Consolidated interim report
Q1 2017

Contents

Key financial results

Consolidated financial highlights

	PLN ’000		EUR ’000	
	for the period Jan 1– Mar 31 2017	for the period Jan 1– Mar 31 2016	for the period Jan 1– Mar 31 2017	for the period Jan 1– Mar 31 2016
Revenue	2,687,201	2,475,634	626,519	568,340
Operating profit	313,669	389,225	73,132	89,356
Profit before tax	318,198	380,415	74,188	87,333
Net profit	250,061	306,991	58,302	70,477
Total comprehensive income	273,579	306,231	63,785	70,303
Number of shares	99,195,484	99,195,484	99,195,484	99,195,484
Earnings per ordinary share (PLN)	2.28	2.75	0.53	0.63
Net cash from operating activities	55,642	367,394	12,973	84,344
Net cash from investing activities	(76,822)	(321,703)	(17,911)	(73,855)
Net cash from financing activities	131,559	59,745	30,673	13,716
Net increase/(decrease) in cash and cash equivalents	110,379	105,436	25,735	24,205
Cash at beginning of period	641,711	753,144	149,614	172,902
Cash at end of period	745,428	855,866	173,796	196,484
	as at Mar 31 2017	as at Dec 31 2016	as at Mar 31 2017	as at Dec 31 2016
Non-current assets	7,713,993	7,651,480	1,828,047	1,729,539
Current assets	3,628,004	3,400,440	859,757	768,635
Non-current liabilities	2,180,237	2,072,368	516,668	468,438
Current liabilities	1,758,916	1,850,287	416,824	418,238
Equity	7,402,844	7,129,265	1,754,312	1,611,498
Share capital	495,977	495,977	117,536	112,111
Non-controlling interests	621,530	595,388	147,289	134,581

Separate financial highlights

	PLN ’000		EUR ’000	
	for the period Jan 1– Mar 31 2017	for the period Jan 1– Mar 31 2016	for the period Jan 1– Mar 31 2017	for the period Jan 1– Mar 31 2016
Revenue	478,849	436,233	111,643	100,148
Operating profit/(loss)	56,226	33,231	13,109	7,629
Profit before tax	52,087	27,896	12,144	6,404
Net profit	39,805	22,258	9,281	5,110
Total comprehensive income	63,818	21,913	14,879	5,031
Number of shares	99,195,484	99,195,484	99,195,484	99,195,484
Earnings per ordinary share (PLN)	0.40	0.22	0.09	0.05
Net cash from operating activities	69,502	19,894	16,204	4,567
Net cash from investing activities	(84,482)	(174,736)	(19,697)	(40,115)
Net cash from financing activities	(154)	67,912	(36)	15,591
Net increase/(decrease) in cash and cash equivalents	(15,134)	(86,930)	(3,528)	(19,957)
Cash at beginning of period	326,031	111,942	76,014	25,699
Cash at end of period	310,897	25,012	72,485	5,742
	as at Mar 31 2017	as at Dec 31 2016	as at Mar 31 2017	as at Dec 31 2016
Non-current assets	5,684,511	5,632,399	1,347,104	1,273,146
Current assets	788,950	810,857	186,964	183,286
Non-current liabilities	1,386,166	1,282,420	328,491	289,878
Current liabilities	506,340	643,699	119,991	145,502
Equity	4,580,955	4,517,137	1,085,586	1,021,053
Share capital	495,977	495,977	117,536	112,111

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:

- Items of assets and equity and liabilities in the statement of financial position have been translated at the exchange rate effective for the last day of the reporting period:
  The exchange rate as at December 30th 2016 was EUR 1 = PLN 4.4240 (table No. 252/A/NBP/2016).
  The exchange rate as at March 31st 2017 was EUR 1 = PLN 4.2198 (table No. 064/A/NBP/2017).
- Items of the statement of profit or loss and other comprehensive income and statement of cash flows have been translated using the arithmetic average 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 the period January 1st-March 31st 2016, the average exchange rate was EUR 1 = PLN 4.3559.
  In the period January 1st-March 31st 2017, the average exchange rate was EUR 1 = PLN 4.2891.

The translation has been 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 2017
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 these interim condensed consolidated financial statements for the three months ended March 31st 2017, comprising:

- Condensed consolidated statement of profit or loss and other comprehensive income for the period January 1st–March 31st 2017,
- Condensed consolidated statement of financial position as at March 30th 2017,
- Condensed consolidated statement of changes in equity for the period January 1st–March 31st 2017,
- Condensed consolidated statement of cash flows for the period January 1st–March 31st 2017,
- 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 assets, financial position and performance of the Grupa Azoty Group.

Signatures of Members of the Management Board

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

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

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

……………………………
Paweł Łapiński
Vice President of the Management Board

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

……………………………
Artur Kopeć
Member of the Management Board

Person responsible for maintaining accounting records

……………………………
Ewa Gładysz
Head of Corporate Finance Department

Tarnów, May 10th 2017

(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 2017	for the period Jan 1– Mar 31 2016
Profit or loss		
Revenue	2,687,201	2,475,634
Cost of sales	(2,010,678)	(1,744,817)
Gross profit	**676,523**	**730,817**
Selling and distribution expenses	(175,648)	(162,138)
Administrative expenses	(172,114)	(174,199)
Other income	12,852	8,413
Other expenses	(27,944)	(13,668)
Operating profit	**313,669**	**389,225**
Finance income	35,403	8,421
Finance costs	(34,448)	(19,939)
Net finance costs	**955**	**(11,518)**
Share of profit of equity-accounted investees	3,574	2,708
Profit before tax	**318,198**	**380,415**
Income tax	(68,137)	(73,424)
Net profit	**250,061**	**306,991**
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Cash flow hedging - effective portion of change in fair-value measurement	21,592	(345)
Exchange differences on translating foreign operations	(495)	(415)
Tax on items that are or may be reclassified to profit or loss	2,421	-
Total other comprehensive income	**23,518**	**(760)**
Total profit or loss and other comprehensive income	**273,579**	**306,231**
Net profit attributable to:		
Owners of the parent	225,727	272,371
Non-controlling interests	24,334	34,620
Total profit or loss and other comprehensive income attributable to:		
Owners of the parent	247,437	271,915
Non-controlling interests	26,142	34,316
Earnings per share:		
Basic (PLN)	2.28	2.75
Diluted (PLN)	2.28	2.75

The supplementary information and 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 2017	as at Dec 31 2016* restated
Assets		
Non-current assets		
Property, plant and equipment	6,470,933	6,387,823
Perpetual usufruct of land	481,928	485,396
Intangible assets	523,583	530,577
Goodwill	10,057	10,057
Investment property	48,702	59,504
Shares	15,665	14,702
Equity-accounted investees	113,979	110,578
Other financial assets	308	837
Other receivables	5,870	6,259
Deferred tax assets	42,608	45,548
Other non-current assets	360	199
Total non-current assets	**7,713,993**	**7,651,480**
Current assets		
Inventories	850,324	858,029
Property rights	270,864	214,675
Other financial assets	420,030	591,661
Derivatives	21,864	8,435
Current tax assets	3,037	3,750
Trade and other receivables	1,306,488	1,073,396
Cash and cash equivalents	745,428	641,711
Other current assets	9,278	8,092
Non-current assets held for sale	691	691
Total current assets	**3,628,004**	**3,400,440**
Total assets	**11,341,997**	**11,051,920**

* Financial data restated in accordance with the information presented in Section 2.2.c) of supplementary information to these interim condensed consolidated financial statements.

The supplementary information and 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 2017	as at Dec 31 2016
Equity and liabilities		
Equity		
Share capital	495,977	495,977
Share premium	2,418,270	2,418,270
Hedging reserve	16,908	(7,105)
Translation reserve	15	2,401
Retained earnings, including:	3,850,144	3,624,334
net profit for period	*225,727*	*343,339*
Equity attributable to owners of the parent	**6,781,314**	**6,533,877**
Non-controlling interests	**621,530**	**595,388**
Total equity	**7,402,844**	**7,129,265**
Liabilities		
Borrowings	1,464,651	1,372,047
Other financial liabilities	13,501	15,102
Employee benefit obligations	320,773	321,209
Provisions	98,324	97,692
Trade and other payables	1,224	1,082
Government grants received	68,010	68,431
Deferred tax liabilities	213,754	196,805
Total non-current liabilities	**2,180,237**	**2,072,368**
Borrowings	101,583	52,034
Derivatives	2,993	8,213
Other financial liabilities	47,573	67,485
Employee benefit obligations	37,450	39,917
Provisions	29,276	39,324
Current tax liabilities	14,550	30,553
Trade and other payables	1,437,889	1,602,929
Government grants received	87,602	9,832
Total current liabilities	**1,758,916**	**1,850,287**
Total liabilities	**3,939,153**	**3,922,655**
Total equity and liabilities	**11,341,997**	**11,051,920**

The supplementary information and 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 2017

	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as at January 1st 2017	**495,977**	**2,418,270**	**(7,105)**	**2,401**	**3,624,334**	**6,533,877**	**595,388**	**7,129,265**
Profit or loss and other comprehensive income								
Net profit	-	-	-	-	225,727	225,727	24,334	250,061
Other comprehensive income	-	-	24,013	(2,386)	83	21,710	1,808	23,518
Total profit or loss and other comprehensive income	**-**	**-**	**24,013**	**(2,386)**	**225,810**	**247,437**	**26,142**	**273,579**
Balance as at March 31st 2017	**495,977**	**2,418,270**	**16,908**	**15**	**3,850,144**	**6,781,314**	**621,530**	**7,402,844**

The supplementary information and 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 (continued)
for the period ended March 31st 2016

	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Equity attributable to owners of the parent	Non-controlling interests	Total equity
Balance as at January 1st 2016, adjusted *	**495,977**	**2,418,270**	**65**	**(39)**	**3,371,422**	**6,285,695**	**625,753**	**6,911,448**
Profit or loss and other comprehensive income								
Net profit	-	-	-	-	272,371	272,371	34,620	306,991
Other comprehensive income	-	-	(345)	(111)	-	(456)	(304)	(760)
Total profit or loss and other comprehensive income	**-**	**-**	**(345)**	**(111)**	**272,371**	**271,915**	**34,316**	**306,231**
Transactions with owners, recognised directly in equity								
Dividends	-	-	-	-	-	-	(19)	(19)
Total contributions by and distributions to owners	-	-	-	-	**-**	**-**	**(19)**	**(19)**
Acquisition of non-controlling interests without change of control	-	-	-	-	4,540	4,540	(31,040)	(26,500)
Total transactions with owners	**-**	**-**	**-**	**-**	**4,540**	**4,540**	**(31,059)**	**(26,519)**
Balance as at March 31st 2016	**495,977**	**2,418,270**	**(280)**	**(150)**	**3,648,333**	**6,562,150**	**629,010**	**7,191,160**

The supplementary information and 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 2017	for the period Jan 1– Mar 31 2016
Cash flows from operating activities		
Profit before tax	**318,198**	**380,415**
Adjustments for:	*134,632*	*136,668*
Depreciation and amortisation	133,983	127,437
(Reversal of)/impairment losses of assets	9,824	(222)
Loss from investing activities	1,325	3,832
Loss on disposal of financial assets	-	11
Share of profit of equity-accounted investees	(3,574)	(2,708)
Interest, foreign exchange gains or losses	10,658	6,049
Net change in fair value of financial assets at fair value through profit or loss	(17,584)	2,269
Cash generated from operating activities before changes in working capital	***452,830***	***517,083***
Change in trade and other receivables	(183,415)	38,848
Change in inventories	(49,456)	(64,429)
Change in trade and other payables	(194,754)	(136,892)
Change in provisions, prepayments and grants	42,466	32,649
Other adjustments	(42)	(323)
Cash generated from operating activities	***67,629***	***386,936***
Income taxes paid	(11,987)	(19,542)
Net cash from operating activities	**55,642**	**367,394**

The supplementary information and 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 2017	for the period Jan 1– Mar 31 2016
Cash flows from investing activities		
Proceeds from sale of intangible assets, property, plant and equipment and investment property	455	781
Acquisition of intangible assets, property, plant and equipment and investment property	(251,840)	(289,752)
Acquisition of financial assets	(161,000)	(415,402)
Proceeds from sale of financial assets	341,200	378,130
Interest received	5,656	5,180
Government grants received	-	213
Loans	(1,660)	-
Other disbursements	(9,633)	(853)
Net cash used in investing activities	**(76,822)**	**(321,703)**
Cash flows from financing activities		
Dividends paid	-	(19)
Proceeds from borrowings	261,630	101,206
Acquisition of non-controlling interests	(810)	(33,643)
Payment of borrowings	(94,052)	(14,107)
Interest paid	(12,182)	(8,673)
Payment of finance lease liabilities	(3,144)	(3,365)
Other proceeds/(disbursements)	(19,883)	18,346
Net cash from financing activities	**131,559**	**59,745**
Net increase/(decrease) in cash and cash equivalents	**110,379**	**105,436**
Cash and cash equivalents at beginning of period	**641,711**	**753,144**
Effect of exchange rate fluctuations on cash held	(6,662)	(2,714)
Cash and cash equivalents at end of period	**745,428**	**855,866**

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

Supplementary information to the interim condensed consolidated financial statements

1. Description of the Group

1.1. Organisational structure

As at March 31st 2017, the Grupa Azoty Group (the "Group") comprised Grupa Azoty S.A. (the parent) and the following nine subsidiaries:

- Grupa Azoty Zakłady Azotowe Puławy S.A. (Grupa Azoty PUŁAWY),
- Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. (Grupa Azoty KĘDZIERZYN),
- Grupa Azoty Zakłady Chemiczne Police S.A. (Grupa Azoty POLICE),
- Grupa Azoty ATT Polymers GmbH,
- Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. (Grupa Azoty PKCh Sp. z o.o.),
- Grupa Azoty Koltar Sp. z o.o. (Grupa Azoty KOLTAR Sp. z o.o.),
- Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. (Grupa Azoty SIARKOPOL),
- Grupa Azoty Folie Sp. z o.o.,
- Grupa Azoty Compounding Sp. z o.o.,

Furthermore:

- Grupa Azoty PUŁAWY is the parent of nine subsidiaries and holds ownership interests in three associates,
- Grupa Azoty KĘDZIERZYN is the parent of one subsidiary and holds ownership interests in two associates,
- Grupa Azoty POLICE is the parent of nine subsidiaries, and holds ownership interests in two associates,
- Grupa Azoty PKCh Sp. z o.o. is the parent of three subsidiaries.

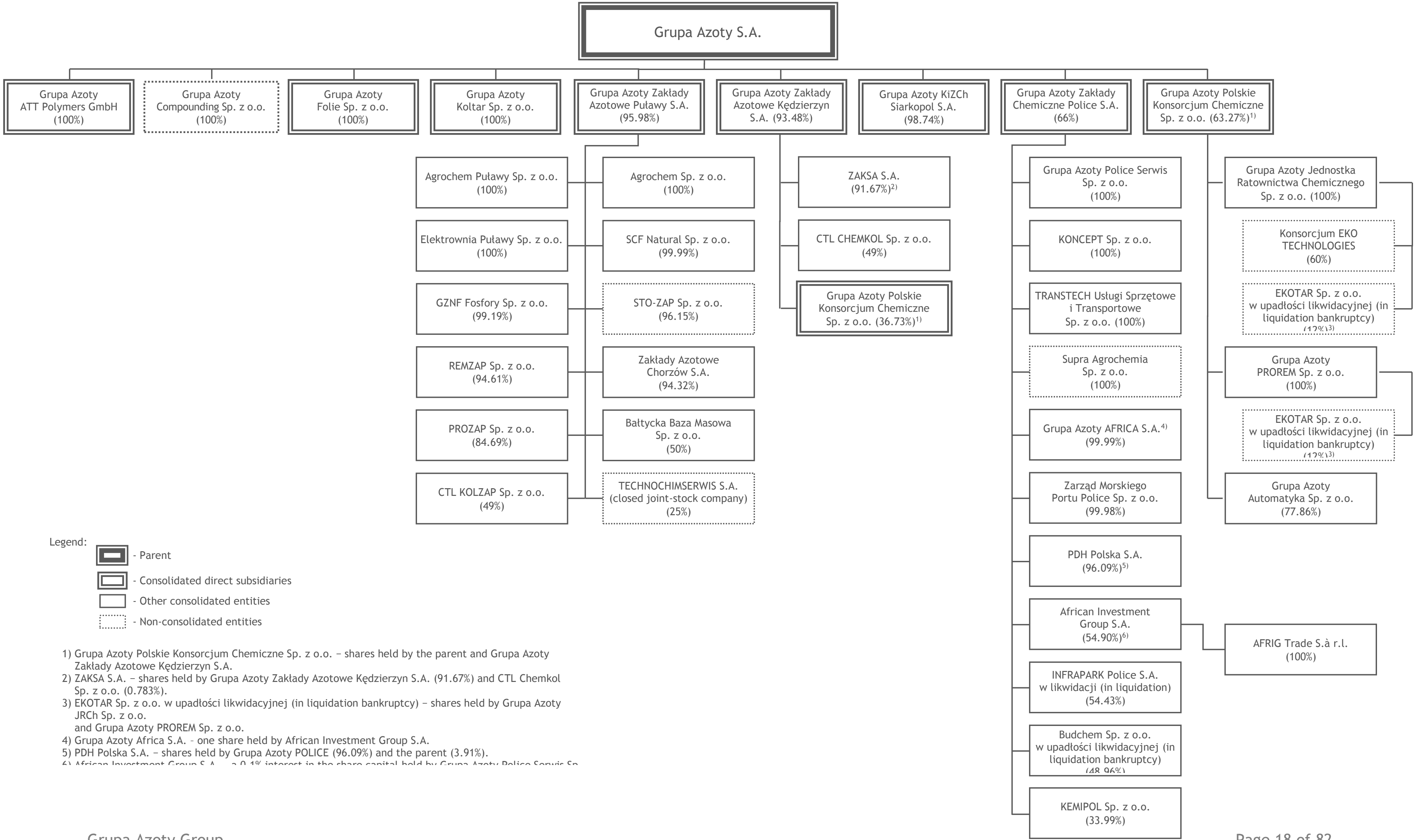
The parent was entered in the Business Register of the National Court Register (entry No. KRS 0000075450) on December 28th 2001, pursuant to a ruling of the District Court for Kraków-Śródmieście in Kraków, 12th Commercial Division of the National Court Register, dated December 28th 2001. The parent's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

Grupa Azoty's business includes in particular:

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

The parent and the other Grupa Azoty Group companies were incorporated for unlimited period.

Structure of the Group as at March 31st 2017:



Legend:
- Parent
- Consolidated direct subsidiaries
- Other consolidated entities
- Non-consolidated entities

1) Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. – shares held by the parent and Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.
2) ZAKSA S.A. – shares held by Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. (91.67%) and CTL Chemkol Sp. z o.o. (0.783%).
3) EKOTAR Sp. z o.o. w upadłości likwidacyjnej (in liquidation bankruptcy) – shares held by Grupa Azoty JRCh Sp. z o.o. and Grupa Azoty PROREM Sp. z o.o.
4) Grupa Azoty Africa S.A. - one share held by African Investment Group S.A.
5) PDH Polska S.A. – shares held by Grupa Azoty POLICE (96.09%) and the parent (3.91%).
6) African Investment Group S.A. – a 0.1% interest in the share capital held by Grupa Azoty Police Serwis Sp.

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.,
- STO-ZAP Sp. z o.o.,
- Technochimservice S.A. (closed joint-stock company),
- Konsorcjum EKO TECHNOLOGIES,
- EKOTAR Sp. z o.o. w upadłości (in bankruptcy),
- Supra Agrochemia Sp. z o.o.

1.2. Changes in the Group's structure

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

Acquisition of shares in Grupa Azoty SIARKOPOL
In accordance with the provisions of the agreement on sale of shares in Grupa Azoty SIARKOPOL of September 25th 2013 and the provisions of the Social Package, since November 2015, the parent has been buying out shares held by employees of Grupa Azoty SIARKOPOL and their heirs. Up to 825,000 shares are to be purchased as part of the buy-out.
In Q1 2017 (on January 11th and January 18th, February 6th and February 8th, and March 10th and March 18th), the parent acquired (for PLN 1,139 thousand) 17,466 shares in Grupa Azoty SIARKOPOL, representing 0.32% of that company's share capital, thus increasing its equity interest in Grupa Azoty SIARKOPOL from 98.42% to 98.74%.
After the reporting date, on April 28th 2017, the parent acquired 1,106 shares in Grupa Azoty SIARKOPOL, representing 0.02% of that company's share capital, for PLN 76 thousand. Following the transaction, the parent holds 98.76% of Grupa Azoty SIARKOPOL's share capital.

Share capital increase at PDH Polska S.A.
On February 2nd 2017, an increase in PDH Polska S.A. share capital, from PLN 60m to PLN 128m, was registered.
On March 29th 2017, the Management Board of Grupa Azoty POLICE resolved to acquire up to 5,200,000 new issue Series C registered shares in PDH Polska S.A. The resolution provided for the acquisition of up to 5,200,000 new issue Series C registered shares in PDH Polska S.A., with a par value and issue price of PLN 10 per share and total value of up to PLN 52,000,000.00. The acquisition will be effected by the Company subscribing for new shares in the increased share capital of PDH Polska S.A.
Furthermore, on March 29th 2017, the Management Board of Grupa Azoty POLICE passed a resolution to acquire, on the first date for the exercise of pre-emptive rights, 2,917,875 new issue Series C registered shares in PDH Polska S.A., with a par value and issue price of PLN 10 per share and total value of PLN 29,178,750.00, subject to the Supervisory Board's approval of the acquisition of up to 5,200,000 new issue Series C registered shares in PDH Polska S.A.
On March 31st 2017, the Supervisory Board of Grupa Azoty POLICE passed a resolution to approve the acquisition of up to 5,200,000 new issue Series C registered shares in PDH Polska S.A. Additionally, the resolution meant the fulfilment of the condition precedent specified in the Management Board's resolution of March 29th 2017 to acquire, on the first date for the exercise of pre-emptive rights, 2,917,875 new issue Series C registered shares in PDH Polska S.A.
On April 5th 2017, the parent's Management Board approved the request to be submitted to the Supervisory Board for its consent to the acquisition of non-current assets in the form of 203,125 new issue Series C registered shares in PDH Polska S.A. with a par value and issue price of PLN 10 per share and total value of PLN 2,031,250.00. The acquisition will be effected by the parent subscribing for new shares in the increased share capital of PDH Polska.

2. Basis of preparation of the interim condensed consolidated financial statements

2.1. Statement of compliance and general basis of preparation

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009, and present the Grupa Azoty Group's financial position as at March 31st 2017, results of its operations for the three months ended March 31st 2017, and cash flows for the three months ended March 31st 2017.

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 2016, prepared in accordance with the International Financial Reporting Standards endorsed by the European Union ("EU IFRS") and other applicable laws and regulations.
All amounts in these interim condensed consolidated financial statements are presented in thousands of złoty.

2.2. 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 2016, save for the changes in the presentation of financial statements described in item c) below.

b) Changes in International Financial Reporting Standards

A number of new Standards, amendments to Standards and Interpretations are not yet effective for interim periods ending March 31st 2017 and have not been applied in these financial statements. The Group intends to apply them in the periods for which they will be effective for the first time.

c) Changes in the presentation of the financial statements

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

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

	Before restatement	Restated	
	As at Dec 31 2016	**As at Dec 31 2016**	**Impact of change**
Assets			
Non-current assets			
Shares	-	14,702	14,702
Equity-accounted investees	-	110,578	110,578
Investments in subordinated entities	112,935	-	(112,935)
Available-for-sale financial assets	12,345	-	(12,345)
Total non-current assets	**7,651,480**	**7,651,480**	**-**
Total assets	**11,051,920**	**11,051,920**	**-**

(all figures in PLN '000 unless indicated otherwise)

The table below presents the impact of the changes on the statement of financial position as at March 31st 2016:

	Before restatement	Restated		
	As at Mar 31 2016	**As at Mar 31 2016**	**Impact of change 1**	**Impact of change 2**
Assets				
Non-current assets				
Property, plant and equipment	6,055,716	5,779,456		(276,260)
Intangible assets	538,653	528,092		(10,561)
Shares	-	15,203	15,203	-
Equity-accounted investees	-	108,304	108,304	
Investments in subordinated entities	110,661	-	(110,661)	
Available-for-sale financial assets	12,846	-	(12,846)	
Deferred tax assets	57,853	59,208		1,355
Total non-current assets	**7,352,481**	**7,067,015**	**-**	**(285,466)**
Total assets	**11,147,688**	**10,862,221**	**-**	**(285,466)**
Equity and liabilities				
Equity				
Translation reserve	1,580	(150)	-	(1,730)
Retained earnings	3,729,135	3,648,333	-	(80,802)
Equity attributable to owners of the parent	**6,644,682**	**6,562,150**	**-**	**(82,532)**
Non-controlling interests	**773,843**	**629,010**	**-**	**(144,833)**
Total equity	**7,418,525**	**7,191,160**	**-**	**(227,365)**
Liabilities				
Deferred tax liabilities	272,116	214,015	-	(58,101)
Total non-current liabilities	**1,835,136**	**1,777,035**	**-**	**(58,101)**
Total liabilities	**3,729,163**	**3,671,062**	**-**	**(58,101)**
Total equity and liabilities	**11,147,688**	**10,862,222**	**-**	**(285,466)**

- 1 – presentation change
- 2 – correction of prior period error, described in detail in Section 2.3.2. in the full-year consolidated financial statements for 2016

(all figures in PLN '000 unless indicated otherwise)

The table below presents the impact of the changes on the presentation of information on operating segments:

	Before restatement				Restated							
	For 3 months ended Mar 31 2016				For 3 months ended Mar 31 2016				Impact of changes			
	Agro Fertilizers	Plastics	Other Activities	Total	Agro Fertilizers	Plastics	Other Activities	Total	Agro Fertilizers	Plastics	Other Activities	Total
Inter-segment revenue	583,416	166,426	253,048	1,814,317	439,386	71,875	215,173	1,537,861	(144,030)	(94,551)	(37,875)	(276,456)
Total revenue	2,159,617	444,593	279,144	4,289,951	2,015,587	350,042	241,269	4,013,495	(144,030)	(94,551)	(37,875)	(276,456)
Operating expenses	(1,821,347)	(470,126)	(264,550)	(3,895,471)	(1,653,236)	(375,575)	(250,756)	(3,619,015)	168,111	94,551	13,794	276,456
Segment's EBIT	**337,330**	**(25,205)**	**9,269**	**389,225**	**361,411**	**(25,205)**	**(14,812)**	**389,225**	24,081	-	(24,081)	-
EBITDA	**379,318**	**(12,799)**	**31,012**	**516,662**	**403,399**	**(12,799)**	**6,931**	**516,662**	24,081	-	(24,081)	-

d) Judgements and estimates

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

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

Except for the issues described in Note 2, the key judgements and estimates made by the Management Board in preparing these interim condensed consolidated financial statements were the same as those made in preparing the consolidated financial statements for the financial year ended December 31st 2016.

3. Selected notes and supplementary information

3.1. Explanatory notes

Segment reporting

Operating segments

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

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

- The Agro Fertilizers segment comprises the manufacturing and marketing of the following products:
  – Nitrogen fertilizers (Saletrzak 27 Standard (calcium ammonium nitrate), Saletrzak , Salmag®, Saletrzak z borem (with boron) 27+B Standard, Salmag z borem®, ZAKsan® (Kędzierzyńska Saletra Amonowa (Kędzierzyn ammonium nitrate)), Saletra Amonowa 30 Makro, mocznik.pl® (urea), 46% granulated urea, PULGRAN®, PULAN®, RSM®, PULREA®),
  – Nitrogen-sulfur fertilizers (ammonium sulfate AS21, Saletrosan®30 (ammonium sulfate nitrate), Saletrosan® 26, POLIFOSKA® 21, Salmag z siarką®, Pulgran®S, Pulsar®, Pulaska®, RSM®S),
  – Compound fertilizers (POLIFOSKA® 4, POLIFOSKA® 5, POLIFOSKA® 6, POLIFOSKA® 8, POLIFOSKA® 12, POLIFOSKA® M, POLIFOSKA® TYTAN, POLIFOSKA® START, POLIFOSKA® Petroplon, POLIMAG® S, POLIFOSKA®PLUS, Amofoska® NPK 5-10-25 +0,1B, Amofoska® NPK 4-16-18, Amofoska® NPK 4-10-28 +2,5Mg+0,1B, Amofoska® NPK 4-12-20, Amofoska® NPKMg 4-12-12+2,5, Amofoska® NPK 4-14-32, Amofoska® Corn NPK 4-10-22 +2,5Mg+0,2Zn),
  – Nitrogen-phosphorus and phosphorus fertilizers (POLIDAP® TYTAN, POLIDAP®, POLIDAP® light, Super FOS DAR 40™),
  – Ammonia,
  – Technical-grade and concentrated nitric acid,
  – Industrial gases.
- The Plastics segment comprises the manufacturing and marketing of the following products:
  – Tarnamid® (PA6) and its modifications,
  – Tarnoform® (POM) and its modifications,
  – Alphalon™ (PA6),
  – Tarnoprop C and H (PPC, modified PPH),
  – Tarnodur A (modified PBT),
  – Tarnamid® A (modified PA66),
  – Caprolactam,
  – Polyamide 11 and 12 tubes, polyethylene tubes, polyamide 6 tubes,
  – Standard Ż polyamide casings.
- The Chemicals segment comprises the manufacturing and marketing of the following products:
  – OXO alcohols (2-ethylhexanol, N-butanol, Isobutanol and Oktanol F),

- Plasticizers (Oxoplast® O, Oxoviflex®, Oxoplast Medica® and Oxoplast® PH),
- Titanium white (Tytanpol®),
- Melamine,
- Iron II sulfate (Fespol®),
- Urea- and ammonia-based special solutions, including: water solution of urea (Noxy®), water solution of urea with a 35%, 40% and 45% urea content (PULNOx®), ammonia water (LIKAM®).

- The Energy segment comprises the production of electricity and heat for the purposes of chemical installations and contract-based sale of electricity to customers connected to the power network.
- The Other Activities segment comprises the remaining activities, including laboratory services, catalyst production (iron-chromium catalyst, copper catalysts, iron catalysts), rental of real estate, and other activities which cannot be allocated to any of the segments specified above. None of those activities met the quantitative criteria to be identified as a reportable segment in the first quarter of 2017 and 2016.

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

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

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

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

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

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

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

Business rationale (sales- and production-related)

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

Formal rationale (IFRS 8 guidelines)

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

Other rationale:

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

(all figures in PLN '000 unless indicated otherwise)

Operating segments

Operating segments' revenues, expenses and financial results for the three months ended March 31st 2017

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	1,523,230	410,890	646,774	62,109	44,198	2,687,201
Inter-segment revenue	493,878	78,653	238,205	673,176	172,199	1,656,111
Total revenue	2,017,108	489,543	884,979	735,285	216,397	4,343,312
Operating expenses, including: (-)	(1,802,763)	(436,119)	(811,884)	(734,138)	(229,647)	(4,014,551)
Selling and distribution expenses (-)	*(118,287)*	*(16,019)*	*(41,134)*	*(44)*	*(164)*	*(175,648)*
Administrative expenses (-)	*(82,267)*	*(27,677)*	*(38,828)*	*(3,537)*	*(19,805)*	*(172,114)*
Other income	857	920	402	904	9,769	12,852
Other expenses (-)	(656)	(366)	(231)	(828)	(25,863)	(27,944)
Segment's EBIT*	**214,546**	**53,978**	**73,266**	**1,223**	**(29,344)**	**313,669**
Finance income	-	-	-	-	-	35,403
Finance costs (-)	-	-	-	-	-	(34,448)
Share of profit of equity-accounted investees	-	-	-	-	-	3,574
Profit before tax	**-**	**-**	**-**	**-**	**-**	**318,198**
Income tax	-	-	-	-	-	(68,137)
Net profit	**-**	**-**	**-**	**-**	**-**	**250,061**
EBIT*	214,546	53,978	73,266	1,223	(29,344)	313,669
Depreciation and amortisation	46,401	12,016	25,528	20,033	21,043	125,021
Unallocated depreciation and amortisation	-	-	-	-	-	8,962
EBITDA**	**260,947**	**65,994**	**98,794**	**21,256**	**(8,301)**	**447,652**

* EBIT is calculated as operating profit (loss) as disclosed in the statement of profit or loss.
** EBITDA is calculated as operating profit (loss) before depreciation and amortisation.
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(all figures in PLN '000 unless indicated otherwise)

Operating segments' revenues, expenses and financial results for the three months ended March 31st 2016, restated*

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
External revenue	1,576,201	278,167	534,858	60,312	26,096	2,475,634
Inter-segment revenue	439,386	71,875	227,732	583,695	215,173	1,537,861
Total revenue	2,015,587	350,042	762,590	644,007	241,269	4,013,495
Operating expenses, including: (-)	(1,653,236)	(375,575)	(701,414)	(638,034)	(250,756)	(3,619,015)
Selling and distribution expenses (-)	*(111,563)*	*(13,359)*	*(36,579)*	*(32)*	*(605)*	*(162,138)*
Administrative expenses (-)	*(91,898)*	*(26,445)*	*(39,475)*	*(4,127)*	*(12,254)*	*(174,199)*
Other income	525	1,123	1,170	916	4,679	8,413
Other expenses (-)	(1,465)	(795)	(636)	(768)	(10,004)	(13,668)
Segment's EBIT**	**361,411**	**(25,205)**	**61,710**	**6,121**	**(14,812)**	**389,225**
Finance income	-	-	-	-	-	8,421
Finance costs (-)	-	-	-	-	-	(19,939)
Share of profit of equity-accounted investees	-	-	-	-	-	2,708
Profit before tax	**-**	**-**	**-**	**-**	**-**	**380,415**
Income tax	-	-	-	-	-	(73,424)
Net profit	**-**	**-**	**-**	**-**	**-**	**306,991**
EBIT**	361,411	(25,205)	61,710	6,121	(14,812)	389,225
Depreciation and amortisation	41,988	12,406	24,840	19,544	21,743	120,521
Unallocated depreciation and amortisation	-	-	-	-	-	6,916
EBITDA***	**403,399**	**(12,799)**	**86,550**	**25,665**	**6,931**	**516,662**

* Financial data restated in accordance with the information presented in Section 2.2.c) of supplementary information to these interim condensed consolidated financial statements.
** EBIT is calculated as operating profit (loss) as disclosed in the statement of profit or loss.
*** EBITDA is calculated as operating profit (loss) before depreciation and amortisation.

(all figures in PLN '000 unless indicated otherwise)

Geographical areas

Revenue split by geographical areas is determined based on the location of trading partners. Assets are allocated to geographical areas based on the assets' location.

Revenue

	for the period Jan 1 – Mar 31 2017	for the period Jan 1– Mar 31 2016
Poland	1,489,573	1,523,637
Germany	300,381	257,436
Other EU countries	623,551	518,031
Asia	154,389	81,797
Africa	36,872	57,358
South America	12,688	729
Other countries	69,747	36,646
Total	**2,687,201**	**2,475,634**

No single trading partner accounted for more than 10% of revenue in Q1 2017 and Q1 2016.

Note 1 Contingent liabilities, contingent assets and guarantees

Contingent assets

	as at Mar 31 2017	as at Dec 31 2016
Contingent receivables	26,153	27,033

Contingent liabilities, sureties and guarantees

	as at Mar 31 2017	as at Dec 31 2016
Guarantees	122	366
Other contingent liabilities	20,321	27,344
	20,443	**27,710**

Note 2 Accounting estimates and assumptions

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

	for the period Jan 1 – Mar 31 2017	for the period Jan 1– Dec 31 2016	for the period Jan 1– Mar 31 2016
Balance at beginning of period	**498,142**	**506,522**	**506,522**
Recognised	1,553	73,461	4,584
Reversed (-)	(4,400)	(39,749)	(2,810)
Used (-)	(9,472)	(42,092)	(6,937)
Balance at end of period	**485,823**	**498,142**	**501,359**

(all figures in PLN '000 unless indicated otherwise)

Changes in impairment losses on property, plant and equipment

	for the period Jan 1 – Mar 31 2017	for the period Jan 1– Dec 31 2016	for the period Jan 1– Mar 31 2016
Balance at beginning of period	**280,368**	**259,451**	**259,451**
Recognised	9,824	25,589	-
Reversed (-)	-	(2,172)	(45)
Used (-)	(1,962)	(2,500)	(24)
Balance at end of period	**288,230**	**280,368**	**259,382**

Changes in inventory write-downs

	for the period Jan 1 – Mar 31 2017	for the period Jan 1– Dec 31 2016	for the period Jan 1– Mar 31 2016
Balance at beginning of period	**43,028**	**50,432**	**50,432**
Recognised	2,492	28,309	10,682
Reversed (-)	(1,306)	(14,747)	(5,762)
Used (-)	(1,981)	(20,966)	(5,826)
Balance at end of period	**42,233**	**43,028**	**49,526**

Changes in impairment losses on receivables

	for the period Jan 1 – Mar 31 2017	for the period Jan 1– Dec 31 2016	for the period Jan 1– Mar 31 2016
Balance at beginning of period	**80,505**	**63,479**	**63,479**
Recognised	4,472	32,544	927
Reversed (-)	(4,321)	(6,962)	(1,004)
Used (-)	(732)	(8,556)	(5,015)
Balance at end of period	**79,924**	**80,505**	**58,387**

3.2. Related-party transactions

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 2017, the Grupa Azoty Group did not execute any related-party transactions other than on arm's length basis.

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

3.3. Dividends

In the first quarter of 2017 and as at the issue date for the Q1 2017 report, the parent did not pay or declare any dividend.

3.4. 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 as well as fertilizer allocation on various geographical markets.

Titanium white
Because of its chief application (as a component of paints and varnishes), titanium white is a seasonal product used in structural construction. Demand for titanium dioxide starts to rise at the end of the first quarter; it depends on the favourable market conditions.

For other chemicals manufactured by the Grupa Azoty Group, seasonality may occur but it has limited effect on the Group’s performance as e chemicals’ contribution to the total output is not material.

Interim condensed separate financial statements for the three months ended March 31st 2017 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 these interim condensed separate financial statements for the three months ended March 31st 2017, comprising:

- Condensed separate statement of profit or loss and other comprehensive income for the period January 1st–March 31st 2017,
- Condensed separate statement of financial position as at March 31st 2017,
- Condensed separate statement of changes in equity for the period January 1st–March 31st 2017,
- Condensed separate statement of cash flows for the period January 1st–March 31st 2017,
- 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 assets, financial position and performance of Grupa Azoty S.A.

Signatures of Members of the Management Board

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

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

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

……………………………
Paweł Łapiński
Vice President of the Management Board

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

……………………………
Artur Kopeć
Member of the Management Board

Person responsible for maintaining accounting records

……………………………
Ewa Gładysz
Head of Corporate Finance Department

Tarnów, May 10th 2017

(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 2017	for the period Jan 1– Mar 31 2016
Profit or loss	*unaudited*	*unaudited*
Revenue	478,849	436,233
Cost of sales	(351,388)	(340,408)
Gross profit	**127,461**	**95,825**
Selling and distribution expenses	(26,810)	(23,830)
Administrative expenses	(36,536)	(35,393)
Other income	2,186	2,651
Other expenses	(10,075)	(6,022)
Operating profit	**56,226**	**33,231**
Finance income	9,229	3,649
Finance costs	(13,368)	(8,984)
Net finance costs	**(4,139)**	**(5,335)**
Profit before tax	**52,087**	**27,896**
Income tax	(12,282)	(5,638)
Net profit	**39,805**	**22,258**
Other comprehensive income		
Items that are or may be reclassified to profit or loss		
Cash flow hedging – effective portion of change in fair-value measurement	21,592	(345)
Tax on items that are or may be reclassified to profit or loss	2,421	-
Total other comprehensive income	**24,013**	**(345)**
Total profit or loss and other comprehensive income	**63,818**	**21,913**
Earnings/(loss) per share:		
Basic (PLN)	0.40	0.22
Diluted (PLN)	0.40	0.22

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

(all figures in PLN '000 unless indicated otherwise)

Condensed separate statement of financial position

	as at Mar 31 2017	as at Dec 31 2016
Assets		
Non-current assets		
Property, plant and equipment	1,475,367	1,435,521
Perpetual usufruct of land	372	373
Intangible assets	50,823	50,864
Investment property	17,408	17,700
Shares	3,884,860	3,883,721
Other financial assets	255,681	244,220
Total non-current assets	**5,684,511**	**5,632,399**
Current assets		
Inventories	150,676	171,256
Property rights	21,852	31,423
Derivatives	4,552	834
Other financial assets	63,315	53,944
Trade and other receivables	236,967	226,678
Cash and cash equivalents	310,897	326,031
Non-current assets held for sale	691	691
Total current assets	**788,950**	**810,857**
Total assets	**6,473,461**	**6,443,256**

* Financial data restated as described in the supplementary information to the interim condensed separate financial statements.

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

(all figures in PLN '000 unless indicated otherwise)

Condensed separate statement of financial position (continued)

	as at Mar 31 2017	as at Dec 31 2016
	unaudited	*audited*
Equity and liabilities		
Equity		
Share capital	495,977	495,977
Share premium	2,418,270	2,418,270
Hedging reserve	16,908	(7,105)
Retained earnings, including:	1,649,800	1,609,995
net profit for the period	*39,805*	*224,775*
Total equity	**4,580,955**	**4,517,137**
Liabilities		
Borrowings	1,260,454	1,166,290
Other financial liabilities	1,431	1,539
Employee benefit obligations	46,136	46,136
Provisions	25,992	25,992
Government grants received	19,881	19,222
Deferred tax liabilities	32,272	23,241
Total non-current liabilities	**1,386,166**	**1,282,420**
Borrowings	218,797	307,375
Derivatives	8	1,108
Other financial liabilities	38,365	58,131
Employee benefit obligations	2,994	2,994
Provisions	1,923	2,355
Current tax liabilities	830	-
Trade and other payables	232,218	269,889
Government grants received	11,205	1,847
Total current liabilities	**506,340**	**643,699**
Total liabilities	**1,892,506**	**1,926,119**
Total equity and liabilities	**6,473,461**	**6,443,256**

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

(all figures in PLN '000 unless indicated otherwise)

Condensed separate statement of changes in equity

for the period ended March 31st 2017

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
Balance as at January 1st 2017	**495,977**	**2,418,270**	**(7,105)**	**1,609,995**	**4,517,137**
Profit or loss and other comprehensive income					
Net profit	-	-	-	39,805	39,805
Other comprehensive income	-	-	24,013	-	24,013
Total profit or loss and other comprehensive income	**-**	**-**	**24,013**	**39,805**	**63,818**
Balance as at March 31st 2017 (unaudited)	**495,977**	**2,418,270**	**16,908**	**1,649,800**	**4,580,955**

for the period ended March 31st 2016

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
Balance as at January 1st 2016	**495,977**	**2,418,270**	**65**	**1,468,459**	**4,382,771**
Profit or loss and other comprehensive income					
Net profit	-	-	-	22,258	22,258
Other comprehensive income	-	-	(345)	-	(345)
Total profit or loss and other comprehensive income	**-**	**-**	**(345)**	**22,258**	**21,913**
Balance as at March 31st 2016 (unaudited)	**495,977**	**2,418,270**	**(280)**	**1,490,717**	**4,404,684**

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

(all figures in PLN '000 unless indicated otherwise)

Condensed separate statement of cash flows

	for the period Jan 1 – Mar 31 2017	for the period Jan 1– Mar 31 2016
	unaudited	*unaudited*
Cash flows from operating activities		
Profit before tax	**52,087**	**27,896**
Adjustments for:	*25,404*	*27,010*
Depreciation and amortisation	24,141	22,933
(Reversal of)/impairment losses of assets	144	(9)
Loss from investing activities	217	32
Loss on disposal of financial assets	-	11
Interest, foreign exchange gains or losses	5,728	5,004
Net change in fair value of financial assets at fair value through profit or loss	(4,826)	(961)
Cash generated from operating activities before changes in working capital	***77,491***	***54,906***
Change in trade and other receivables	(1,211)	2,369
Change in inventories and property rights	30,152	34,256
Change in trade and other payables	(25,231)	(42,181)
Change in provisions, prepayments and grants	(11,699)	(29,456)
Cash generated from operating activities	***69,502***	***19,894***
Net cash from operating activities	**69,502**	**19,894**

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

(all figures in PLN '000 unless indicated otherwise)

Condensed separate statement of cash flows (continued)

	for the period Jan 1 – Mar 31 2017	for the period Jan 1– Mar 31 2016
	unaudited	*unaudited*
Cash flows from investing activities		
Proceeds from sale of intangible assets, property, plant and equipment and investment property	113	521
Acquisition of intangible assets, property, plant and equipment and investment property	(64,026)	(107,241)
Acquisition of financial assets	(809)	(33,643)
Proceeds from sale of financial assets	-	9
Interest received	2,015	1,671
Loans advanced	(28,714)	(43,090)
Repayment of loans advanced	7,548	7,548
Other disbursements	(609)	(511)
Net cash used in investing activities	**(84,482)**	**(174,736)**
Cash flows from financing activities		
Proceeds from borrowings	115,673	60,104
Payment of borrowings	(89,788)	-
Interest paid	(6,450)	(5,548)
Payment of finance lease liabilities	(149)	(194)
Other proceeds/(disbursements)	(19,440)	13,550
Net cash from/(used in) financing activities	**(154)**	**67,912**
Net increase/(decrease) in cash and cash equivalents	**(15,134)**	**(86,930)**
Cash and cash equivalents at beginning of period	**326,031**	**111,942**
Cash and cash equivalents at end of period	**310,897**	**25,012**

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

(all figures in PLN '000 unless indicated otherwise)

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 2017, and the audited separate financial statements of Grupa Azoty S.A. for the financial year ended December 31st 2016.

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

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 2016, save for the changes in the presentation of financial statements described below.

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

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

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

Management's discussion and analysis: the Grupa Azoty Group in Q1 2017

1. General information on the Grupa Azoty Group

The Grupa Azoty Group is one of Central Europe's major chemical groups with a strong presence on the market of mineral fertilizers, engineering plastics, OXO products, and other chemicals.
The Group has brought together companies with different traditions and complementary business profiles, seeking to leverage their potential to deliver a common strategy. This has led to the creation of Poland's largest chemical group and a major industry player in Europe. Thanks to its carefully designed structure, the Group offers a diverse product mix, ranging from nitrogen and compound fertilizers, engineering plastics, to OXO products and melamine.
Grupa Azoty S.A. has been listed on the Warsaw Stock Exchange since June 30th 2008. It is included in the WIG, WIG30, mWIG 40, WIG-Poland, and WIG-CHEMIA indices, as well as the Respect Index. Its shares are also a constituent of foreign indices: MSCI Emerging Markets and FTSE Emerging Markets.
As at March 31st 2017, the Grupa Azoty Group (the "Group") comprised Grupa Azoty S.A. (the parent) and the following nine subsidiaries.

Parent

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

Parent's subsidiaries

Grupa Azoty Zakłady Azotowe Puławy S.A.
The company has its registered office in at Al. Tysiąclecia Państwa Polskiego 13, Puławy, Poland Since April 4th 2013, it has been trading under the name Grupa Azoty Zakłady Azotowe Puławy Spółka Akcyjna (abbreviated to Grupa Azoty PUŁAWY).
Grupa Azoty PUŁAWY specialises in the manufacturing of nitrogen fertilizers and is one of the largest melamine manufacturers in the world.

Grupa Azoty Zakłady Azotowe Kędzierzyn Spółka Akcyjna
The company has its registered office at ul. Mostowa 30A, Kędzierzyn-Koźle, Poland. Since January 11th 2013, it has been trading under the name Grupa Azoty Zakłady Azotowe Kędzierzyn Spółka Akcyjna (abbreviated to Grupa Azoty ZAK or Grupa Azoty KĘDZIERZYN).
The company's two business pillars are nitrogen fertilizers and OXO products (OXO alcohols and plasticisers).

Grupa Azoty Zakłady Chemiczne Police Spółka Akcyjna
The company has its registered office at ul. Kuźnicka 1, Police, Poland. Since June 3rd 2013, it has been trading under the name Grupa Azoty Zakłady Chemiczne Police Spółka Akcyjna (abbreviated to Grupa Azoty POLICE).
Grupa Azoty POLICE is a major manufacturer of compound and nitrogen fertilizers, and titanium white.

Grupa Azoty ATT Polymers GmbH
The company's registered office is located in Guben, Germany. Since July 10th 2013, it has been trading under the name Grupa Azoty ATT Polymers GmbH.
It manufactures polyamide 6 (PA6).

Grupa Azoty Polskie Konsorcjum Chemiczne Spółka z ograniczoną odpowiedzialnością
The company's registered office is located at ul. E Kwiatkowskiego 7, Tarnów, Poland.
Since February 28th 2013, it has been trading under the name Grupa Azoty Polskie Konsorcjum Chemiczne Spółka z ograniczoną odpowiedzialnością (abbreviated to Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. or Grupa Azoty PKCh Sp. z o.o.).
Grupa Azoty PKCh provides comprehensive design services encompassing complete design support for investment projects in the chemical industry − from study and concept works to process and construction design and working plans for services during the construction, commissioning and operation of process units.

Grupa Azoty Koltar Spółka z ograniczoną odpowiedzialnością
The company's registered office is located at ul. Kwiatkowskiego 8, Tarnów, Poland.
Since March 6th 2013, it has been trading under the name Grupa Azoty Koltar Spółka z ograniczoną odpowiedzialnością (abbreviated to Grupa Azoty Koltar Sp. z o.o.).
Grupa Azoty Koltar provides railway transport services nationwide. It is one of the few organisations in Poland to hold licences required to perform comprehensive repairs of rail car chassis and tank cars used in the transport of hazardous materials (according to RID).

Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol Spółka Akcyjna
The company's registered office is located in Grzybów. Since February 11th 2014, it has been trading under the name Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol Spółka Akcyjna (abbreviated to Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. or Grupa Azoty SIARKOPOL).
Grupa Azoty SIARKOPOL is Poland's largest producer of liquid sulfur.

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

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

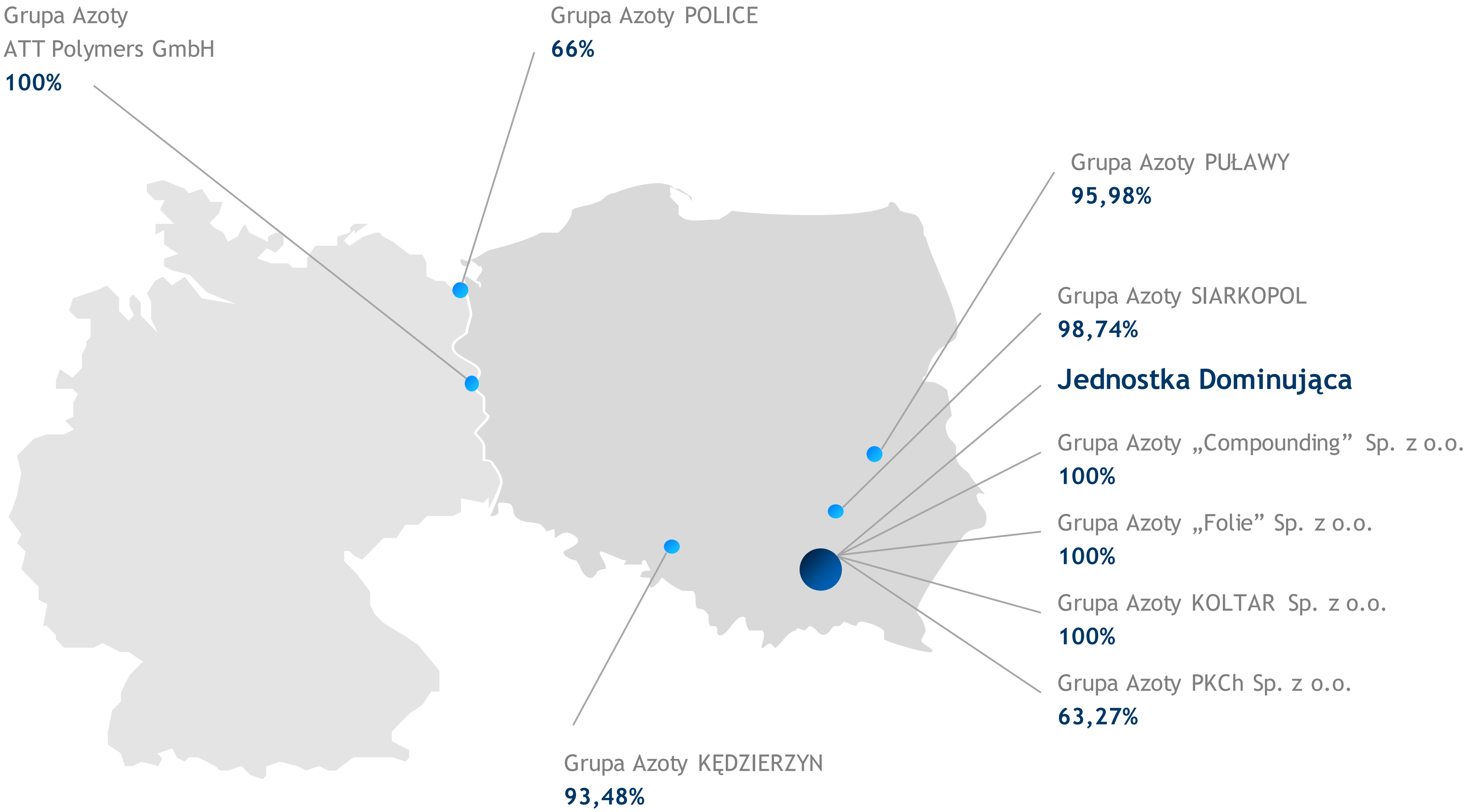
Parent’s equity interests in the subsidiaries as at March 31st 2017

(all figures in PLN '000 unless indicated otherwise)

(currency)

Company	Registered office/address	Share capital	% of shares held directly
Grupa Azoty ATT Polymers GmbH	Forster Straße 72 03172 Guben, Germany	EUR 9,000,000	100.00
Grupa Azoty Compounding Sp. z o.o.	ul. Chemiczna 118 33-101 Tarnów, Poland	PLN 5,000	100.00
Grupa Azoty Folie Sp. z o.o.	ul. Chemiczna 118 33-101 Tarnów, Poland	PLN 5,500,000	100.00
Grupa Azoty Koltar Sp. z o.o.	ul. Kwiatkowskiego 8 33-101 Tarnów, Poland	PLN 32,760,000	100.00
Grupa Azoty PUŁAWY	al. Tysiąclecia Państwa Polskiego 13 24-110 Puławy, Poland	PLN 191,150,000	95.98
Grupa Azoty SIARKOPOL	Grzybów, 28-200 Staszów, Poland	PLN 55,000,000	98.74
Grupa Azoty KĘDZIERZYN	ul. Mostowa 30 A skr. poczt. 163 47-220 Kędzierzyn-Koźle, Poland	PLN 285,064,300	93.48
Grupa Azoty POLICE	ul. Kuźnicka 1 72-010 Police, Poland	PLN 750,000,000	66.00
Grupa Azoty PKCh Sp. z o.o.	ul. Kwiatkowskiego 7 33-101 Tarnów, Poland	PLN 85,630,550	63.27

The parent and its subsidiaries as at March 31st 2017



2. Assets and financial position

2.1. Assessment of factors and non-recurring events having a material impact on the Grupa Azoty Group’s operations and financial performance

Impairment losses at Grupa Azoty PUŁAWY's subsidiary – Elektrownia Puławy Sp. z o.o.
On March 31st 2017, Elektrownia Puławy Sp. z o.o., conducting the tender procedure to select the general contractor for the construction of a 400 MWe CCGT unit, resolved not to select any bid and to close the procedure. This decision was approved by the Grupa Azoty PUŁAWY's Management and Supervisory Boards.
On March 31st 2017, Elektrownia Puławy Sp. z o.o. recognised a PLN 9,113 thousand impairment loss related to the capital expenditure incurred on the project.

Exchange rates
The financial performance of the Grupa Azoty Group in Q1 2017 was driven by a number of factors, including the growing global risk appetite fuelled by the anticipated growth in the US economy, stabilization of the Chinese economy, as well as good growth prospects in the eurozone and the end of a long period of deflation. These factors, combined with the leading rating agencies' decisions to keep Poland's sovereign credit rating unchanged, translated into a strong appreciation of PLN against EUR and USD in Q1 2017, which helped the Polish currency recover, with the PLN/EUR and PLN/USD exchange rates returning to the levels seen in Q2 2016.
During Q1 2017, the Polish currency strengthened by approximately 4.6% against EUR and by about 5.6% against USD over December 31st 2016. Also, the average PLN/EUR exchange rate appreciated by approximately 1.29%, and the average PLN/USD was slightly higher, by about 0.03%, compared with Q4 2016. On average, PLN's appreciation against EUR and USD was significantly smaller than in the previous quarter, and had no material effect on the Grupa Azoty Group’s performance.
The Group monitors its current and planned net currency exposures and mitigates the resulting currency risk by applying selected hedging instruments and activities. In the reporting period, the main tools used by the Grupa Azoty Group were: natural hedging; factoring and discounting of receivables denominated in foreign currencies; and currency forwards covering up to 80% of the remaining currency exposure with time horizons of less than 6 months, and up to 50% of the remaining currency exposure with time horizons between 6 and 12 months.
Pursuant to the ‘Policy of Financial Risk Management (currency risk and interest rate risk)’, the Grupa Azoty Group may enter into hedging transactions with horizons of up to 24 months (as long as it reduces the adverse impact of fluctuations in exchange rates on the 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).
Execution of currency hedging transactions where the hedge horizon is more than 24 months or the transaction does not conform to the financial risk management policy requires approval by the Management Board based on the recommendation of the Finance Committee.

In Q1 2017, Grupa Azoty S.A. used some hedging tools in the form of EUR and USD swap forwards, mainly as an addition to those contracted in 2016, reflecting its planned net exposure in both currencies. The Grupa Azoty Group reported a gain on hedging transactions realised in Q1 2017 of PLN 604 thousand. The result on revaluation of hedging instruments was positive at PLN 27,803 thousand.
In Q1 2017, the Grupa Azoty Group's total result on the settlement of hedging transactions and revaluation of hedging instruments was positive at PLN 28,407 thousand.
On the unhedged net currency exposure, the Group reported a net loss on realised and unrealised foreign-exchange differences of PLN (22,300) thousand.
In Q1 2017, the Grupa Azoty Group’s total result on foreign exchange differences and currency derivative transactions (including revaluation as at the end of the reporting period) was positive at PLN 6,107 thousand.

The loss on current currency transactions and measurement of foreign-exchange receivables and payables was more than offset by gains on measurement and exercise of currency forwards.
Interest rates in Poland
In Q1 2017, interest rates in Poland were kept unchanged. Based on an announcement by the Governor of the National Bank of Poland, despite growing inflation, attributable partly to the rising prices of energy carriers and partly to stronger consumer demand, interest rates should remain at their current

level until the end of 2017 to keep the Polish economy on the path of sustainable growth, with moderate core inflation increase.
As a result, the Group's base interest rate (1M WIBOR) stayed in Q1 2017 at approximately 1.65%, which had a positive effect on stabilising the Group's borrowing costs at a relatively low level translating into a solid debt service capacity.

Prices of CO_2 emission allowances
In Q1 2017, the prices of CO_2 emission allowances stabilised compared with their considerably higher volatility a year earlier. The price of CO2 emission allowances at the end of Q1 2017 declined on the end of 2016, resulting in losses on valuation of forward contracts for CO_2 emission allowances at the end of the period.
In the first three months of 2017, the Group reported a PLN (5,462) thousand loss on valuation of forward contracts for the purchase of CO_2emission allowances.

Hedge accounting
Since September 28th 2016, the Group has applied cash flow hedge accounting. The hedged items are highly probable future proceeds from sale transactions in the euro, which will be recognised in profit or loss in the period from December 2018 to June 2025. The hedging covers currency risk. The hedge is a euro-denominated credit facility valued at EUR 127,134 thousand as at March 31st 2017, repayable from December 2018 to June 2025 in 14 equal half-yearly instalments of EUR 9,081 thousand each. As at March 31st 2017, the fair value of the facility was PLN 538,371 thousand. As at March 31st 2017, the hedging reserve included PLN 12,805 thousand on account of the effective hedge. In Q1 2017, the Group did not reclassify any hedge accounting amounts from other comprehensive income to the statement of profit or loss.

2.2. Market overview

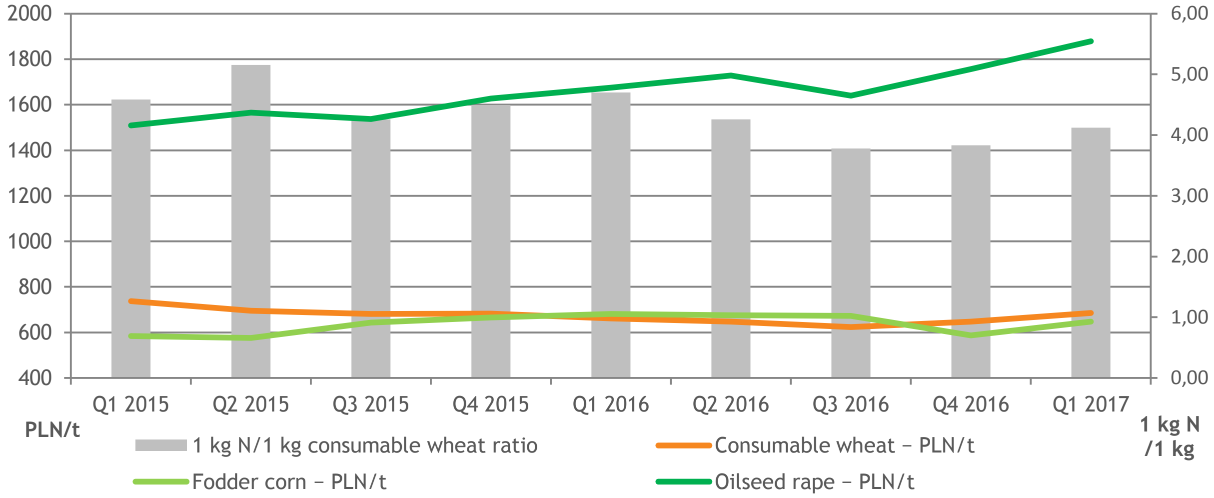
The main driving force behind Poland's economic growth is still domestic demand, supported by higher individual consumption and payments under the Family 500+ social benefit scheme. Individual consumption continued to be benefit from steadily rising employment and higher pay rates. Domestic demand was also supported by the sound financial condition of businesses and the final phase of advance payments towards 2016 direct subsidies for farmers. According to the International Monetary Fund's most recent estimates, Poland's GDP growth in 2017 will reach 3.4%, while as recently as in January estimates put it at 3.3%.
According to the Monetary Policy Council, based on the March inflation forecast, after a rapid acceleration seen in the first months of 2017, prices should rise at a moderate pace in the coming quarters. However, the coming quarters are likely to see a slight growth in inflation in Poland's economic environment. Economic growth in the eurozone is expected to slightly decelerate, with growing uncertainty attributable to the international environment, which may be driven by the higher energy and other commodity prices on global markets.

AGRO FERTILIZERS

Economic conditions in agriculture
In Q1 2017, the pressure of high grain supply on the global and domestic markets kept prices low. The financial situation of farmers in Poland slightly improved relative to the previous quarter.
The Agency for Restructuring and Modernisation of Agriculture disbursed the final tranches of direct subsidies for 2016. Compared with previous years, increasingly more farmers are purchasing means of production on a deferred payment basis. The number of farmers in arrears with payments also grew. Despite that, in 2017 farmers expect a year-on-year improvement of the conditions in agriculture.
In Q1 2017, high levels of grain stocks were reported on global markets. Furthermore, the high yield forecasts for the 2017/2018 harvest in the European Union do not leave much room for price hikes.
In Poland, there was a slight increase in grain prices, especially in the case of oilseeds, while the prices of fodder plants declined.

(all figures in PLN '000 unless indicated otherwise)

Wheat, corn and oilseed rape prices



Source: the Ministry of Agriculture and Rural Development.

Rising prices of commodities (especially energy carriers) and higher production costs of fertilizers (particularly nitrogen fertilizers) will drive up the prices of means of agricultural production.

	Average Q1 2016 PLN/t	Average Q1 2017 PLN/t	Q/Q %	Mar 2017 PLN/t	2017 MIN PLN/t	2017 MAX PLN/t
Consumable wheat	662	686	4	698	675	698
Fodder corn	681	647	-5↓	661	635	661
Rapeseed	1,675	1,878	12	1,883	1,862	1,890

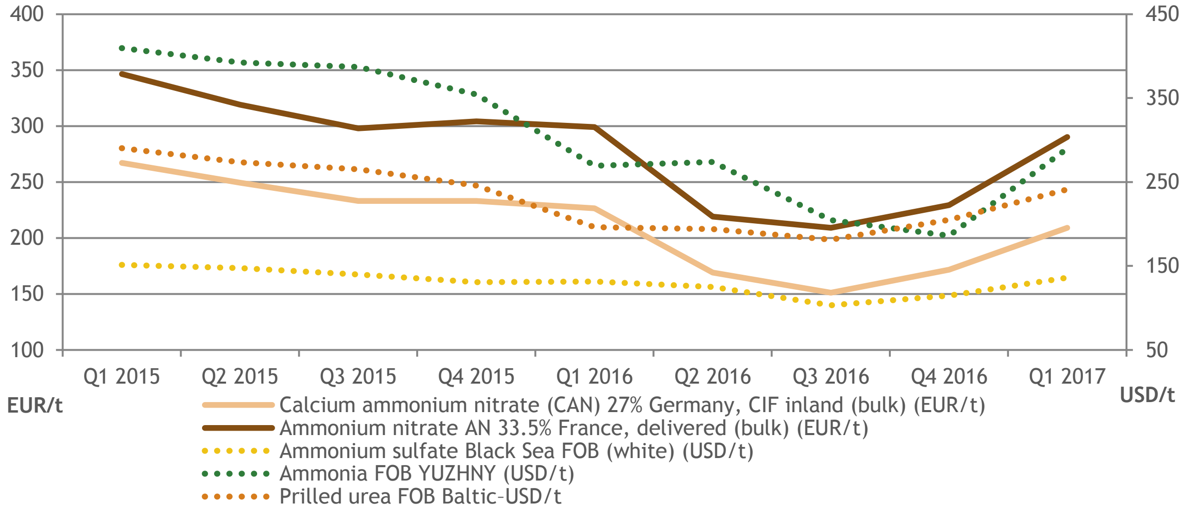
Source: the Ministry of Agriculture and Rural Development.

Nitrogen fertilizers

In Q1 2017, domestic demand for mineral fertilizers was on a par with that reported in Q1 2016, mainly as a result of continuing low prices of agricultural produce and the agricultural sector's expectation of fertilizer price reductions. As in Q1 2016, the demand grew in March, when the first dose of fertilizers is applied by farmers. Depending on the region, when purchases peaked, small shortages of urea were reported on the domestic market. The prices of calcium ammonium nitrate and ammonium nitrate were lower relative to the previous year, but they reached the highest level since the historical low seen in the third quarter last year. The situation in Western Europe followed the same patterns as in Poland. A change in demand for fertilizers is likely to be driven by the extended spring fertilizer application period.

(all figures in PLN '000 unless indicated otherwise)

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



Source: ICIS, Argus FMB, Profercy.

Compared with Q1 2016, the average prices of urea, ammonia, and ammonium sulfate went up 23%, 8%, and 3%, respectively.

	Average Q1 2016 EUR/t	Average Q1 2017 EUR/t	Q/Q %	Mar 2017 EUR/t	2017 MIN EUR/t	2017 MAX EUR/t
CAN 27% Germany CIF inland (bulk)	227	209	-8 ↓	208	208	210
AN 33.5% France, delivered (bulk)	299	290	-3 ↓	294	284	294
	USD/t	USD/t	Q/Q	USD/t	USD/t	USD/t
Ammonia (FOB Yuzhny)	270	290	8	315	253	315
Urea (FOB Baltic)	196	241	23	230	230	253
AS (Black Sea FOB white)	131	136	3	129	129	140

Source: ICIS, Argus FMB, Profercy.

The key factor in the urea price growth was its limited supply, being an effect of China's production reduced to 55%, shutdown of a number of urea production units in Ukraine, and rising demand before the approaching spring application season.
Ammonia prices grew on the back of reduced supply, which followed from restrictions on ammonia transit from Russia through Ukraine to the port of Yuzhny (Black Sea), production-related problems experienced by a number of producers-exporters (Trinidad, Algeria, Ukraine, Qatar, Russia), as well as improved demand in the US and Asia.

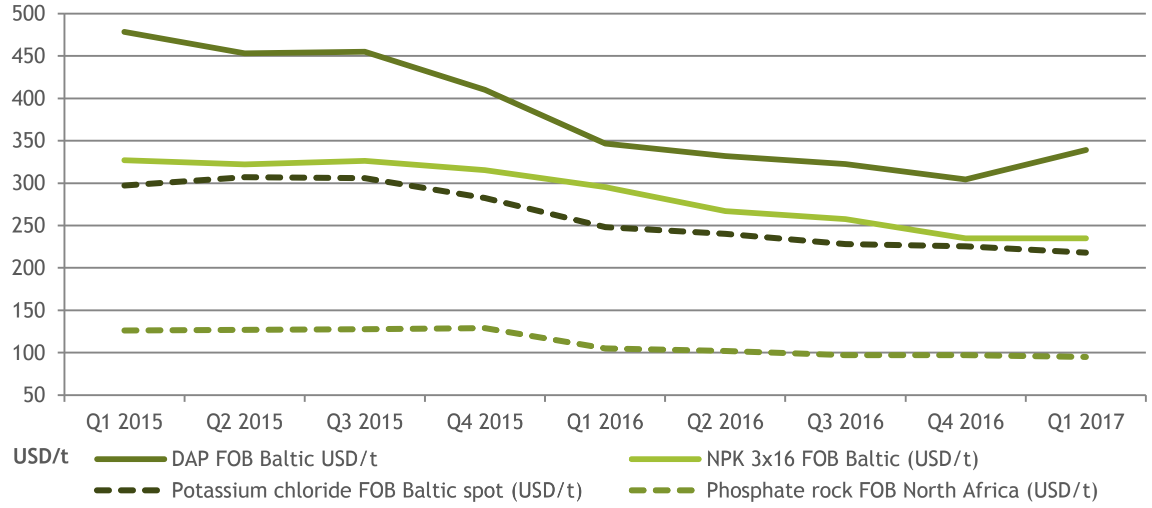
Market of compound fertilizers

In Q1 2017, retail sales of NPK fertilizers in Poland were lower than expected. Farmers had increased their stocks significantly in November and December 2016, taking advantage of earlier distribution of direct subsidies and price reductions by manufacturers. In Q1 2017, prices of NPK fertilizers were approximately 20% lower than in Q1 2016. NPK fertilizers imported from Norway, Finland, Russia and Belarus were available on a regular basis in Poland. There was growing demand among farmers for NPK blending fertilizers, as their prices are usually 10−15% lower than the prices of compound NPK fertilizers.
Except for local and periodic instances of higher demand, Q1 2017 was marked with reduced demand for NPK fertilizers across most European markets. Low incomes in agriculture significantly reduced farmers' purchasing power, even in such developed markets as Germany or France.
Prices of DAP, which showed a downward trend throughout most of 2016, rebounded in December 2016 and were on a rise until February 2017, only to start falling again in March. Relative to 2016,

(all figures in PLN '000 unless indicated otherwise)

DAP prices in Q1 2017 were 2% lower. Prices of raw materials used in production of compound fertilizers followed a similar trend, with phosphate rock and potassium chloride prices down 10% and 12%, respectively, year on year. After another decline in February, the prices of phosphate rock came close to the level reported in 2009.

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



Source: WFM, FERTECON, Profercy.

	Average Q1 2016 USD/t	Average Q1 2017 USD/t	Q/Q %	Mar 2017 USD/t	2017 MIN USD/t	2017 MAX USD/t
DAP (FOB Baltic)	347	339	-2 ↓	348	317	352
NPK3x16 (FOB Baltic)	295	235	-20↓	235	235	235
Potassium chloride (FOB Baltic spot)	248	218	-12↓	220	215	220
Phosphate rock (FOB North Africa)	105	95	-10 ↓	94	94	97

Source: WFM, FERTECON, Profercy.

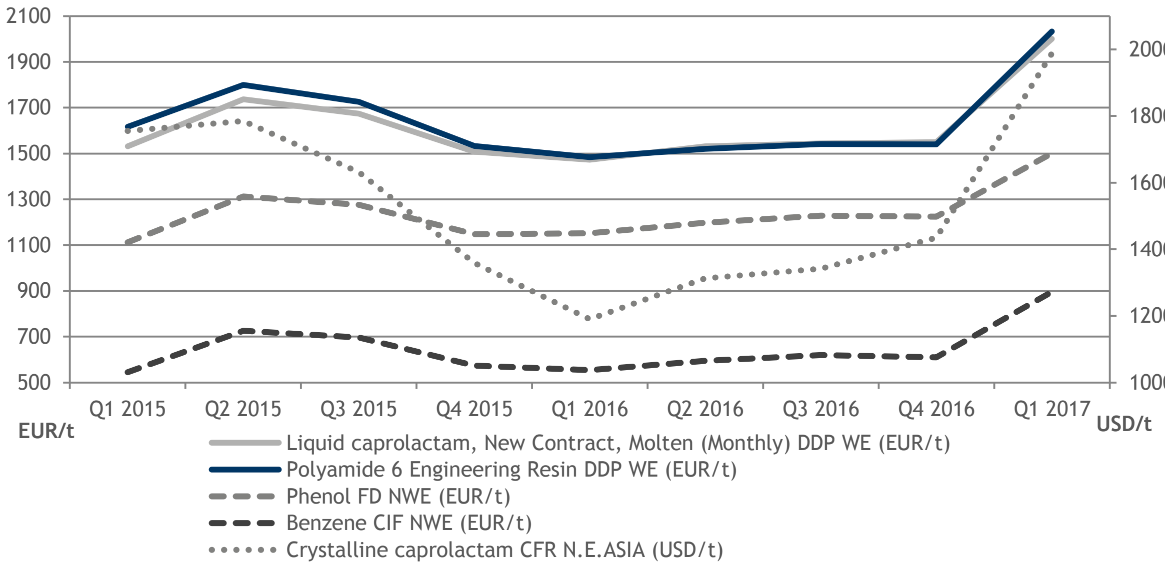
After sales stagnated and prices stabilised in late 2016, activity in the potassium chloride market recovered in January 2017, when manufacturers and customers faced the need to sign new contracts for Q1 2017. In Europe, potassium chloride manufacturers raised their prices by 2% relative to December 2016. Demand for potassium chloride rose, particularly in Brazil and Latin America, driving price growth in those markets.
Leading suppliers started negotiating large contracts for 2017, increasing by 14% their potassium chloride price quotations for customers in China relative to the contractual prices in 2016. Having more than 2 million tonnes of imported potassium chloride in stock, Chinese buyers are delaying the decisions to sign new contracts for 2017. Determination of potassium chloride prices for exports to China is important because prices in the Chinese market usually serve as a point of reference for exporters and importers in other markets.

PLASTICS

Polyamide 6 chain
The market situation for the entire product segment was directly correlated with the volatility of crude oil prices, which translated into a year-on-year appreciation in the prices of petrochemical feedstocks in Q1 2017, with the prices of phenol going up by some 30% and prices of benzene by approximately 62% year on year. As expected, stabilisation of crude oil prices was one of the conditions necessary to restore partial market equilibrium in the sector, and thus supported the expected increase in demand for engineering plastics.

(all figures in PLN '000 unless indicated otherwise)

Prices of PA6, caprolactam, benzene and phenol



Source: TECNON, ICIS.

Changes in prices along the polyamide chain markedly increased the prices in the European markets of benzene, phenol, PA6 and caprolactam in Q1 2017 relative to Q1 2016.
Analysts believe that the situation on the caprolactam market may change when Asian customers, facing temporarily restricted availability of caprolactam, stop buying the product from Europe because of excessive prices. Thus, caprolactam price levels may largely depend on the demand-supply balance rather than on feedstock prices.
In Q1 2017, prices of crystalline caprolactam fell by approximately 68% year on year (CFR, NE Asia). The average price of polyamide 6 (PA6, Engineering Resin Virgin, DDP, WE) was 2,033 EUR/t in Q1 2017, more than 37% higher than in Q1 2016.

	Average Q1 2016 EUR/t	Average Q1 2017 EUR/t	Q/Q %	Mar 2017 EUR/t	2017 MIN EUR/t	2017 MAX EUR/t
Benzene (FOB, NWE)	553	896	62	899	806	983
Phenol (FD, NWE)	1,152	1,501	30	1,544	1,369	1,590
Caprolactam (Liq., DDP, WE)	1,473	2,001	36	1,453	1,453	1,493
Polyamide 6 (PA 6) (DDP, WE)	1,483	2,033	37	1,425	1,425	1,525
	USD/t	**USD/t**	**Q/Q**	**USD/t**	**USD/t**	**USD/t**
Caprolactam (CFR, NEAsia)	1,190	1,988	67	2,256	1,650	2,256
	USD/bbl	**USD/bbl**	**Q/Q**	**USD/bbl**	**USD/bbl**	**USD/bbl**
Crude oil (BRENT)	35.02	53.31	52	51.29	51.29	54.50

Source: ICIS, Tecnon, Rzeczpospolita.

Polyamide prices are still rising. The upward trend along the polyamide chain, coupled with the supply and demand situation, may raise expectations of further hikes in the near term. The long-term outlook for PA6 producers is favourable, given the considerable growth potential with respect to extension of the product chain towards more technologically advanced products.
Clear signs of improvement and rising consumption in the textile industry, coupled with strong demand from the automotive sector, bode well for the near future.

CHEMICALS

(all figures in PLN '000 unless indicated otherwise)

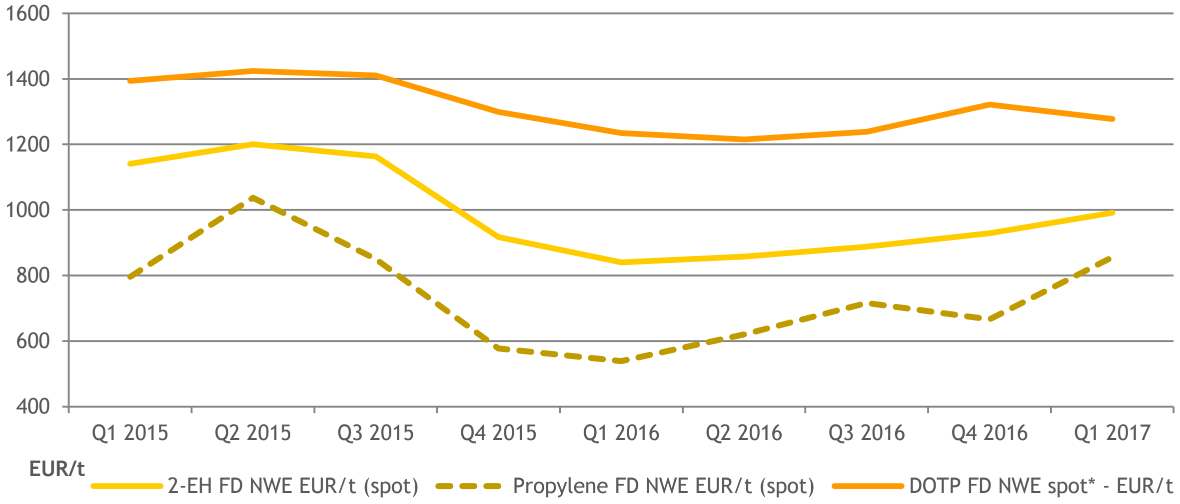
OXO product chain

Since the beginning of the year, the demand for plasticizers and the plasticizer market has grown markedly, driven by the product shortages caused by plant failures and shutdowns at key manufacturers in Europe.

In Q1 2017, the supply of OXO alcohols in the European market was limited, while demand grew. The rising trend was particularly evident with respect to OXO alcohols used in production of acrylates, 2-EHA, acetates, and glycols. Coupled with insufficient supply of OXO alcohols, this led to price growth, further supported by constraints related to imports from Asia.

The increased demand for butanols could not always be met because of limited availability of the product in the European market, resulting from scheduled and unscheduled production limitations. Small quantities of butanols were imported to Europe from Saudi Arabia and the US.

Prices of 2-EH, DOTP and propylene



** January 18th 2017 – Changes in DOTP prices follow from a different method of obtaining prices applied by ICIS to better present the actual market prices; the changes should not be viewed as an indication of an actual change in the plasticizer prices.*

Source: ICIS.

Contractual prices grew in Q1 driven by continued high demand for propylene, product shortages caused by shutdowns and failures of production units, and higher prices of feedstock for production (kerosene, electricity). Availability of propylene on the market was also reduced by scheduled and unscheduled shutdowns at some manufacturers.

	Average Q1 2016 EUR/t	Average Q1 2017 EUR/t	Q/Q %	Mar 2017 EUR/t	2017 MIN EUR/t	2017 MAX EUR/t
2-EH (FD NWE spot)	840	991	18	1,090	929	1,090
DOTP* (FD NWE spot)	1,235	1,277		1,347	1,208	1,347
Propylene (FD NWE spot)	539	856	59	1,007	725	1,007

Source: ICIS.

As propylene manufacturers announced maintenance shutdowns of their production plants in Western Europe in Q2 2017, the supply will decline even further and the prices will go up again.

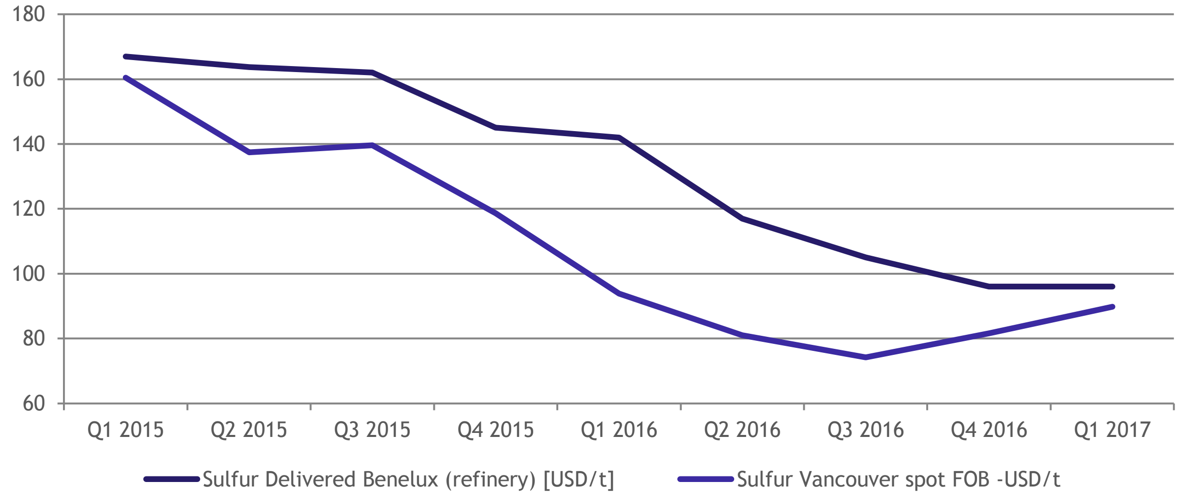
Sulfur

The prices of sulfur in Q1 2017 were lower than in Q1 2016. In Q1 2017, the global supply of sulfur went down by approximately 700 thousand tonnes, due to plant failures (e.g. in Russia) and scheduled maintenance shutdowns of desulfurization units in Saudi Arabia and Kuwait. There were only minor drops in sulfur prices. At the same time, the stocks in Chinese ports rose to 1.42 million tonnes.

(all figures in PLN '000 unless indicated otherwise)

High stocks of prilled sulfur, especially in Asia (mainly China and India) are affecting the global prices of the product. Decreasing stocks might favourably change the price trend, provided that the demand for phosphate fertilizers grows and the supply is reduced in a controlled manner when planning maintenance shutdowns.

Sulfur prices



Source: FERTECON.

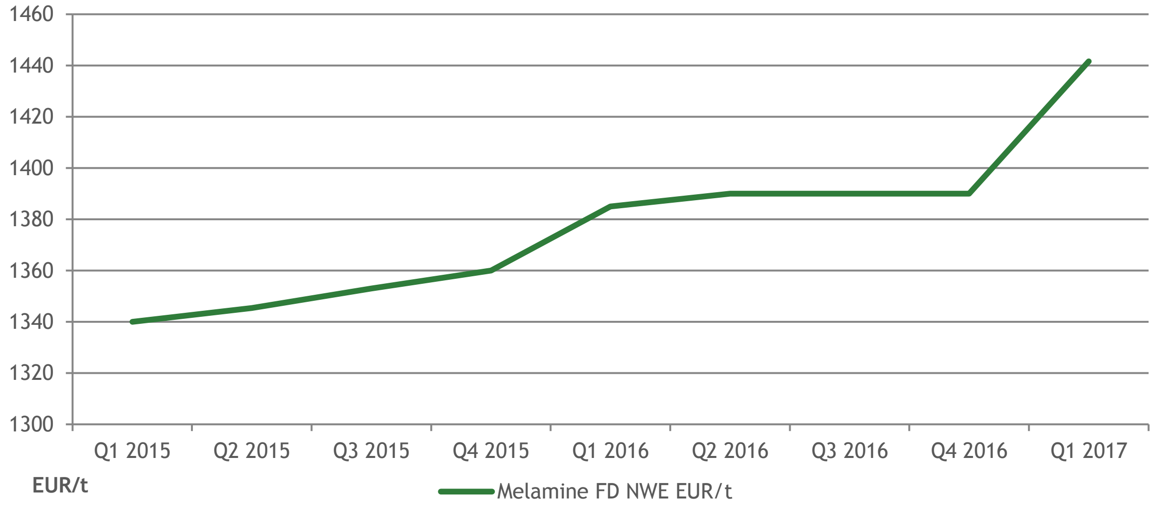
	Average Q1 2016 USD/t	Average Q1 2017 USD/t	Q/Q %	Mar 2017 USD/t	2017 MIN USD/t	2017 MAX USD/t
Sulfur (Delivered Benelux refinery)	142	96	-32 ↓	96	96	96
Sulfur (Vancouver spot FOB)	94	90	-4 ↓	90	90	90

Source: FERTECON.

Melamine
In Q1 2017, the demand for melamine in Europe stabilised at a high level, higher than in 2015 and 2014. The demand was driven by the seasonal increase in purchases on the target markets.
On the global market, supply and demand were unbalanced, mainly due to turmoil on the Chinese market. In Russia, the high internal demand was satisfied by domestic suppliers. The US melamine market remained stable. The strong US dollar and prices higher than in Europe and Asia made the US market attractive to suppliers from other regions.
Maintenance shutdowns expected in the near future will limit the availability of melamine on the market.

(all figures in PLN '000 unless indicated otherwise)

Prices of melamine



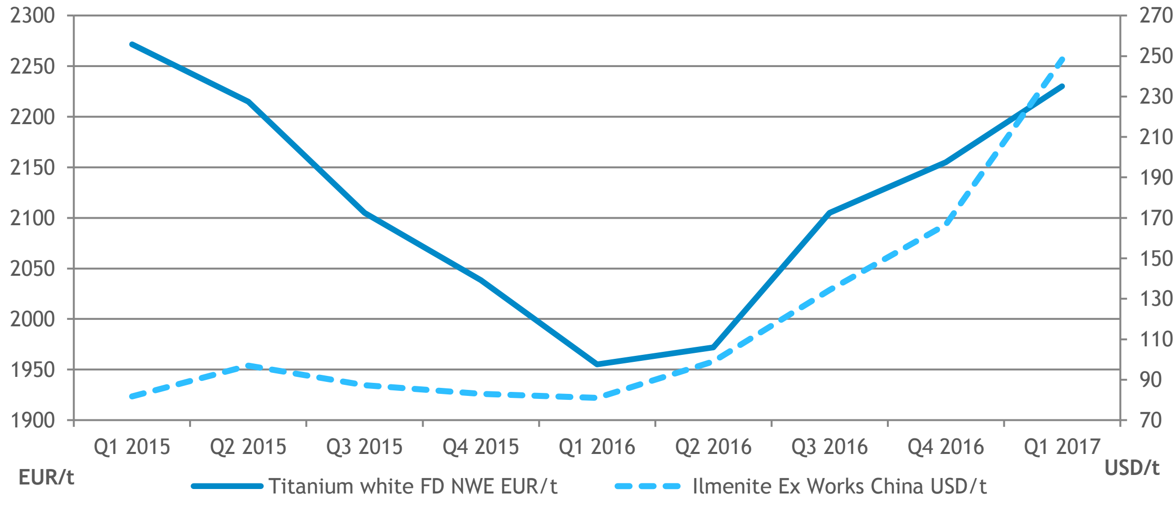
Source: ICIS, Global Bleaching Chemicals.

	Average Q1 2016 EUR/t	Average Q1 2017 EUR/t	Q/Q %	Mar 2017 EUR/t	2017 MIN EUR/t	2017 MAX EUR/t
Melamine	1,385	1,442	4	1,450	1,425	1,450

Source: ICIS, Global Bleaching Chemicals.

Pigment chain
In Q1 2017, the price of titanium white increased in most markets, driven mainly by production constraints, seasonal demand growth and the manufacturers' low stocks of the product. At the beginning of February, a serious failure occurred at Huntsman's production facility in Pori, Finland, resulting in production interruption, expected to last months. The output of that facility satisfied around 10% of the demand for titanium white on the European markets. At the same time, approximately 15% of production capacities in China were shut down for environmental reasons. Chinese manufacturers operate 30% of global titanium white production capacities. Price growth in China reached some 20%. Difficulties in making spot purchases of titanium white were reported.

Market prices of titanium white and ilmenite



Source: ICIS, CCM.

(all figures in PLN '000 unless indicated otherwise)

	Average Q1 2016 EUR/t	Average Q1 2017 EUR/t	Q/Q %	Mar 2017 EUR/t	2017 MIN EUR/t	2017 MAX EUR/t
Titanium white (FD NWE)	1,955	2,230	14	2,230	2,230	2,230
Ilmenite (ex Works China)	81	248	207	278	232	278

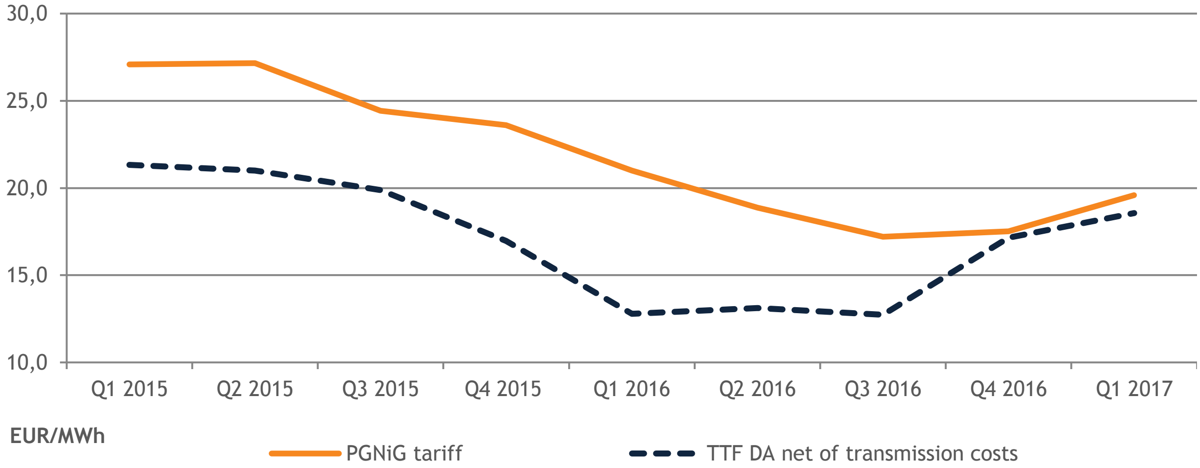
Source: ICIS, CCM.

Limitations in the production of ilmenite and titanium slag in China and at other manufacturers continued to drive up prices of these products in Q1 2017, in line with the last year's upward trend.

ENERGY

Natural gas

Prices of natural gas



Source: PGNiG tariff, ICIS.

	Average Q1 2016 EUR/MWh	Average Q1 2017 EUR/MWh	Q/Q %	Mar 2017 EUR/MWh	2017 MIN EUR/MWh	2017 MAX EUR/MWh
PGNiG tariff	21.0	19.6	-7↓	19.7	19.4	19.7
TTF DA net of transmission costs	12,8	18.6	45 ↑	15.9	15.9	20.0

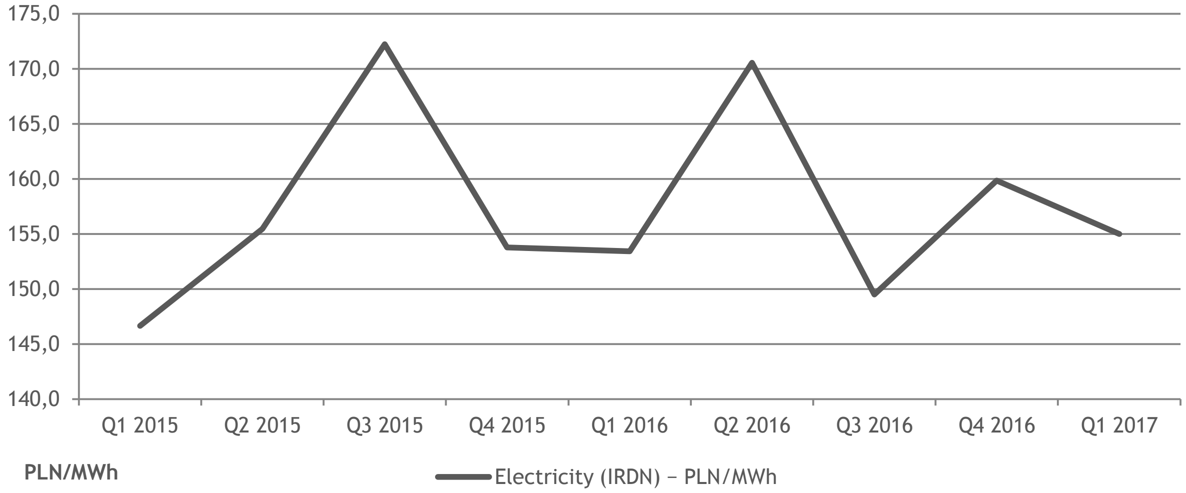
Source: PGNiG tariff, ICIS.

In Q1 2017, gas prices on the European market stayed very high, having increased approximately 45% year on year. In the first half of the quarter, temperatures were much below the forecasts and much lower than historic values for that part of the year, resulting in larger-than-expected gas consumption for municipal and power generation purposes. Due to the very high prices of coal, gas was replacing it in the energy mix. Daily gas consumption was by over 20% above the past years' average. Gas was withdrawn from storage facilities at a high rate. Also, OPEC members' agreement to reduce crude oil production pushed oil prices up, which translated into an increase in the contractual gas prices indexed to oil prices. In the second half of the quarter, increasing temperatures and falling demand for gas, together with forecasts of above-average temperatures in coming months, brought about price declines.
According to the most recent forecasts, gas prices will slowly move up as of April and the growth will continue until the end of the year. The 2017 average annual price is estimated at around EUR 17.5/MWh (up EUR 3.5/MWh on 2016). Injection of gas into the storage facilities that are now empty may reduce the gas oversupply expected in summer and ease the price pressure.

Electricity

(all figures in PLN '000 unless indicated otherwise)

Prices of electricity



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

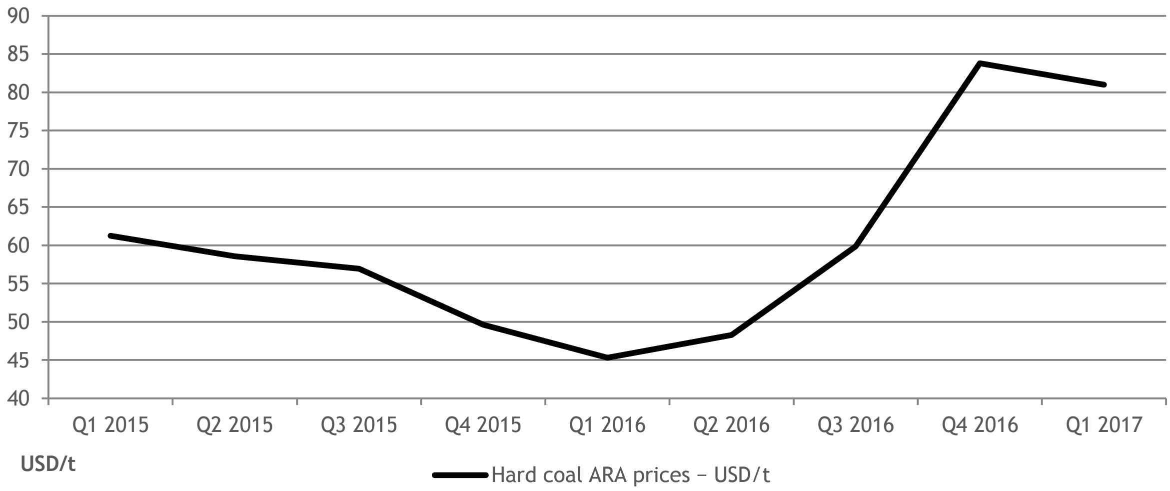
	Average Q1 2016 PLN/MWh	Average Q1 2017 PLN/MWh	Q/Q %	Mar 2017 PLN/MWh	2017 MIN PLN/MWh	2017 MAX PLN/MWh
Electricity	153.4	154.9	1	147.9	98.08	214.72

Source: Polish Power Exchange.

Average prices of electricity on the day-ahead market of the Polish Power Exchange in Q1 2017 remained relatively low (slightly below PLN 155/MWh), showing a 1% increase year on year. Relative to Q4 2016, the prices fell by 3%, driven by changeable temperatures, wind power generation volumes, and available capacity of conventional power plants.
A moderate increase in electricity prices is forecast for the year.

Coal

Prices of hard coal



Source: ARA prices.

(all figures in PLN '000 unless indicated otherwise)

	Average Q1 2016 USD/t	Average Q1 2017 USD/t	Q/Q %	Mar 2017 USD/t	2017 MIN USD/t	2017 MAX USD/t
Coal	45.3	81.1	79	74.9	72.2	90.9

Source: ARA prices.

In Q1 2017, there was a slight downward trend in the price of coal relative to the end of 2016. Year on year, the price increased 80%, and the average price of coal in the period under analysis was USD 81/t.
In the wake of growing global prices, domestic prices of coal went up as well. The oversupply previously seen on the Polish market was eliminated by the ongoing restructuring of coal mines and the decline in coal production. In the current year, the prices asked by the consolidated coal mining sector are expected to remain largely unchanged.
Analysts anticipate that the downward trend will continue into H2 2017, but they do not expect low prices to return, putting the equilibrium price at between USD 65 and USD 70 per tonne.

2.3. Key financial and economic data

2.3.1. Consolidated financial information

In Q1 2017, the Group earned a positive EBITDA of PLN 447,652 thousand and net profit of PLN 250,061 thousand.
Year on year, EBITDA decreased by PLN 69,010 thousand and the net profit by PLN 56,930 thousand.

Consolidated data

Item	Q1 2017	Q1 2016	change	% change
Revenue	2,687,201	2,475,634	211,567	8.5
Cost of sales	(2,010,678)	(1,744,817)	(265,861)	15.2
Gross profit	**676,523**	**730,817**	**(54,294)**	**(7.4)**
Selling and distribution expenses	(175,648)	(162,138)	(13,510)	8.3
Administrative expenses	(172,114)	(174,199)	2,085	(1.2)
Profit from sales	**328,761**	**394,480**	**(65,719)**	**(16.7)**
Net other expenses	(15,092)	(5,255)	(9,837)	187.2
Operating profit	**313,669**	**389,225**	**(75,556)**	**(19.4)**
Net finance income/(costs)	955	(11,518)	12,473	(108.3)
Share of profit of equity-accounted investees	3,574	2,708	866	32.0
Profit before tax	**318,198**	**380,415**	**(62,217)**	**(16.4)**
Income tax	(68,137)	(73,424)	5,287	(7.2)
Net profit	**250,061**	**306,991**	**(56,930)**	**(18.5)**
EBIT	**313,669**	**389,225**	**(75,556)**	**(19.4)**
Depreciation and amortisation	133,983	127,437	6,546	5.1
EBITDA	**447,652**	**516,662**	**(69,010)**	**(13.4)**

Source: Company data.

Revenue increased 8.5% year on year. However, with the concurrent growth of cost of sales (up 15.2%), gross profit was by PLN 54,294 thousand lower than in Q1 2016.
Gross profit net of distribution costs and administrative expenses stood at PLN 328,761 thousand, that is PLN 65,719 thousand less than in 2016.
In Q1 2017, the balance of other income and other expenses was negative, at PLN (15,092) thousand, adversely affecting EBIT, which came in at PLN 313,669 thousand.

(all figures in PLN '000 unless indicated otherwise)

2.3.2. Segments' results

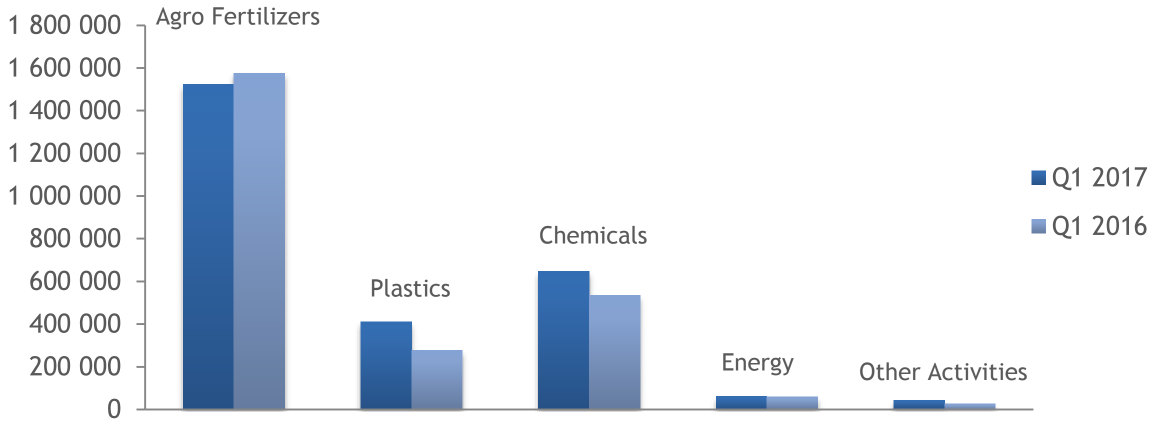
EBIT by segment

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities
External revenue	1,523,230	410,890	646,774	62,109	44,198
Profit/(loss) on sales	214,345	53,424	73,095	1,147	(13,250)
EBIT	214,546	53,978	73,266	1,223	(29,344)

Source: Company data.

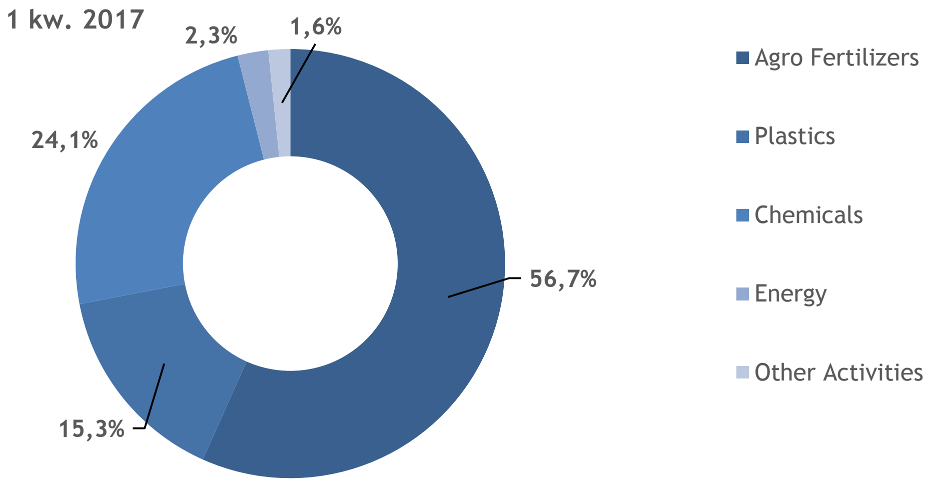
The Group's profit on sales of products in Q1 2017 was mainly driven by the market situation in the Agro Fertilizers segment. Revenue in the Agro Fertilizers segment was down 3.4% year on year. Revenue growth was recorded in the other segments: 47.7% in Plastics, 20.9% in Chemicals, 3.0% in the Power segment, and 69.4% in Other Activities.

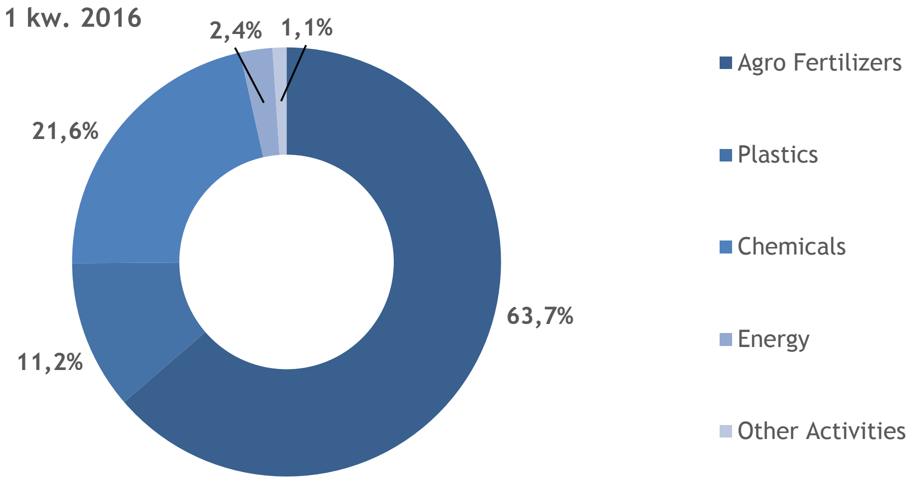
Revenue by segment



Source: Company data.

Revenue by segment





Source: Company data.

The shares of individual segments in total revenue changed compared with Q1 2016: the contributions from the Plastics, Chemicals and Other Activities segments grew, by 4.1pp, 2.5pp and 0.6pp, respectively, while the shares of Agro Fertilizers and Energy segments fell by 7.0pp and 0.1pp respectively.

Agro Fertilizers

In Q1 2017, revenue in the Agro Fertilizers segment was PLN 1,523,230 thousand and accounted for 56.7% of the Group's total revenue. The segment's revenue and its share in the Group's total revenue declined relative to Q1 2016.
EBIT reported by the Agro Fertilizers segment was positive.
Domestic market accounted for approximately 70.9% of the segment's sales.

Plastics

Revenue in the Plastics segment was PLN 410,890 thousand and accounted for 15.3% of the Group's total revenue in Q1 2017. The revenue was up 47.7% year on year, contributing to profit on sales and positive EBIT at PLN 53,978 thousand.
More than 91.2% of the segment’s revenue was derived from sales on foreign markets.

Chemicals

In Q1 2017, revenue in the Chemicals segment amounted to PLN 646,774 thousand, having risen year on year. It accounted for 24.1% of the Group's total revenue. Revenue increased by 20.9%. The segment's EBIT improved relative to Q1 2016 and amounted to PLN 73,266 thousand.
Sales on foreign markets accounted for approximately 63.7% of the Chemicals segment's revenue.

Energy

In Q1 2017, revenue in the Energy segment was PLN 62,109 thousand and accounted for approximately 2.3% of the Group's total revenue. The segment's revenue grew 3.0% year on year. EBIT reported by the Energy segment was positive.

Other Activities

In Q1 2017, revenue in the Other Activities segment amounted to PLN 44,198 thousand and accounted for 1.6% of the Group's total revenue, having increased by 69.4% relative to Q1 2016. The segment's EBIT was negative in Q1 2017.

2.3.3. Operating expenses

In Q1 2017, operating expenses were reported at PLN 2,370,876 thousand, having increased by PLN 287,791 thousand year on year. The only item of operating expenses that fell in the period was taxes and charges. There was an increase in depreciation and amortisation, cost of salaries and wages, including overheads, and other benefits, and other costs.

(all figures in PLN '000 unless indicated otherwise)

Operating expenses by nature of expense

	Q1 2017	Q1 2016	change	% change
Depreciation and amortisation	133,053	126,522	6,531	5.2
Raw materials and consumables used	1,507,848	1,268,379	239,469	18.9
Services	262,468	239,612	22,856	9.5
Salaries and wages, including overheads, and other benefits	332,087	314,017	18,070	5.8
Taxes and charges	90,248	95,934	(5,686)	(5.9)
Other costs	45,172	38,621	6,551	17.0
Total	**2,370,876**	**2,083,085**	**287,791**	**13.8**

Source: Company data.

Other operating expenses

In Q1 2017, other operating expenses, excluding raw materials and consumables used, accounted for 36.4% of total operating expenses, down from 39.1% in the corresponding period of 2016. The structure of other operating expenses changed slightly relative to the comparative period.

Structure of other operating expenses [%]

	Q1 2017	Q1 2016
Depreciation and amortisation	5.6	6.1
Services	11.1	11.5
Salaries and wages, including overheads, and other benefits	14.0	15.1
Taxes and charges	3.8	4.6
Other costs	1.9	1.9
Total	**36.4**	**39.1**

Source: Company data.

2.3.4. Structure of assets, equity and liabilities

In Q1 2017, the Group's assets rose to PLN 11,341,997 thousand, or by PLN 479,775 thousand relative to the end of Q1 2016. As at March 31st 2017, non-current assets stood at PLN 7,713,993 thousand, and current assets were PLN 3,628,004 thousand.
Year on year, the most significant movements in assets in Q1 2017 included:

- 12.0% increase in property, plant and equipment,
- 14.1% increase in trade and other receivables,
- 21.6% decrease in other financial assets,
- 12.9% decrease in cash and cash equivalents.

Structure of assets

	Q1 2017	Q1 2016* restated	change	% change
Non-current assets. including:	**7,713,993**	**7,067,015**	**646,978**	**9.2**
Property. plant and equipment	6,470,933	5,779,456	691,477	12.0
Intangible assets	523,583	528,092	(4,509)	(0.9)
Perpetual usufruct of land	481,928	484,975	(3,047)	(0.6)
Equity-accounted investees	113,979	108,304	5,675	5.2
Current assets. including:	**3,628,004**	**3,795,207**	**(167,203)**	**(4.4)**
Trade and other receivables	1,306,488	1,144,850	161,638	14.1
Inventories	850,324	911,850	(61,526)	(6.7)
Cash and cash equivalents	745,428	855,866	(110,438)	(12.9)

(all figures in PLN '000 unless indicated otherwise)

	Q1 2017	Q1 2016* restated	change	% change
Other financial assets	420,030	535,430	(115,400)	(21.6)
Property rights	270,864	335,909	(65,045)	(19.4)
Total assets	**11,341,997**	**10,862,222**	**479,775**	**4.4**

Source: Company data.

* Financial data restated in accordance with the information presented in Section 2.2.c) of supplementary information to these interim condensed consolidated financial statements.

Year on year, the most significant movements in equity and liabilities in the reporting period included:
- 22.7% increase in non-current liabilities,
- 36.6% increase in non-current liabilities under borrowings,
- 44.2% decrease in current liabilities under borrowings.

(all figures in PLN '000 unless indicated otherwise)

Structure of equity and liabilities

Item	Q1 2017	Q1 2016* restated	change	% change
Equity	**7,402,844**	**7,191,160**	**211,684**	**2.9**
Non-current liabilities, including:	**2,180,237**	**1,777,035**	**403,202**	**22.7**
Borrowings	1,464,651	1,072,465	392,186	36.6
Employee benefit obligations	320,773	326,757	(5,984)	(1.8)
Deferred tax liabilities	213,754	214,015	(261)	(0.1)
Provisions	98,324	100,191	(1,867)	(1.9)
Government grants received	68,010	49,759	18,251	36.7
Current liabilities, including:	**1,758,916**	**1,894,027**	**(135,111)**	**(7.1)**
Trade and other payables	1,437,889	1,447,138	(9,249)	(0.6)
Borrowings	101,583	181,960	(80,377)	(44.2)
Government grants received	87,602	85,872	1,730	2.0
Other financial liabilities	47,573	70,382	(22,809)	(32.4)
Total equity and liabilities	**11,341,997**	**10,862,222**	**479,775**	**4.4**

Source: Company data.

* Financial data restated in accordance with the information presented in Section 2.2.c) of supplementary information to these interim condensed consolidated financial statements.

2.3.5. Financial ratios

Profitability ratios

	Q1 2017	Q1 2016* restated
Gross profit margin	25.2%	29.5%
EBIT margin	11.7%	15.7%
EBITDA margin	16.7%	20.9%
Net profit margin	9.3%	12.4%
ROA	2.2%	2.8%
ROCE	3.3%	4.3%
ROE	3.4%	4.3%
Return on non-current assets	3.2%	4.3%

Source: Company data.

* Financial data restated in accordance with the information presented in Section 2.2.c) of supplementary information to these interim condensed consolidated financial statements.

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

Liquidity ratios

	Q1 2017	Q1 2016* restated
Current ratio	2.1	2.0
Quick ratio	1.6	1.5
Cash ratio	0.4	0.5

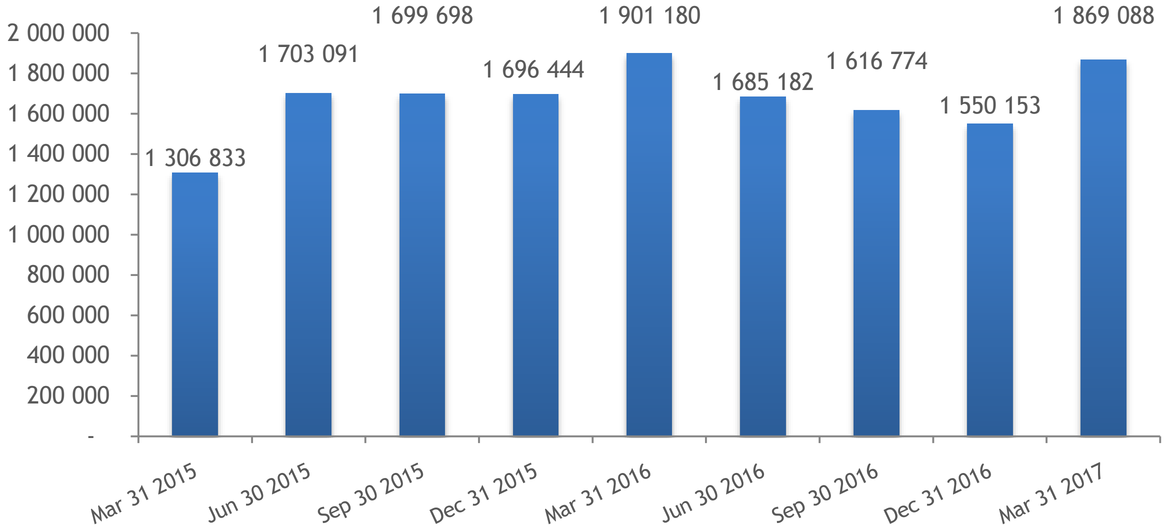
Source: Company data.

(all figures in PLN '000 unless indicated otherwise)

*Financial data restated in accordance with the information presented in Section 2.2.c) of supplementary information to these interim condensed consolidated financial statements.

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

Changes in net working capital



Source: Company data.

Operational efficiency ratios

	Q1 2017	Q1 2016
Inventory turnover	38	47
Average collection period	44	42
Average payment period	64	75
Cash conversion cycle	17	14

Source: Company data.

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

(all figures in PLN '000 unless indicated otherwise)

Debt ratios

Ratio	Q1 2017	Q1 2016* restated
Total debt ratio	34.7%	33.8%
Long-term debt ratio	19.2%	16.4%
Short-term debt ratio	15.5%	17.4%
Equity-to-debt ratio	187.9%	195.9%
Interest cover ratio	3,447.3%	4,687.7%

Source: Company data.

*Financial data restated in accordance with the information presented in Section 2.2.c) of supplementary information to these interim condensed consolidated 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

2.4. Financial liquidity

The parent and the Group’s leading companies are fully solvent, with a sound credit standing. The Group is able to pay its liabilities as they fall due and to hold and generate free operating cash flows to further support payment of such liabilities in a timely manner.
The liquidity management policy operated by the Grupa Azoty Group consists in maintaining surplus cash and available credit facilities as well as limits under the Intragroup Financing Agreement (one purpose of which is to ensure effective distribution of funds) and ensuring that their level is safe and adequate to the scale of the Group's business.

2.5. Borrowings

In Q1 2017, the Group paid all of its borrowing-related liabilities when due, and there is no threat to its ability to continue servicing its debt.
The Group has access to umbrella overdraft limits under physical cash pooling arrangements and under a multi-purpose credit facility, which may be used by the parent at times of increased demand for funding by the Group companies. The Group also has access to bilateral overdraft limits and multi-purpose credit lines that are available to the Group companies.
The aggregate value of available overdraft limits and multi-purpose credit facilities available to the Group as at March 31st 2017 was PLN 447m.
Furthermore, the Group has access to a syndicated revolving credit facility of PLN 1,500m. As at March 31st 2017, PLN 717m had been drawn down, and the remaining amount of PLN 783m was available to the Group to finance its general needs, including investment projects envisaged in its strategy.
Grupa Azoty is also party to long-term financing agreements: a PLN 550m credit facility from the EIB (as at March 31st 2017, the euro equivalent of the entire PLN 550m limit was drawn under the facility) and a PLN 150m credit facility from the EBRD (as at March 31st 2017, PLN 10m was drawn under the facility), for the financing of certain investment projects defined in the Group's strategy. Thus the amount available under that facility stood at PLN 140m.
The Group also had access to investment loans totalling PLN 4.5m.
As at March 31st 2017, the aggregate amount of limits available to the Group under the financing agreements was PLN 1,375m.
The Group’s financial condition is sound, and there are no material threats or risks of its deterioration in the future. The Group complies with the uniform covenants of its facility agreements, which enable it to significantly increase financial debt when and as needed.

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

(all figures in PLN '000 unless indicated otherwise)

Recognition of an impairment loss on investment expenditure by Elektrownia Puławy Sp. z o.o. – for more detailed information, see Section 2.1.
Save for the above, there were no other one-off items which would materially impact the Group's assets, equity and liabilities, capital, net profit/loss or cash flows.

2.7. Other information

Acquisition of EU funds

- On January 31st 2017, the parent and the Ministry of Development signed an Annex to the agreement of September 2nd 2016 on a PLN 20m grant for the construction of the Research and Development Centre in Tarnów, as part of the support for investment in R&D infrastructure measure of the Operational Programme Smart Growth. Under the Annex, the timetables defined in the agreement were updated.
- March 9th 2017 saw the end of the durability period for the project to upgrade the water demineralisation unit at ZA Puławy S.A., implemented at Grupa Azoty PUŁAWY under an agreement concluded with the National Fund for Environmental Protection and Water Management on May 18th 2009.
- On March 6th 2017, Grupa Azoty Zakłady Azotowe Puławy S.A. received funds of PLN 3,022.52 from the European Agricultural Guarantee Fund (through the Agency for Restructuring and Modernisation of Agriculture). The funds were granted under the single area payment scheme for 2016.
- On February 2nd 2017, Grupa Azoty PUŁAWY and the National Centre for Research and Development of Warsaw signed an agreement on a grant for the project to develop and implement advanced process controls (APC) for the ammonia unit. The maximum amount of the grant is PLN 1,101,760.11.

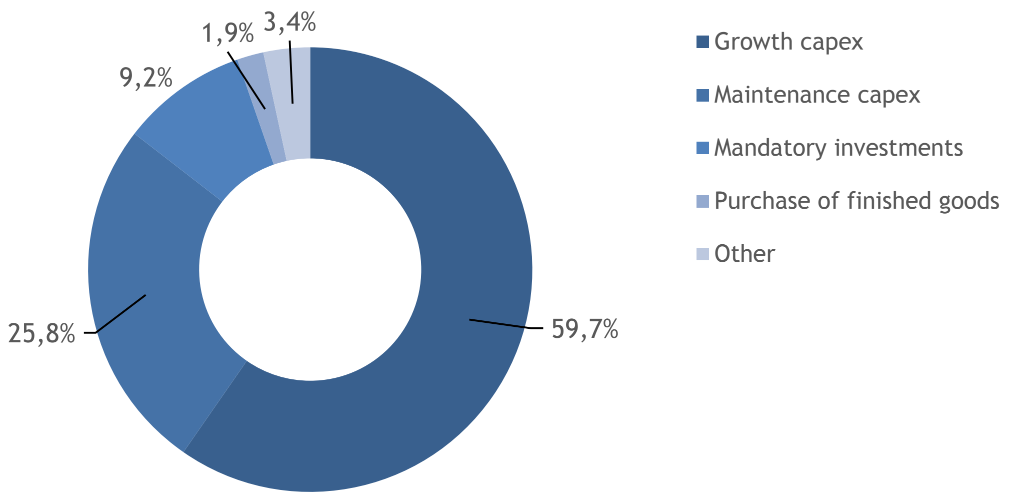
2.8. Key investment projects

The Grupa Azoty Group's capital expenditure in the period from January 1st to March 31st 2017 totalled PLN 218,784 thousand (including amounts spent on components, major overhaul work and improvements).
Structure of capital expenditure:

• Growth capex	PLN 130,542 thousand
• Maintenance capex	PLN 56,456 thousand
• Mandatory investments	PLN 20,146 thousand
• Purchase of finished goods	PLN 4,224 thousand
• Other (components, major overhaul work, other)	PLN 7,416 thousand

(all figures in PLN '000 unless indicated otherwise)

Structure of the Grupa Azoty Group's capital expenditure in Q1 2017



Source: Company data.

The Grupa Azoty Group's capital expenditure in Q1 2017 is presented below:

- Parent PLN 542 thousand
- Grupa Azoty KĘDZIERZYN Group PLN 36,580 thousand
- Grupa Azoty POLICE Group PLN 71,316 thousand
- Grupa Azoty PUŁAWY Group PLN 39,557 thousand
- Grupa Azoty SIARKOPOL PLN 2,849 thousand
- Grupa Azoty Koltar Sp. z o.o. PLN 2,659 thousand
- Grupa Azoty ATT Polymers GmbH PLN 1,768 thousand
- Grupa Azoty PKCh Sp. z o.o. PLN 513 thousand

Key investment projects implemented by the Group – parent

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q1 2017	Project purpose	Scheduled completion date
Polyamide plant II 80 thousand t/y	320,000	253,607	42,766	To utilise the Group's caprolactam output in a more efficient manner	2017
Granulation plant II	141,000	123,193	9,537	To optimise the mix of fertilizer products and to improve value added in ammonium sulfate	2017
Construction of Grupa Azoty's R&D Centre in Tarnów	74,100	356	241	The project's principal objective is to expand the R&D infrastructure to build the scale of the Group's own research activities, create an environment where results of the research could be verified at pilot-plant scale, and expand the Group's R&D resources.	2018
20 MW pass-out and condensing turbine generator set at the CHP Plant	63,000	50,195	114	To optimise the loads of the existing back-pressure turbine generators	2017
To increase the production capacity of the technical-grade nitric acid production unit	59,500	8	8	To reduce the average cost of nitric acid by replacing purchased nitric acid with cheaper internal production, thus achieving independence from external supplies of technical grade nitric acid.	2018

(all figures in PLN '000 unless indicated otherwise)

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q1 2017	Project purpose	Scheduled completion date
Flue gas desulfurization unit	45,400	31,848	1,213	To reduce sulfur dioxide and dust emissions from CHP Plant's Boiler No. 5, to meet the emission standards laid down in the IED Directive, and to ensure the continuity of power and heat production	2017
Flue gas denitrification unit	44,600	38,650	140	To reduce NOx emissions from CHP Plant's Boiler No. 5, to meet the emission standards laid down in the IED Directive, and to ensure the continuity of power and heat production	2017
Increase of ammonia production capacities	44,500			To increase the Group's own output of ammonia by ca. 100 t/d	2016

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

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q1 2017	Project purpose	Scheduled completion date
New CHP Plant at Grupa Azoty KĘDZIERZYN − Phase 1	375,059	308,402	21,240	To restore the plant's electricity and heat generation capacity, to increase its output to satisfy demand for electricity and heat, and to implement solutions that ensure compliance with the increasingly stringent environmental requirements	Completed on March 23rd 2017
Upgrade of the synthesis gas compression unit supplying the Ammonia Plant	180,000	108	48	Rebuilding the capacity of synthesis gas compression for the Ammonia Plant through the installation of new compressors	2020
Special Esters I	43,435	4,496	86	To extend the range of manufactured plasticizers. To construct a new unit to produce several different esters for special applications, in response to the rapidly changing market of plasticisers, particularly plasticisers used as PVC softening agents.	2018
Raw gas compressor (GHH)	31,600	5,929	3,622	To replace the existing depreciated, failure-prone and inefficient K-102 raw gas compressor (GHH), which compresses semi-combusted process gas in the Synthesis Gas Unit, to improve the reliability and availability of the compressor section and the entire OXO Synthesis Gas Unit	2018
Upgrade of the urea unit	30,000	26,373	2,264	To reduce the unit's environmental impact, to build additional production capacity, and to increase process efficiency	2017

(all figures in PLN '000 unless indicated otherwise)

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q1 2017	Project purpose	Scheduled completion date
Upgrade of the Biological Wastewater Treatment Plant at the Wastewater Treatment and Sewage System Division of the Infrastructure Unit	16,150	9,160	232	To substantially improve the quality of treated wastewater – to meet the terms and conditions of the Water Law Decision which defined the permitted pollutant limits for the wastewater discharged to the Odra river, to improve work safety, and to ensure compliance with BAT requirements	2018

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

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q1 2017	Project purpose	Scheduled completion date
Propane Dehydrogenation (PDH) unit and related infrastructure (PDH Polska S.A.)	2,700,000	102,866	24,130	To construct a propane dehydrogenation (PDH) unit In addition to the PDH unit, a power generating unit will be constructed and a chemicals terminal will be built at the Police port facilities	2021
Exhaust gas treatment unit and upgrade of the EC II CHP plant	226,000	192,031	15,641	To bring the operation of the CHP plant's units in line with the requirements of Directive 2010/75/EU	2018
Upgrade of the ammonia unit	156,900,	156,504	6,292	To reduce energy consumption of the ammonia production process and to improve the operational reliability of individual process nodes	2017
Change of the phosphoric acid production method	67,000	29,575	1,895	To raise the efficiency of phosphoric acid production and improve the acid's quality by reducing impurities and waste generation	2018
Development of the logistics system at Grupa Azoty POLICE – stage 2	29,738	29,250	3,970,	To increase the number of loading bays for loading fertilizers on pallets and in big bags onto trucks, and to expand the available stacking space for both types of fertilizer packaging	2017
Upgrade of TUP-12 (TG1) turbine generator set and auxiliary equipment	16,000	3,200	2,601	To improve reliability, safety, flexibility and quality of turbine control systems	2018
Replacement of the fertilizer drying plant	12,000	120	120	Replacement of the fertilizer drying plant with a new one will guarantee a failure-free fertilizer drying process.	2017

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

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q1 2017	Project purpose	Scheduled completion date
Construction of the Puławy Power Plant*)	1,125,000	9,413	554	The key function of the power plant (CCGT unit) will be high-efficiency cogeneration of heat to be used for technological/heating purposes and electricity	-*)

(all figures in PLN '000 unless indicated otherwise)

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q1 2017	Project purpose	Scheduled completion date
Upgrade of the existing and construction of new nitric acid units, neutralisation and production of new fertilizers based on nitric acid	695,000	674	130	To raise the efficiency of nitric acid production and to improve the economics of production of nitric acid-based fertilizers	2021
Facility for production of granulated fertilizers based on ammonium nitrate	385,000	59,387	7,433	To improve the quality of fertilizers by applying modern mechanical granulation	2020
Replacement of the TG-2 turbine generator set	99,000	21,712	10,322	To increase the efficiency of electricity and heat cogeneration by replacing the TG-2 30 MWe pass-out and condensing turbine with a new 37 MWe turbine as part of the power system upgrade	2017
To increase volume of and optimise liquid carbon dioxide production	35,262	48	1	To use the existing surplus of raw CO_2 from natural gas processing to produce additional amounts of liquid carbon dioxide with a concurrent increase of storage capacity	2018
Purchase and installation of synthesis gas compressor	24,400	382	259	To increase ammonia production capacity and improve process safety	2019
Construction of a fertilizer compaction unit (GZNF Fosfory Sp. z o.o.)	12,000			To expand the company's product portfolio and reduce fertilizer production costs by using less expensive raw materials and a more energy-efficient technology	2017

*) On March 31st 2017, Elektrownia Puławy Sp. z o.o., conducting the tender procedure to select the general contractor for the construction of a 400 MWe CCGT unit, resolved not to select any bid and to close the procedure. In accordance with resolutions of the Management and Supervisory Boards of Grupa Azoty PUŁAWY of March 31st 2017, the project to construct a CCGT unit will be discontinued.
At the same time, on March 31st 2017, the Company's Supervisory Board gave the Management Board a general authorisation to engage in activities connected with the preparation of an investment project to construct a hard coal-fired generating unit, including in particular conceptual and analytical work, followed by development of the documentation for the purposes of the contractor selection procedure. Such unit, tailored to the Company's needs, would secure electricity and heat supplies to Grupa Azoty PUŁAWY.

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

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q1 2017	Project purpose	Scheduled completion date
Upgrade of the insoluble sulfur unit SN II	19,000	4,453	752	To achieve the unit's design production capacity of 5,000 tonnes pa	2017

(all figures in PLN '000 unless indicated otherwise)

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

Project name	Project budget	Expenditure incurred	Expenditure incurred in Q3 2016	Project purpose	Scheduled completion date
Logistics centre	7,500	486	414	The new logistics centre together with office facilities will provide storage, packaging and distribution services for the Grupa Azoty Group's products.	2018

2.9. Factors which will affect the Group’s performance at least over the next reporting period

Exchange rates

The rating agencies' decisions to keep Poland's long-term credit rating unchanged as well as Poland's sound budget situation, coupled with the continued stable growth of both the Polish and key global economies, translated into an appreciation of the złoty against the euro and the US dollar in Q1 2017. In contrast, potential external risks related to, among other things, the expected return of economic slowdown in China and the first symptoms of growing difficulties in delivering pre-election promises in the US may stir volatility and spark higher risk aversion in the world in Q2 2017, and in consequence cause a periodic depreciation of the złoty against the euro and the US dollar.
It can therefore be expected that later in H2 2017 the PLN/EUR exchange rate will remain within the medium-term range (PLN 4.20-4.35), with some room for further appreciation if the Polish economy continues to perform well and there is no escalation of external risks. In turn, the PLN/USD exchange rate will follow the EUR/USD exchange rates, somewhat weakening in the periods of subsequent interest rate rises by the FED.
The actual and expected movements in the USD/PLN and EUR/PLN exchange rates should not jeopardise Grupa Azoty's Q2 2017 performance targets with respect to its foreign currency exposure considering that the expected corrective depreciation of the złoty against the euro and the US dollar should reduce the scale of appreciation of the złoty.

Interest rates in Poland

Domestic interest rates remained stable throughout Q1 2017 and, in line with the Governor of the National Bank of Poland’s earlier announcements, should remain unchanged until the end of 2017. The main reference rate applicable to credit facilities contracted by the Grupa Azoty Group (1M WIBOR) should remain flat at about 1.7%. This will help stabilise the Group’s borrowing costs at a relatively low level reinforcing its debt service capacity, also if the Group decides to increase debt to finance its investing activities, as planned.
Despite the continued economic growth in the eurozone and a gradual rise in inflation, the European Central Bank continues its quantitative easing programme and a policy of negative interest rates, which should remain at current levels until the end of 2017.
On the other hand, in 2017 the FED will continue to gradually taper its monetary policy and by the end of 2017 it will introduce subsequent 0.25% interest rate rises, announced earlier, in connection with the continued economic recovery in the US and concerns regarding increased inflationary pressures.
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 2017, so the risk of the Group’s funding costs adversely affecting its financial condition or results of operations is limited. A limited increase of the WIBOR and/or EURIBOR rates will become more likely not earlier than in H1 2018 if inflation escalates and the GDP continues to grow at the current rates.
In terms of market rates, a relatively narrow spread between credit and deposit rates available to the Group is expected to continue.
Interest income earned by the Group on free cash under cash pooling and term deposits will partially offset the cost of funding.

Raw material and product price dynamics

The market factors with a bearing on the Group's future performance are dependent on the price of strategic raw materials, the condition of target markets, and product prices.

Raw material market

Petroleum raw materials

Recently, the global economic and political situation has been causing powerful fluctuations in the price of crude oil. Oil prices should not be expected to stabilise any time soon, which will lead to fluctuations in the price of petroleum products. In the long term, a lot will depend on what decisions the OPEC countries make with respect to oil production. If output is frozen, crude prices will increase, causing the price of petroleum products to rise as well. Oil price volatility results in changes in the price of petroleum products, such as propylene, phenol, benzene, and caprolactam.

Sulfur

New units for sulfur recovery from oil and gas, accompanied by demand for compound fertilizers falling on the back of lower output of phosphate fertilizers in China and shrinking demand in India will be conducive to the continued decline of sulfur prices.

Gas

According to the most recent forecasts, starting from April, gas prices will grow slowly and continuously until the end of the year. The average annual price is estimated at around EUR 17.5/MWh (up by as much as EUR 3.5/MWh on 2016). Injection of gas into the storage facilities that are now empty may reduce the gas oversupply expected in summer and ease the price pressure.

Coal

Analysts expect the downward trend to continue into H2 2017, but they do not expect the return of the low price environment, and estimate the equilibrium price between USD 65 and USD 70 per tonne.

Electricity

The domestic market is largely affected by climate regulations and the need to continue upgrading generation capacities (expenditure on new production capacities and maintaining operating capacity reserve). Electricity prices will be driven by the following factors:

- the ongoing restructuring of the coal sector companies with the participation of energy companies;
- continuing high prices of gas;
- increasingly widespread use of energy efficient solutions leading to reduced electricity consumption;
- persistently high prices of coal on global and domestic markets;
- higher volume of CO_2 emission allowances, conducive to a decline in market prices of the allowances.

A moderate increase in energy prices is forecast for the year.

Ammonia

In 2017, the ammonia market will see a rapidly growing supply. 2016 saw a considerable increase in ammonia production capacities, pushing down its price considerably. New ammonia production units are expected to come on stream also in 2017.
The United States, once the world's largest importer of ammonia, has started exporting the product. Ammonia producers in Trinidad, who used to place all of their output on the US market, now have to export the product to other markets, where they face fierce competition from the existing suppliers, such as Russia. Excessive global production capacities of ammonia and the planned launch of new ammonia production units in 2017 will put pressure on its prices.
Given that only about 12% of ammonia output is traded internationally and that it cannot be kept on stock in large quantities, its prices are subject to significant fluctuations over very short periods of time. The price of ammonia in Poland will be driven both by production costs and developments on global markets.

Markets for the Group's products

Agricultural market

On the agricultural market, produce prices will remain a material factor driving farmers' purchasing power in the coming months.
According to analysts, a slight improvement in the economic conditions in domestic agriculture should be expected in the coming months, supported by growing demand for food driven by improvement on the labour market and higher incomes, but adversely affected by seasonal reductions of farm-gate prices of swine and poultry.

Growing prices of commodities (especially energy carriers) and higher costs of manufacture of fertilizers (particularly nitrogen fertilizers) will push up the prices of means of agricultural production.

Fertilizer market
This year’s spring weather may result in a longer fertilizer application period, which may have a positive effect on demand. Urea prices will continue to affect the prices of other nitrogen fertilizers. The end of April and beginning of May marked the end of the fertilizer application season and the demand for NPK fertilizers shrank. Consequently, post-season fertilizer price reductions should be expected, and distributors will be encouraged to build stocks of fertilizers for the autumn application period.

Chemicals
In Q1 2017, representatives of the chemical industry viewed the economic situation as favourable. Their views were more positive than in the previous three months and similar to the opinions expressed in the corresponding period of 2016.

Melamine
Given the current supply and the demand growth observed both locally and globally (mainly in Asia), melamine prices may go up. A view that the prices should remain at the Q1 2017 level could be supported by the buyers’ argument related to the upcoming maintenance shutdowns of melamine production units. Price negotiations should end in April. The strong US dollar and high prices of melamine in the United States have made that market attractive for Asian and European exporters.

OXO products
The prices of OXO products will be linked closely to those of propylene. Unfavourable changes in exchange rates will also have a strong impact on prices. Market conditions should remain stable and varied due to demand dynamics in individual geographical regions and end markets. Demand may be affected by geopolitical events in different regions of Europe and the world where Grupa Azoty products are sold.
In the coming months, the market will be highly sensitive to the prices of raw materials, particularly of propylene. Any fluctuations in the price of propylene and other raw materials, as well as their shortages, will cause OXO alcohol and plasticizer prices to decline.
Demand and price increases expected on the plasticizers market were seen already in March and April this year.

Legal regulations
The Grupa Azoty Group is actively involved in the work on the new fertilizer regulation, the draft of which has been prepared by the European Commission and which may be a source of risk for the Polish fertilizer industry (due to e.g. limits for contaminants in fertilizers or addition of organic and bio-waste to fertilizers). To reduce the risk associated with the draft, the Grupa Azoty Group submitted its opinions, presenting its arguments and rationale, to relevant bodies at national and EU level, and proposed a number of changes to the draft regulation to the European Parliament Committees (IMCO, ENVI , AGRI, INTA) working on the draft. Work on the draft continues also at the Council of the European Union, where a coalition of six countries, including Poland, formed within the Working Party on Harmonisation which previously dealt with the project. The coalition opposes the introduction of overly restrictive limits on the content of cadmium in fertilizers, sought by the Scandinavian countries, causing a lack of agreement and common position within the Council.
The next step of work on the proposed Fertilizer Regulation will consist in the individual Parliament Committees working out compromise versions of changes to the draft, including changes relating to the limits on cadmium content in fertilizers, and voting in the Committees. The plenary voting on the issue in the European Parliament has been initially scheduled for September this year.
Following a 15-month long review, the European Commission decided to uphold the anti-dumping duties on imports of Russian ammonium nitrate. This means that import duties of up to EUR 47 per tonne of ammonium nitrate will be in force over the next five years.
On December 23rd 2016, the Chinese government announced its 2017 tariff policy. Most export duties on nitrogen fertilizers were abolished, except for duties on speciality products. Export duties on urea, DAP, SSP, TSP, etc. were lifted.
The United States Department of Commerce resolved to remove the 64.93% anti-dumping duty on Russian urea, imposed almost 30 years ago, with effect from December 20th 2016. In August 2016, the United States abolished the anti-dumping duty on Russian ammonium nitrate.

In the European Union, imports of melamine from the People's Republic of China are subject to an anti-dumping duty imposed by Council Implementing Regulation (EU) No. 457/2011.
In India, anti-dumping duties on imports of melamine from the European Union, Iran, Indonesia and Japan were imposed for a period of five years, and will remain in effect until October 7th 2017.
The United States International Trade Commission confirmed the preliminary anti-dumping duties levied on melamine from China (360.03%) and Trinidad and Tobago (174.22%). These duties are in addition to the countervailing duties introduced in April 2017: 27.48% for melamine from Trinidad and Tobago and 147.62−150.52% for melamine from China.
The five-year effective term of China's anti-dumping duty on caprolactam imported from the European Union and the United States, introduced on October 22nd 2011, expired. The group of companies to which the duty applied included Grupa Azoty PUŁAWY, for which the rate was 4.4%.

3. Other information

3.1. Other material events

Changes in the Executive Board of Polish Chamber of Chemical Industry
On February 3rd 2017, vacancies were filled and changes were made in the Executive Board of the Polish Chamber of Chemical Industry. Wojciech Wardacki, President of the Management Boards of Grupa Azoty S.A. and Grupa Azoty POLICE, was appointed new Chairman of the Board. Jacek Janiszek, President of the Management Board of Grupa Azoty Puławy, became the Deputy Chairman. Paweł Bielski, EngD, Head of the Ignacy Mościcki Industrial Chemistry Research Institute, was also appointed to the Board.

Starachowice Special Economic Zone
On February 17th 2017, the Management Board of the Starachowice Special Economic Zone granted a licence to Grupa Azoty PUŁAWY to conduct business activity in the Starachowice Special Economic Zone in connection with the "Production unit for granulated fertilizers based on ammonium nitrate" project. Grupa Azoty PUŁAWY will benefit from a tax exemption in respect of the costs of this investment project, and the maximum amount of qualifying investment expenditure will be PLN 403m. According to the terms of Licence No. 169/2017, in connection with the implementation of the "Production unit for granulated fertilizers based on ammonium nitrate" project, Grupa Azoty PUŁAWY:

- will incur in the Special Economic Zone investment expenditure of at least PLN 310m by December 31st 2020,
- will employ at least 15 new employees by January 31st 2019 and maintain the employment level of 107.86 employees until January 31st 2024 (this number of employees includes persons employed in full-time positions throughout the year, as well as part-time and seasonal employees, calculated in full-time equivalents),
- will complete the investment project by December 31st 2020.

On February 17th 2017, Grupa Azoty PUŁAWY signed Annex No. 8 to the agreement signed with the Starachowice Special Economic Zone on August 10th 2007, concerning participation in the costs related to the administration and maintenance of the general infrastructure of the zone.
The amendments increase the quarterly participation fee from PLN 26.8 thousand (VAT excl.) to PLN 52 thousand (VAT excl.) as a result of addition of the PLN 25 thousand (VAT excl.) quarterly participation fee for a new plot added to the Starachowice Special Economic Zone, covered by Licence No. 169/2017 of February 17th 2017 for conducting business activity in the special economic zone.

Grupa Azoty wins the Engine of the Polish Economy title
Grupa Azoty was included among the Engines of the Polish Economy, a ranking by the Home & Market magazine, covering ten leading sectors of Poland's economy. Among the ten winners – one winning representative from each sector – Grupa Azoty took the first place in the Chemical Industry category. The Tarnów-based company was awarded "for its constant efforts to change the face of the Polish chemical industry."

Appointment of a qualified auditor of financial statements
On March 28th 2017, the parent's Supervisory Board appointed a qualified auditor to review and audit the separate financial statements of the parent and consolidated financial statements of the Grupa Azoty Group for the financial years 2017, 2018 and 2019.
The entity appointed to perform the reviews and audits is Ernst & Young Audyt Polska Sp. z o.o. sp.k., with its registered office at Rondo ONZ 1, 00-124 Warsaw, Poland. Ernst & Young Audyt Polska Sp. z o.o. sp. k. is entered in the list of qualified auditors of financial statements under No. 130.

Elektrownia Puławy Sp. z o.o.
On March 31st 2017, Elektrownia Puławy Sp. z o.o., conducting the tender procedure to select the general contractor for the "Construction of a 400 MWe CCGT unit" project, resolved not to select any bid and to close the procedure. The project will not be continued in that formula.
At the same time, the Supervisory Board of Grupa Azoty PUŁAWY gave the Management Board a general authorisation to engage in activities connected with the preparation of an investment project to construct a hard coal-fired generating unit, including in particular conceptual and analytical work, followed by formulation of the Terms of Reference. Such unit, tailored to the Company's needs, would secure electricity and heat supplies to Grupa Azoty PUŁAWY.

Management systems
In the reporting period, the Group companies maintained and improved their management systems. The validity of certificates confirming the systems' compliance with relevant standards and requirements was maintained. Improvements were also made based on findings of external and internal audits of the certified management systems. Efforts to integrate the management systems used within the Grupa Azoty Group were undertaken on a regular basis with the participation of a special team appointed for this purpose. By virtue of Resolution No. 595/X/2017 of February 8th 2017, the Management Board of Grupa Azoty S.A. approved the document entitled 'Corporate Risk Management at Grupa Azoty S.A.' Periodic report for 2016". In the reporting period, the Group continued efforts to implement an ISO 50001-compliant energy management system. In February 2017, representatives of accreditation body Det Norske Veritas GL Business Assurance Poland Sp. z o.o. conducted a certification audit of Grupa Azoty S.A.'s energy management system to verify its compliance with the ISO 50001:2011 standard. The assessment of implementation of the energy management system was positive and the audit confirmed the system's compliance with the requirements of the standard. Grupa Azoty S.A. obtained the ISO 50001:2011 energy management system certificate, valid from March 24th 2017 until March 24th 2020. Furthermore, Grupa Azoty S.A. adapted its existing management systems to the requirements of the new ISO 9001:2015 and ISO 14001:2015 standards, preparing the management systems for the transfer audit scheduled to take place on April 5th-7th 2017. The transfer audit was successfully completed by Det Norske Veritas GL Business Assurance Poland Sp. z o.o., with a positive result for Grupa Azoty S.A.

Material events after the reporting period

Grupa Azoty S.A. wins the title of Transparent Company 2016
On April 6th 2017, Grupa Azoty S.A. was awarded the title of Transparent Company 2016 in a ranking prepared by the *Parkiet* daily and the Accounting and Tax Institute, with the support of the Warsaw Stock Exchange. The Company was ranked among the twenty most transparent companies included in the WIG20, WIG40 and WIG80 indices, which agreed to an assessment of their transparency.

Letter of intent concerning coal gasification project
On April 20th 2017, the parent and TAURON Polska Energia S.A. of Katowice ("TAURON"), jointly referred to as the "Parties", signed a letter of intent in which they outlined general terms and conditions of their cooperation aimed to execute a coal gasification project ("Project").
The letter of intent was signed taking into consideration that the Project may combine the satisfaction of energy needs and demand for a raw material used in the chemical industry, as it would consist in

the establishment, through product streams, of interconnection between energy generation and chemical production with a coal gasification system.
Products of the Project's process would include electricity and synthesis gas, with a composition enabling its direct use as feedstock for the production of hydrogen, ammonia, methanol or other chemicals. The Parties determined that natural gas currently used to produce nitrogen-based fertilizers can be partly replaced with syngas obtained through coal gasification.
The Project is currently at the stage of Pre-FEED (Preliminary Front End Engineering Design) and accompanying analyses, including market analyses. Estimates are putting the Project's cost at between EUR 400m and EUR 600m, depending on the technology chosen.
TAURON declared that it would participate in the Project on terms defined under separate agreements between the Parties. TAURON's contribution would include selection and construction of a unit guaranteeing maximised utilisation of coal from the TAURON Group's coal mines. The Parties agreed that additional coal may be supplied by third parties if TAURON is not able to supply coal in the quantities or with the parameters required for the process.
The letter of intent outlines the framework terms of cooperation and, at the present stage, does not give rise to any financial obligations or require the Parties to make any management decisions. The Parties declared their intention to cooperate and sign further agreements, including an agreement establishing a joint SPV for the Project. The letter of intent will remain in force until December 31st 2017, but each Party has the right to terminate it on a month's notice.

3.2. Agreements

The agreements are presented in chronological order.

Significant agreements

In Q1 2017, the Grupa Azoty Group did not execute any agreements with a value exceeding 10% of its revenue for the previous four financial quarters, which is the criterion for considering an agreement as significant.

In Q1 2017 and as at the date of this report, none of the Group companies defaulted on credit facilities or other borrowings or breached any material covenants under credit facility or other loan agreements.

Material agreements

Agreements and annexes to agreements of financial nature

Partial cancellation of the loan granted by the Provincial Fund for Environmental Protection and Water Management (WFOŚiGW) to Zakłady Azotowe Chorzów S.A.
On January 2nd 2017, Zakłady Azotowe Chorzów S.A. submitted an application for partial cancellation of its loan from the Provincial Fund for Environmental Protection and Water Management (WFOŚiGW). By a resolution of February 22nd 2017, the Supervisory Board of WFOŚiGW agreed to partial cancellation (PLN 168 thousand) of the loan. A relevant agreement was signed on March 8th 2017. The cancellation was granted on a de minimis basis.
The WFOŚiGW Management Board also agreed to partial release of the security provided for the loan, in the amount of PLN 401 thousand. The part of a deposit provided as security for the WFOŚiGW loan amounts to PLN 219 thousand.

Loan agreement between Grupa Azoty POLICE and Bank Gospodarstwa Krajowego
On January 25th 2017, Grupa Azoty POLICE signed a PLN 80,000 thousand overdraft facility agreement with Bank Gospodarstwa Krajowego, for a period until January 24th 2020.

Annex to the credit facility agreement between Agrochem Sp. z o.o. and Bank Pekao S.A.
On January 31st 2017, Agrochem Sp. z o.o. and Bank Pekao S.A. signed an annex to the PLN 10m overdraft facility agreement (executed on January 29th 2016), extending the agreement term until January 31st 2018.

Credit facility agreement between Remzap Sp. z o.o. and Bank Millennium S.A.
On March 23rd 2017, Remzap Sp. z o.o. signed a PLN 2m credit facility agreement with Bank Millennium S.A. for the period until March 22nd 2019.

Repayment by Grupa Azoty Prorem Sp. z o.o. of investment credit facility extended by PKO Bank Polski S.A.
In March 2017, Grupa Azoty Prorem Sp. z o.o. early repaid the PLN 1,224 thousand of outstanding borrowings under its investment credit facility agreement signed on March 1st 2012 with PKO BP.

Insurance agreements

Consolidated Group Insurance Programme with Towarzystwo Ubezpieczeń Wzajemnych Polski Zakład Ubezpieczeń Wzajemnych (TUW PZUW)
On February 28th 2017, six member companies of the Grupa Azoty Group which in Q4 2017 joined the mutual insurance company Towarzystwo Ubezpieczeń Wzajemnych PZUW as a Mutual Insurance Union (Związek Wzajemności Członkowskiej), including the parent, Grupa Azoty KĘDZIERZYN, Grupa Azoty POLICE, Grupa Azoty PUŁAWY, Grupa Azoty SIARKOPOL and GZNF FOSFORY Sp. z o.o., entered into a new Master Property Insurance Agreement with TUW PZUW for a period of two years, from March 1st 2017 to February 28th 2019, with policies covering the following insurance lines:
- all-risk property insurance (ALLR),
- all-risk electronic equipment insurance (EEI),
- loss of profit insurance ALLR (BI),
- all-risk machinery insurance (MB).

On March 22nd 2017, TUW PZUW signed a letter of intent to expand its cooperation with the Grupa Azoty Group by entering into insurance agreements covering third-party liability insurance, property in transport insurance (CARGO), contractors/erection all risks insurance (CAR/EAR) and freight forwarder liability insurance. Subsequently, by March 30th 2017, the Grupa Azoty Group member companies forming the Mutual Insurance Union within TUW PZUW served termination notices on their previous insurers, effective from 30th June 2017, under the following insurance agreements which had been entered into for the period from July 1st 2015 to June 30th 2018:
- A master business liability and property insurance agreement with the WARTA/PZU/HESTIA insurance pool;
- A master agreement on property insurance in domestic and international transport with the HESTIA/PZU/WARTA insurance pool.

An analogous termination notice was also given by Grupa Azoty S.A., as the Group companies' policyholder, with effect from June 30th 2017, under the CAR/EAR (contractors/erection all risks) master agreement which had been entered into with the WARTA/PZU/HESTIA insurance pool for the period from February 5th 2016 until June 30th 2018.

Trade credit insurance at Grupa Azoty PUŁAWY
In February 2017, the validity periods of the Grupa Azoty PUŁAWY's trade credit insurance policies with Euler Hermes S.A. were extended for the period from February 1st 2017 until January 31st 2018; the policies cover:
- amounts receivable of Grupa Azoty PUŁAWY in connection with its domestic and export sales of caprolactam and melamine, as well as sales of other products to customers buying caprolactam, melamine, PUC-C and alcohol foreshots,
- amounts receivable of Grupa Azoty PUŁAWY in connection with its exports of fertilizers, sales of NOXy®, LIKAM®, PULNOx® to CHPs, power and cement plants, waste incineration facilities, and wastewater treatment plants, as well as sales of technical grade urea on the Polish market.

Commercial contracts

Ilmenite purchase contract
On January 17th 2017, Grupa Azoty POLICE and Titania AS of Hauge and Dalane, Norway, signed a contract for the purchase of ilmenite.
The estimated value of the contract is PLN 140,000 thousand. The contract was concluded for a definite term from September 1st 2016 to December 31st 2019. Under the contract, ilmenite is to be delivered according to an agreed delivery schedule and commercial terms.

Contracts concluded after the reporting period

Contract for the purchase of phosphate rock
On May 8th 2017, Grupa Azoty POLICE entered into an agreement for the purchase of Moroccan phosphate rock with Office Chérifien des Phosphates of Casablanca, Morocco (the seller).
The contract was executed for a definite period from April 1st 2017 to December 31st 2017, and defines a specific schedule and other commercial terms of deliveries. The value of the deliveries to made under the contract is estimated at PLN 135,000,000.
The other terms and conditions of the contract do not differ from standard terms used in contracts of this type.
The execution of the contract is deemed inside information as the contract concerns the supplies of phosphate rock, the primary raw material for the manufacture of compound fertilizers, in quantities sufficient to satisfy Grupa Azoty POLICE's annual requirement for that material. What is important, OCP, being the world's largest exporter of phosphorites, guarantees timely delivery of phosphate rock of high and consistent quality.

Contracts between Grupa Azoty Group companies

NOXy® delivery contract
Zakłady Azotowe Chorzów S.A. signed a NOXy® delivery contract with Grupa Azoty KĘDZIERZYN. The contract provides for the delivery of the product from January 2017 to December 2017. The value of the contract is estimated at PLN 1,700,000.

Loan agreement between Grupa Azoty Puławy and SCF Natural Sp. z o.o
On January 16th 2017, Grupa Azoty Puławy signed a PLN 1.0m loan agreement with SCF Natural Sp. z o.o, with the final loan repayment date on October 31st 2022.

Loan repayment
On January 16th 2017, ZAKSA S.A. repaid a PLN 0.5m loan advanced by Grupa Azoty KĘDZIERZYN on November 14th 2016 to finance its day-to-day operations. The loan was repaid by set-off of mutual claims under the loan agreement of November 14th 2016 and the agreement for the provision of advertising services of October 9th 2015, on the due date of the invoice issued by ZAKSA S.A. for the provision of advertising services in the period from January 1st to June 30th 2017 under the agreement for the provision of advertising services of October 9th 2015.

Intragroup financing agreement
On March 31st 2017, pursuant to the intragroup financing agreement of April 23rd 2015, the parent disbursed the following amounts to Grupa Azoty KĘDZIERZYN:
- PLN 1,536,000 − another tranche of the loan for the financing of the investment project “New CHP plant at GA ZAK S.A. – phase 1,” following a loan request granted on September 11th 2015, as amended,
- PLN 19,856,000 for the investment project “Upgrade of the urea unit,” following a loan request granted on March 29th 2017,
- PLN 7,322,000 for the investment project “Upgrade of the Biological Wastewater Treatment Plant at the Wastewater Treatment and Sewage System Division of the Infrastructure Unit,” following a loan request granted on March 29th 2017.

Loan agreement between Grupa Azoty Puławy and Zakłady Azotowe Chorzów S.A.
Since June 2016, Zakłady Azotowe Chorzów S.A. has been in default with payment of instalments due under the loans granted by Grupa Azoty Puławy (creditor). Zakłady Azotowe Chorzów S.A. is currently waiting for the creditor to take a position and decision on a request filed by the Management Board to postpone the instalment due date until July 2019.

(all figures in PLN '000 unless indicated otherwise)

3.3. Sureties for borrowings, guarantees granted

In Q1 2017, the Group did not issue any guarantees whose total amount would exceed 10% of the parent's equity.
In Q1 2017, the Group did not issue any guarantees whose total amount would exceed 10% of the parent's equity.

Sureties granted
Surety granted by the parent to Investitionsbank des Landes Brandenburg (ILB)
The parent's Supervisory Board approved the issue of surety of up to EUR 1,800,000 (PLN 7,596,000) to Grupa Azoty ATT Polymers GmbHas security for a grant from Investitionsbank des Landes Brandenburg (ILB) to finance 20% of capital expenditure on the project to build a logistics centre in Guben.
On February 14th 2017, the parent and Grupa Azoty ATT Polymers GmbH (the parent's subsidiary) signed a surety agreement under which the parent granted to the subsidiary a surety of up to EUR 1,800 thousand.
The surety was granted to secure a EUR 1.5m grant advanced to Grupa Azoty ATT Polymers GmbH by ILB to finance 20% of capital expenditure on construction of a logistics centre in Guben, Germany (the total amount of investment project is EUR 7.47m).

3.4. 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.

Shareholding structure as at April 28th 2017 (issue date of the most recent report)

Shareholder	Number of shares	Ownership interest (%)	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: 19,321,700 shares, i.e. 19.47%)	71,348	0.07	71,348	0.07
Rainbee Holdings Limited*)	9,820,352	9.90	9,820,352	9.90
Opansa Enterprises Limited*)	9,430,000	9.50	9,430,000	9.50
TFI PZU S.A.	8,530,189	8.60	8,530,189	8.60
European Bank for Reconstruction and Development	5,700,000	5.75	5,700,000	5.75
Other	23,025,763	23.22	23,025,763	23.22
Total	**99,195,484**	**100.00**	**99,195,484**	**100.00**

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

In the period from April 28th 2017 to the date of issue of this report, the parent was not officially notified of any changes in major holdings of its shares.

3.5. Parent shares held by its management and supervisory personnel

As at the end of the reporting period (March 31st 2017) and as at the date of this report, none of the members of the parent's Management and Supervisory Boards held any shares in the parent.

3.6. Composition of the Management Board and the Supervisory Board

Parent’s Management Board
In Q1 2017, there were no changes in the composition of the Management Board.

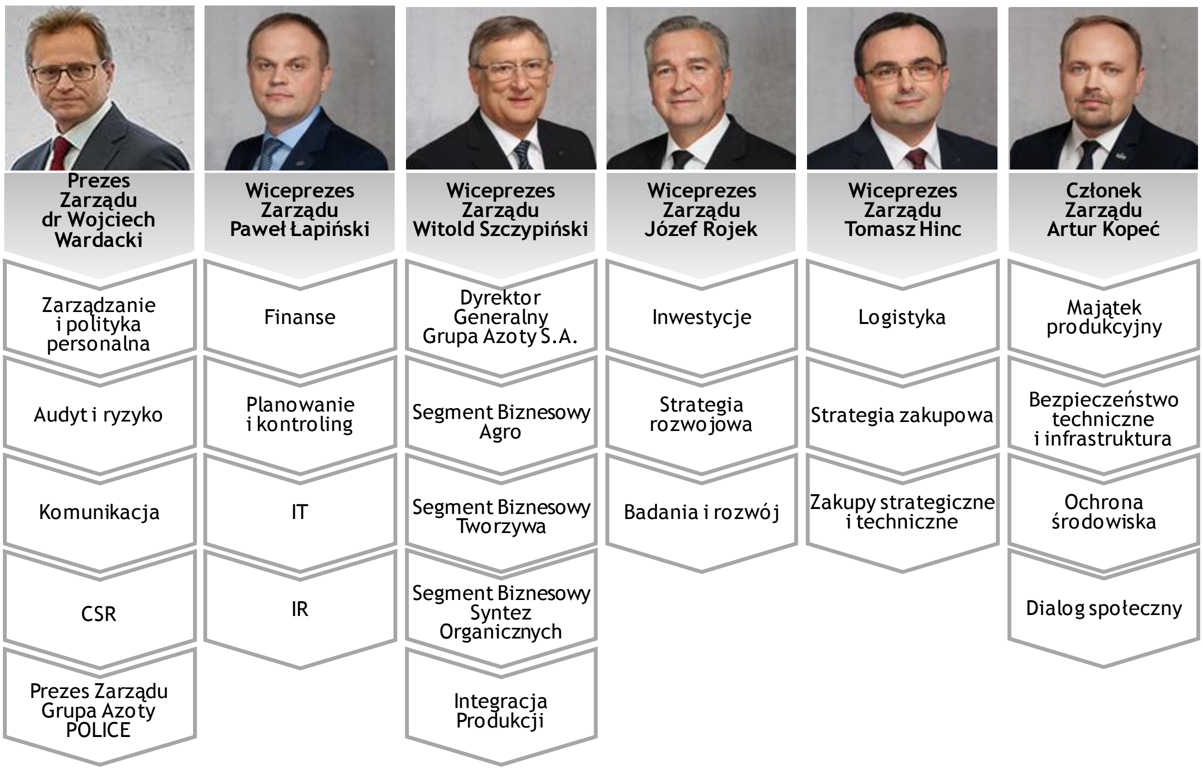
As at the date of this report, the Company's Management Board consisted of:

- Wojciech Wardacki – President of the Management Board,
- Witold Szczypiński – Vice President of the Management Board,
- Paweł Łapiński − Vice President of the Management Board,
- Józef Rojek – Vice President of the Management Board,
- Tomasz Hinc – Vice President of the Management Board,
- Artur Kopeć – Member of the Management Board.

Powers and responsibilities of the parent's Management Board and Supervisory Board members:
On May 24th 2016, the Management Board passed Resolution No. 358/X/2016, under which the division of powers and responsibilities between the Management Board members was as follows:

- Wojciech Wardacki − President of the Management Board, responsible for overall supervision and management of the Group, as well as for the strategy and corporate governance, including exercise of majority shareholder power, human resources management, communication and corporate image (which also covers public relations and CSR),
- Witold Szczypiński – Vice President of the Management Board, Director General of the parent, responsible for integration of production processes, the Agro segment, and the Plastics segment,
- Tomasz Hinc – Vice President of the Management Board, responsible for procurement and logistics,
- Paweł Łapiński – Vice President of the Management Board, responsible for finance, controlling, IT and investor relations,
- Józef Rojek – Vice President of the Management Board, responsible for investment projects and for R&D programmes,
- Artur Kopeć – Member of the Management Board, responsible for production assets, plant safety, environmental protection, infrastructure and social dialogue.

Division of duties and responsibilities among Management Board Members



Supervisory Board
From December 2nd 2016 to the date of this report, the composition of the Supervisory Board was as follows:

- Marek Grzelaczyk – Chairman,
- Tomasz Karusewicz – Deputy Chairman,
- Zbigniew Paprocki – Secretary,
- Monika Fill – Member,

- Robert Kapka – Member,
- Artur Kucharski – Member,
- Bartłomiej Litwińczuk – Member,
- Ireneusz Purgacz – Member,
- Roman Romaniszyn – Member.

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 Company's Articles of Association (Art. 33),
- Rules of Procedure for the Company's Supervisory Board.

Changes in the composition of the Supervisory Board's Audit Committee
From December 16th 2016 to the date of issue of this report, the composition of the Audit Committee was as follows:
- Artur Kucharski – Chairperson,
- Monika Fill,
- Robert Kapka,
- Ireneusz Purgacz.

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

Changes in the remuneration policy for management and supervisory boards of Grupa Azoty Group companies
As part of the integration process, in connection with amendments to the laws and regulations applicable to the rules and levels of remuneration for corporate board members, the Management Board has approved the "Remuneration policy for management and supervisory board members in Grupa Azoty Group companies" with the following appendices:
- Tariffs for individual Reference Groups,
- Rules for payment of variable remuneration to management board members in Grupa Azoty Group companies,
- Form of management contract for sole traders
- Form of service provision contract for individuals other than sole traders
- Form of post-employment non-competition agreement

In view of the above decision, the Management Board has commenced a procedure to implement the Policy in the Group companies.

Implementing Resolution No. 8 of the Company's General Meeting of December 2nd 2016 on the rules of remuneration for the Management Board Members, which obliged the Supervisory Board to ensure the conformity of the terms and conditions of management contracts concluded with Management Board Members for the period of such Members' appointment with the provisions of the Act on Rules of Remunerating Persons Who Manage Certain Companies of June 9th 2016 and with the aforementioned resolution of the General Meeting, on February 6th 2017 the Supervisory Board passed the following resolutions:
- On terms of employment and remuneration for Management Board Members,

- On the delegation of authority to the Chairperson of the Supervisory Board to terminate existing employment contracts and post-employment non-competition agreements with Management Board Members,
- On the delegation of authority to the Chairperson of the Supervisory Board to conclude management contracts with Management Board Members for the period of such Members' appointment

4. Supplementary information

Management Board's position on the achievement of forecasts
As no forecast for 2017 have been published, the position of the parent's Management Board concerning achievement of such forecasts is not presented.

Litigation
There are no proceedings pending at the Grupa Azoty Group companies concerning liabilities or debt claims whose value would represent 10% of Grupa Azoty's equity, i.e. would satisfy the materiality criteria specified in the Regulation of the Minister of Finance of February 19th 2009 on current and periodic information (consolidated text: Dz. U. of 2014, item 133, as amended).
The total amount of all proceedings involving the Group companies does not exceed 10% of Grupa Azoty S.A.'s equity.

Parent's branches
The Company does not operate non-local branches or facilities.

Shares, share issues
In Q1 2017, the parent did not issue, redeem or repay any debt or equity securities. The Company had spent the proceeds from Public Offerings by the end of 2013. The proceeds were used in line with the original issue objectives.
There are no agreements known to the Company which may cause future changes in the percentages of shares held by the existing shareholders and bondholders
The Company does not operate any control system for employee share ownership plan.

The consolidated interim report of the Grupa Azoty Group for Q1 2017 contains 82 pages.

Signatures of Members of the Management Board

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

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

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

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

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

....
Artur Kopeć
Member of the Management Board

Tarnów, May 10th 2017