Consolidated interim report for Q1 2015

Grupa Azoty Group

Contents

Financial highlights

Consolidated financial information

	PLN '000		EUR '000	
	for the period Jan 1-Mar 31 2015	for the period Jan 1-Mar 31 2014	for the period Jan 1-Mar 31 2015	for the period Jan 1-Mar 31 2014
Revenue	2,838,946	2,702,789	684,265	645,149
Operating profit	362,863	183,469	87,460	43,794
Profit before tax	357,115	182,167	86,075	43,483
Net profit	305,837	150,618	73,715	35,952
Total comprehensive income	295,168	154,039	71,144	36,769
Number of shares	99,195,484	99,195,484	99,195,484	99,195,484
Earnings per ordinary share (PLN)	2.78	1.38	0.67	0.33
Net cash provided by operating activities	606,924	245,187	146,286	58,526
Net cash provided by/(used in) investing activities	(219,055)	(56,700)	(52,798)	(13,534)
Net cash used in financing activities	6,664	(188,263)	1,606	(44,938)
Net increase/(decrease) in cash and cash equivalents	394,533	224	95,093	53
Cash at the beginning of the period	558,603	713,024	134,639	170,197
Cash at the end of the period	948,917	711,837	228,715	169,914
	as at Mar 31 2015	as at Dec 31 2014	as at Mar 31 2015	as at Dec 31 2014
Non-current assets	6,768,026	6,781,085	1,655,179	1,590,945
Current assets	3,419,682	3,167,247	836,313	743,084
Non-current liabilities	1,214,334	1,195,845	296,976	280,563
Current liabilities	2,190,070	2,264,351	535,600	531,251
Equity	6,783,304	6,488,136	1,658,915	1,522,215
Share capital	495,977	495,977	121,295	116,364
Non-controlling interests	753,689	729,097	184,321	171,057

Separate financial information

	PLN '000		EUR '000	
	for the period Jan 1-Mar 31 2015	for the period Jan 1-Mar 31 2014	for the period Jan 1-Mar 31 2015	for the period Jan 1-Mar 31 2014
Revenue	500,415	503,119	120,614	120,093
Operating profit	30,288	18,343	7,300	4,378
Profit before tax	25,051	200,070	6,038	47,756
Net profit	17,930	196,283	4,322	46,852
Total comprehensive income	17,930	196,283	4,322	46,852
Number of shares	99,195,484	99,195,484	99,195,484	99,195,484
Earnings per ordinary share (PLN)	0.18	1.98	0.04	0.47
Net cash provided by operating activities	107,801	28,686	25,983	6,847
Net cash provided by/(used in) investing activities	(50,113)	160,481	(12,079)	38,306
Net cash used in financing activities	(44,394)	(168,688)	(10,700)	(40,265)
Net increase/(decrease) in cash and cash equivalents	13,294	20,479	3,204	4,888
Cash at the beginning of the period	27,431	6,349	6,612	1,515
Cash at the end of the period	40,725	26,828	9,816	6,404
	as at Mar 31 2015	as at Dec 31 2014	as at Mar 31 2015	as at Dec 31 2014
Non-current assets	4,904,130	4,881,906	1,199,347	1,145,369
Current assets	479,618	518,656	117,295	121,685
Non-current liabilities	413,851	448,168	101,211	105,147
Current liabilities	777,626	778,053	190,175	182,543
Equity	4,192,271	4,174,341	1,025,256	979,363
Share capital	495,977	495,977	121,295	116,364

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 March 31st 2014 was EUR 1 = PLN 4.2623 (table No. 252/A/NBP/2014),
  the exchange rate as at March 31st 2015 was EUR 1 = PLN 4.0890 (table No. 062/A/NBP/2015),
- 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-Mar 31st 2014, the average exchange rate was EUR 1 = PLN 4.1894,
  in Jan 1st-Mar 31st 2015, the average exchange rate was EUR 1 = PLN 4.1489.

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 three months ended March 31st 2015 prepared in accordance with IAS 34 ‘Interim Financial Reporting’ as endorsed by the European Union

STATEMENT OF THE MANAGEMENT BOARD

The Management Board of Grupa Azoty S.A. presents the interim condensed consolidated financial statements for the three months ended March 31st 2015, comprising:

- Condensed consolidated statement of profit or loss and other comprehensive income for the period January 1st – March 31st 2015,
- Condensed consolidated statement of financial position as at March 31st 2015,
- Condensed consolidated statement of changes in equity for the period January 1st–March 31st 2015,
- Condensed consolidated statement of cash flows for the period January 1st–March 31st 2015,
- 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 the Corporate Finance Department

Tarnów, May 6th 2015

(All figures in PLN '000 unless indicated otherwise)

Condensed consolidated statement of profit or loss and other comprehensive income

	for the period Jan 1- Mar 31 2015	for the period Jan 1 - Mar 31 2014* restated
	unaudited	*unaudited*
Continuing operations		
Revenue	2,838,946	2,702,789
Cost of sales	(2,151,516)	(2,220,658)
Gross profit	**687,430**	**482,131**
Selling and distribution expenses	(164,193)	(137,003)
Administrative expenses	(168,457)	(165,173)
Other income	18,357	12,353
Other expenses	(10,274)	(8,839)
Operating profit	**362,863**	**183,469**
Finance income	11,706	9,841
Finance costs	(20,554)	(13,914)
Net finance costs	**(8,848)**	**(4,073)**
Share of profit of equity-accounted associates	3,100	2,771
Profit before tax	**357,115**	**182,167**
Tax expense	(51,278)	(31,361)
Net profit from continuing operations	**305,837**	**150,806**
Discontinued operations		
Net loss from discontinued operations	-	(188)
Net profit	**305,837**	**150,618**
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Change in fair value of available-for-sale financial assets	-	511
Exchange differences on translating foreign operations	(10,669)	3,007
Tax on items that are or may be reclassified to profit or loss	-	(97)
Total other comprehensive income	**(10,669)**	**3,421**
Total profit or loss and other comprehensive income	**295,168**	**154,039**
Net profit attributable to:		
Owners of the parent	276,135	136,492
Non-controlling interests	29,702	14,126
Total profit or loss and other comprehensive income attributable to:		
Owners of the parent	270,576	138,463
Non-controlling interests	24,592	15,576
Earnings per share:		
Basic (PLN)	2.78	1.38
Diluted (PLN)	2.78	1.38

* Financial information as restated in connection with the final accounting for the acquisition of African Investment Group S.A.; see Note 3.2.b) to the financial statements.

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

(All figures in PLN '000 unless indicated otherwise)

Condensed consolidated statement of financial position

	as at Mar 31 2015	as at Dec 31 2014
	unaudited	*audited*
Assets		
Non-current assets		
Property, plant and equipment	5,978,183	5,966,287
Investment property	54,210	54,968
Intangible assets	504,357	510,415
Goodwill	12,600	12,600
Investments in subordinated entities	113,961	110,842
Available-for-sale financial assets	12,353	12,371
Other financial assets	11,946	19,054
Non-current receivables	1,101	2,932
Deferred tax assets	73,318	86,941
Other current assets	5,997	4,675
Total non-current assets	**6,768,026**	**6,781,085**
Current assets		
Inventory	1,055,940	1,347,826
Other financial assets	114,328	68,484
Current tax assets	18,302	6,720
Trade and other receivables	1,233,750	1,161,389
Cash and cash equivalents	948,917	558,603
Other current assets	48,338	24,118
Assets held for sale	107	107
Total current assets	**3,419,682**	**3,167,247**
Total assets	**10,187,708**	**9,948,332**

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

(All figures in PLN '000 unless indicated otherwise)

Condensed consolidated statement of financial position (continued)

	as at Mar 31 2015	as at Dec 31 2014
	unaudited	*audited*
Equity and liabilities		
Equity		
Share capital	495,977	495,977
Share premium	2,418,270	2,418,270
Exchange differences on translating foreign operations	(5,660)	1,403
Retained earnings, including:	3,121,028	2,843,389
profit for the period	*276,135*	*231,350*
Equity attributable to owners of the parent	**6,029,615**	**5,759,039**
Non-controlling interests	**753,689**	**729,097**
Total equity	**6,783,304**	**6,488,136**
Liabilities		
Borrowings	482,709	476,932
Employee benefit obligations	312,037	312,419
Other non-current liabilities	2,154	1,498
Provisions	113,233	113,106
Government grants	40,867	39,993
Deferred tax liabilities	244,621	231,692
Other financial liabilities	18,713	20,205
Total non-current liabilities	**1,214,334**	**1,195,845**
Borrowings	529,566	509,259
Employee benefit obligations	27,460	30,494
Current tax expense	11,373	2,934
Trade and other payables	1,340,919	1,425,553
Provisions	195,332	211,432
Government grants	9,507	2,982
Deferred income	3,242	2,322
Other financial liabilities	72,671	79,375
Total current liabilities	**2,190,070**	**2,264,351**
Total liabilities	**3,404,404**	**3,460,196**
Total equity and liabilities	**10,187,708**	**9,948,332**

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

(all figures in PLN '000, unless indicated otherwise)

Condensed consolidated statement of changes in equity

for the period ended March 31st 2015

	Share capital	Share premium	Exchange differences on translating foreign operations	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance at January 1st 2015	**495,977**	**2,418,270**	**1,403**	**2,843,389**	**5,759,039**	**729,097**	**6,488,136**
Profit or loss and other comprehensive income for the year							
Net profit	-	-	-	276,135	276,135	29,702	305,837
Other comprehensive income	-	-	(7,063)	1,504	(5,559)	(5,110)	(10,669)
Total profit or loss and other comprehensive income	**-**	**-**	**(7,063)**	**277,639**	**270,576**	**24,592**	**295,168**
Balance at March 31st 2015 (unaudited)	**495,977**	**2,418,270**	**(5,660)**	**3,121,028**	**6,029,615**	**753,689**	**6,783,304**

for the period ended March 31st 2014, restated*

	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**	**(3,681)**	**2,649,822**	**5,562,734**	**707,820**	**6,270,554**
Profit or loss and other comprehensive income for the year								
Net profit	-	-	352	-	136,492	136,492	14,126	150,618
Other comprehensive income	-	-	**352**	2,037	(418)	1,971	1,450	3,421
Total profit or loss and other comprehensive income	**-**	**-**	**-**	**2,037**	**136,074**	**138,463**	**15,576**	**154,039**
Balance at Mar 31st 2014 (unaudited)	**495,977**	**2,418,270**	**2,698**	**(1,644)**	**2,785,896**	**5,701,197**	**723,396**	**6,424,593**

*Financial information as restated in connection with the final accounting for the acquisition of African Investment Group S.A.; see Note 3.2.b) to the financial statements.

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

(all figures in PLN '000, unless indicated otherwise)

Condensed consolidated statement of cash flows

	for the period Jan 1- Mar 31 2015	for the period Jan 1 - Mar 31 2014* restated
Cash flows from operating activities		
Profit before tax	**357,115**	**182,167**
Adjustments for:	*129,119*	*149,034*
Depreciation and amortisation	121,693	138,879
Impairment	24	149
Loss from investing activities	102	1,134
Share of profit of equity-accounted associates	(3,100)	(2,771)
Interest, foreign exchange gains or losses	16,097	13,361
Gain on change in fair value of financial instruments carried at fair value	(5,697)	(1,718)
Cash from operating activities before changes in working capital	***486,234***	***331,201***
Changes in trade and other receivables	(99,543)	31,478
Changes in inventory	274,107	38,767
Changes in trade and other payables	(14,703)	(174,966)
Changes in provisions, prepayments and grants	(33,408)	32,656
Other adjustments	962	(2,052)
Cash from operating activities	***613,649***	***257,084***
Income taxes paid	(6,725)	(11,897)
Net cash from operating activities	**606,924**	**245,187**

*Financial information as restated in connection with the final accounting for the acquisition of African Investment Group S.A.; see Note 3.2.b) to these financial statements.

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

(all figures in PLN '000, unless indicated otherwise)

Condensed consolidated statement of cash flows (continued)

	for the period Jan 1- Mar 31 2015	for the period Jan 1 - Mar 31 2014* restated
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	7,034	870
Acquisition of property, plant and equipment, intangible assets and investment property	(197,691)	(145,181)
Acquisition of financial assets	(90,021)	(8,919)
Proceeds from sale of financial assets	52,587	96,664
Interest received	1,915	1,430
Government grants	1,522	-
Loans	(2,000)	(400)
Other proceeds/(disbursements)	7,599	(1,164)
Net cash used in investing activities	**(219,055)**	**(56,700)**
Cash flows from financing activities		
Dividends paid	-	(7,986)
Proceeds from borrowings	136,682	114,189
Payment of borrowings	(110,522)	(265,682)
Interest paid	(9,707)	(13,770)
Payment of finance lease liabilities	(2,991)	(3,346)
Other disbursements	(6,798)	(11,668)
Net cash from financing activities	**6,664**	**(188,263)**
Net increase/(decrease) in cash and cash equivalents	**394,533**	**224**
Cash and cash equivalents at the beginning of the period	**558,603**	**713,024**
Effect of exchange rate fluctuations	(4,219)	(1,411)
Cash and cash equivalents at the end of the period	**948,917**	**711,837**

*Financial information as restated in connection with the final accounting for the acquisition of African Investment Group S.A.; see Note 3.2.b) to these financial statements.

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

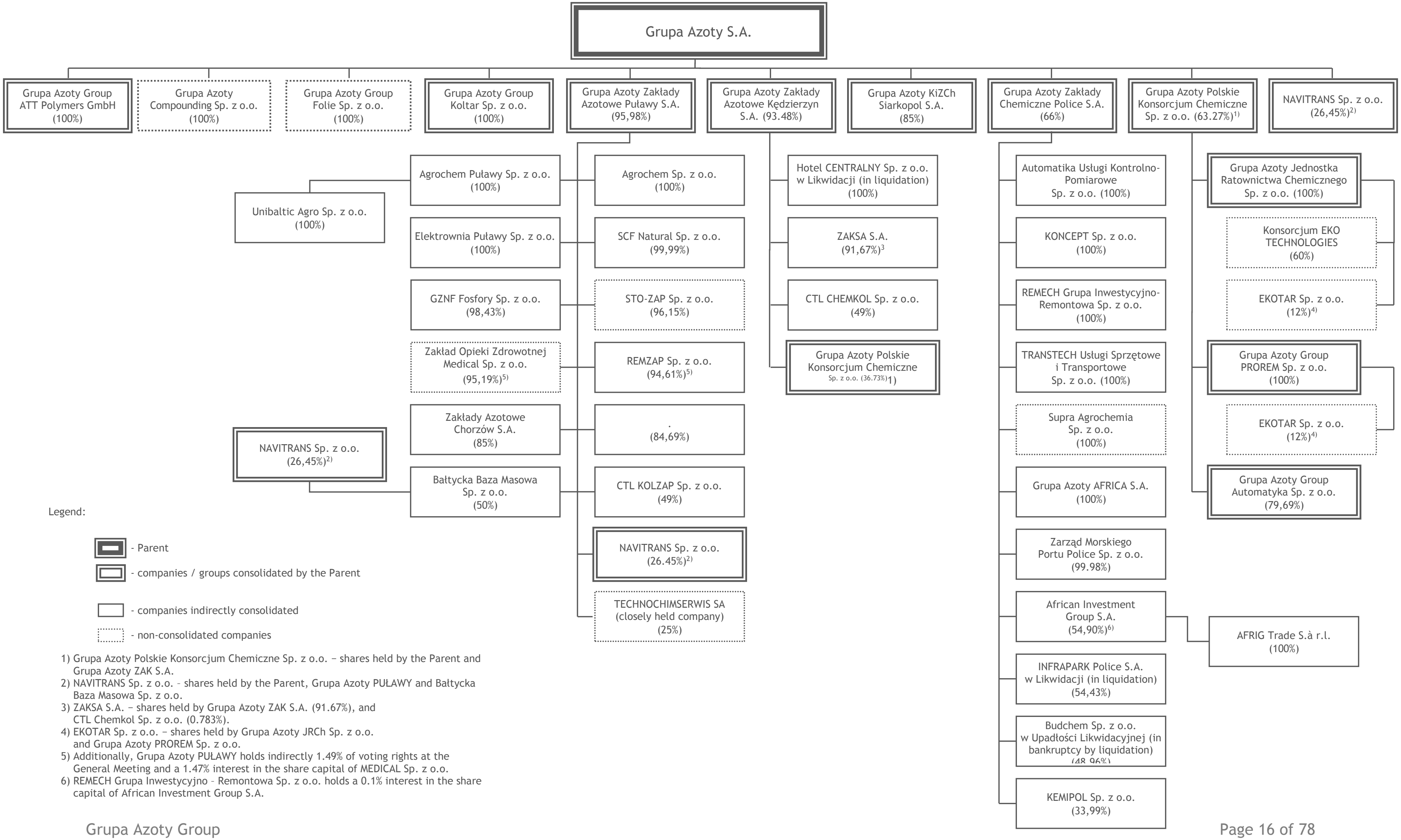
As at March 31st 2015, the Grupa Azoty Group (the "Grupa Azoty Group" or "Group") comprised Grupa Azoty S.A. (the "Parent") and ten subsidiaries (nine companies in which the Parent holds ownership interests above 50%, and one indirectly controlled entity), including:

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

Further:

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

Structure of the Grupa Azoty Group as at March 31st 2015:



1) Grupa Azoty Polskie Konsorcjum Chemiczne 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. (91.67%), and CTL Chemkol Sp. z o.o. (0.783%).
4) EKOTAR Sp. z o.o. – shares held by Grupa Azoty JRCh Sp. z o.o. and Grupa Azoty PROREM Sp. z o.o.
5) Additionally, Grupa Azoty PUŁAWY holds indirectly 1.49% of voting rights at the General Meeting and a 1.47% interest in the share capital of MEDICAL Sp. z o.o.
6) REMECH Grupa Inwestycyjno – Remontowa Sp. z o.o. holds a 0.1% interest in the share capital of African Investment Group S.A.

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

- Grupa Azoty Compounding Sp. z o.o.
- Grupa Azoty Folie Sp. z o.o.,
- STO-ZAP Sp. z o.o. (a subsidiary of Grupa Azoty PUŁAWY),
- Zakład Opieki Zdrowotnej Medical Sp. z o.o. (a subsidiary of Grupa Azoty PUŁAWY),
- Technochimserwis S.A. (closely held company, a subsidiary of Grupa Azoty PUŁAWY),
- Supra Agrochemia Sp. z o.o. (a subsidiary of Grupa Azoty POLICE),
- Konsorcjum EKO TECHNOLOGIES (a subsidiary of Grupa Azoty PKCh Sp. z o.o.),
- EKOTAR Sp. z o.o. (a subsidiary of Grupa Azoty PKCh Sp. z o.o.).

1.2. Changes in the Group's organisation

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

Share capital increase at Agrochem Sp. z o.o.

The Extraordinary General Meeting of Agrochem Sp. z o.o. of Dobre Miasto held on January 22nd 2015 passed a resolution to increase the company's share capital by PLN 19,500 thousand, to PLN 20,000 thousand, through an issue of 39,000 new shares with a par value of PLN 500 per share; the new shares will be paid for with cash.
By the date of this report, the changes had not been registered with the National Court Register.

Share capital increase at Medical Sp. z o.o.

The Extraordinary General Meeting of Medical Sp. z o.o. of Puławy, held on January 30th 2015, passed a resolution to increase the company's share capital by PLN 844 thousand, to PLN 1,917.7 thousand. The new shares will be paid for with a non-cash contribution in the form of the ownership title to a unit located at ul. Partyzantów in Puławy and an interest in the common part of the property and in the perpetual usufruct right to the plot on which the property is situated.
The entire increased portion of the company's share capital was subscribed for by Grupa Azoty PUŁAWY.
The above decisions were entered in the National Court Register on April 13th 2015. As a result, the direct interest held by Grupa Azoty PUŁAWY in the share capital of Medical Sp. z o.o. rose from 91.41% to 95.19%.

Events after the end of the reporting period

Business combination within Grupa Azoty POLICE

On April 1st 2015, the Supervisory Board of Grupa Azoty POLICE passed a resolution to approve the merger of REMECH Sp. z o.o. and Automatika Sp. z o.o. through the transfer of all the assets of Automatika Sp. z o.o. (the acquiree) to REMECH Sp. z o.o. (the acquirer).
On April 8th 2015, REMECH Sp. z o.o. and Automatika Sp. z o.o. filed their merger plan with the registry court, notified the shareholders, and posted the legally required documents on their websites.

Share capital increase at Zakłady Azotowe Chorzów S.A.

On April 23rd 2015, the Annual General Meeting of Zakłady Azotowe Chorzów S.A. passed a resolution to increase the company's share capital by PLN 28,700 thousand, from PLN 30,000 thousand to PLN 58,700 thousand.

2. Key events in the three months ended March 31st 2015

Strategic cooperation between the Grupa Azoty Group and PKO BP S.A.

On February 6th 2015, the Group and PKO BP S.A. executed a strategic cooperation agreement whereby the bank will provide financing for the Group's and the Company's financial partners from the agricultural and food industry. In return, the Group will make its fertilizer distribution network available for sale of banking products, and both parties will launch joint marketing activities targeted at agricultural producers.

Thanks to stable financing in the form of credit facilities and factoring, Grupa Azoty Group's agricultural customers will be able to improve their liquidity and expand their businesses. The benefit for the Grupa Azoty Group will be higher sales, and the Bank will have an opportunity to attract new customers and expand in the agricultural and food sector.

The agreement between the largest Polish bank and the leader of the domestic chemical sector is a part of the government's strategy for cooperation between state-owned companies. In line with the strategy, joint investments are key to effective use of state assets and an increase in the value of assets of enterprises supervised by the Minister of the State Treasury. At the same time, PKO BP's cooperation with the Grupa Azoty Group is to be one of the main elements of the bank's new strategy for the agricultural and food sector.

Strategic cooperation between Kronopol and Grupa Azoty PUŁAWY

On February 9th 2015, Kronopol and Grupa Azoty Puławy signed agreements for the supply of PULREA® and melamine to Kronopol, for a total estimated amount of PLN 770m. The agreements were made for five years and will continue in force until the end of 2019.

Grupa Azoty PUŁAWY will be supplying to Kronopol PULREA® (urea) and melamine used in the production of wood-based boards (MDF, OSB, chipboards).

With good access to local sources of raw materials and chemicals and favourable geographical location, Poland has become the European centre of production of wood-based products for the furniture and construction sectors.

Poland is the fourth largest exporter of furniture globally, with the sector accounting for approximately 2% of the country's GDP.

Grupa Azoty in FTSE Emerging Markets

On March 4th 2015, following a semi-annual review of the FTSE indices, the Parent was selected to feature in the prestigious FTSE Emerging Markets index.

Grupa Azoty stock has been listed in the index since March 23rd 2015.

The FTSE Emerging index is part of the FTSE Global Equity Index Series (GEIS), which includes large and mid cap securities from advanced and secondary emerging markets. With a universe of 911 companies from all over the world, including 30 CEE names, FTSE Emerging provides investors with a comprehensive means of measuring the performance of the most liquid companies in emerging markets. Its aggregate net market capitalisation is close to USD 3,400bn.

The FTSE indices are listed on the London Stock Exchange.

Rescue Education Centre

The Grupa Azoty Rescue Education Centre – CERGA is a modern unit responsible for cyclic and specialist training of firefighters and chemical rescuers working for Grupa Azoty. CERGA's activities, launched on March 12th 2015, will cover Grupa Azoty S.A., Grupa Azoty PUŁAWY, Grupa Azoty POLICE, Grupa Azoty ZAK S.A. and Grupa Azoty SIARKOPOL, as well as other entities interested in the educational offering. The idea behind the establishment of CERGA has been to support the development of common fire protection and rescue standards, share experience and exploit synergies across the Grupa Azoty Group. This is expected to improve protection of the Group employees, lives and health, ensure the security of local communities in the vicinity of the Group plants and protection of natural environment.

Construction of the propylene production unit at Grupa Azoty POLICE

By 2019, the Group aims to build Europe's largest and most advanced PDH unit for propylene production, sited in the town of Police. In addition to the PDH unit, the project involves the construction of a power generating unit and expansion of the liquid chemicals terminal in the port facilities owned by the Group.

In terms of its size, the project is comparable to building another chemical plant in the Szczecin Province.

Placement in service of a non-phthalate plasticizer unit at Grupa Azoty ZAK S.A.
A new non-phthalic plasticizer unit was officially placed in service at Grupa Azoty ZAK S.A. The new unit is a response to the growing demand for innovative solutions for the PVC processing market. Thanks to the most advanced plasticizer unit in this part of Europe, Grupa Azoty ZAK S.A. will be able to produce 50,000 tonnes of a plasticizer with a trade name of oxoviflex per year. The investment's cost was approximately PLN 42m.
The new plasticizer in the Grupa Azoty ZAK S.A. portfolio may be successfully applied to a wide range of PVC products, including floor coverings, vinyl wallpapers, flexible pipes, cable insulation and coverings, faux leather, foil and packaging. As opposed to phthalic plasticizers, oxoviflex can be used to manufacture toys and goods that come into contact with foodstuffs.
It is also one of the most advanced general purpose plasticizers, not only of excellent quality, but also competitively priced compared with similar products available on the market.

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 (Dz.U. of 2014, No. 133), and present the Grupa Azoty Group's financial position as at March 31st 2015 and its results of operations and cash flows for the three months ended March 31st 2015.

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 2014, 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 2014.

b) Changes in the presentation of the financial statements

In the reporting period, there were presentation changes in the financial statements in connection with the final accounting for the acquisition of a controlling stake in African Investment Group S.A. For information on the settlement of the transaction, see the full-year consolidated financial statements of the Grupa Azoty Group for the 12 months ended December 31st 2014. The financial information as at March 31st 2014 was restated to reflect these changes.

(all figures in PLN '000, unless indicated otherwise)

The table below shows the impact of the changes made in connection with the final accounting for the acquisition of African Investment Group S.A. on the statement of profit or loss and other comprehensive income.

	Before changes	After changes	
	For the period Jan 1 - Mar 31 2014	**For the period Jan 1 - Mar 31 2014**	**Impact of changes**
Profit or loss			
Cost of sales	(2,222,325)	(2,220,658)	1,667
Gross profit	**480,464**	**482,131**	**1,667**
Selling and distribution expenses	(137,746)	(137,003)	743
Administrative expenses	(164,310)	(165,173)	(863)
Operating profit	**181,922**	**183,469**	**1,547**
Profit before tax	**180,620**	**182,167**	**1,547**
Tax expense	(31,078)	(31,361)	(283)
Net profit	**149,354**	**150,618**	**1,264**
Total other comprehensive income, including:	**3,344**	**3,421**	**77**
Exchange differences on translating foreign operations	2,930	3,007	77
Total profit or loss and other comprehensive income	**152,698**	**154,039**	**1,341**
Net profit attributable to:			
Owners of the parent	136,094	136,492	398
Non-controlling interests	13,260	14,126	866
Total profit or loss and other comprehensive income attributable to:			
Owners of the parent	138,037	138,463	426
Non-controlling interests	14,661	15,576	915
Earnings per share:			
Basic (PLN)	1.37	1.38	0.01
Diluted (PLN)	1.37	1.38	0.01

The table below shows the impact of the changes made in connection with the final accounting for the acquisition of African Investment Group S.A. on the statement of financial position.

	Before changes	After changes	
	As at Mar 31 2014	**As at Mar 31 2014**	**Impact of changes**
Assets			
Non-current assets, including:	**6,613,138**	**6,611,541**	**(1,597)**
Property, plant and equipment	5,787,766	5,776,769	(10,997)
Intangible assets	499,835	508,268	8,433
Deferred tax assets	101,562	102,529	967
Current assets, including:	**3,278,963**	**3,271,382**	**(7,581)**
Inventory	1,135,564	1,127,983	(7,581)
Total assets	**9,892,101**	**9,882,923**	**(9,178)**

(all figures in PLN '000, unless indicated otherwise)

	Before changes	After changes	
	As at Mar 31 2014	**As at Mar 31 2014**	**Impact of changes**
Equity and liabilities			
Equity, including:	**6,423,348**	**6,424,593**	**1,245**
Exchange differences on translating foreign operations	(7,629)	(1,644)	5,985
Retained earnings, including:	2,790,177	2,785,896	(4,281)
profit for the period	*136,094*	*136,492*	*398*
Equity attributable to owners of the parent	**5,699,493**	**5,701,197**	**1,704**
Non-controlling interests	**723,855**	**723,396**	**(459)**
Non-current liabilities, including:	**1,379,163**	**1,368,740**	**(10,423)**
Deferred tax liabilities	268,688	258,265	(10,423)
Total liabilities	**3,468,753**	**3,458,330**	**(10,423)**
Total equity and liabilities	**9,892,101**	**9,882,923**	**(9,178)**

The table below shows the impact of the changes made in connection with the final accounting for the acquisition of African Investment Group S.A. on the statement of cash flows.

	Before changes	After changes	
	For the period Jan 1 - Mar 31 2014	**For the period Jan 1 - Mar 31 2014**	**Impact of changes**
Cash flows from operating activities			
Profit before tax	**180,620**	**182,167**	**1,547**
Adjustments for:	*153,304*	*149,034*	*(4,270)*
Depreciation and amortisation	143,149	138,879	(4,270)
Cash from operating activities before changes in working capital	***333,924***	***331,201***	***(2,723)***
Changes in inventory	36,264	38,767	2,503
Cash from operating activities	***257,304***	***257,084***	***(220)***
Net cash from operating activities	**245,407**	**245,187**	**(220)**
Cash flows from investing activities			
Acquisition of property, plant and equipment, intangible assets and investment property	(145,401)	(145,181)	220
Net cash used in investing activities	**(56,920)**	**(56,700)**	**220**

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 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 2014.

4. Selected supplementary notes

4.1. 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 which cannot be allocated to any of the segments specified above. None of these activities met the quantitative criteria to be separated as a reportable segment in the first quarter of 2015 and 2014.

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.

(all figures in PLN '000, unless indicated otherwise)

Operating segments

Revenue, expenses and financial result of operating segments for the three months ended March 31st 2015

Continuing operations	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	1,797,784	340,083	608,505	58,307	34,267	2,838,946
Inter-segment revenue	593,640	77,268	293,370	764,784	166,099	1,895,161
Total revenue	2,391,424	417,351	901,875	823,091	200,366	4,734,107
Operating expenses, including:(-)	(2,056,953)	(430,799)	(869,108)	(819,212)	(203,255)	(4,379,327)
Selling and distribution expenses (-)	*(114,399)*	*(14,244)*	*(35,276)*	*(28)*	*(246)*	*(164,193)*
Administrative expenses (-)	*(89,824)*	*(25,006)*	*(39,349)*	*(3,198)*	*(11,080)*	*(168,457)*
Other income	4,690	339	1,058	3,753	8,517	18,357
Other expenses(-)	(2,515)	(730)	(2,234)	(306)	(4,489)	(10,274)
Segment's EBIT	**336,646**	**(13,839)**	**31,591**	**7,326**	**1,139**	**362,863**
Finance income	-	-	-	-	-	11,706
Finance costs (-)	-	-	-	-	-	(20,554)
Share of profit of equity-accounted associates	-	-	-	-	-	3,100
Profit before tax	**-**	**-**	**-**	**-**	**-**	**357,115**
Tax expense	-	-	-	-	-	(51,278)
Net profit	**-**	**-**	**-**	**-**	**-**	**305,837**
EBIT*	336,646	(13,839)	31,591	7,326	1,139	362,863
Depreciation and amortisation	38,282	11,904	22,594	18,207	28,969	119,956
Unallocated depreciation and amortisation	-	-	-	-	-	1,737
EBITDA**	**374,928**	**(1,935)**	**54,185**	**25,533**	**30,108**	**484,556**

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

(all figures in PLN '000, unless indicated otherwise)

Revenue, expenses and financial result of operating segments for the three months ended March 31st 2014, restated*

Continuing operations	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	1,592,558	374,955	650,766	51,146	33,364	2,702,789
Inter-segment revenue	548,672	88,977	267,208	793,643	160,642	1,859,142
Total revenue	2,141,230	463,932	917,974	844,789	194,006	4,561,931
Operating expenses, including:(-)	(1,966,175)	(477,485)	(881,457)	(847,828)	(209,031)	(4,381,976)
Selling and distribution expenses (-)	*(90,338)*	*(12,797)*	*(33,214)*	*(22)*	*(632)*	*(137,003)*
Administrative expenses (-)	*(87,425)*	*(25,753)*	*(33,996)*	*(3,160)*	*(14,839)*	*(165,173)*
Other income	1,237	736	4,321	924	5,135	12,353
Other expenses(-)	(783)	(74)	(1,561)	(446)	(5,975)	(8,839)
Segment's EBIT	**175,509**	**(12,891)**	**39,277**	**(2,561)**	**(15,865)**	**183,469**
Finance income	-	-	-	-	-	9,841
Finance costs (-)	-	-	-	-	-	(13,914)
Share of profit of equity-accounted associates	-	-	-	-	-	2,771
Profit before tax	**-**	**-**	**-**	**-**	**-**	**182,167**
Result from discontinued operation	-	-	-	-	-	**(188)**
Tax expense	-	-	-	-	-	(31,361)
Net profit	**-**	**-**	**-**	**-**	**-**	**150,618**
EBIT**	175,509	(12,891)	39,277	(2,561)	(15,865)	183,469
Depreciation and amortisation	43,091	11,802	27,719	18,512	36,422	137,546
Unallocated depreciation and amortisation	-	-	-	-	-	1,333
EBITDA* **	**218,600**	**(1,089)**	**66,996**	**15,951**	**20,557**	**322,348**

*Financial information as restated in connection with the final accounting for the acquisition of African Investment Group S.A.; see Note 3.2.b) to these financial statements.
** EBIT is calculated as operating profit (loss) as disclosed in the statement of profit or loss and adjusted by gain from a bargain purchase.
*** EBITDA is calculated as operating profit (loss) before depreciation and amortisation and adjusted for gain from a bargain purchase.

(all figures in PLN '000, unless indicated otherwise)

Geographical areas

Revenue

	for the period Jan 1-Mar 31 2015	for the period Jan 1-Mar 31 2014
Poland	1,623,754	1,558,890
Germany	307,677	272,589
Other EU countries	616,271	633,691
Asian countries	141,270	151,310
South American countries	51,845	35,346
Other countries	98,129	50,963
Total	**2,838,946**	**2,702,789**

No single customer accounted for more than 10% of revenue in Q1 2015 or Q1 2014.

4.2. Contingent assets and liabilities, sureties, guarantees and other collateral

Contingent assets

	as at Mar 31 2015	as at Dec 31 2014
Contingent receivables	32,361	32,414

Contingent liabilities and guarantees

	as at Mar 31 2015	as at Dec 31 2014
Guarantees	4,687	6,278
Other	1,718	1,727
Other contingent liabilities	47,612	31,327
	54,017	**39,332**

(all figures in PLN '000, unless indicated otherwise)

4.3. Accounting estimates and assumptions

In the reporting period, the following changes in accounting estimates were made:

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

	for the period Jan 1-Mar 31 2015	for the period Jan 1-Dec 31 2014	for the period Jan 1-Mar 31 2014
Balance at the beginning of the period	**667,451**	**621,803**	**621,803**
Recognised	62,400	278,795	70,308
Reversed (-)	(758)	(32,802)	(22,585)
Used (-)	(81,031)	(200,345)	(10,676)
Balance at the end of the period	**648,062**	**667,451**	**658,850**

Changes in impairment loss of property, plant and equipment

	for the period Jan 1-Mar 31 2015	for the period Jan 1-Dec 31 2014	for the period Jan 1-Mar 31 2014
Balance at the beginning of the period	**203,714**	**171,844**	**171,844**
Recognised	24	43,412	53
Reversed (-)	-	(874)	(318)
Used (-)	(876)	(10,668)	(1,124)
Balance at the end of the period	**202,862**	**203,714**	**170,455**

Changes in inventory write-downs

	for the period Jan 1-Mar 31 2015	for the period Jan 1-Dec 31 2014	for the period Jan 1-Mar 31 2014
Balance at the beginning of the period	**45,163**	**41,400**	**41,400**
Recognised	10,474	72,654	27,906
Reversed (-)	(6,910)	(39,553)	(11,584)
Used (-)	(2,495)	(29,338)	(2,455)
Balance at the end of the period	**46,232**	**45,163**	**55,267**

Changes in impairment loss on receivables

	for the period Jan 1-Mar 31 2015	for the period Jan 1-Dec 31 2014	for the period Jan 1-Mar 31 2014
Balance at the beginning of the period	**74,324**	**78,665**	**78,665**
Effect of acquisition of subsidiaries	-	21	-
Recognised	2,013	11,760	1,545
Reversed (-)	(7,373)	(5,341)	(1,048)
Used (-)	(6,503)	(10,781)	(410)
Balance at the end of the period	**62,461**	**74,324**	**78,752**

4.4. 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 three months ended March 31st 2015, the Grupa Azoty Group did not execute any related-party transactions on non-arm's length terms.

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

During the three months ended March 31st 2015, 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.

4.5. Events after the end of the reporting period that could impact future financial performance

No such events were recorded.

4.6. Dividends

In Q1 2015, the Parent did not pay any dividend.

Events after the end of the reporting period

On April 8th 2015, the Management Board of the Parent passed a resolution to recommend to the Annual General Meeting that the entire net profit for 2014, in the amount of PLN 214,633,409.39, be contributed to the Company's statutory reserve funds.
The Management Board submitted the recommendation for assessment by the Supervisory Board.
On April 16th 2015, the Supervisory Board issued a positive opinion on the recommendation.
The final decision on the distribution of profit for 2014 will be made by the Annual General Meeting of the Parent.

4.7. Seasonality of operations

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

Mineral fertilizers

Each year, the first quarter 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, and allocation of fertilizers on various geographical markets.

Titanium white

Because of its chief application (component of paints and varnishes), titanium white is a seasonal product for the construction industry. The first quarter of a year is usually a period of lower titanium white sales, but the demand for titanium dioxide depends on overall economic conditions and grows if economic prospects are good.

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

Interim condensed separate financial statements for the three months ended March 31st 2015 prepared in accordance with IAS 34 'Interim Financial Reporting' as endorsed by the European Union

STATEMENT OF THE MANAGEMENT BOARD

The Management Board of Grupa Azoty S.A. presents the interim condensed separate financial statements for the three months ended March 31st 2015, comprising:

- Condensed separate statement of profit or loss and other comprehensive income for the period January 1st–March 31st 2015,
- Condensed separate statement of financial position as at March 31st 2015,
- Condensed separate statement of changes in equity for the period January 1st–March 31st 2015,
- Condensed separate statement of cash flows for the period January 1st–March 31st 2015,
- 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 the Company.

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 the Corporate Finance Department

Tarnów, May 6th 2015

(all figures in PLN ‘000, unless indicated otherwise)

Condensed separate statement of profit or loss and other comprehensive income

	for the period Jan 1- Mar 31 2015	for the period Jan 1- Mar 31 2014
	unaudited	*unaudited*
Revenue	500,415	503,119
Cost of sales	(409,052)	(432,397)
Gross profit	**91,363**	**70,722**
Selling and distribution expenses	(25,134)	(18,278)
Administrative expenses	(33,108)	(32,484)
Other income	664	281
Other expenses	(3,497)	(1,898)
Operating profit	**30,288**	**18,343**
Finance income	4,053	191,075
Finance costs	(9,290)	(9,348)
Net finance income/(costs)	**(5,237)**	**181,727**
Profit before tax	**25,051**	**200,070**
Tax expense	(7,121)	(3,787)
Net profit	**17,930**	**196,283**
Total profit or loss and other comprehensive income	**17,930**	**196,283**
Earnings per share:		
Basic (PLN)	0.18	1.98
Diluted (PLN)	0.18	1.98

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

(all figures in PLN '000, unless indicated otherwise)

Condensed separate statement of financial position

	as at Mar 31 2015	as at Dec 31 2014
	unaudited	*audited*
Assets		
Non-current assets		
Property, plant and equipment	1,019,984	997,948
Investment property	13,061	13,407
Intangible assets	43,748	43,214
Investments in subordinated entities	3,814,993	3,814,993
Available-for-sale financial assets	12,134	12,134
Other current assets	210	210
Total non-current assets	**4,904,130**	**4,881,906**
Current assets		
Inventory	189,050	238,378
Other financial assets	4,037	829
Current tax assets	2,133	2,133
Trade and other receivables	232,353	241,476
Cash and cash equivalents	40,725	27,431
Other current assets	11,213	8,302
Assets held for sale	107	107
Total current assets	**479,618**	**518,656**
Total assets	**5,383,748**	**5,400,562**

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

(all figures in PLN '000, unless indicated otherwise)

Condensed separate statement of financial position (continued)

	as at Mar 31 2015	as at Dec 31 2014
	unaudited	*audited*
Equity and liabilities		
Equity		
Share capital	495,977	495,977
Share premium	2,418,270	2,418,270
Retained earnings, including:	1,278,024	1,260,094
profit for the period	*17,930*	*214,633*
Total equity	**4,192,271**	**4,174,341**
Liabilities		
Borrowings	305,650	347,263
Employee benefit obligations	49,742	49,741
Provisions	24,511	24,374
Government grants	3,275	3,313
Deferred tax liabilities	29,485	22,363
Other financial liabilities	1,188	1,114
Total non-current liabilities	**413,851**	**448,168**
Borrowings	456,305	442,976
Employee benefit obligations	2,683	2,683
Trade and other payables	206,210	225,052
Provisions	45,024	36,203
Government grants	5,870	791
Deferred income	11	20
Other financial liabilities	61,523	70,328
Total current liabilities	**777,626**	**778,053**
Total liabilities	**1,191,477**	**1,226,221**
Total equity and liabilities	**5,383,748**	**5,400,562**

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

(all figures in PLN '000, unless indicated otherwise)

Condensed separate statement of changes in equity

for the period ended March 31st 2015

	Share capital	Share premium	Retained earnings	Total equity
Balance at January 1st 2015	**495,977**	**2,418,270**	**1,260,094**	**4,174,341**
Profit or loss and other comprehensive income for the year				-
Profit for the year	-	-	17,930	17,930
Total profit or loss and other comprehensive income	**-**	**-**	**17,930**	**17,930**
Balance at March 31st 2015 (unaudited)	**495,977**	**2,418,270**	**1,278,024**	**4,192,271**

for the period ended March 31st 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				-
Profit for the year	-	-	196,283	196,283
Total profit or loss and other comprehensive income	**-**	**-**	**196,283**	**196,283**
Other	-	-	(1)	(1)
Balance at Mar 31st 2014 (unaudited)	**495,977**	**2,418,270**	**1,265,916**	**4,180,163**

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

(all figures in PLN '000, unless indicated otherwise)

Condensed separate statement of cash flows

	for the period Jan 1- Mar 31 2015	for the period Jan 1- Mar 31 2014
	unaudited	*unaudited*
Cash flows from operating activities		
Profit before tax	**25,051**	**200,070**
Adjustments for:	*27,044*	*(157,756)*
Depreciation and amortisation	22,502	22,111
(Reversal of)/impairment losses	6	(103)
Loss from investing activities	598	707
Interest, foreign exchange gains or losses	7,884	10,112
Dividends	-	(190,429)
Gain on change in fair value of financial instruments carried at fair value	(3,946)	(154)
Cash from operating activities before changes in working capital	***52,095***	***42,314***
Changes in trade and other receivables	9,122	(17,653)
Changes in inventory	49,329	36,244
Changes in trade and other payables	(17,961)	(44,880)
Changes in provisions, prepayments and grants	15,216	13,873
Cash from operating activities	***107,801***	***29,898***
Income taxes paid	-	(1,212)
Net cash from operating activities	**107,801**	**28,686**

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

(all figures in PLN ‘000, unless indicated otherwise)

Condensed separate statement of cash flows (continued)

	for the period Jan 1-Mar 31 2015	for the period Jan 1-Mar 31 2014
	unaudited	*unaudited*
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	866	566
Acquisition of property, plant and equipment, intangible assets and investment property	(49,516)	(30,518)
Dividends received	-	190,429
Loans	-	1,265
Other disbursements	(1,463)	(1,261)
Net cash used in investing activities	**(50,113)**	**160,481**
Cash flows from financing activities		
Dividends paid	-	(1)
Proceeds from borrowings	47,420	32,242
Payment of borrowings	(76,743)	(180,523)
Interest paid	(6,845)	(9,631)
Payment of finance lease liabilities	(162)	(459)
Other disbursements	(8,064)	(10,316)
Net cash from financing activities	**(44,394)**	**(168,688)**
Net increase/(decrease) in cash and cash equivalents	**13,294**	**20,479**
Cash and cash equivalents at the beginning of the period	**27,431**	**6,349**
Cash and cash equivalents at the end of the period	**40,725**	**26,828**

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

Supplementary information to the interim condensed separate financial statements

These interim condensed separate financial statements should be read in conjunction with the interim condensed consolidated financial statements of the Grupa Azoty Group for the three months ended March 31st 2015, and the audited separate financial statements of Grupa Azoty S.A. for the financial year ended December 31st 2014.

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 2014.

In the opinion of the Management Board of Grupa Azoty S.A., notes to the interim condensed consolidated financial statements of the Grupa Azoty Group 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 Q1 2015

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 financial performance of Grupa Azoty in Q1 2015 was driven by GDP growth in Poland, the continued growth of the US economy combined with implementation of the quantitative easing programme in the eurozone. These factors resulted in the US dollar strengthening against the euro and the Polish złoty, and the Polish złoty strengthening against the euro.
During Q1 2015, the Polish currency strengthened by approximately 4.1% against EUR and weakened by about 8.7% against USD over December 31st 2014. At the same time, the average PLN/EUR exchange rate in Q1 2015 was similar to the average exchange rate in the previous quarter, while the average PLN/USD exchange rate was down by about 10.7% on the previous quarter.
Since the quarter-on-quarter changes in PLN/EUR and PLN/USD exchange rates to a large extent offset each other, they had no material effect on the Group's performance in the period.
The Group considers the current and planned net currency exposures and reduces the existing currency risk resulting from the currency exposure by using selected hedging instruments and activities. In the reporting period, the Group used primarily natural hedging, factoring and discounting of receivables denominated in foreign currencies, and currency forwards covering up to 50% of the remaining currency exposure (the maximum permitted coverage is 80% of the planned foreign currency exposure).
Pursuant to the 'Policy of Financial Risk Management (currency risk and interest rate risk)', the Group may enter into hedging transactions with horizons of up to 24 months (as long as it reduces the adverse impact of fluctuations in exchange rates on the Company's cash flows, and it is possible to secure the EUR/PLN or USD/PLN exchange rate which exceeds the exchange rate planned in the budget) and up to 3 months (if it is possible to hedge the exchange rate at which a commercial transaction was executed).
Pursuant to the Finance Committee's instruction, execution of a currency hedging transaction must be approved by the Management Board if its hedge horizon is more than 24 months or if the transaction does not conform to the Policy of Financial Risk Management.
In Q1 2015, the Grupa Azoty Group's hedging tools were EUR and USD swap forwards, reflecting its planned exposure in both currencies.
The Group's result on hedging transactions realised in the first three months of 2015 was PLN (702) thousand. The result on revaluation of hedging instruments was PLN 7,037 thousand.
On non-hedged net currency exposure, the Group reported a PLN (645) thousand foreign exchange loss, and PLN 6,987 thousand of foreign-currency expenses.
In total, during the first three months of 2015, the Group's total result on foreign exchange differences and currency derivative transactions (taking into account revaluation as at the reporting date) was PLN (1,297) thousand (including PLN (1,347) thousand on realised foreign exchange differences and hedging transactions and PLN 50 thousand on unrealised items).
As at March 31st 2015, the Group did not have any unrealised interest rate risk hedges.
In the first three months of 2015, the Group reported a PLN (1,733) thousand loss on valuation of futures contracts for the purchase of CO_2 emission allowances.

1.1.2. Verification of CO_2 emissions

In Q1 2015, all major companies of the Grupa Azoty Group carried out audits to verify the 2014 CO_2 emission volumes, and thus were able to submit the audit reports to the National Administrator of the Emissions Trading System (KASHUE) within the statutory deadline of March 31st 2015 and to redeem the rights in accordance with the reports by April 30th 2015.
Actual emissions are do not exceed the planned emission volumes. In line with the adopted strategy, in 2014 the companies purchased reduction units required to settle the 2014 emissions and performed the planned contracts by the end of April 2015.

1.1.3. Certificates of origin for electricity

The Parent filed an application with the President of the Energy Regulatory Office, requesting that new energy certificates for 2014, confirming generation of electricity in high-efficiency cogeneration

in 2014, be issued (for the period May-November 2014, and a separate application for December 2014).
On February 12th 2015, the Company submitted to the President of the Energy Regulatory Office an annual report, verified by an auditor, confirming the amount of energy produced in high-efficiency cogeneration.
The Parent received 119.6m property rights for 2014. The received property rights were used for redemption for 2014, and their significant portion was sold.
In view of the arrangement of their operating units and installations and optimised generation of electricity at their CHP plants, neither Grupa Azoty PUŁAWY nor Grupa Azoty POLICE obtained the required volume of PES which was the indispensable condition to seek the allocation of certificates of origin for 2014.

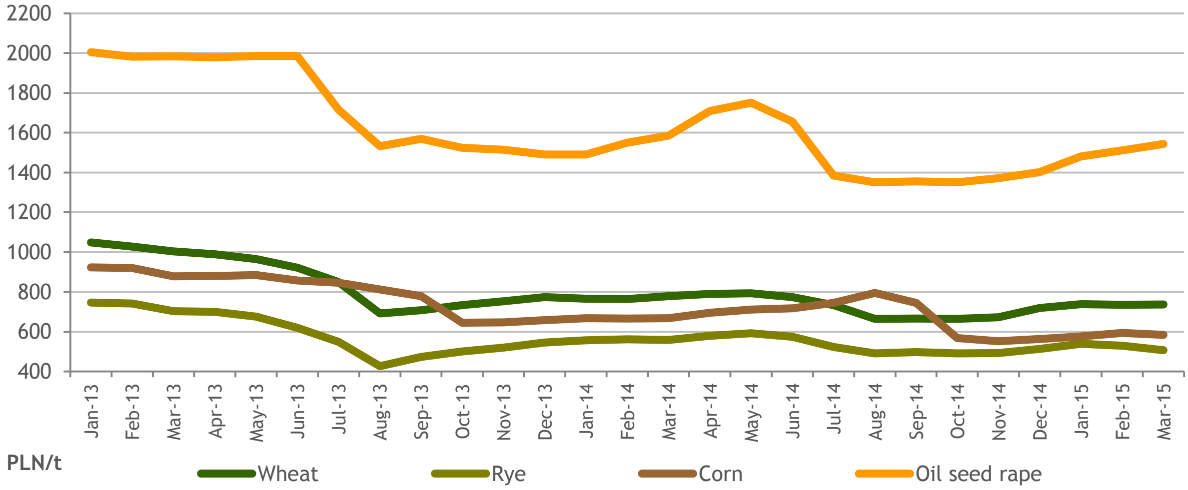
1.1.4. Market overview

Agro Fertilizers

Economic conditions in agriculture

In Q1 2015, the prices of agricultural produce on the domestic market were lower year on year. The farm-gate prices of vegetables, pig stocks and milk remained low, often below the production costs. Conditions in the pork market were especially difficult, and pig producers started to reduce pig population.
By mid-March, farmers received more than PLN 13bn (92% of the target value) in direct subsidies from the Agency for Restructuring and Modernisation of Agriculture, PLN 1.3bn (95% of the target value) of aid related to less-favoured areas, and nearly PLN 1.19bn (77% of the target value) of agri-environmental aid for 2014. Appreciation of the US dollar and the weakening of the euro benefited Polish and EU exports.

Oil seed rape, wheat, rye and corn prices

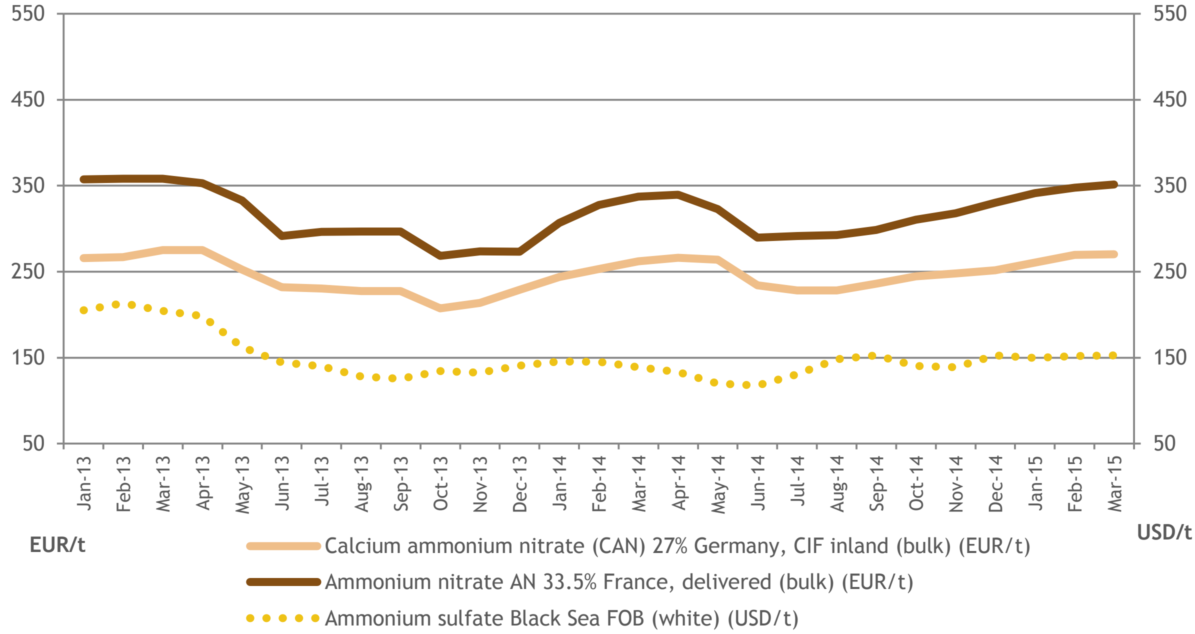


Source: Ministry of Agriculture and Rural Development

Nitrogen fertilizers

In Q1 2015, the demand for nitrate fertilizers from the domestic agricultural segment was estimated as very high, despite an unpromising beginning of the year related to low prices of grains, and farmers' concerns about their financial resources. However, the situation improved over time on the back of favourable weather conditions, which facilitated agrotechnical works related to fertilizer application, as well as a high level of direct subsidies from the Agency for Restructuring and Modernisation of Agriculture.

CAN, AN and AS prices



Source: Argus FMB

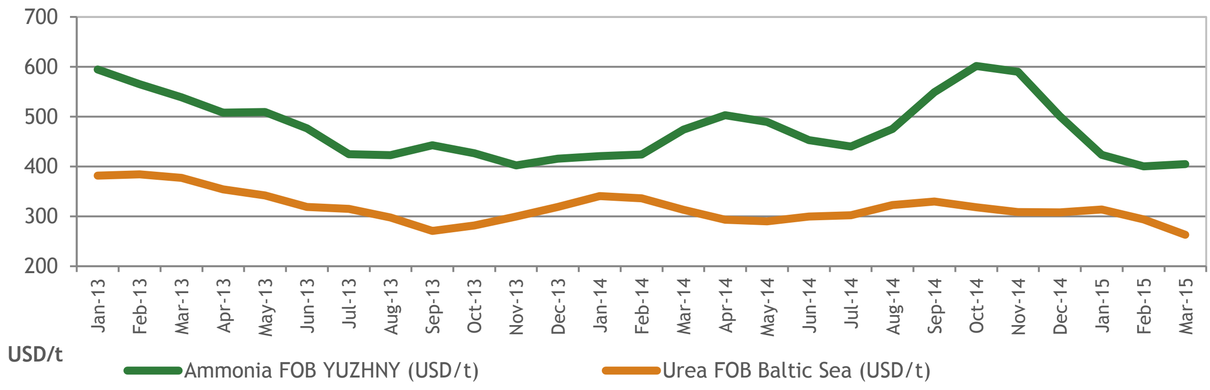
Ammonium nitrate/calcium ammonium nitrate (CAN)

In Q1 2015, the average prices of calcium ammonium nitrate (CAN) and ammonium nitrate were higher year on year. This year, the quarterly price of CAN was EUR 267/tonne, compared with EUR 253/tonne in Q1 2014. At the end of Q1 2015, the price of ammonium nitrate was EUR 347/tonne, whereas in 2014 the price of this fertilizer was EUR 324/tonne.
The prices were impacted by changes in the EUR/USD exchange rate, the marketing policies pursued by market players, low imports and production problems of fertilizer installations in Western Europe (particularly in France). At the same time, except in the case of France, demand for fertilizers in Western Europe did not rise until March, because most farmers purchased fertilizers intended for application in spring still in the fourth quarter of 2014.
The demand for nitrate fertilizers from the domestic agricultural segment was very high, especially in the second half of Q1 2015. Locally, there were even problems with purchasing the product. The demand increase was largely due to the high amount of direct subsidies paid out by the Agency for Restructuring and Modernisation of Agriculture, good weather conditions, and a growth in framers' purchasing power.

Ammonium sulfate

In Q1 2015, the quarterly price of ammonium sulfate was USD 151/tonne (FOB Black Sea), and was approximately USD 8/tonne higher than in the corresponding period of the previous year (USD 143/tonne). Globally, there was an oversupply of ammonium sulfate in Q1 2015. Prices during the quarter were stable despite a pressure to follow the urea price trend and an almost 22% increase in exports from China (by more than 206,000 tonnes year on year). Ammonium sulfate imports by Brasil, the largest global importer of this product, were more than 7% (almost 33,000 tonnes) higher than in Q1 2014.

Ammonia and urea prices



Source: ICIS, Argus FMB

Ammonia

In Q1 2015, the quarterly price of ammonia was USD 410/tonne (FOB Yuzhny), and was on average USD 29/tonne lower than in the same period of the previous year (USD 439/tonne).
In the first quarter of 2015, ammonia prices continued on the downward trend that first became visible in November last year. Between November 2014 and the end of March 2015, the market price of ammonia fell by USD 197/tonne. Limited sales in the US and lower demand in India (lower production of fertilizers) and Asia affected the ammonia prices offered by exporters. The ammonia price fluctuations seen in February and the price increase by USD 10/tonne (FOB Baltic, FOB Black Sea) were attributable to intensified purchases in the US (following the failure of an installation operated by CF), insufficient supply from Egypt (only one of the country's four installations was operational in February) and interruptions in loading operations in the Black Sea port of Yuzhny, due to limitations in ammonia pipeline transmission by a Russian producer.
The downward trend continued in March, driven by the slump in purchasing activity in the US. The unfavourable weather conditions which prevailed in March in many regions of the US prevented the use of ammonia for agricultural purposes. Given poor economic conditions in a number of the world's regions, also demand for ammonia used for technical applications was lower.

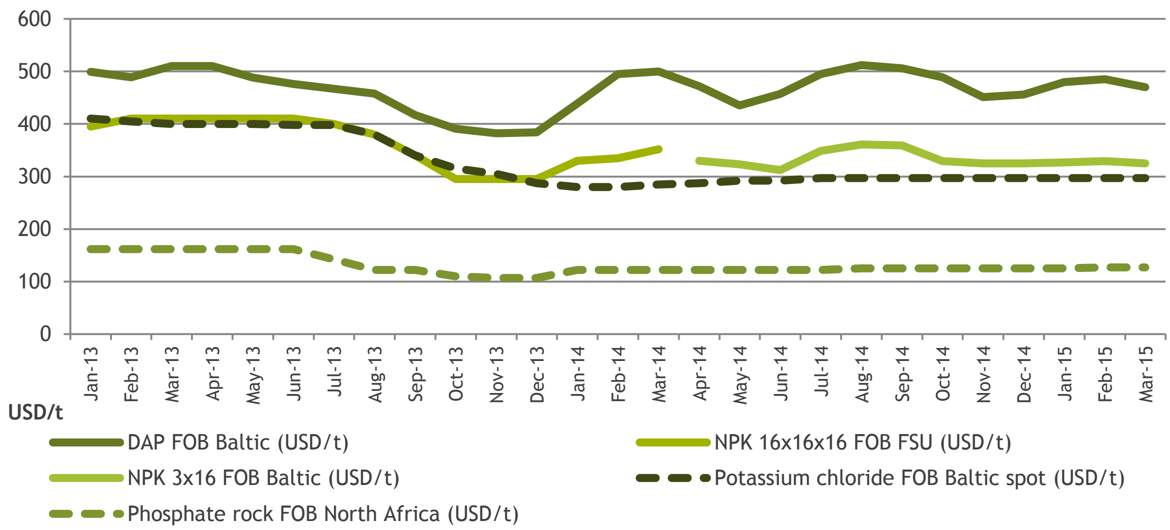
Urea

In Q1 2015, the quarterly price of urea was USD 290/tonne (FOB Baltic), and was on average USD 40/tonne lower than in the corresponding period of the previous year (USD 330/tonne).
The price of urea, higher at the beginning of the year, set on a downward trend in January (the average price of USD 314/tonne in January fell to USD 263/tonne in March).
The beginning of spring works and intense application of nitrogen fertilizers did not halt the decline in the prices of urea, which was driven by growing global production, accumulated large stocks in the US and Europe, and feeble demand in these markets due to unfavourable weather conditions. Lack of purchasing activity from other large importers, such as India and Brazil, was another factor.
The shutdowns of urea installations in Ukraine and Egypt and production limitations in Trinidad did not significantly reduce global supply, buffered by vast production surpluses in China, Algeria and Qatar.

UAN

In Q1 2015, the average UAN price (FOB Black Sea) was USD 245 per tonne, up approximately 7% quarter on quarter and down approximately 12% year on year. The drop was related to weather anomalies in the US, the main market for this product, postponement of application, and an overall global downturn in agriculture.

Prices of NPK, DAP, potassium chloride and phosphate rock



Sources: Argus FMB, WFM, FERTECON

Market of NPK and DAP fertilizers

NPK fertilizers

In the first quarter of 2015, demand for NPK fertilizers was limited, both in Poland and Europe, mostly due to low prices of majority of agricultural produce. In the first quarter of the year, prices of NPK 3x16 fertilizers remained stable relative to the previous year, following a monthly price trend of USD 327-329-325/tonne (FOB Baltic).

As exports of Russian NPK fertilizers to Europe were hindered by the depreciation of the euro, Russian producers targeted their offers and sales at non-European markets.

On the domestic market, the interest in purchasing NPK fertilizers grew starting from the end of February. In February and March, sales of NPK fertilizers remained high, although at the end of the quarter sales points were careful in restocking to avoid being left with excess stock when spring is over.

DAP fertilizers

The beginning of the first quarter of 2015 was the time of preparations for the approaching tillage season, in some markets marking the growth in demand for DAP, for instance in South and Central America, Turkey and the US. That demand was mostly generated by importers and distributors. The higher number of transactions spurred an increase in the price of DAP, and in consequence in Q1 2015 the price rose from USD 477/tonne to USD 483/tonne (FOB Baltic).

Low prices of agricultural produce had a negative effect on purchases of DAP in the US and Brazil, and in addition the weak euro adversely affected purchases in Europe. In the US, unfavourable weather conditions in a number of states considerably delayed the beginning of spring sowing, and DAP stocks remained high. In India, despite very low stocks, purchases of DAP fertilizers were limited due to financial issues. Also in South America, low prices of agricultural produce discouraged farmers from purchasing larger quantities of DAP.

At the end of March, the average price of DAP (FOB Baltic) was about USD 464/tonne and was likely to drop further. Despite such conditions, the average price in the first quarter of 2014 and 2015 remained the same, at USD 478/tonne (FOB Baltic).

Potassium chloride (KCl)

In the first quarter of 2015, the average spot price of potassium chloride was USD 297/tonne (FOB Baltic), compared with USD 282/tonne in the same period of 2014.

In Western Europe, demand for KCl was limited due to little demand for NPK fertilizers, of which potassium chloride is a material component.

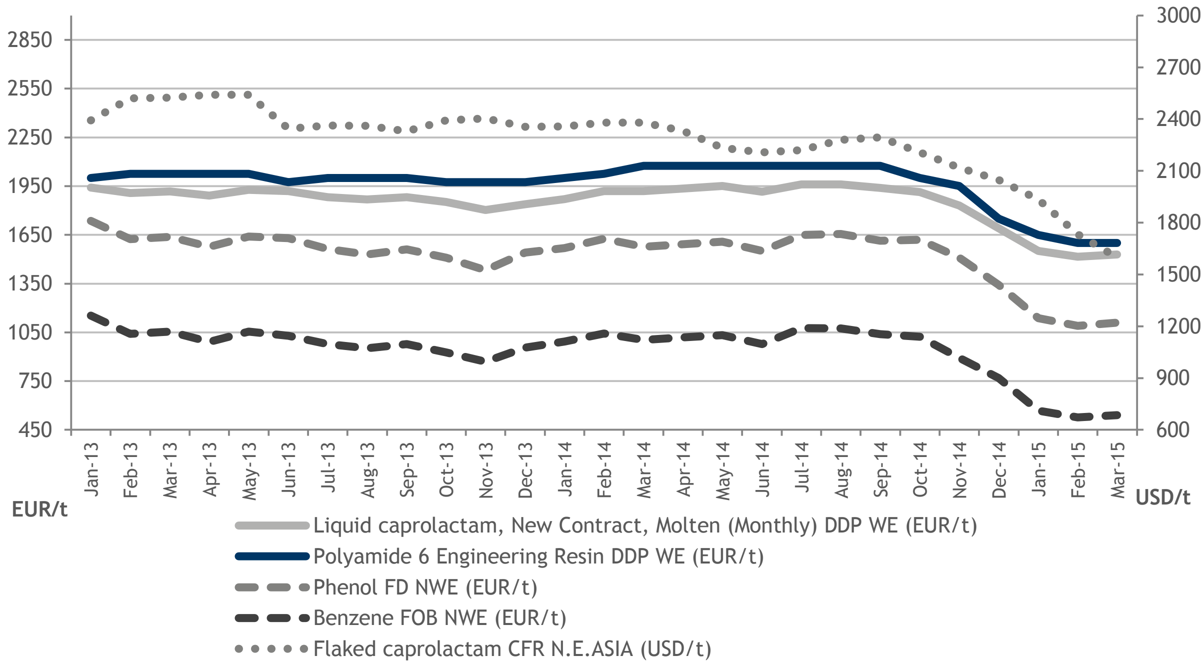
Given the weak euro, low prices of agricultural produce and generally unoptimistic macroeconomic climate, farmers were hardly eager to invest in fertilizers and purchase potassium chloride. They were mostly interested in nitrogen fertilizers.

Phosphate rock

In Q1 2015, quoted prices of phosphate rock reached USD 126/tonne (FOB North Africa), compared with USD 122/tonne in the same period of the previous year. In January 2015, prices remained stable. OCP Morocco, the largest global producer and exporter of phosphate rock, kept its prices stable at USD 120-130/tonne (FOB Morocco). Certain volatility of the prices was visible in February. Exporters from Morocco and Russia raised their prices by USD 5-13/tonne, whereas those from Peru, Algeria and Egypt lowered theirs by USD 3-10/tonne. Other exporters (China, Tunisia, Jordan and Togo) kept their prices unchanged. In March, the situation stabilized.

Plastics

Prices of caprolactam, PA6, phenol and benzene



Source: TECNON, ICIS.

Benzene

In the first quarter of 2015, the quoted quarterly contract price of benzene was EUR 545/tonne, and in the same period of 2014 they stood at EUR 1,013/tonne (FOB NWE).
The change in benzene prices was driven by changes in prices of crude oil. Moreover, the market was also impacted by a relatively high price of the US dollar against other major currencies.

Phenol

In Q1 2015, the situation was unstable, mostly in connection with the turbulences in the benzene market, where prices dropped. In 2015, the quoted quarterly price of phenol was EUR 1,112/tonne (FD NWE) and was on average lower by about EUR 478/tonne compared with the same period of 2014 (EUR 1,590/tonne).
Phenol prices were strongly impacted by changes in the price of crude oil and rates of exchange of major currencies (mainly the USD). The benzene market and benzene price forecasts usually have a strong effect on the phenol market, making it highly volatile and unstable, and also to a large extent determining the profitability of phenol production.

Caprolactam

In the first quarter of 2015, in every region of the world the average prices of caprolactam showed a downward trend year on year.
In the reported quarter, the average quarterly price of liquid caprolactam (Domestic Medium Contract, DEL) was EUR 1,550/tonne, marking a drop of about 20% relative to the corresponding period of 2014.

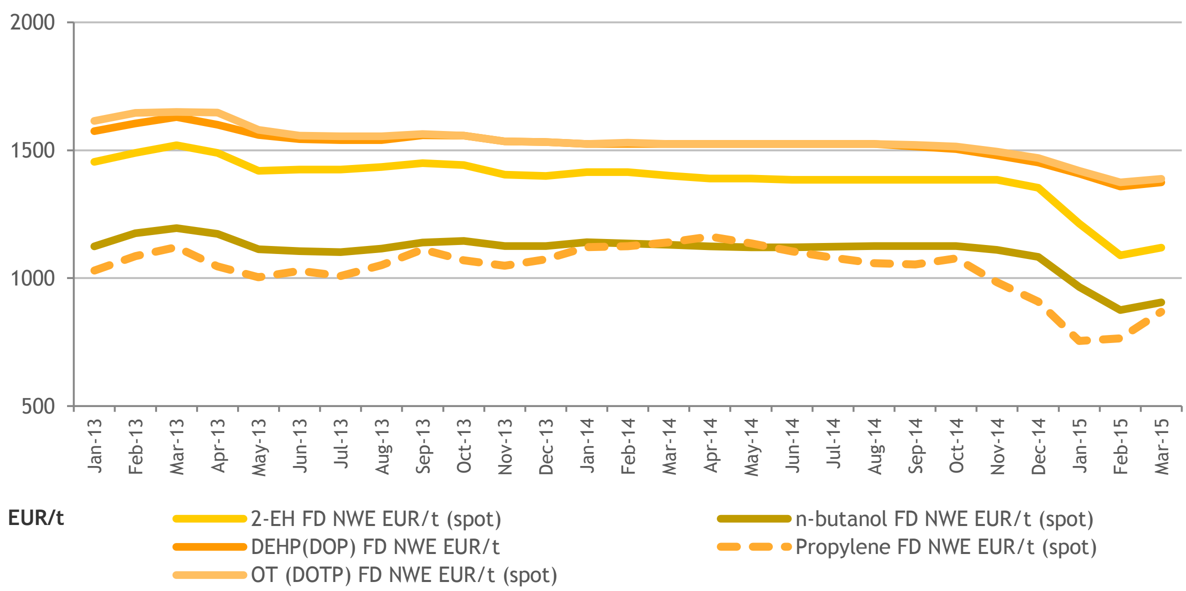
The export FOB price of flaked caprolactam in Q1 2015 was EUR 1,341/tonne and was lower by about 17% year on year.
In Q1 2015, the European quarterly price of liquid caprolactam was EUR 1,532/tonne (Tecnon price), down by EUR 371/tonne from a year earlier.
In Q1 2014, the quarterly price of caprolactam was EUR 1,903/tonne. The observed price changes were a consequence of the situation on the market of oil derivatives (benzene and phenol).
Demand for caprolactam remained strong on the back of good conditions in the automotive and textile markets and favourable currency exchange rates. The strong market consumption of caprolactam on the European market was also attributable to seasonal factors and lack of imports. According to market estimates, demand in March was 15% higher than in the same month of 2014. The European and Asian markets continue to be oversupplied on the back of dynamic growth of caprolactam production in China. Despite a challenging market environment, demand was stable in all caprolactam processing segments. According to PCI, the situation is largely due to increasingly stronger integration of caprolactam and polyamide producers, allowing to spread costs along the entire value chain.

Polyamide 6 (PA 6)

In Q1 2015, prices of polyamide 6 on the European market were stable, between EUR 1,600-1,650/tonne (DDP). The European quarterly price of polyamide 6 as quoted by Tecnon stood at EUR 1,617/tonne, and was by EUR 416/tonne lower year on year.
Reductions of European polyamide prices were generally expected, given the decline in contract prices of benzene by about EUR 201/tonne. The increase in demand for polyamide 6 was seen in a number of various market sectors, mainly those related to the automotive industry, and was consistent with the expectations for the first quarter. However, the demand growth remained limited, although some symptoms of improvement were visible.
Given the prevailing euro exchange rates, prices of European polyamide 6 were low compared with the prices in other world's regions. The prices changed especially after the difference in exchange rates during the first quarter of the year decreased. No increase in polyamide exports from Europe has been observed so far, but it is expected that once all data for the entire first quarter has been compiled, official statistics will show a dramatic growth in European exports of the product.

Chemicals

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



Source: ICIS.

(all figures in PLN '000, unless indicated otherwise)

Propylene
The average spot price of propylene reported in Q1 2015 was EUR 796/tonne (FD NWE) and was on average lower by about EUR 330/tonne compared with Q1 2014. This considerable price difference is attributable to the oil price dip seen in the second half of last year. In the middle of the first quarter of 2015, the spot prices of propylene began to go up, reflecting the growing prices of crude oil and naphtha, the main feedstock used in production of propylene. Prices were also driven up by limitations in the production of propylene due to planned and unplanned overhaul shutdowns which, combined with high demand for the product, resulted in shortages of propylene on the market.

Terephthalic acid
The average contract price of terephthalic acid reported in Q1 2015 was EUR 609/tonne (FD NWE) and was on average lower by about EUR 520/tonne compared with Q1 2014. As in the case of propylene, this significant price difference is attributable to the oil price dip seen in the second half of 2014. Demand for terephthalic acid remained low, which is typical for this time of the year.

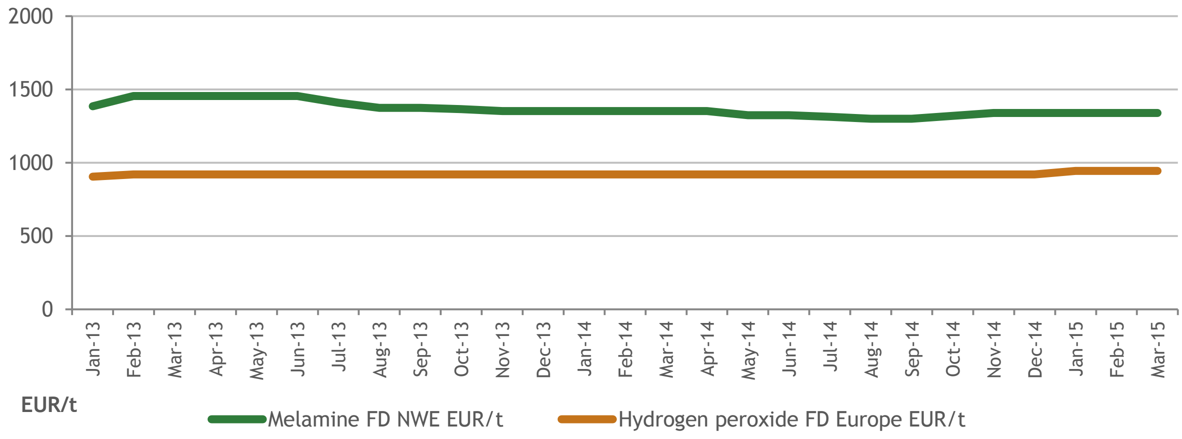
Oxo alcohols and plasticizers
Compared with the previous year, Q1 2015 saw strong decreases in prices of oxo alcohols and plasticizers following drops in prices of oil derivatives reflecting price movements on the oil market. The dynamically changing situation in production feedstocks prompted companies processing alcohols and plasticizers to reduce purchases to the necessary minimum, leading to low demand.

In Q1 2015, prices of the following products fell year on year:

	2-EH	n-butanol	DOP	DOTP
Q1 2014	**1,410**	**1,136**	**1,525**	**1,527**
Q1 2015	**1,140**	**915**	**1,380**	**1,394**

Source: ICIS.

Prices of melamine and hydrogen peroxide (100% solution)



Source: ICIS, Global Bleaching Chemicals.

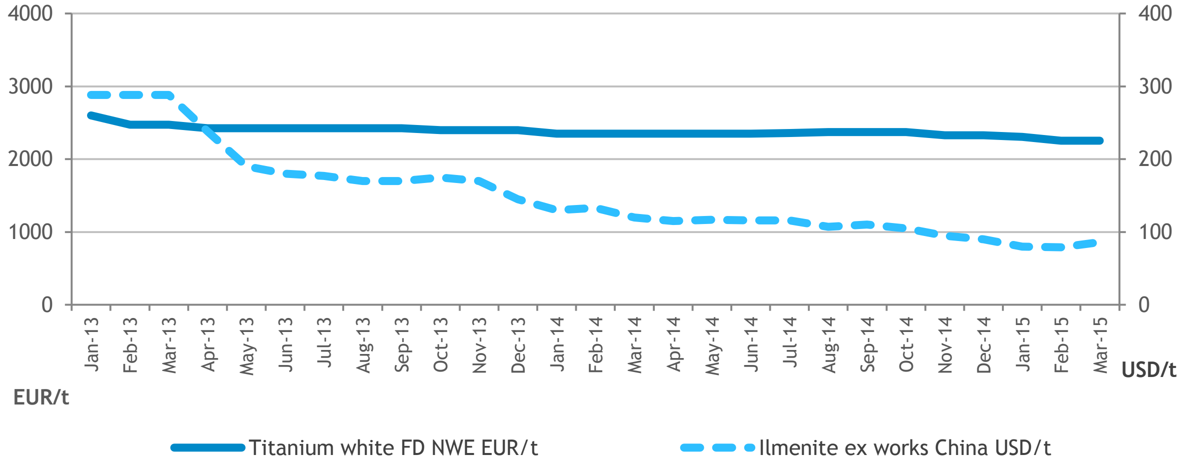
Melamine
The demand, supply and pricing situation on the melamine market was stable in the reporting period. In the first quarter of 2015, contract prices of melamine on the European market fell on average by EUR 13/tonne (1%) both quarter on quarter and year on year, and stood on average at EUR 1,340/tonne.
European manufacturers reported increased demand from Turkish customers, normally supplied by a Qatar company (maintenance shutdown in the first half of February). The weakness of the euro resulted in increased shipments of European melamine to the US, which was related to the approved instigation by the United States International Trade Commission (USITC) of anti-dumping and countervailing duty proceedings relating to melamine imports from China and Trinidad and Tobago.

The USITC has confirmed the anti-dumping charges. As a result, the US Department of Commerce will continue the anti-dumping proceedings concerning melamine imports to the US, initiated on December 3rd 2014.
Following production-related issues faced by Russia's Eurochem throughout the quarter, some European suppliers reported increased demand from Russia.

Hydrogen peroxide

In Q1 2015, contract prices of hydrogen peroxide on the European market increased by 2.7% quarter on quarter, to EUR 945/t, and grew on average by EUR 25/t year on year. The European market remained balanced. Many manufacturers rebuilt their stocks following increased purchases made by the non-pulp sector (application different from that typical of the paper and pulp industry).
Solvay announced its plans to build in the Netherlands a unit producing hydrogen peroxide for disinfectant and antiseptic purposes to meet the growing demand from the pharmaceutical industry. The project is expected to be completed in July 2015.
No major changes in the demand for hydrogen peroxide or hydrogen peroxide prices are expected in the next quarter.

Market prices of titanium white and ilmenite



Sources: ICIS, CCM.

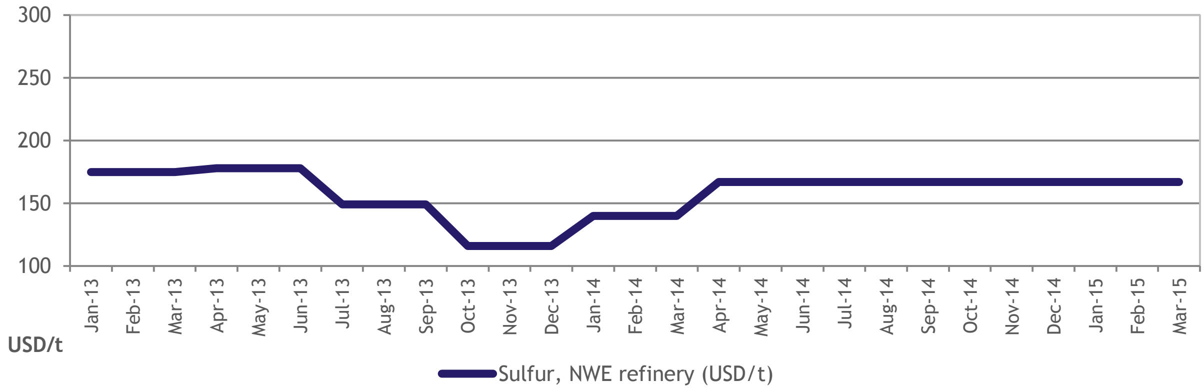
Titanium white

The seasonal demand dip, wide product availability on the market, generally unfavourable economic conditions in Europe as well as reduced transport costs were all factors driving the prices of titanium white in Q1 2015.
The market prices fell and fluctuated between EUR 25 and EUR 90 per tonne. In Q1 2015, prices on the European market of titanium white ranged from EUR 2,160 to EUR 2,350 per tonne.
Due to the economic weakness in the eurozone, titanium white sales fell by 2%-3% on the Benelux markets, by 5%-6% in France, and by nearly 10% in the United Kingdom. The euro's depreciation against the US dollar contributed to reduced titanium white imports from China, which was beneficial for the European manufacturers. However, Chinese titanium white producers took steps (price reductions by EUR 50/tonne) to increase sales to Europe.
In order to adjust production volumes to the prevailing market conditions, titanium white producers are expected to shut down or limit the output of their production facilities. A titanium white production unit with an annual production capacity of 95,000 tonnes (approximately 6% of total European production capacities) is expected to be shut down by 2015 in Calais (France). Capacity reductions will also be made by producers in the United Kingdom and China.

Ilmenite and titanium slag

In Q1 2015, the poor demand on the titanium white market resulting from the weak economic situation, especially in China, suppressed the demand for raw materials for titanium white production as well as their prices. At the beginning of Q1 2015, the prices of raw materials (ilmenite and titanium slag) on the benchmark Chinese market were undergoing significant corrections relative to the prices seen in Q4 2014. Ilmenite price was down 10%, while titanium slag fell by 5%. The prices of raw materials fluctuated only slightly throughout Q1 2015.

Sulfur prices



Source: FERTECON, Profercy.

Sulfur

In Q1 2015, the price of sulfur in Europe was unchanged quarter on quarter and remained in the range of USD 158–USD 176 per tonne (Benelux). The supply of sulfur was reduced due to production limitations at refineries. Sulfur supplies from Russia were also lower, due to logistics problems caused by adverse weather conditions.
In Q1 2015, divergent trends were seen on the sulfur markets. In January, the price of sulfur supplied from the Persian Gulf region to India and China rose by approximately USD 10/tonne, and in the US it went up by USD 18/tonne. The price of sulfur also increased in Canada and Brazil.
First price reductions were triggered by Saudi Aramco, which lowered its price from USD 180/tonne to USD 175/tonne at the end of February, and to USD 165/tonne at the end of March (FOB Persian Gulf). In late March, Tasweeq (Qatar) reduced its price for April contracts to 145 USD/tonne, and Adnoc (Saudi Arabia) lowered its price for April contracts to USD 140/tonne (FOB Persian Gulf).
Given the launch by Adnoc (Persian Gulf) of a new crude oil desulfurization unit with an annual production capacity of 1 million tonnes, the market could be in for a period of sulfur oversupply. In Q2 2015, the unit is to reach its full production capacity, with a daily output of 9,200 tonnes of sulfur (the full annual production capacity will be 3m tonnes).

Energy carriers

Natural gas

After another mild winter in Europe, despite reduced supplies by Gazprom, in Q1 2015 gas prices at western gas hubs remained relatively stable within the range of EUR 20–EUR 23/MWh, or by more than EUR 3/MWh lower compared with the corresponding period of 2014.
Gas oversupply seen on the European market and expected lower gas prices in long-term contracts linked to crude oil prices resulted in reduced gas imports to the European Union, especially from markets east of the EU, and more gas being drawn from storage facilities filled in the summer with gas purchased at exceptionally low prices.
The new PGNiG tariff effective for the period January–May 2015, apart from reducing prices for industrial customers by some 4%, also introduced much wider tariff differentiation (depending on the customer's gas consumption and the ratio of actual deliveries to contracted gas volumes). Under the new settlement rules, prices are adjusted after the end of the gas year and only after such adjustments the final gas price is known.
In addition, a significant increase in transmission capacity on the Yamal pipeline (from the beginning of the year) improved import capacities and reduced the spread between the import price and the price at the Polish Power Exchange, raising the attractiveness of the Polish exchange as an alternative source of gas procurement.

In the period under review, gas purchased at the Polish Power Exchange was only 5% more expensive than imports, but also nearly 10% cheaper than gas purchased at the tariff prices.

Coal
In the reporting period, the Grupa Azoty Group purchased coal chiefly under contracts with Polish mines and a low-sulfur coal import contract.
In the period under review, the ARA price of coal showed a downward trend and stood on average at USD 61/tonne.
The global and Polish coal markets continue to be oversupplied.
A further downward trend in coal prices is expected in the months to come.

Electricity
Regarding its electricity supplies, the Grupa Azoty Group purchases electricity under annual contracts concluded for 2015 with major suppliers, supplementing its purchase portfolio on the SPOT market and/or in short-term transactions, depending on price levels.
The prices and fees for transmission services are specified in the Electricity Tariff of PSE S.A. (Puławy and Police), while the prices and fees for distribution services are specified in the Electricity Tariff of TAURON Dystrybucja S.A. (Tarnów and Kędzierzyn-Koźle), approved by the President of the Energy Regulatory Office (URE) on December 16th 2014 and effective as of January 2015. According to the new tariffs, transmission and distribution fees increased by a few percent.
In Q1 2015, the average spot price of electricity, weighed by the volume of the IRDN index from trading on the Polish Power Exchange, fell by approximately 12% quarter on quarter and approximately 10% year on year, to PLN 146.39 per MWh.

1.2. Key financial data of the Grupa Azoty Group

1.2.1. Consolidated financial information

For Q1 2015, the Grupa Azoty Group posted a positive EBITDA of PLN 484,556 thousand and a net profit of PLN 305,837 thousand.
Year on year, these figures grew by PLN 162,208 thousand and PLN 155,219 thousand, respectively.
The table below compares the key items in the consolidated statement of profit and loss for Q1 2015 and Q1 2014.

(all figures in PLN '000, unless indicated otherwise)

Consolidated data

Item	Q1 2015	Q1 2014* restated	change	change %
Revenue	2,838,946	2,702,789	136,157	5.0
Cost of sales	(2,151,516)	(2,220,658)	69,142	(3.1)
Gross profit	**687,430**	**482,131**	**205,299**	**42.6**
Selling and distribution expenses	(164,193)	(137,003)	(27,190)	19.8
Administrative expenses	(168,457)	(165,173)	(3,284)	2.0
Profit from sales	**354,780**	**179,955**	**174,825**	**97.1**
Net other income	8,083	3,514	4,569	130.0
Operating profit	**362,863**	**183,469**	**179,394**	**97.8**
Net finance costs	(8,848)	(4,073)	(4,775)	117.2
Share of profit of equity-accounted associates	3,100	2,771	329	11.9
Profit before tax	**357,115**	**182,167**	**174,948**	**96.0**
Tax expense	(51,278)	(31,361)	(19,917)	63.5
Net profit from continuing operations	**305,837**	**150,806**	**155,031**	**102.8**
Loss from discontinued operations	-	(188)	188	(100.0)
Net profit	**305,837**	**150,618**	**155,219**	**103.1**
EBIT	**362,863**	**183,469**	**179,394**	**97.8**
Depreciation and amortisation	121,693	138,879	(17,186)	(12.4)
EBITDA	**484,556**	**322,348**	**162,208**	**50.3**

Source: Company data.

*Financial information as restated in connection with the final accounting for the acquisition of African Investment Group S.A.; see Note 3.2.b) to these financial statements.

The Grupa Azoty Group' sales revenue was up 5.0% year on year, which combined with lower cost of sales (by 3.1%) drove its gross profit up by PLN 205,299 thousand year on year.
Gross profit net of distribution costs and administrative expenses was PLN 354,780 thousand, up PLN 174,825 thousand year on year.
In Q1 2015, the Group posted net other income of PLN 8,083 thousand, which made a positive contribution to its EBIT, up 97.8% year on year.
The Group posted a loss on financing activities (net finance costs), largely due to net foreign exchange losses and interest expense on borrowings.

1.2.2. Segments' results

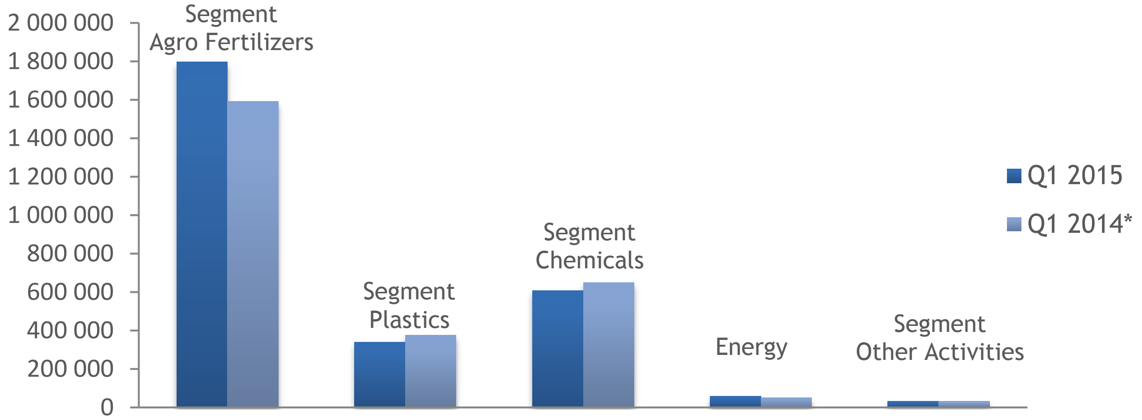
EBIT by segment

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities
Revenue	1,797,784	340,083	608,505	58,307	34,267
Share [%]	*63.3*	*12.0*	*21.4*	*2.1*	*1.2*
Net profit/(loss) on sales	334,471	(13,448)	32,767	3,879	(2,889)
EBIT	336,646	(13,839)	31,591	7,326	1,139

Source: Company data.

Sales of the Grupa Azoty Group's products in Q1 2015 were driven primarily by the market situation in the Agro Fertilizers, Plastics and Chemicals segments. Revenue in the Agro Fertilizers segment was up 12.9% year on year. Revenue generated by the Energy and Other Activities segments also increased by 14% and 2.7%, respectively. The other segments recorded revenue declines: by 9.3% in the Plastics segment, and by 6.5% in the Chemicals segment.
Shares of the individual segments in the overall revenue structure remained relatively unchanged compared with Q1 2014 (the share of the Agro Fertilizers segment grew by 4.4pp, while the share of the Chemicals segment fell by 2.6pp).

Revenue by segment



Source: Company data.

Agro Fertilizers

In Q1 2015, revenue in the Agro Fertilizers segment was PLN 1,797,784 thousand and accounted for 63.3% of the Group's total revenue. The segment's revenue and its share in the Group's total revenue grew relative to Q1 2014.

The Group reported positive EBIT in the Agro Fertilizers segment.

Domestic market accounted for approximately 70% of total fertilizer sales.

Plastics

Revenue in the Plastics segment was PLN 340,083 thousand and accounted for nearly 12.0% of the Group's total revenue. The revenue did not change significantly compared with the previous year (slight decline by approximately 1.9%). More than 91% of the segment's revenue was derived from sales on foreign markets.

The segment's EBIT deteriorated slightly and was down 7.4% on Q1 2014.

Chemicals

In Q1 2015, revenue in the Chemicals segment stood at PLN 608,505 thousand, having fallen slightly (by 6.4%) year on year. The Chemicals segment's revenue accounted for 21.4% of the Group's total revenue. The costs incurred by the segment, higher than its revenue, resulted in a negative EBIT for Q1 2015.

Sales on foreign markets accounted for approximately 61.4% of the segment's total revenue.

Energy

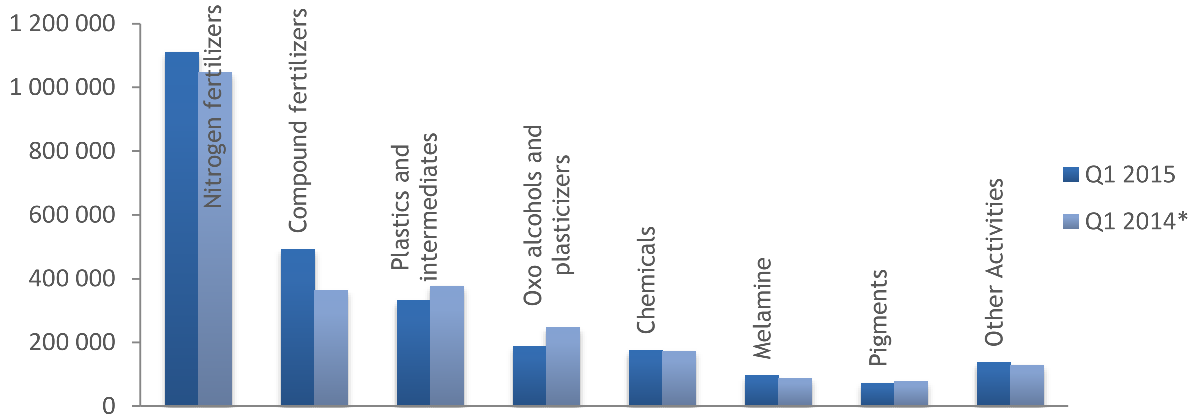
In Q1 2015, revenue in the Energy segment was PLN 58,307 thousand and accounted for approximately 2.1% of the Group's total revenue. The segment's revenue was up slightly year on year, which also was a factor contributing to the positive EBIT posted by the Energy segment in Q1 2015.

Other Activities

In Q1 2015, revenue of the Other Activities segment fell slightly year on year, which, however, did not have any adverse effect on the segment's operating result. Lower operating expenses incurred by the segment in Q1 2015 contributed to a positive EBIT.

Sales by product group

Revenue by product group

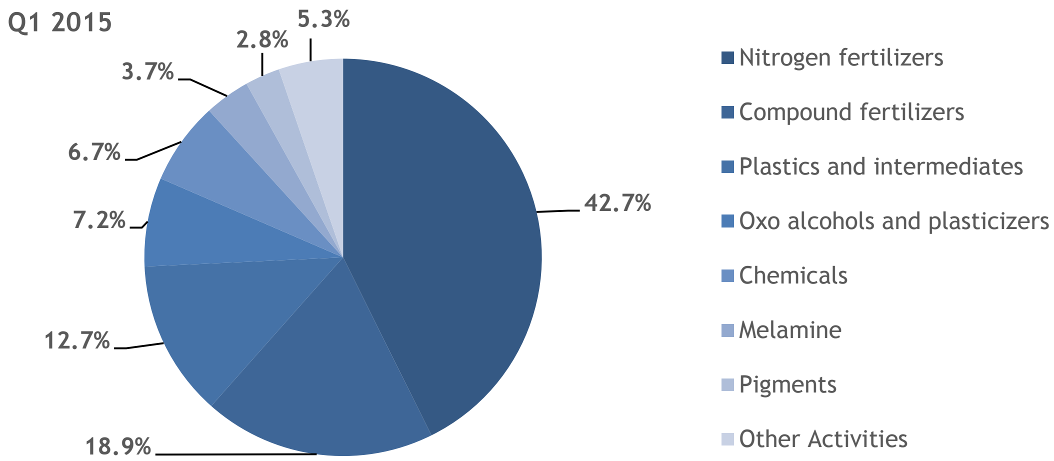


Source: Company data.

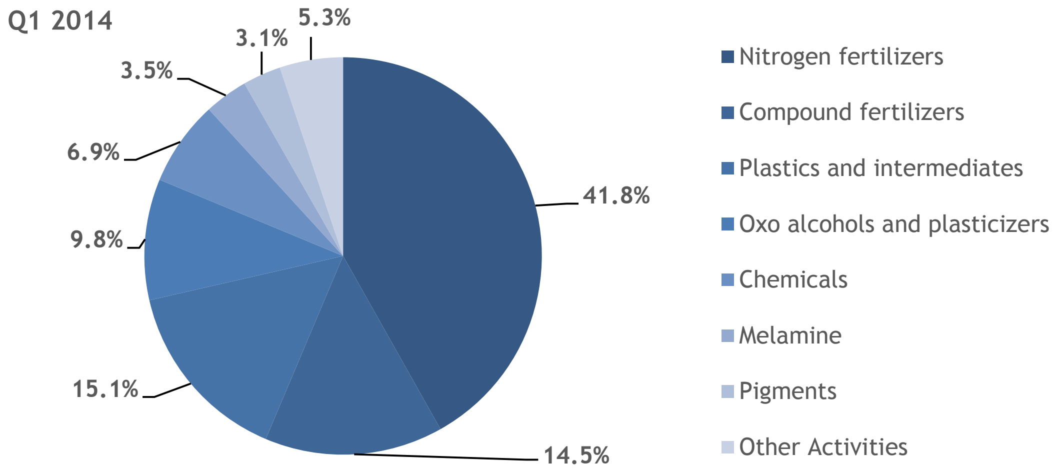
Major revenue drivers in the Grupa Azoty Group's sales are nitrogen fertilizers and compound fertilizers.
In Q1 2015, revenue from sales of both nitrogen and compound fertilizers went up year on year. The quarter saw significant demand for nitrogen fertilizers and moderate demand for compound fertilizers.

Apart from fertilizers, also the shares of plastics, oxo alcohols, plasticizers, chemicals and other products in revenue are significant.
Revenue from sales of plastics, oxo alcohols and plasticizers was slightly down on the comparative period. In other product groups, revenue was slightly up or remained flat year on year.

Revenue by product group



(all figures in PLN '000, unless indicated otherwise)



Source: Company data.

Compared with Q1 2014, the shares of nitrogen fertilizers and compound fertilizers in total sales increased from 41.8% to 42.7% and from 14.5% to 18.9%, respectively. The shares of other products in total sales declined year on year.

1.2.3. Operating expenses

In Q1 2015, operating expenses were PLN 2,357,469 thousand, down by PLN 54,763 thousand year on year. The increase in costs by PLN 22,503 thousand was attributable to higher taxes and charges. Increases were also recorded in cost of services (by PLN 25,320 thousand) and salaries and wages, including overheads and other benefits (by PLN 13,079 thousand). On the other hand, other expenses (depreciation and amortisation, raw materials and consumables used, other costs by type of expense) declined year on year.

Operating expenses by nature

	Q1 2015	Q1 2014* restated	change	change %
Depreciation and amortisation	121,693	138,879	(17,186)	(12.4)
Raw materials and consumables used	1,556,015	1,650,712	(94,697)	(5.7)
Services	242,188	216,868	25,320	11.7
Salaries and wages, including overheads, and other benefits	288,502	275,423	13,079	4.7
Taxes and charges	113,955	91,452	22,503	24.6
Other costs by type of expense	35,116	38,898	(3,782)	(9.7)
Total	**2,357,469**	**2,412,232**	**(54,763)**	**(2.3)**

Source: Company data.

*Financial information as restated in connection with the final accounting for the acquisition of African Investment Group S.A.; see Note 3.2.b) to these financial statements.

Raw materials and consumables used

In Q1 2015, the cost of raw materials and consumables used was 5.7% lower year on year. Among other factors, this decrease is attributable to lower prices of basic raw materials, as well as the adopted procurement optimisation strategy leveraging the scale of Grupa Azoty as a major consumer.

(all figures in PLN '000, unless indicated otherwise)

Raw materials and consumables used

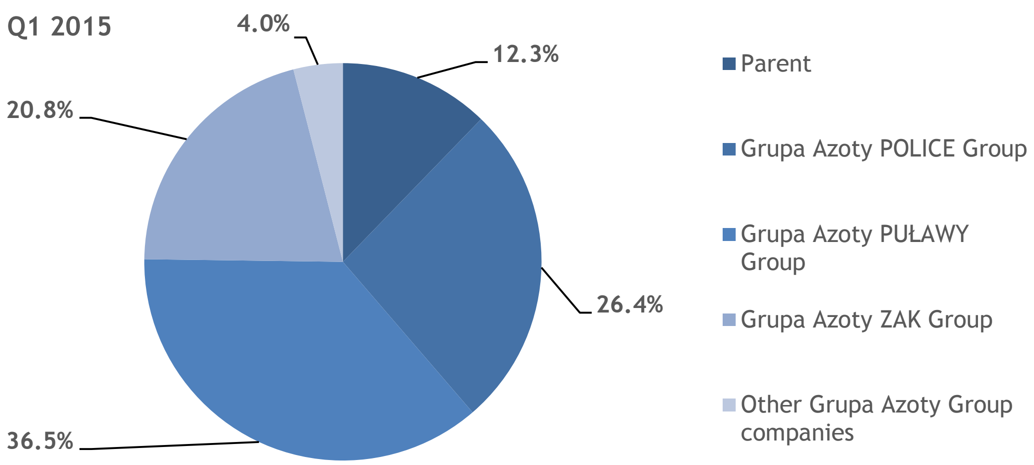
	Q1 2015	Q1 2014* restated	change	change %
Parent	190,572	246,607	(56,035)	(22.7)
Grupa Azoty ZAK Group				
Grupa Azoty POLICE Group	411,239	366,871	44368	12.1
Grupa Azoty ZAK Group				
Grupa Azoty PUŁAWY Group	568,456	590,336	(21,880)	(3.7)
Grupa Azoty ZAK Group				
Grupa Azoty ZAK Group	323,311	381,772	(58,461)	(15.3)
Other Grupa Azoty Group companies	62,437	65,126	(2,689)	(4.1)
Total	**1,556,015**	**1,650,712**	**(94,697)**	**(5.7)**

Source: Company data.

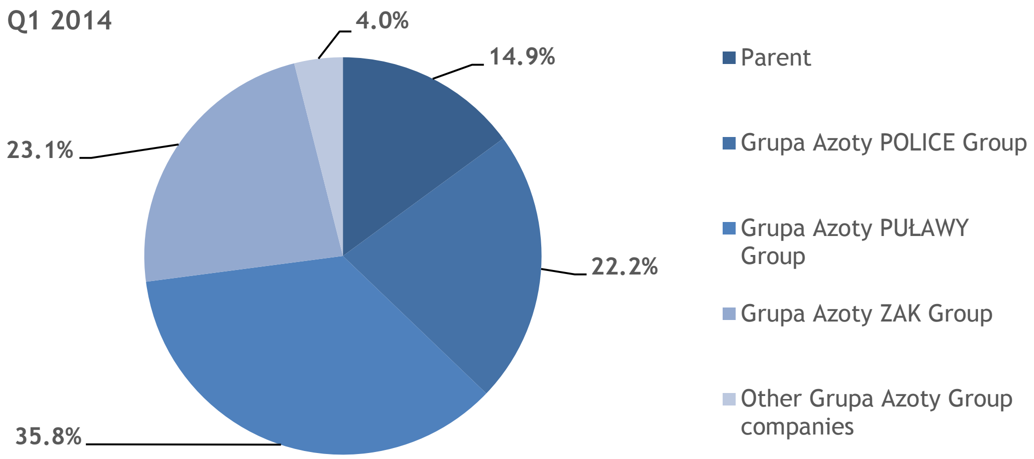
*Financial information as restated in connection with the final accounting for the acquisition of African Investment Group S.A.; see Note 3.2.b) to these financial statements.

The Grupa Azoty PUŁAWY Group accounted for the largest share of raw materials and consumables used in Q1 2015, which translated into its largest share in these costs (36.5% of the total costs of raw materials and consumables incurred by the Grupa Azoty Group).
The Grupa Azoty POLICE Group incurred costs of raw materials and consumables of PLN (411,239) thousand (26.4% of total costs of raw materials and consumables used).
Compared with Q1 2014, this item of the Parent's costs fell 22.7% year on year, to PLN (190,572) thousand.
The Grupa Azoty ZAK Group reduced its costs of raw materials and consumables used by 15.3% year on year, to PLN 323,311 thousand.
Other Group companies accounted for 4.0% of total costs.

Raw materials and consumables used



(all figures in PLN '000, unless indicated otherwise)



Source: Company data.

Other costs by type of expense

In Q1 2015, expenses, net of raw materials and consumables used, accounted for 34.0% of total expenses, up from 31.6% in Q1 2014.

Structure of other costs by type of expense [%]

	Q1 2015	Q1 2014* restated
Depreciation and amortisation	5.2	5.8
Services	10.3	9.0
Salaries and wages, including overheads, and other benefits	12.2	11.4
Taxes and charges	4.8	3.8
Other costs by type of expense	1.5	1.6
Total	**34.0**	**31.6**

Source: Company data.

*Financial information as restated in connection with the final accounting for the acquisition of African Investment Group S.A.; see Note 3.2.b) to these financial statements.

The structure of other costs by type of expense changed only slightly relative to the comparative period.

1.2.4. Structure of assets, equity and liabilities

In Q1 2015, the Group's assets rose to PLN 10,187,708 thousand, by PLN 304,785 thousand on end of Q1 2014. As at March 31st 2015, non-current assets were PLN 6,768,026 thousand, and current assets were PLN 3,419,682 thousand.

The most significant year-on-year changes in assets in Q1 2015 included:

- a 364.4% increase in other financial assets,
- a 33.3% increase in cash and cash equivalents,
- a 28.5% decrease in deferred tax assets,
- a 13.3% decrease in investments in subordinated entities.

(all figures in PLN '000, unless indicated otherwise)

Structure of assets

	Q1 2015	Q1 2014* restated	change	change %
Non-current assets, including:	**6,768,026**	**6,611,541**	**156,485**	**2.4**
Property, plant and equipment	5,978,183	5,776,769	201,414	3.5
Intangible assets	504,357	508,268	(3,911)	(0.8)
Investments in subordinated entities	113,961	131,418	(17,457)	(13.3)
Deferred tax assets	73,318	102,529	(29,211)	(28.5)
Current assets, including:	**3,419,682**	**3,271,382**	**148,300**	**4.5**
Trade and other receivables	1,233,750	1,323,409	(89,659)	(6.8)
Inventory	1,055,940	1,127,983	(72,043)	(6.4)
Cash and cash equivalents	948,917	711,837	237,080	33.3
Other financial assets	114,328	24,619	89,709	364.4
Other current assets	48,338	45,026	3,312	7.4
Total assets	**10,187,708**	**9,882,923**	**304,785**	**3.1**

Source: Company data.

*Financial information as restated in connection with the final accounting for the acquisition of African Investment Group S.A.; see Note 3.2.b) to these financial statements.

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

- a 5.6% increase in equity,
- a 22.6% increase in non-current employee benefit obligations,
- a 20.2% decrease in non-current borrowings,
- a 65.6% increase in non-current grants,
- a 25.1% decrease in current provisions,
- a 10.8% increase in trade and other payables,
- a 10.1% increase in current liabilities under borrowings.

(all figures in PLN '000, unless indicated otherwise)

Structure of equity and liabilities

Item	Q1 2015	Q1 2014* restated	change	change %
Equity	**6,783,304**	**6,424,593**	**358,711**	**5.6**
Non-current liabilities, including:	**1,214,334**	**1,368,740**	**(154,406)**	**(11.3)**
Borrowings	482,709	604,613	(121,904)	(20.2)
Employee benefit obligations	312,037	254,516	57,521	22.6
Deferred tax liabilities	244,621	258,265	(13,644)	(5.3)
Provisions	113,233	112,172	1,061	0.9
Government grants	40,867	24,678	16,189	65.6
Current liabilities, including:	**2,190,070**	**2,089,590**	**100,480**	**4.8**
Trade and other payables	1,340,919	1,210,640	130,279	10.8
Borrowings	529,566	480,909	48,657	10.1
Provisions	195,332	260,693	(65,361)	(25.1)
Other financial liabilities	72,671	67,543	5,128	7.6
Total liabilities	**3,404,404**	**3,458,330**	**(53,926)**	**(1.6)**
Total equity and liabilities	**10,187,708**	**9,882,923**	**304,785**	**3.1**

Source: Company data.

*Financial information as restated in connection with the final accounting for the acquisition of African Investment Group S.A.; see Note 3.2.b) to these financial statements.

1.2.5. Financial ratios

Profitability

In Q1 2015, the profitability ratios improved compared with the same period of 2014.
Gross margin rose by 6.4pp, as the growth of gross profit (up 42.6%) was stronger than the increase in revenue (up 5.0%). Higher EBIT and EBITDA margins are attributable to the improvement in operating profit (up 97.8%) and a simultaneous 5.0% increase in revenue.
The situation in the case of net margin was similar. The increase in net margin was due to net profit (up 103.1%) having grown faster than revenue.
The return on assets followed a similar pattern: the ROA value increased on net profit growing faster than assets. This also had a direct impact on ROE.
In the reporting period, return on capital employed grew mainly as a result of EBIT growing much faster than the capital employed, which increased only slightly.

(all figures in PLN '000, unless indicated otherwise)

Profitability ratios

	Q1 2015	Q1 2014* restated
Gross margin	24.2%	17.8%
EBIT margin	12.8%	6.8%
EBITDA margin	17.1%	11.9%
Net margin	10.8%	5.6%
ROE	3.0%	1.5%
Return on capital employed	4.5%	2.4%
ROE	4.5%	2.3%
Return on non-current assets	4.5%	2.3%

Source: Company data.

*Financial information as restated in connection with the final accounting for the acquisition of African Investment Group S.A.; see Note 3.2.b) to these financial statements.

Ratio formulas:
Gross margin = gross profit (loss) / revenue (statement of comprehensive income by function)
EBIT margin = EBIT / revenue
EBITDA margin = EBITDA / revenue
Net profit margin = net profit (loss) / revenue
Return on assets = net profit (loss) / total assets
Return on capital employed (ROCE) = EBIT / total assets less current liabilities (TALCL), 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

At the end of Q1 2015, the Group's liquidity ratios remained virtually unchanged.
In Q1 2015 and Q1 2014, all the liquidity ratios were within the optimum range.

Liquidity ratios

	Q1 2015	Q1 2014* restated
Current ratio	1.6	1.6
Quick ratio	1.1	1.0
Cash ratio	0.5	0.4

Source: Company data.

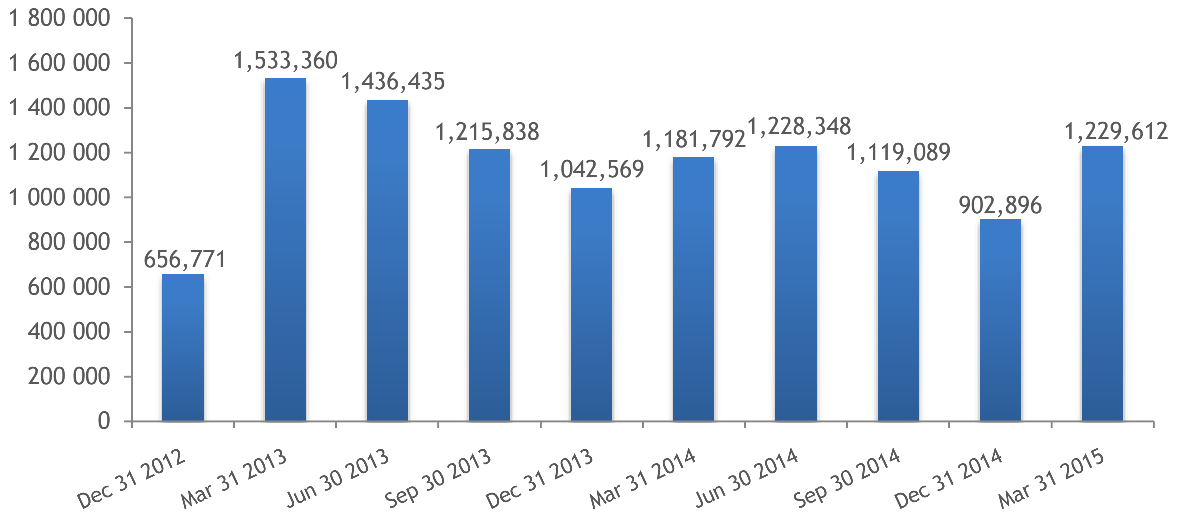
*Financial information as restated in connection with the final accounting for the acquisition of African Investment Group S.A.; see Note 3.2.b) to these financial statements.

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 changes in current assets and liabilities, as at March 31st 2015 working capital stood at PLN 1,229,612 thousand.

(all figures in PLN '000, unless indicated otherwise)

Changes in working capital



Source: Company data.

Operating efficiency

Compared with the first quarter of 2014, inventory turnover shortened by two days. This is a favourable change, indicating an increase in the number of inventory cycles. In the analysed period, the collection period shortened by five days as the Group obtained its receivables faster. The average collection period expressed in days was also shorter than the average payment period, leading to a cash conversion cycle of 27 days.

Operating efficiency ratios

	Q1 2015	Q1 2014* restated
Inventory turnover	44	46
Average collection period	39	44
Average payment period	56	49
Cash conversion cycle	27	41

Source: Company data.

*Financial information as restated in connection with the final accounting for the acquisition of African Investment Group S.A.; see Note 3.2.b) to these financial statements.

Ratio formulas:

*Inventory turnover = inventory * 90 / cost of sales*
*Average collection period = trade and other receivables * 90 / revenue*
*Average payment period = trade and other payables * 90 / cost of sales*
Cash conversion cycle = inventory turnover + average collection period - average payment period

Debt

In Q1 2015, the total debt ratio was at a safe level, testifying to the Group's stable situation (the Group is not running the risk of becoming dependent on external sources of financing). The Group's financial stability is also confirmed by the value of the equity-to-debt ratio, which indicates that equity is the prevailing source of financing of the Group's assets and operations.

Throughout the reporting period, the interest cover ratio remained at a level ensuring the Group's good credit standing and full ability to service debt.

(all figures in PLN '000, unless indicated otherwise)

Debt ratios

Ratio	Q1 2015	Q1 2014* restated
Total debt ratio	33.4%	35.0%
Long-term debt ratio	11.9%	13.8%
Short-term debt ratio	21.5%	21.1%
Equity-to-debt ratio	199.3%	185.8%
Interest cover ratio	4,298.9%	1,624.5%

Source: Company data

*Financial information as restated in connection with the final accounting for the acquisition of African Investment Group S.A.; see Note 3.2.b) to these financial statements.

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 the reporting period, no significant agreements were made and no transactions with a value equal to the value of a significant agreement took place.

However, the following material agreements and annexes to agreements of financial nature were executed:

Annex to the credit facility agreement between Remzap Sp. z o.o. and Bank Millennium S.A.

On January 21st 2015, Remzap Sp. z o.o. signed an annex to the PLN 2,000 thousand credit facility agreement of January 27th 2012 concluded with Bank Millenium S.A. Under the annex, the agreement's term was extended until January 26th 2016.
As at March 31st 2015, the amount outstanding under the credit facility was PLN 170 thousand.

Term credit facility agreement between Grupa Azoty ZAK S.A. and BGK

In Q1 2015, Bank Gospodarstwa Krajowego disbursed the first tranche (PLN 46,080 thousand) under the PLN 256,000 thousand term credit facility agreement of October 22nd 2014. The facility was contracted to refinance the expenditure incurred on investment project 'New CHP plant at Grupa Azoty ZAK S.A. – stage I'.

Investment credit facility agreement between Grupa Azoty ZAK S.A. and BGK

In Q1 2015, Bank Gospodarstwa Krajowego disbursed another tranche under the PLN 21,155 thousand investment credit facility agreement of September 30th 2014, intended for refinancing the expenditure incurred on investment project 'Launch of continuous production of OXOPLAST® OT'.

Events after the end of the reporting period

Revolving credit facility agreement

On April 23rd 2015, the Parent as the borrower and PKO BP S.A., BGK, BZ WBK S.A. and ING BSK S.A. as joint lenders entered into a syndicated revolving credit facility agreement for a total amount of PLN 1,500,000 thousand and an overall term of five years. The facility is intended, among other things, for refinancing selected financing agreements, and subsequent financing of investment plans and other objectives defined in the Group's long-term Strategy
The Agreement meets the significant agreement criteria because its value exceeds 10% of the Grupa Azoty Group's total revenue for the last four financial quarters.
(for details, see the Parent's Current Report No. 25/2015 of April 23rd 2015).

Annex to overdraft facility agreement

On April 23rd 2015, the Parent and other companies of its Group executed an annex to the overdraft facility agreement of October 1st 2010 with PKO BP S.A. for the purpose of:

(all figures in PLN '000, unless indicated otherwise)

- releasing the existing security over assets and replacing it with sureties provided by the Parent's subsidiaries, including Grupa Azoty PUŁAWY, Grupa Azoty ZAK S.A. and Grupa Azoty POLICE,
- including certain Group companies as potential borrowers under the agreement and adjusting the amounts of available sub-limits to their most recent allocation for the period April 1st–October 1st 2015

(for details, see the Parent's Current Report No. 26/2015 of April 23rd 2015).

Consolidating multi-purpose credit facility agreement

On April 23rd 2015, the Parent and the key companies of its Group executed a PLN 237,000 thousand consolidating multi-purpose credit facility agreement with PKO BP S.A. and together with other selected subsidiaries signed an annex to the PLN 302,000 thousand overdraft facility agreement with PKO BP S.A. One of the goals of signing the consolidating agreement and the annex was to release all security created over the Group's assets and harmonise all material terms, conditions and covenants under these facility agreements with those applicable under the revolving credit facility agreement. (for details, see the Parent's Current Report No. 26/2015 of April 23rd 2015).

Early payment of liabilities under credit facility agreements as part of first drawdown of revolving credit facility

On April 30th 2015, the Parent made a voluntary early payment of liabilities under the below credit facility and loan agreements using funds from the first drawdown of the revolving credit facility granted by PKO BP S.A., BGK, BZ WBK S.A. and ING BSK S.A. to refinance the Parent's existing financial liabilities:

- the joint financing agreement of August 14th 2012 concluded with PKO BP S.A. and PZU Życie S.A. – PLN 423,256 thousand plus interest, fees and commissions,
- the investment credit facility agreements concluded with Raiffeisen Bank Polska S.A. – USD 4,157 thousand and EUR 1,099 thousand plus interest,
- the investment credit facility agreement concluded with BGŻ S.A. – PLN 32,762 thousand plus interest,
- the loan agreement of June 14th 2011 concluded with Grupa Azoty ZAK S.A. – PLN 70,000 thousand plus interest.

Moreover, using the funds from the first drawdown of the revolving credit facility the Parent made partial payments of the principal amounts under the following credit facility agreements (which may be reused):

- the multi-purpose credit facility agreement concluded with PKO BP S.A. (after the consolidation on April 23rd 2015) – repayment of the used sub-limit of the Parent of PLN 19,171 thousand
- the overdraft credit facility agreement concluded with PKO BP S.A. – repayment of a part of the used sub-limit of the Parent of PLN 80,000 thousand.

Material financing agreements executed or amended in Q1 2015 and before the date of these financial statements

	Agreement date	Annex date	Currency	Amount	Maturity
Annex to the credit facility agreement between Remzap Sp. z o.o. and Bank Millenium S.A.	Jan 27 2012	Jan 21 2015	PLN	2,000	until Jan 26 2016
Revolving credit facility agreement	Apr 23 2015	-	PLN	1,500,000	Apr 23 2020
Annex to multi-purpose credit facility agreement (MPCF)	Apr 23 2015	-	PLN	237,000	Sep 30 2015
Annex to overdraft facility agreement	Oct 1 2010	Apr 23 2015	PLN	302,000	Sep 30 2016

(all figures in PLN '000, unless indicated otherwise)

1.4. Use of issue proceeds and achievement of issue objectives

The Parent had spent the proceeds from Public Offerings by the end of 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

In Q1 2015, Grupa Azoty PUŁAWY made an adjustment to its corporate income tax settlements after it obtained a favourable tax law interpretation. The adjustment was posted to current period's profit or loss.
The amount of the adjustment was over PLN 12m and was entirely taken to the Grupa Azoty Group's consolidated profit or loss for the current period.
Other than the above, 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 March 31st 2015

(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 Group	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

(all figures in PLN '000, unless indicated otherwise)

Company	Registered office/address	Share capital	Ownership interest (%)
Grupa Azoty Group 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

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 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 three months ended March 31st 2015.

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

As no forecasts for 2015 have been published, the position of the Parent's Management Board concerning achievement of such forecasts is not presented.

2.4. Shareholding structure

Below are listed shareholders holding directly, or indirectly through subsidiaries, at least 5% of total voting rights at the General Meeting as at the date of this report, along with information on the number of shares held by such entities, their respective ownership interests, the number of voting rights held, and their share in total voting rights at the General Meeting. Changes in large holdings of Parent shares since the issue of the Group's most recent financial report are also described.

Shareholding structure as at the date of issue of the most recent report, that is March 16th 2015

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.	10,021,348	10.10	10,021,348	10.10
ING OFE	9,883,323	9.96	9,883,323	9.96
Rainbee Holdings Limited*)	9,820,352	9.90	9,820,352	9.90
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**

*) A direct subsidiary of Norica Holding S.à r.l.

On April 24th 2015, the Management Board of the Parent received a notification from Opansa Enterprises Limited ('Opansa') of Nicosia, Cyprus, provided under Art. 69.1.1 of the Act on Public Offering, Conditions Governing the Introduction of Financial Instruments to Organised Trading, and Public Companies, dated July 29th 2005.
According to the notification, following the in-kind contribution of Parent shares to cover the increased share capital of Opansa, made by its sole shareholder, Norica Holding S.à r.l. of Luxembourg ('Norica'), controlling 100% of the share capital of Opansa, Opansa: (i) on April 23rd 2015 acquired 9,450,000 Parent shares, representing approximately 9.527% of the Parent's share capital and carrying 9,450,000 voting rights (approximately 9.527% of total voting rights) at the Parent's General Meeting, and (ii) as a result of the transaction, exceeded the threshold of 5% of total voting rights at the Parent's General Meeting.

Prior to the transaction, Opansa had not held, whether directly or indirectly, any Parent shares.
Following the transaction, Opansa held directly 9,450,000 Parent shares, representing approximately 9.527% of the Parent's share capital and carrying 9,450,000 voting rights (approximately 9.527% of total voting rights) at the Parent's General Meeting.
Opansa notified the Parent that none of its subsidiaries held any Parent shares.
Opansa also notified the Parent that there were no persons such as those referred to in Art. 87.1.3.c of the Public Offering Act.
Also on April 24th 2015, the Parent's Management Board received a notice from 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.

According to the notification, following the in-kind contribution of Parent shares made by Norica on April 23rd 2015 to cover the increased share capital of Opansa, a direct subsidiary of Norica and an indirect subsidiary of TrustService, Acron, Subero and Mr Kantor, Opansa: (i) acquired, on April 23rd 2015, 9,450,000 Parent shares, representing approximately 9.527% of the Parent's share capital and carrying 9,450,000 voting rights (approximately 9.527% of total voting rights) at the Parent's General Meeting, and (ii) as a result of the transaction, exceeded the threshold of 5% of total voting rights at the Parent's General Meeting.
Prior to the transaction, Opansa had not held, whether directly or indirectly, any Parent shares.
Following the transaction, Opansa held directly 9,450,000 Parent shares, representing approximately 9.527% of the Parent's share capital and carrying 9,450,000 voting rights (approximately 9.527% of total voting rights) at the Parent's General Meeting.
Also, as a result of the transaction:

1. Norica Holding S.à r.l. holds, directly and through Opansa (its direct subsidiary) as well as through Rainbee Holdings Limited of Nicosia, Cyprus ('Rainbee'), 19,841,700 Parent shares, 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, of which Norica Holding S.à r.l.:
   - holds directly 571,348 Parent shares, representing approximately 0.576% of the Parent's share capital and carrying 571,348 voting rights (approximately 0.576% of total voting rights) at the Parent's General Meeting; and
   - holds indirectly, through Opansa, 9,450,000 Parent shares, representing approximately 9.527% of the Parent's share capital and carrying 9,450,000 voting rights (approximately 9.527% of total voting rights) at the Parent's General Meeting;
   - holds indirectly, through Rainbee, 9,820,352 Parent shares, representing approximately 9.8999% of the Parent's share capital and carrying 9,820,352 voting rights (approximately 9.8999% of total voting rights) at the Parent's General Meeting.
2. TrustService, Norica's parent, holds indirectly through its subsidiary Norica and through its indirect subsidiaries Opansa and Rainbee, 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.
3. Acron, TrustService's parent, holds indirectly through its indirect subsidiaries Norica, Opansa and Rainbee, 19,841,700 Parent shares, 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.
4. Subero, Acron's parent, holds indirectly through its indirect subsidiaries Norica, Opansa and Rainbee, 19,841,700 Parent shares, 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.
5. Mr Kantor, Subero's parent, holds indirectly through its indirect subsidiaries Norica, Opansa and Rainbee, 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.

For the avoidance of doubt, Norica stated that given the intra-group nature of the transaction, the total number of shares and voting rights held in the Parent, whether directly or indirectly, by Norica, TrustService, Acron, Subero and Mr Kantor, did not change and still totals 19,841,700 Parent shares, 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 (see Parent's Current Report No. 64/2014 of November 1st 2014).

Mr Kantor also notified the Parent that apart from Norica none of his subsidiaries held any Parent shares.
Subero notified the Parent that apart from Norica, Opansa and Rainbee, none of its subsidiaries held any Parent shares.
Acron notified the Parent that apart from Norica, Opansa and Rainbee, none of its subsidiaries held any Parent shares.
TrustService notified the Parent that apart from Norica, Opansa and Rainbee, none of its subsidiaries held any Parent shares.
Norica notified the Parent that apart from Opansa and Rainbee, 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.
In the 12 months after the notification date, Mr Kantor, Subero, Norica, Acron and TrustService may from time to time, directly or indirectly, acquire shares in the Parent in order to increase their shareholdings and number of voting rights or dispose of the Parent shares in order to reduce their shareholdings and number of voting rights in the Parent.

(all figures in PLN '000, unless indicated otherwise)

Shareholding structure as at April 23rd 2015

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
ING OFE	9,883,323	9.96	9,883,323	9.96
Norica Holding S.à r.l. (indirectly: 19,841,700 shares, i.e. 20.0026%)	571,348	0.57	571,348	0.57
Rainbee Holdings Limited*)	9,820,352	9.90	9,820,352	9.90
Opansa Enterprises Limited*)	9,450,000	9.53	9,450,000	9.53
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**

*) direct subsidiaries of Norica Holding S.à r.l.

In the period from April 23rd 2015 to the date of these financial statements, the Parent was not notified of any changes in the large holdings of its shares.

2.5. Parent shares held by its management and supervisory personnel

As at the date of issue of these financial statements, none of the Management Board members held any shares in the Parent.
Since the date of issue of previous financial statements, there have been no changes in holdings of the Parent shares held by managing personnel.

Grupa Azoty shares held by supervisory personnel

	Number of shares/voting rights		
	as at Jan 1 2015	as at Mar 30 2015	as at May 6th 2015
Tomasz Klikowicz	190	190	190

The remaining members of the Parent's supervisory personnel held no Grupa Azoty shares.
Since the date of issue of the previous financial statements, there have been no changes in holdings of Parent shares by supervisory personnel.

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(Dz. U. of 2014, item 133).

2.7. Related parties

For information on related-party transactions, see section 4.4 of the interim condensed consolidated financial statements for the three months ended March 31st 2015.

2.8. Sureties on borrowings, guarantees granted

In Q1 2015, the Grupa Azoty Group did not issue any sureties or guarantees whose value would exceed 10% of Parent's equity.

Events after the reporting period

In order to secure the syndicated revolving credit facility agreement, multi-purpose credit facility agreement and overdraft facility agreement referred to in Section 1.3 Significant agreements, the key companies of the Grupa Azoty Group (Grupa Azoty POLICE, Grupa Azoty ZAK S.A. and Grupa Azoty PUŁAWY) issued sureties under a harmonised mechanism whereby each of those subsidiaries covered with its surety one-third of 120% of the amount of each of the above credit facilities.

Type of and parties to the surety	Issue date	Security for:	Surety amount (PLN '000)	Validity date
Surety issued by Grupa Azoty POLICE to PKO BP S.A. (Revolving credit facility agent)	Apr 23 2015	Liabilities under the PLN 1,500 million revolving credit facility agreement concluded by the Parent with PKO BP S.A., BGK, BZ WBK S.A. and ING BSK S.A.	600,000	Apr 23 2020
Surety granted by Grupa Azoty PUŁAWY to PKO BP S.A. (Revolving credit facility agent)	Apr 23 2015	Liabilities under the PLN 1,500 million revolving credit facility agreement concluded by the Parent with PKO BP S.A., BGK, BZ WBK S.A. and ING BSK S.A.	600,000	Apr 23 2020
Surety issued by Grupa Azoty ZAK S.A. to PKO BP S.A. (Revolving credit facility agent)	Apr 23 2015	Liabilities under the PLN 1,500 million revolving credit facility agreement concluded by the Parent with PKO BP S.A., BGK, BZ WBK S.A. and ING BSK S.A.	600,000	Apr 23 2020
Surety issued by Grupa Azoty POLICE to PKO BP S.A.	Apr 23 2015	Liabilities under the PLN 302m overdraft facility agreement concluded by the Parent and its subsidiaries with PKO BP S.A.	120,800	Sep 30 2016
Surety issued by Grupa Azoty PUŁAWY to PKO BP S.A.	Apr 23 2015	Liabilities under the PLN 302m overdraft facility agreement concluded by the Parent and its subsidiaries with PKO BP S.A.	120,800	Sep 30 2016
Surety issued by Grupa Azoty ZAK S.A. to PKO BP S.A.	Apr 23 2015	Liabilities under the PLN 302m overdraft facility agreement concluded by the Parent and its subsidiaries with PKO BP S.A.	120,800	Sep 30 2016
Surety issued by Grupa Azoty POLICE to PKO BP S.A.	Apr 23 2015	Liabilities under the consolidated PLN 237m multi-purpose credit facility agreement concluded by the Parent and its subsidiaries with PKO BP S.A.	94,800	Sep 30 2016
Surety issued by Grupa Azoty PUŁAWY to PKO BP S.A.	Apr 23 2015	Liabilities under the consolidated PLN 237m multi-purpose credit facility agreement concluded by the Parent and its subsidiaries with PKO BP S.A.	94,800	Sep 30 2016
Surety issued by Grupa Azoty ZAK S.A. to PKO BP S.A.	Apr 23 2015	Liabilities under the consolidated PLN 237m multi-purpose credit facility agreement concluded by the Parent and its subsidiaries with PKO BP S.A.	94,800	Sep 30 2016

In connection with the Revolving Credit Facility Agreement of April 23rd 2015 (for details, see Parent's Current Report No. 25/2015 of April 23rd 2015), a Revolving Credit Facility Surety Agreement was signed between PKO BP S.A. of Warsaw as the facility agent, the Parent, and the following Grupa Azoty subsidiaries as surety providers: Grupa Azoty PUŁAWY, Grupa Azoty ZAK S.A., and Grupa Azoty POLICE.
The surety was provided for the benefit of the facility agent, who also represents the other lenders (BGK, BZ WBK S.A. and ING BSK S.A.), as security for the PLN 1,500m Revolving Credit Facility Agreement.
The amount of surety given by each of the surety providers was set at the maximum of PLN 600m (PLN 1,800m in total). The surety providers' liability under the surety agreement is several but not joint.
The surety expires on the expiry of the security term, which ends upon repayment of debt under the Revolving Credit Facility Agreement, made for five years from its execution date.

Moreover, in connection with Annex 11 of April 23rd 2015 to the Overdraft Facility Agreement between PKO BP S.A. of Warsaw as the facility agent, the Parent, and the Parent's subsidiaries, the following subsidiaries of the Parent: Grupa Azoty PUŁAWY, Grupa Azoty ZAK S.A., and Grupa Azoty POLICE, provided a surety for the benefit of the bank as security for liabilities under the PLN 302,000 thousand Overdraft Facility Agreement, to replace previous security created over Parent's and its subsidiaries' assets, which was to be released.
The amount of surety given by each of the surety providers was set at the maximum of PLN 120,800 thousand (PLN 362,400 thousand in total). The surety providers' liability under the surety agreement is several but not joint.
The surety expires on the expiry of the security term, which ends upon repayment of debt under the Overdraft Facility Agreement, in force until September 30th 2016.

In addition, in connection with the Multi-Purpose Credit Facility Agreement of April 23rd 2015, made between PKO BP S.A. of Warsaw as the facility agent, the Parent, and the Parent's subsidiaries, i.e. Grupa Azoty PUŁAWY, Grupa Azoty ZAK S.A., and Grupa Azoty POLICE, which consolidated previous four overdraft credit facility agreements to which the subsidiaries were parties, a surety was provided by the subsidiaries for the benefit of the bank as security for liabilities under the consolidated PLN 237,000 thousand Multi-Purpose Credit Facility Agreement, to replace previous security created over Parent's and its subsidiaries' assets, which was to be released.
The amount of surety given by each of the surety providers was set at the maximum of PLN 94,800 thousand (PLN 284,400 thousand in total). The surety providers' liability under the surety agreement is several but not joint.
The surety agreement expires on the expiry of the security term, which ends upon repayment of debt under the Multi-Purpose Credit Facility Agreement, in force until September 30th 2016.
All the sureties described above were provided on arm's length basis for appropriate compensation. No other financial terms were defined.

2.9. Other information

This section includes information which is 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. Planned investment projects

Construction of the propylene production unit
By 2019 the Group aims to build Europe's largest and most advanced PDH (Propane Dehydrogenation) unit for propylene production, sited in the town of Police.
In addition to the PDH unit, the project involves the construction of a power generating unit and expansion of the chemicals terminal in the port facilities owned by the Group. In terms of its size, the project is comparable to building an entirely new chemical plant in the Szczecin region.
The PLN 1,675,000 thousand CAPEX project involves the construction of propylene production and power generating units and extension of the Police port facilities to include a liquid chemicals handling terminal. Ultimately, the terminal will serve the largest LPG vessels in Poland, with its capacity expected to double.

(all figures in PLN '000, unless indicated otherwise)

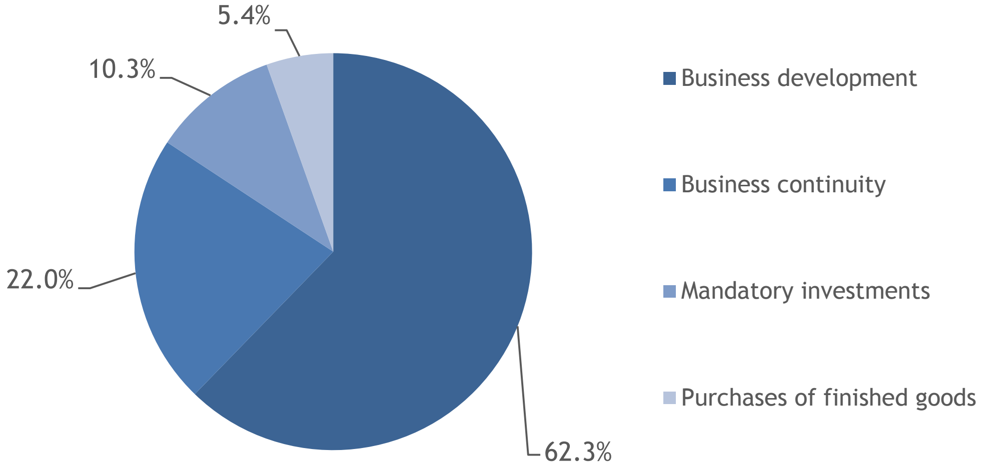
This investment project is designed to increase the supply security for propylene, a key feedstock in the production of oxo alcohols. The project will also create new growth opportunities given the broad range of propylene processing options.

2.9.2. Execution of key investment projects

The Group's total capital expenditure in Q1 2015 was PLN 112,413 thousand. Structure of capital expenditure:

• Business development	PLN 69,983 thousand,
• Business continuity	PLN 24,757 thousand,
• Mandatory investments	PLN 11,561 thousand,
• Purchase of finished goods	PLN 6,112 thousand.

Structure of the Grupa Azoty Group's capital expenditure in Q1 2015



Source: Company data

Capital expenditure at the Grupa Azoty Group in Q1 2015:

• Parent	PLN 34,519 thousand,
• Grupa Azoty PUŁAWY Group	PLN 36,601 thousand,
• Grupa Azoty POLICE Group	PLN 27,270 thousand,
• Grupa Azoty ZAK Group	PLN 10,451 thousand,
• Grupa Azoty SIARKOPOL	PLN 2,366 thousand,
• Grupa Azoty PKCh Sp. z o.o.	PLN 839 thousand,
• Grupa Azoty ATT Polymers GmbH	PLN 274 thousand,
• Grupa Azoty KOLTAR Sp. z o.o.	PLN 93 thousand.

Parent

The key investment projects in Q1 2015 included:

- Polyamide Plant II 80,000 t/y – the project's budget is PLN 320,000 thousand; the capital expenditure incurred so far is PLN 19,210 thousand, of which PLN 17,185 thousand was spent in Q1 2015,
- Mechanical Granulation Plant – the project's budget is PLN 141,000 thousand; the capital expenditure incurred so far is PLN 6,595 thousand, of which PLN 1,063 thousand was spent in Q1 2015,
- Increase of ammonia production capacities – the project's budget is PLN 44,500 thousand; the capital expenditure incurred so far is PLN 384 thousand, of which PLN 217 thousand was spent in Q1 2015,
- Bulk fertilizer storage facility – the project's budget is PLN 43,000 thousand, the capital expenditure incurred so far is PLN 16,210 thousand, of which PLN 5,590 thousand was spent in Q1 2015,
- Intensification of the unit for manufacturing cyclohexanone from phenol – the project's budget is PLN 5,750 thousand; the capital expenditure incurred so far is PLN 5,096 thousand, of which

PLN 4,693 thousand was spent in Q1 2015,
- New iron-chromium catalyst plant – the project's budget is PLN 27,700 thousand; the capital expenditure incurred so far is PLN 197 thousand, of which PLN 47 thousand was spent in Q1 2015,
- Flue gas desulfurization unit – the project's budget is PLN 45,400 thousand; the capital expenditure of PLN 373 thousand was incurred in 2014,
- Flue gas denitration unit – the project's budget is PLN 44,600 thousand; the capital expenditure of PLN 373 thousand was incurred in 2014,
- 20 MW pass-out and condensing turbine generator set at the CHP plant – the project's budget is PLN 63,000 thousand; the capital expenditure incurred so far is PLN 11,358 thousand, of which PLN 3,263 thousand was spent in Q1 2015.

Grupa Azoty PUŁAWY Group

The key investment projects in Q1 2015 included:
- Production of solid fertilizers based on urea and ammonium sulfate – the project's budget is PLN 137,500 thousand; the capital expenditure incurred so far is PLN 108,382 thousand, of which PLN 9,989 thousand was spent in Q1 2015,
- Purchase of 200 tanks with capacities of 50 m^3 for the UAN sales network, along with field commissioning – the project's budget is PLN 9,800 thousand; the capital expenditure incurred so far is PLN 7,861 thousand, of which PLN 22 thousand was spent in Q1 2015,
- Replacement and modernisation of the E-E1 stripper in the VRS section of the Urea 2 unit – the project's budget is PLN 12,700 thousand; the capital expenditure incurred so far is PLN 100 thousand, of which PLN 3 thousand was spent in Q1 2015,
- 1,900 Nm^3 hydrogen compressor – the project's budget is PLN 12,500 thousand; the capital expenditure incurred so far is PLN 311 thousand, of which PLN 276 thousand was spent in Q1 2015,
- Construction of NOx reduction units at two boilers at the CHP plant – the project's budget is PLN 16,000 thousand; the capital expenditure incurred so far is PLN 10,804 thousand, of which PLN 298 thousand was spent in Q1 2015.

Grupa Azoty POLICE Group

The key investment projects in Q1 2015 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 116,218 thousand, of which PLN 6,608 thousand was spent in Q1 2015;
- Upgrade of the ammonia unit – the project's budget is PLN 155,600 thousand; expenditure incurred so far is PLN 16,870 thousand, of which PLN 10,640 thousand was spent in Q1 2015;
- Change of the DA-HF phosphoric acid production technology – the project's budget is PLN 67,000 thousand; no expenditure was incurred on the project by the end of Q1 2015;
- PDH unit for propylene production (production capacity of 400,000 tonnes per year) – the project's budget is PLN 1,675,000 thousand; no expenditure had been incurred on the project by the end of Q1 2015;
- Alteration of the raw material (phosphate rock) storage facility – the project's budget is PLN 8,350 thousand; no expenditure had been incurred on the project by the end of Q1 2015.

Grupa Azoty ZAK Group

Major investment projects in Q1 2015 included:
- New CHP Plant at Grupa Azoty ZAK S.A. - stage I – the project's budget is PLN 375,059 thousand; expenditure incurred so far is PLN 65,661 thousand, of which PLN 112 thousand was spent in Q1 2015;
- Launch of OXOPLAST® OT continuous-flow production – the project's budget is PLN 42,300 thousand; expenditure incurred so far is PLN 34,757 thousand, of which PLN 4,174 thousand was spent in Q1 2015;
- Liquid fertilizer production unit – the project's budget is PLN 8,700 thousand; expenditure incurred so far is PLN 552 thousand, of which PLN 269 thousand was spent in Q1 2015;
- Logistics base for UAN-type liquid fertilizers with added modifiers – the project's budget is PLN 20,800 thousand; expenditure incurred so far is PLN 249 thousand, of which PLN 195 thousand was spent in Q1 2015;
- Upgrade of the urea production plant – the project's budget is PLN 23,181 thousand; expenditure incurred so far is PLN 1,007 thousand, of which PLN 36 thousand was spent in Q1 2015;
- Replacement of the interior of the R-1001 ammonia synthesis reactor – the project's budget is

PLN 18,500 thousand; expenditure incurred so far is PLN 4,023 thousand, of which PLN 49 thousand was spent in Q1 2015;

- Replacement of the interior of the R-1001 ammonia synthesis reactor − the project's budget is PLN 18,500 thousand; expenditure incurred so far is PLN 4,023 thousand, of which PLN 49 thousand was spent in Q1 2015;
- Alteration of the roof of the fertilizer storage facility − the project's budget is PLN 18,500 thousand; expenditure incurred so far is PLN 1,239 thousand, of which PLN 774 thousand was spent in Q1 2015.

Grupa Azoty SIARKOPOL
The most important project of Q1 2015 was the construction of a sulfur pelletizing unit − the project's budget is PLN 25,000 thousand; expenditure incurred so far is PLN 18,879 thousand, of which PLN 2,092 thousand was spent in Q1 2015.

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.

In Q1 2015, the Grupa Azoty Group Financing and Liquidity Management Policy, a vital tool in the implementation of a centralised financing model, was adopted.
The key objectives of implementing the Policy across the Group and at the subsidiaries include:

- managing financial position,
- maintaining creditworthiness in the short and long term and guaranteeing financial security,
- ensuring financing of the Strategy, including the Development Programme,
- ensuring and maintaining the capacity to service current and non-current debt while optimising debt service costs,
- ensuring optimum allocation of free cash.

As part of the implementation of the centralised financing model, on April 23rd 2015 the Parent entered into certain credit facility agreements, discussed in section 1.3 Significant agreements.

2.9.4. Loans

In Q1 2015, 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 as at March 31st 2015 was PLN 393m.
The Group also had access to investment credit facilities totalling PLN 358m.
On April 28th 2015, the Group obtained access to a syndicated revolving credit facility of PLN 1,500m.
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. Composition and powers of the Management Board and the Supervisory Board

Parent's Management Board

As at March 31st 2015, the composition of the 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.

During its meeting held on January 9th 2015, the Parent's Supervisory Board passed a resolution to appoint members of the Management Board of the new term. The composition of the Management Board of the 10th term of office is 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.

The effective date of the Supervisory Board resolutions was February 20th 2015.
The mandate of Artur Kopeć, the Management Board member elected by employees, expired upon commencement of the Board's 10th term of office. Thus, the Supervisory Board decided to initiate for electing the Management Board member by the employees for a new joint term of office.
The elections were held in the periods January 27th-February 11th 2015 (1st round) and February 13th-23rd 2015 (2nd round). In the elections, employees elected Mr Artur Kopeć as their candidate and representative on the Management Board.
On February 26th 2015, the Supervisory Board passed a resolution to appoint Mr Kopeć as Member of the Company's Management Board.
As at March 31st 2015, 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 – Director General, 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, responsible for management and HR policy, owner's supervision, oversight of the Agro Business Centre, information policy, risk management, and coordination of the internal audit function at the Grupa Azoty Group,
- 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, Director General at the Parent, 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 and strategic feedstock procurement 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.

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 Rules of Procedure for the Management Board,
- other internal regulations effective at the Parent.

Powers and responsibilities of the Management Board members

The detailed division of powers among members of the Management Board is specified in the Management Board's Resolution No. 467/IX/2013 of August 20th 2013, as supplemented by the Management Board's Resolution No. 639/IX/2014 of April 15th 2014 which added a new section concerning the scope of responsibilities of the Parent's Director General assumed by the Vice-President in charge of integration of production processes, plastics and organic synthesis.
Subsequently, by virtue of Resolution No. 735/IX/2014 of September 8th 2014 oversight over the Parent's sponsorship activities was transferred from Management Board Member to Management Board Vice-President responsible for integration of production processes, plastics and organic synthesis.
At its meeting held on March 10th 2015, the Parent's Management Board passed a resolution on the division of powers and responsibilities between the members of the Management Board of the 10th term of office, as specified in the Management Board's Resolution No. 467/IX/2013 of August 20th 2013, and as later amended by the Management Board's Resolution No. 639/IX/2014 of April 15th and the Management Board's Resolution No. 735/IX/2014 of September 8th 2014.

Supervisory Board

In Q1 2015, there were no changes in the composition of the Supervisory Board.
Composition of the Parent's Supervisory Board as at the date of issue of this Report:
- Monika Kacprzyk-Wojdyga – Chairperson,
- 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.

Powers and responsibilities of the Supervisory Board

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

To streamline its work and improve control of the Parent and the Group, on July 4th 2013 the Supervisory Board passed Resolution No. 21/IX/2013 on appointment of the Audit Committee, with the following composition:
- Jacek Obłękowski – Chairman,
- 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. 21/IX/2013 of July 4th 2013. 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 of the audit of separate and consolidated financial statements,
- monitoring of the work of the internal audit team,
- monitoring of the work and reports of the independent statutory auditor,
- review of selected economic events relevant to the Company's operations.

2.9.6. Life insurance for employees of the Grupa Azoty Group

On January 12th 2015, an employee group life insurance agreement was executed between the Grupa Azoty Group and PZU SA for the period of three years. The new agreement provides the Group's employees and their families with life insurance on the best terms thus far offered.
27 entities joined the agreement, including the four leading companies of the Grupa Azoty Group. Ultimately, the agreement may cover all 57 Group companies, that is a total of 14 thousand employees and their families.
The new consolidated life insurance agreement represents another initiative undertaken by the Group to improve the working conditions of its employees. PZU's offer is competitive in terms of guaranteed benefits and general terms and conditions of insurance. Employees will be able to choose one of six different insurance options and take out insurance for their spouses, life partners or adult children.
Previously, Grupa Azoty Group companies entered into employee insurance agreements on an individual basis. By deciding to consolidate, they obtained more favourable terms and conditions of insurance.

2.9.7. Health insurance for employees of the Grupa Azoty Group

Following tender proceedings, on April 20th 2015 an agreement was signed between the Grupa Azoty Group and LMG Försäkrings AB S.A. Polish Branch, operating under the name of LUX MED Ubezpieczenia. The agreement gives the Group employees and members of their families access to medical care as part of a dedicated insurance package.
Currently, 26 entities participate in the project, including four leading companies of the Grupa Azoty Group. Ultimately, other Group companies are expected to join the agreement.
The agreement will be effective as of June 1st 2015 for three years.

2.9.8. Insurance of construction and assembly work

On February 4th 2015, the Parent and insurance companies WARTA/PZU/Ergo HESTIA (insurance pool) entered into an agreement concerning all construction and assembly risks insurance. The agreement, effective from February 5th 2015 until February 4th 2016, defines the terms and conditions of insurance of construction and assembly work performed as part of new investments as well as overhaul projects, under contracts entered into by Grupa Azoty Group companies. The insurance also covers construction and assembly work performed for the companies' own needs. Contracts benefit from the insurance cover provided that they are notified during the Agreement term.

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

2.10.1. Exchange rates

The continuing economic recovery in Poland, coupled with ongoing economic growth in the US, slow overcoming of stagnation in the eurozone and a concurrent containment of the political risks associated with the conflict in Ukraine underpin prospects for further strengthening of the Polish currency against the euro, accompanied, however, by its potential depreciation against the US dollar. Given the continued quantitative easing policy pursued in the eurozone by the European Central Bank and the tapering of the quantitative easing programme by the US Federal Reserve, the appreciation of the dollar against the euro is likely to continue until the end of 2015.
It may thus be expected that in Q2 2015 the PLN/EUR exchange rate will remain within the medium-term stability range (PLN 3.90-4.20), but may tend to appreciate if the European Central Bank continues its quantitative easing policy and economic recovery in Poland is sustainable. The PLN/USD exchange rate will continue to trail the EUR/USD exchange rates.
Taking into consideration the Group's currency risk exposure, the current and anticipated PLN/USD and PLN/EUR exchange rate fluctuations are unlikely to pose a risk to the Group achieving its performance objectives in Q2 2015, given that the medium-term trend of gradual strengthening of the złoty against the euro is largely offset by its weakening against the US dollar as well as its short-term corrections in periods of increased political risk.

2.10.2. Interest rates in Poland

In Q1 2015, interest rates in Poland were kept unchanged. As announced, the Monetary Policy Council had ended a series of interest rate cuts. The re-emergence of demand growth symptoms in Poland and gradual disappearance of deflation allow the Council to wait until economic growth is more certain.
In view of that, in the medium term (until the end of 2015) interest rates are expected to remain unchanged, and the base interest rate applicable to the credit facilities contracted by the Grupa Azoty Group (1M WIBOR) should also remain flat at about 1.60%. This situation helps to stabilise the Group's financing costs at a relatively low level and improves the Group's potential to service debt if it is increased as planned to raise financing for investments.
Although the leading EU countries have been overcoming recession, deflation continues in the eurozone countries. For this reason, once market controls such as interest rates cuts are no longer possible to use, the European Central Bank will continue to apply quantitative easing to counteract deflation, therefore very low interest rates for the euro are expected to continue at least until the end of 2015.
In turn, the US Federal Reserve has begun to taper its quantitative easing programme, but continues to postpone increases of the currently low interest rates for the USD. The rates are likely to remain unchanged until the end of the first half of 2015. However, in view of the consolidating economic recovery and concerns over potential bubble burst on the property and automotive markets, in Q2 2015 the Fed is expected to embark on a path of limited interest rate increases for the USD.
In summary, it is relatively unlikely that any adverse changes in the presently low reference rates for the Grupa Azoty Group's principal currencies (PLN, EUR) will occur by the end of 2015, so the risk of the Group's funding costs adversely affecting its financial position or performance is limited.
Any increase in the EURIBOR and WIBOR rates would be unlikely before at least nine months of positive growth trends in the eurozone and Poland, accompanied by concurrent 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 funding.

2.10.3. Raw material and product price dynamics

Market factors which will affect the Group's performance over at least the next reporting period include:

- prices of key strategic feedstocks: natural gas, coal, electricity and oil derivatives (propylene, benzene, phenol), as well as prices of other feedstocks purchased for the main operating segments,
- situation in agriculture and in the fertilizer segment,
- conditions on the market of plastics manufactured by the Group and on the markets where these plastics find application,
- conditions prevailing in the sectors which purchase the Group's products and on the markets where those sectors sell their products,
- exchange rates (USD, EUR).

Forecasts for 2015 for the European chemical sector envisage a growth, although it may be a little slower than anticipated in the middle of 2014. CEFIC analysts project an approximately 1% growth of chemical production in the European Union in 2015.
The prospects for the key energy carrier markets are favourable. According to IHS Global:

- the average price of natural gas in Europe under long-term contracts may drop to EUR 5.80/MMBtu in Q2 2015, and the average price on the main European spot markets is expected to fall to approximately EUR 5.80/MMBtu,
- prices of ARA coal (with a calorific value of 6,000 kcal) are projected to decline further to USD 61.74/metric tonne in Q2 2015. Prices of coal have eroded due to its continuing oversupply and a relatively mild winter in Europe.

Strategic feedstock

The prospects for the key energy carrier markets are favourable. According to IHS Global, prices of ARA coal (with a calorific value of 6,000 kcal) are projected to decline further to USD 61.74/metric tonne in Q2 2015. Prices of coal have eroded due to its continuing oversupply and a relatively mild winter in Europe.
In accordance with the 'Amended Gas Fuel Supply Tariff No. 7/2015 for PGNiG S.A.', proposed by PGNiG S.A. and approved by the President of the Energy Regulatory Office, the price of natural gas for Grupa Azoty will be reduced by 7.16% as of May 1st 2015.
Moreover, the key Grupa Azoty Group companies joined PGNiG S.A.'s discount scheme for strategic customers, which will cover gas purchased as of May 2015. The discount amount will be linked to current prices on the Polish Power Exchange and will depend on the volume of gas taken off and consumption stability, with obligation to collect at least 80% of ordered gas volumes.
Prices of electricity on the spot market may periodically follow downward trends due to increasing supplies of renewable energy. On the other hand, the price declines may be halted as a consequence of reduced volumes of free CO_2 emission allowances available on the market.
The US Energy Information Administration has published forecasts of a drop in oil production in the US. It has been the first such forecast since the commencement of publication of monthly oil production reports in 2013.
American refineries are beginning to process more and more of their reserve crude oil.
According to the International Energy Agency, shale oil production is permanently unprofitable at current prices (total US shale oil production is about 4m barrels per day), but a major part of this year's production in the US has been hedged against price drops with futures contracts, therefore discontinuation of production is not expected this year. In the current situation, overproduction of crude is expected to reach record levels (about 2m barrels per day) and is feared to be much higher than in 2008, when OPEC reduced oil output by 4.0m barrels per day over two months. However, the measures taken by Saudi Arabia aim at maintaining low prices for at least half a year. The next meeting of OPEC is expected on July 5th.
In Q2 2015, the current low price of ammonia is not expected to fluctuate, although limitations in both demand and supply are bound to continue. The considerable volatility and unpredictability characterising the ammonia market follows from issues related to its storage.
In Q2 2015, sulfur prices on the global markets are forecast to go down, whereas on European markets they are expected to remain unchanged due to undersupply of the product.
In Q2 2015, the price of potassium chloride may change, rising slightly in selected markets. In late March, the final prices of potassium chloride for exports to China were agreed. The largest suppliers (Białoruśkali, Canpotex, Uralkali and APC) agreed on a uniform price of USD 315/tonne (CFR China).

This should stabilise the potassium chloride price and it is expected that the agreed price should hold until the end of the year.

Market conditions in agriculture and in the fertilizer segment

A group of experts appointed by the President of the Agricultural Market Agency expect that in the first half of this year we should see a seasonal increase in grain prices in Poland (mostly due to considerable export demand). However, until the end of the 2014/2015 season (mainly due to vast reserves of grains in Poland), grain prices will be lower than in the corresponding months of the 2013/2014 season. Commencement of the second round of fertilizer application in the domestic agricultural sector is the first signal that demand for fertilizers will be falling, and the downtrend may continue until the beginning of fertilizer application in autumn. The falling trend in urea prices, observed since the beginning of the year, is likely to continue. The decline in urea prices on global markets may decelerate China's exports of the product in Q2 2015 due to low profitability of such sales.
In May and June, an off-season drop in fertilizer prices should be expected, and distributors and farmers will be encouraged to accumulate stocks of fertilizers for application in autumn.

Plastics and plastics application markets

Prices of crude oil determine the prices of feedstocks, semi-finished products and final products in the entire plastics chain. In Europe and Asia, the market is characterised by oversupply, therefore any gains in market share are won at the cost of margin. Reorientation of the two markets is continuing and the trade balance (CPL, PA 6) is changing, strongly overshadowed by the growing production capacities in China and the possible inflow of Asian materials to Europe (PA 6). Those fears may be to a certain extent alleviated by the conditions prevailing on the currency market (weak euro vs. strong US dollar), making imports of materials from Asia less attractive.
In 2015, the total anticipated increase in caprolactam (CPL) production capacities amounts to 715 thousand tonnes, or 11.1% (China), whereas in the case of PA 6 the increase is forecast to reach 585 thousand tonnes, or 8% (mainly China).
The oversupply of production capacity relative to demand is expected to even increase (CPL, PA 6) in Europe. After 2016, this situation will start to reverse.
A forecast increase in demand and gradual balancing of overcapacity by increase in demand for PA 6 in Europe and by accelerating development of the automotive sector will be material factors driving the demand for construction plastics (PA 6 and POM).

Oxo alcohols and plasticizers

In Q2 2015, demand for oxo alcohols and plasticizers is expected to follow an upward trend on the back of intensified purchases and higher seasonal demand. Demand may be stronger due to low stocks held by OXO alcohol processing companies from the plasticizers and acrylates segment. As far as plasticizers are concerned, PCV processing companies followed a similar procurement policy aimed at minimising stocks given the strongly volatile prices of feedstocks and uncertainty prevailing in Q1 2015. The price stabilisation expected in the second quarter will be supporting demand growth dynamics, but may also contribute to higher margins on OXO alcohols and plasticizers, especially that in the second part of the quarter a period of maintenance shutdowns is due to start and temporary spot market imbalances are likely to be seen.

Melamine

Q2 2015 is expected to see a slight increase in melamine prices, by approximately EUR 20/tonne. If the new production facilities planned to be launched in 2015, mainly in Asia, are placed in service, the situation on the global markets will be tense. New production capacities may aggravate the problem of oversupply in China, which is considerable anyway.

Pigments

In late March, negotiations started on the European market concerning prices of titanium white for delivery in Q2 2015. Initial price offers put forward by manufacturers were higher by EUR 125 - 150/tonne than the prices seen in Q1 2015. Nonetheless, in view of limited demand, no reduction in the price of titanium white on the European markets in Q2 relative to Q1 is to be expected.

2.10.4. Laws governing international trade

New regulations applicable to trading in the Energy Segment products

On March 11th 2015, Poland's President signed the Act on Renewable Energy Sources which, among other things, limits the impact of the cost of green certificates on the cost of electricity in Poland.

The Act provides for the possibility of exempting Industrial Customers from the obligation to 'green certify' the portion of electricity used by them in production processes.

In accordance with the new Act on Renewable Energy Sources, the percentage of an Industrial Customer's exemption from the obligation to 'green certify' consumed electricity depends on the 'the ratio of electricity consumption intensity '.

All Grupa Azoty Group companies subject to the new Act applied to the President of the Energy Regulatory Office for grant of the Industrial Customer status and are included in the List of Industrial Customers published on April 24th 2015. The new law will reduce Grupa Azoty Group companies' cost of electricity purchased for their own needs.

Customs duties on ammonium sulfate

In Q1 2015, Mexico introduced, with immediate effect, an anti-dumping duty on ammonium sulfate imported from the US and China. The sanctions followed as a consequence of anti-dumping proceedings initiated by the Mexican Ministry of Economy in August 2014. The anti-dumping duty on ammonium sulfate imported from the US will be USD 185.8/tonne, and USD 178.2/tonne for the product imported from China.

Climate policy

The European Union's climate policy until 2030, i.e. acceptance and entry into force of the European Commission's proposal to reduce emissions by 40% by 2030, combined with the ETS system reform, will necessitate further spending on technologies and modernisation and result in higher emission charges.

Consolidated interim report of the Grupa Azoty Group for Q1 2015 contains 78 pages.

Signatures of 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, May 6th 2015