and SOx, so as to bring them in line with the limits applicable from 2016. The emissions monitoring system at the Group companies has been expanded to include the

additional areas covered by the ETS scheme, as specified above, and ongoing emissions balancing has been introduced. Potential threats and risks in the area of emissions management are identified and recorded, and then appropriate measures are taken to mitigate their impact.
There is a risk of rising prices of emission rights and a risk related to their volume.
In order to minimise the risk and cost of implementing the ETS III, the Parent's Management Board has adopted strategies to deal with this issue in the coming years.
In addition to meeting the requirements of the ETS scheme, there are plans for investment projects to reduce NOx, SOx and dust emissions to the level required by the EU directive.

Risk mitigation measures
In line with the adopted Procurement Strategy, the Grupa Azoty Group companies are consistently purchasing additional allowances for redemption for 2014 and the coming years. In 2014, the Group plans to appoint a standing Emission Allowances Management Committee composed of representatives of the Group's key companies. The Committee's principal function will be to develop and implement a uniform Emission Allowances Trading Strategy for all Group companies to mitigate any risks associated with emission limits.

Consolidated interim report of the Grupa Azoty Group for Q1 2014 contains 103 pages.

Signatures of the Members of the Management Board

……
Paweł Jarczewski
President of the Management Board

……
Andrzej Skolmowski
Vice-President of the Management Board

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

……
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 Kopeć
Member of the Management Board

Tarnów, August 12th 2014

Grupa Azoty Group