CONSOLIDATED REPORT

FOR SYNTHOS GROUP

FOR THE PERIOD FROM 1 JANUARY 2015 TO 30 JUNE 2015

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1. INTRODUCTION

The Group is one of the leading manufacturers of chemical raw materials in Central and Eastern Europe, headquartered in Poland with its main production operations located in Poland and the Czech Republic. The Group is the leading producer of synthetic rubber and the leading producer of expandable and extruded polystyrene in Europe, based on data provided by IHS Chemical. The Group's upstream integration with a stable source of raw materials, including C4 fraction, butadiene, benzene and ethylene, which the Group sources mainly from regional crackers, has allowed the Group to achieve a leading cost position in the synthetic rubber industry. The Group has a broad and diverse customer base across a wide range of industries, including the automotive, construction and packaging industries. The Group has developed long-term relationships with its key customers, which include market leaders, many of which have lasted over several decades. Over the years, the Group has successfully leveraged its key proprietary technologies and transformed itself into a modern synthetic rubber and styrenics producer with global operations. The Company's shares have been listed on the Warsaw Stock Exchange since 2004, and the Company has been a member of the blue chip WIG20 index on the Warsaw Stock Exchange since 2012. As at June 30, 2015, the Company has a market capitalization of PLN 6,153.11 million.

For the six months ended June 30, 2015, the Group has generated consolidated revenues from sales of PLN 2,121.3 million and EBITDA of PLN 334.4 million. The Group's business is divided into four main business segments: butadiene and rubber (the "**Synthetic Rubber Segment**"), styrene and styrene derivatives (the "**Styrene Plastics Segment**"), dispersions adhesives and latex (the "**Dispersions, Adhesives and Latex Segment**") and manufacturing means of plant protection (the "**AGRO Segment**"). Other sources of revenues include auxiliary operations related to the production and distribution of thermal energy from the Group's own power plants, as well as revenues derived from the trading and distribution of electricity ("**Other Operations**," including "Media," which is reported as a separate segment in the Consolidated Annual Report). Other Operations also include income and costs not allocated to any segments.

1.1 Accounting policies adopted in the preparation of the report

In these interim condensed consolidated financial statements the Synthos Group applied the International Financial Reporting Standards (IFRS) which were also binding in the comparative period.

The report for the Synthos Group presents a true presentation of the development and achievements of the Group and includes a description of risk factors.

The main accounting principles applied in this statement are in accordance with the principles applied in the consolidated financial statement for 2014 and in accordance with the regulations binding from 2015.

1.2 Functional currency and presentation currency

We have two functional currencies due to the fact that we operate on two markets:

a) in Czech companies, the Czech koruna is the functional currency;

b) in Polish entities, the Polish zloty is the functional currency.

The presentation currency in which these financial statements are prepared is the Polish zloty. Assets and liabilities & equity measured in the functional currencies were translated into the presentation currency at the mid-exchange rate of the National Bank of Poland as at the balance sheet date.

Transactions expressed in foreign currencies are recognized in the functional currency as at the transaction date using the mid-exchange rate of the NBP or the CNB (the Czech National Bank) as at the transaction date.

Assets and liabilities expressed in foreign currencies are translated as at the balance sheet date at the mid-exchange rate of a given functional currency as at that date. Foreign exchange gains and losses resulting from the settlement of transactions in foreign currencies and valuation of monetary assets and liabilities expressed in foreign currencies as at the balance sheet date are recognized in profit or loss. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated at the mid-exchange rate of the functional currency as at the transaction date.

Financial data in CZK has been translated as follows:

- individual assets and liabilities & equity – at the exchange rate as at 30 June 2015 – PLN/CZK 0.1538.

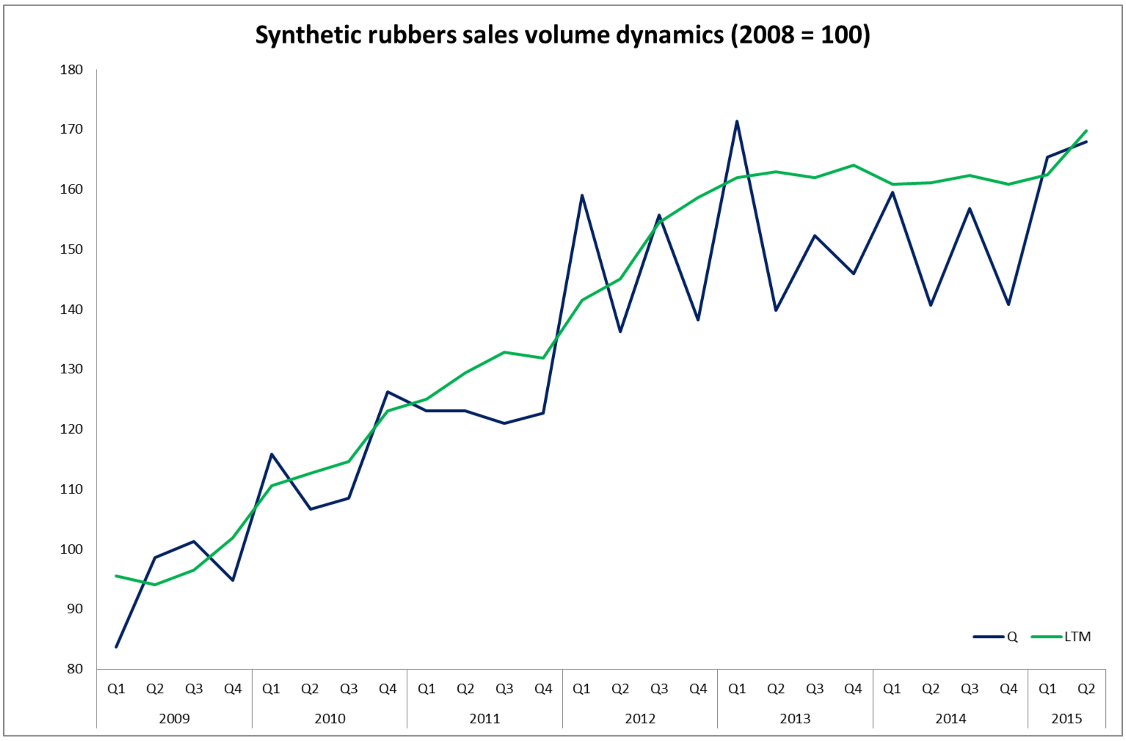
2. BUSINESS DESCRIPTION OF SYNTHOS GROUP

2.1 Overview

The Group's business is divided into four main business segments: butadiene and rubber (the "**Synthetic Rubber Segment**"), styrene and styrene derivatives (the "**Styrene Plastics Segment**"), dispersions adhesives and latex (the "**Dispersions, Adhesives and Latex Segment**") and manufacturing means of plant protection (the "**AGRO Segment**"). Other sources of revenues include auxiliary operations related to the production and distribution of thermal energy from the Group's own power plants, as well as revenues derived from the trading and distribution of electricity ("**Other Operations**," including "Media," which is reported as a separate segment in the Consolidated Financial Statements). Other Operations also include income and costs not allocated to any segments.

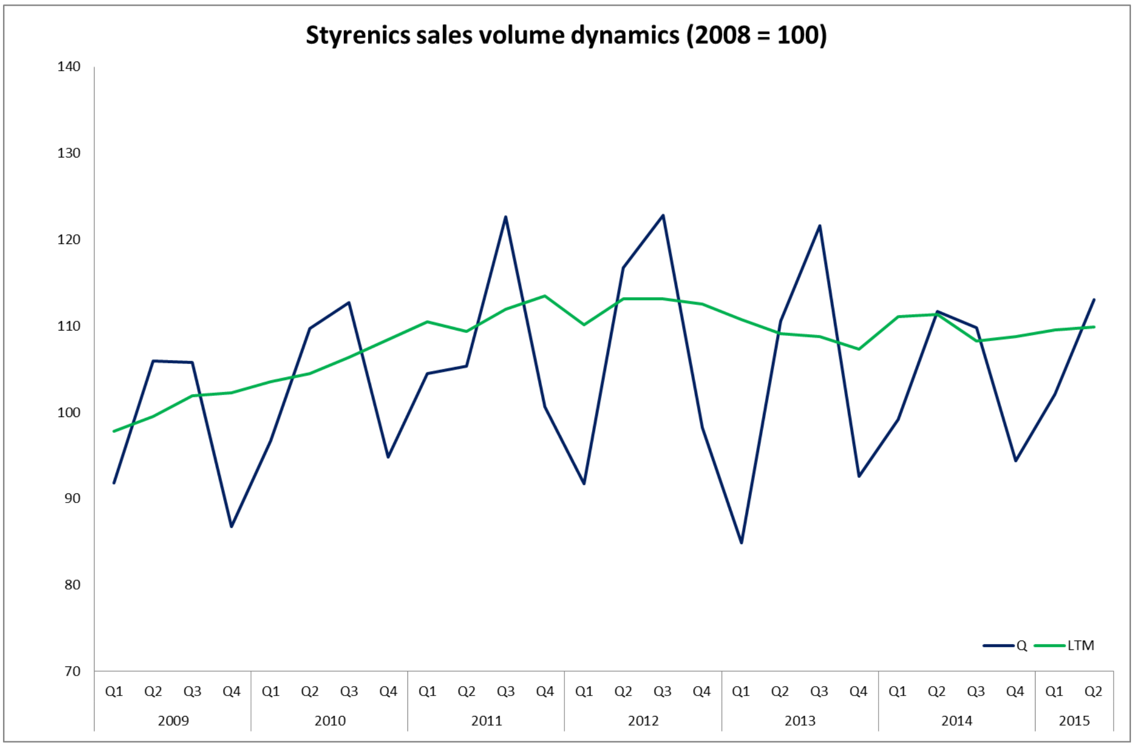
Synthetic Rubber Segment

The Group's Synthetic Rubber Segment is its core business segment. 77% of the volume of products sold in this segment is attributable to large tire industry participants, including Michelin, Continental, Bridgestone, Goodyear and Pirelli. The remaining 23% of the volume of products sold in this segment is derived from other markets, including those involved in the production of technical rubber, soles for footwear, flexible cables and transmission belts. For the six months ended June 30, 2014, the Group's Synthetic Rubber Segment generated revenues from sales of PLN 983.8 million and EBITDA of PLN 142.7 million.



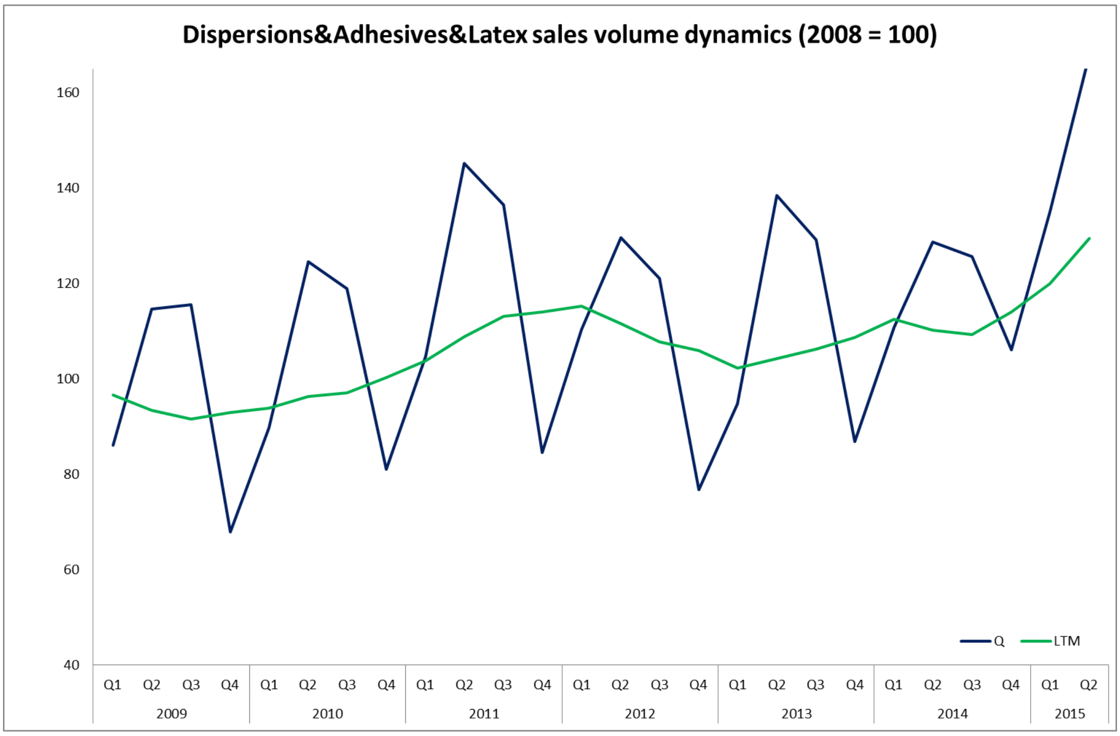
Styrene Plastics Segment

The Group's Styrene Plastics Segment produces three main types of products, which differ in their application. The first is expandable polystyrene ("**EPS**"), which is primarily used in the production of thermal insulation boards, a basic thermal insulation material used in Central Europe. The second includes general purpose polystyrenes ("**GPPS**") and high impact polystyrenes ("**HIPS**"), which are primarily used in the food packaging industry. Polystyrene is also used for making disposable tableware, cups, and containers for dairy products, trays and cutlery. It is also used as a raw material in the production of shower cubicles, jewelry packaging, and other materials requiring a stiff but transparent packaging material. The third is extruded polystyrene board ("**XPS**"), which is produced by the Group's new production line for extruded polystyrene. XPS is used primarily in the construction industry, as a thermal insulation material for the perimeters of buildings, roofs with reverse layer sequences, flooring and in thermal bridges and cavity walls. For the six months ended June 30, 2015, the Group's Styrene Plastics Segment generated revenues of PLN 868.4 million and EBITDA of PLN 105.9 million.



Dispersions, Adhesives and Latex Segment

The Group's Dispersions, Adhesives and Latex Segment produces acrylic, styrene-acrylic, vinyl acetate polymer dispersions: wood- and paper-adhesives and two different types of synthetic latex: concentrated styrene butadiene and styrene butadiene carboxylic latex. The main application for these materials is in the production of high-quality paints, acrylic plasters, primers, sealers and other chemicals used in the construction industry. Polyvinyl acetate dispersions are used in the manufacturing of adhesives for wood and in the paper, textile and construction industries. The Group's adhesives are used mainly in the wood, furniture and paper industries. For the six months ended June 30, 2015, the Group's Dispersions, Adhesives and Latex Segment generated revenues from sales of PLN 95.7 million and EBITDA of PLN 12.9 million.



AGRO Segment

The Group's AGRO Segment consists of plant protection products and biocides. The AGRO Segment offers protection of seedlings, protection of plants against fungi in all of the vegetation season's months, protection against weeds and supply plants with essential micronutrients and microelements. For the six months ended June 30, 2015, the Group's AGRO Segment generated revenues from sales of PLN 55.9 million and EBITDA of PLN 12.3 million.

2.2 Recent Developments

The events which took place in the first half of 2015 and after the balance sheet date are presented below.

Construction of a facility for the production of SSBR rubber

In the first half of 2015, work related to the development of a facility for the production of modern SSBR rubber was continued in the plant in Oświęcim. In the discussed period, among others, the final construction and assembly works related to the production facility were carried out. Simultaneously, systems related to the production facility were constructed.

On 15 June of this year the construction of the facility has ended. After the acceptance of the machinery, pipelines and systems needed for the construction of the production processes, preparations for the launch of the facility began.

Within the process of the facility launch, the first test SSBR rubber brick was produced on August 4, 2015. Currently, the production tests for the rubber assortment under the license and other activities aimed at a full start of the facility are conducted.

The investment carried out by Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna is based on a license agreement of May 2012 with The Goodyear Tire & Rubber Company. The development of the project leads to the expansion of the production capabilities of Grupa Kapitałowa Synthos S.A. within the scope of modern SSBR rubber up to the volume of 90,000 tons per year. The SSBR rubber will be sold mainly to major global tire manufacturers. Moreover, the facility in question enables the production of polybutadiene rubber.

Synthos S.A. already contracted the material part of the planned production. Regular supply of the product must be preceded by the product specification acceptance of the most important clients, mainly the tire manufacturers.

SSBR rubber, which will be produced in the launched factory, is used in the manufacture of modern tires, for both the winter and summer seasons, with enhanced functional properties within the scope of resistance to abrasion, rolling resistance, and wet grip performance ("performance tires"). These properties lead to the reduction of fuel consumption, as well as improvement of safety and driving comfort. The market demand for such tires will develop faster than in the case of traditional tires, which also results from the energy conservation policies and CO^2 emission reduction policies pursued in the developed countries (including the European Union, Japan, the US, and South Korea), which is reflected by the legislation covering the so-called tire labeling.

Development of an energy-related project

In the first half of this year, Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna in Oświęcim was working on the construction of exhaust gas denitrogenation and desulphurization systems to be installed in one of the dust boilers, and the construction of a new fluidized bed boiler.

The first one of the projects is based on the application of advanced technology, whose use for the purpose of desulphurization will lead to the generation of magnesium sulphate, used as an artificial fertilizer in agriculture. The completion of the construction of the facility and its test runs are planned for the third quarter of 2015.

During the reporting period, the second project, i.e., the construction of a fluidized bed boiler, was at the stage of construction of the first and the second line of the pressure section. The boiler is scheduled to be launched in the fourth quarter of 2015.

Actions supporting the market entry of Synthos Agro Sp. z o.o.

In the first half of 2015, the market entry of Synthos Agro Sp. z o.o. was supported by a strong advertising campaign. The most important aim of that campaign was to provide the information to the clients that the products which were previously offered by Organika Azot S.A. are now owned by Synthos Agro Sp. z o.o. The change of the owner should guarantee that benefits will be derived from the combination of strength and the recognizability of the brands of Organika Azot S.A.'s products with the innovations, technology and capital of Grupa Kapitałowa Synthos S.A.

Currently, the portfolio of products offered by Synthos Agro Sp. z o.o. is, first and foremost, addressed to the fruit market. There are approximately 370,000 hectares of orchards in Poland. Orchards make up 2% of all the cultivated area in our country and generate 13% of the plant protection product market value. This results from the high intensity of chemical protection, which is necessary to achieve the proper harvesting level.

Starting preparations for launching InVento Y production

Implementing the strategy of extending the product portfolio to include new high quality products, the group started preparations for launching the production of

InVento Y – a product with lower thermal conductivity lambda, manufactured with the use of the suspension polymerization method. InVento Y parameters make it possible to use an insulating layer less thick than in the case of insulation based on standard white foamed polystyrene (EPS). The InVento Y manufacturing technology was developed by the R&D division of Synthos S.A. The project is implemented in Oświęcim, at Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna.

The resignation from building of a production plant in Brazil

On June 30, 2015 Synthos S.A. has disclosed to the public the information that on December 23, 2014 it terminated a contract concluded on October 25, 2013 with BRAKSEM S/A with registered seat in Camacari, Brazil (Braskem).

The subject of the contract were deliveries of butadiene by Braskem to the plant, which Synthos S.A. intended to build in Brazil. The reason for termination of the contract was non - fulfilment of condition precedent of the contract.

One of the reasons for termination of the contract by Synthos S.A. was also the fact that the primarily envisaged budget for construction of the plant in Brazil was significantly exceeded in the cost estimation prepared by design company. Nevertheless, the Brazilian market maintains a key position in Synthos S.A. strategy and the Issuer continues his work on optimal solutions enabling for constant presence on this market.

Signing of the agreement on the change of the level of remuneration for 2015

The Group cooperates closely with the trade unions and the cooperation is good. The Group's conditions of employment are negotiated with trade unions each year. The Group reached in the end of 2014, the agreement on the change of the level of remuneration for 2015. In the audited period there were no disputes between the Company and trade unions.

A failure of the ethylene unit and fire at the chemical facilities of the Unipetrol Group

On August 13, 2015 occured a failure of the ethylene unit and a subsequent fire in the chemical facilities Chempark Zaluži in Litvinov in the Czech Republic, which belong to Unipetrol Group (forming part of the PKN Orlen group). Synthos Group sources raw materials from the cracking unit of Unipetrol Group and is linked through pipelines with Unipetrol Group through which the Group obtains C4 fraction, ethylene and benzene for the Group's production facility in the Czech Republic, and as a result of the failure and fire resulted in a temporary suspension of supply.

The event can have a negative impact on the financial results of the Group but the dynamically changing raw materials prices, the possibility to purchase raw materials from alternative sources, the availability of the ethylene transit infrastructure to Litvinov, and also the scope of available information on full effects of the failure and on the type and time schedule of the repairs, do not allow to assess, even approximately, the impact of the event on the results of the Group.

In connection with the above, the Group has launched alternative sources of deliveries and uses the existing stock of raw materials and products.

2.3 Legal Proceedings

The Group is involved in legal proceedings in connection with its operations in the ordinary course of our business. These may include actions by regulatory authorities, tax authorities, suppliers and customers, employment-related claims, contractual disputes, claims for personal injury or property damage that occur in connection with the Group's services performed relating to projects or construction sites, tax assessments, environmental claims and other matters. Many of the Group's contracts contain provisions relating to alternative dispute resolution proceedings in order to settle any contract disputes. If the parties to the contract are unable to reach an agreement, legal proceedings may be necessary to resolve the dispute.

The Group has not, during the six months ended June 30, 2015 been involved in any legal, arbitration or public administration proceedings (including any such proceedings which are pending or threatened of which we are aware), which have had in the recent past, or may have, significant effect on our financial condition and profitability.

3. OPERATIONAL AND FINANCIAL REVIEW

The following is a discussion and analysis of our results of operations and financial condition based on the consolidated financial statements. The following section should be read in conjunction with the consolidated financial statements, including the additional information and explanatory notes to them as well as with other financial information included elsewhere in this Consolidated Interim Report.

3.1 Key Factors Influencing Our Results of Operations

Our results of operations are driven by a combination of factors, many of which affect the chemicals industry generally, such as: global supply and demand in the end markets where our customers compete, prices of raw materials, general economic conditions and compliance with environmental legislation. Our results of operations and cash flow are also affected by company specific structural and operational factors, such as wide product portfolio or geographical diversification achieved by way of intensifying sales of products manufactured by Grupa Synthos on the South American and North American markets.

Economic environment, demand and cyclicality in the chemicals end markets

Our business covers the manufacturing and sale of chemical products, which are used in a wide range of industries, including in particular the automotive, packaging and construction industries. Such industries, and therefore the ensuing demand for our products, are affected by general economic conditions. Our operations are also subject to the cyclical and, more importantly, variable nature of the supply and demand balance in the chemicals industry, and our future results of operations may continue to be affected by this cyclicality and variability.

Our revenue growth is dependent on the overall condition of Poland and the broader European and global economic environments. In the past, our results of operations were affected by, and we expect that our financial results will continue to be affected by, key macroeconomic factors such as GDP growth, inflation, interest rates, currency exchange rates, unemployment rates, rate of corporate insolvencies. Generally, weak economic conditions in Europe, including in Poland, may weigh on the growth prospects of our markets. In our opinion, there should be a further gradual improvement of the economic situation in Poland and other EU member states that constitute major selling markets for the products offered by companies from Grupa Synthos, which in addition, should also continue in the future as a result of the monetary policy quantitative easing program expanded since March 2015 by the European Central Bank. The launch of the program in the current form is planned from September 2016. In the case of the Polish economy, its condition may be materially affected by the reduction of interest rates made by the Monetary Policy Board in March 2015. Record low lending costs should contribute to the revival of the economic situation in 2015, including growth in the construction industry.

The ongoing conflict between Ukraine and Russia can have a minor impact on the operation results of the Group. Negative economic effects will also arise from international sanctions imposed on Russia and its retaliatory measures. At the moment, it is difficult to estimate the degree of influence of these sanctions on the level of the economic growth in the Ukraine and Russia region, as well as in the entire EU in 2015. Owing to the relatively low involvement of Group Synthos in the Eastern markets, it should not be largely affected by their consequences.

Prospects for GDP growth in Europe, including in Poland, and other macroeconomic factors are by their nature uncertain and strongly dependent the general economic environment, including the growth rate of China's economy having impact on the world, huge tonnage chemical industry.

The Chinese GDP rose in the first quarter of 2015 by 7% which has been the lowest pace since the spring of 2009. In the second quarter the growth dynamics of the Chinese GDP were on an equal level of 7%. This factor has caused the limitation of a possibility of a profit gain for the European producers of synthetic rubber, including the Synthos Group companies. This had factor limited the profit generating capacity of the European manufacturers of synthetic rubber, including the companies from Synthos Group. The rate of the economic growth in the USA also has an impact on the global petrochemical market. In the case of the USA, unknown consequences of withdrawal from the economic growth support program manifested by the eased monetary policy may play an important role (a withdrawal from the program of "quantitative easing"; in addition the experts expect still in 2015 the first rise of the interest rates from 2006).

Automotive and construction industry

Our business is largely based on the market conditions of the industries which use our raw materials and intermediate products, including, in particular, the automotive and construction industries.

In the first half of 2015 the growth in the automotive industry resulted in 7,169,984 passenger vehicles were sold in the European Union. The number of newly registered vehicles grew by 8.2% in relation to 2014 (source: European Automobile Manufacturers' Association (ACEA)). The largest growth was recorded in Spain (22.0%) and Italy (15.2%). In Great Britain, car sales rose by 7.0% and in Germany by 5.2%, respectively.

The tire industry consumes approximately 70% of the global SBR rubber output. In comparison to the previous year, in the first half of 2015 the demand on the replacement tire market in Europe was stable in the case of passenger cars, but a drop in the sales of trucks and agricultural vehicles was recorded. As regards passenger cars and trucks, in the first half of 2015, sales grew by 2% respectively (source: European Tyre & Rubber Manufacturers Association (ETRMA)). Agricultural vehicle tire sales dropped by 13%. The situation in the European replacement tire market should gradually improve. In the long run, real growth of the demand for tires is expected in the Asian markets, including China and India and, to a smaller extent, South American markets (mainly Brazil). Moreover, the operation results of the Group are impacted by the long-term impact of the regulations concerning tire labeling, resulting in an increased demand for Nd BR and S-SBR rubber, which are applied in the production of modern tires with enhanced functional properties within the scope of resistance to abrasion, rolling resistance, and wet grip performance.

The condition of the construction industry has improved in the first half of 2015.

In the second quarter of this year, the growth of the added value in the construction sector was 3.8%, and the production sold 2.1%(source: Current economic situation and economic forecast, IBnGR, August 2015), which affected the results of the segment „Dispersions, Glues and Latexes" manufactured by Grupa Kapitałowa Synthos S.A. mainly for the construction sector.

According to the Market Economy Research Institute's forecast, in 2015 growth of the added value in the construction sector will be 5.5% compared to 4.7% in 2014. In the following reporting periods, the situation in that industry should be under increasingly positive influence of the infrastructural projects financed within the framework of the new budget forecast of the European Union (source: Current and Forecasted Economic Situation, IBnGR, August 2015).

Fluctuations in the prices of raw materials

The costs of raw materials constitute a significant component of the operating costs of our business. For the six months ended June 30, 2015, raw materials constituted 71% of our total revenue from sales. Our principal raw materials are butadiene, styrene, ethylbenzene, butyl acrylate, vinyl acetate, ethylene and benzene and C4 fraction. Our results of operations are therefore directly affected by any volatility in the cost of our raw materials, which are subject to global supply and demand and other factors beyond our control. The prices of our raw materials are to a certain extent correlated with the global price of crude oil because crude oil is the source of feedstock for European crackers, which in turn provides us with raw materials. Low price of crude oil lead to the reduction of prices of petrochemical products used as raw materials by our Group. Lower prices of raw materials, including butadiene, had a negative impact on the margins of the synthetic rubber. In addition, the low process of synthetic rubber resulted in pressure on the basic prices of synthetic rubber. In Europe, the prices of our raw materials depend only to a small extent on the price of gas.

We generally seek to pass on to our customers increases in raw material prices. However, due to pricing and other competitive or market pressures we may be unable to do so completely or at all. Furthermore, volatility in the cost of these raw materials makes it more challenging to manage pricing and we may experience a time lag between an increase in raw material prices and any increase in our prices to our customers. Although changes in the prices of raw materials usually translate to changes in product prices in the long run, prices of our products may not immediately reflect changes in the prices of raw materials as a result of our pricing mechanisms or delays in updating our product prices. This impacts our ability to pass the increases on to our customers in a timely manner. Accordingly, fluctuations in the prices of raw materials can have a significant impact on our gross profits, gross margins and other operating results.

Furthermore, in order to minimize the price fluctuations in our long term contracts for supplies of raw materials, the price formulas in our long term contracts reflect the current situation on the raw material market. The formulas reduce the risk of large deviations of contracted purchase prices from market prices. Backward integration and obtaining long term supply contracts at attractive prices are key factors for controlling the costs of raw materials.

In 2015, the prices of basic types of polystyrenes, i.e. GPPS (general purpose polystyrenes) and HIPS (high impact polystyrenes) were influenced by the low prices of styrene. The situation favored achieving higher margins by manufacturers of polystyrenes based on its own production of styrene.

Changes in the prices of raw materials have a direct impact on our working capital levels. In general, increases in prices lead to an increase in our working capital requirements and decreases lead to a decrease in our working capital requirements.

Fluctuations in margins and supply and demand for our products

The margins in our markets are strongly influenced by industry utilization, which is affected by supply and demand for products and the costs of principal raw materials. Certain markets, such as those for plastic and synthetic rubber products, are more mature, so their overall growth tends to correlate closely with global GDP growth. As demand for products increases and approaches available supply, utilization rates rise, and prices and margins typically increase. Supply in our markets tends to be cyclical, generally characterized by periods of limited supply, resulting in higher operating margins, followed by periods of oversupply, typically stimulated by the creation of additional capacity, resulting in lower operating margins.

In addition to being cyclical, our margins are also susceptible to potentially significant swings in the short term due to various factors, including planned or unplanned plant outages, political or economic conditions affecting prices and changes in inventory management policies by customers (such as inventory building or de stocking in periods of expected price increases).

Current and future environmental regulatory considerations

We are subject to extensive environmental, health and safety regulations at both the national and European levels. There are numerous laws that affect our business, and we have incurred, and expect to continue to incur, substantial ongoing capital expenditures to ensure compliance with current and future laws and regulations. We may also incur remediation, decommissioning and ongoing upgrade or compliance costs in connection with our production facilities and other properties. However, we believe that the potential remediation costs would not be high, and we do not anticipate that they could have a material influence our results of operations.

The REACH Regulation imposes significant obligations on us and the chemicals industry as a whole with respect to the testing, evaluation, assessment and registration of basic chemicals and chemical intermediates. The EU Classification, Labeling and Packaging Regulation ("CLP") imposes on us significant obligations with respect to the testing, evaluation, assessment and registration of basic chemicals, which are expensive, time consuming and lead to increased production costs and reduced operating margins of our products.

Over the next few years, we expect to be affected by new legal requirements related to environmental protection, resulting from, among others, the Directive on Industrial Emissions ("IED") and the EU Emissions Trading System ("EU ETS"). We keep up with the growing eco awareness among our customers by producing NdBR, which is used in high performance tires that minimize fuel consumption. Additionally, we are involved in development of alternative routes for obtaining butadiene from renewable sources. Finally, we are considering the construction of an incineration plant for municipal waste, which will be in line with Polish national regulations concerning waste management.

Foreign currency exchange rate fluctuations

We operate internationally and as a result, are exposed to various currency risks and exposures, including in particular, in relation to the euro, Polish złoty, U.S. dollar and Czech koruna. Although our reporting currency is the złoty, for the six months ended 30 June 2015, 74% of our revenues and 90% of our costs related to transactions settled in a currency other than Polish złoty. We are therefore affected by both the transaction effects and translation effects of foreign currency exchange rate fluctuations. In recent years, the exchange rates between these currencies and the złoty have fluctuated significantly and may continue to do so in the future. A depreciation of these currencies against the złoty will decrease the złoty equivalent of the amounts derived from these operations reported in our consolidated financial statements. An appreciation of these currencies will result in a corresponding increase in such amounts. Fluctuations in exchange rates have an impact on the volume of revenue from sales and purchase costs of raw materials. While an increase in the relative strength of the złoty against other currencies may have a negative impact on the profitability of our export and domestic sales, changes in our revenues from export and domestic sales caused by exchange rate fluctuations are offset in part by changes in the costs of raw material imports. As a result of our purchases of raw materials, product sales, loans and borrowings, bond issuance and cash in foreign currencies, we have been, and expect to continue to be, exposed to foreign exchange rate fluctuations, which could materially affect our results of operations, assets and liabilities, and cash flows as reported in złoty. Variability in exchange rates could also significantly impact the comparability of our results of operations between periods.

Hazards and risks of disruption associated with chemical manufacturing

We are exposed to the typical hazards and risks of disruption associated with chemical manufacturing and the related storage and transportation of raw materials, products and wastes. These potential risks of disruption include, among others, explosions and fires, inclement weather and natural disasters, and failure of mechanical, process safety and pollution control equipment. When such disruptions occur, alternative facilities with sufficient capacity or capabilities may not be available, may cost substantially more or may take a significant time to start production, which could negatively affect our business and financial performance. Although these kinds of events are standard, they occur infrequently, usually not more than once or twice per year, and are typically short lived.

3.2 Presentation of Financial Information

For the purposes of the following discussion of our results of operations, the key line items from the statement of comprehensive income include the following: revenues from sales, cost of sales, selling costs, other operating income, general expenses, other operating expenses, financial income, financial costs, income tax and net profit. The following discussion also refers to our EBITDA and segment results.

Revenues from sales

Revenues from sales are comprised of revenues from the sales of goods and finished products, provision of services, materials and income from lease.

Segment results

Segment results are comprised of revenues from each segment’s sales minus total cost allocated to such segment. Reconciliation of the segment results to profit before tax was included in the Consolidated Financial Statements.

Cost of sales

Cost of sales includes, among others, consumption of materials and energy, salaries, costs of goods and materials sold.

Selling costs

Selling costs are comprised of, among others, transportation, loading and unloading costs, duty fees, trade fees and cargo insurance.

General Expenses

General expenses include general administrative costs associated with the maintenance of our management board and administration and general production costs related to the maintenance and operation of general purpose units.

Other operating income

Other operating income includes, among others, income associated with the sale of fixed assets, reversal of provisions, compensation from insurance companies and received contractual penalties.

Other operating expenses

Other operating expenses include, among others, revaluations of provisions, impairment losses, write offs, costs of unused production capacity.

Financial income

Financial income comprises income from valuation of derivatives, interest at amortized cost using the effective interest rate, surplus of foreign exchange gains over losses on cash, loans and borrowings as well as other assets and liabilities.

Financial costs

Financial costs primarily comprise, among others interest charges determined on the basis of the effective interest rate and a surplus of negative foreign exchange rate differences over the positive exchange rate differences on cash assets, loans and borrowings as well as other assets and liabilities.

Income tax

Income tax comprises current and deferred income tax expense.

Net profit

Net profit comprise total revenues minus total expenses.

EBITDA

EBITDA is calculated as operating profit plus depreciation of property, plant and equipment and amortization of intangible assets.

3.3 Our Results of Operations

The following table sets forth our consolidated results of operations for each of the periods indicated.

	For the six months ended June 30,	
	2015	**2014**
	(PLN million)	
Revenues from Sales	2 121.3	2 350.0
Cost of sales	(1 710.8)	(1 956.0)
Gross profit on sales	**410.5**	**394.0**
Other operating income	10.8	13.0
Selling costs	(67.7)	(66.6)
General and administrative expenses	(87.4)	(79.8)
Other operating expenses	(4.5)	(8.4)
Profit/(Loss) on sale of property, plant and equipment	(5.1)	—
Operating profit	**256.6**	**252.2**
Financial income	*34.8*	*2.3*
Financial costs	*(25.5)*	*(22.3)*
Net financial costs	9.3	(20.0)
Profit before tax	**265.9**	**232.2**

	For the six months ended June 30,	
	2015	2014
	(PLN million)	
Income tax	(19.5)	(63.3)
Net profit	**246.4**	**168.9**
Other comprehensive income that may be later reclassified to profit or loss		
Foreign exchange differences on subordinated entities	0.8	11.2
Valuation of financial assets available for sale	(2.6)	(48.7)
Other (net) comprehensive income	**(1.8)**	**(37.5)**
Total comprehensive income	**244.6**	**131.4**
Profit attributable to:		
Equity holders of the parent	246.2	168.8
Non-controlling interests	0.2	0.1
Net profit for the period	**246.4**	**168.9**
Comprehensive income attributable to:		
Equity holders of the parent	244.3	131.3
Non-controlling interests	0.3	0.15
Comprehensive income for the period	**244.6**	**131.4**

3.4 Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

Revenues from Sales

Total revenues from sales for the six months ended June 30, 2015 were PLN 2,121.3 million, a decrease of PLN 228.7 million, or 9.73 %, from PLN 2,350.0 million for the six months ended June 30, 2014. The decrease was driven mainly by challenging market conditions and the lower than expected growth in the Chinese economy, strong completion out of EU in PS segment and the low prices of crude oil, and natural rubber.

Segment analysis for the six months ended June 30, 2015 compared to the six months ended June 30, 2014

Segment results for the six months ended June 30, 2015 were PLN 255.4 million, an increase of PLN 7.7 million, or 3.1%, from PLN 247.7 million for the six months ended June 30, 2014.

The following table sets forth our historical revenues from sales and results by business segment for the six months ended June 30, 2015 and 2014.

	For the six months ended June 30,	
	2015	2014
	(PLN million)	
Revenues from sales		
Synthetic Rubber Segment	983.8	1 176.8
Styrene Plastics Segment	868.4	977.1
Dispersions, Adhesives and Latex Segment	95.7	85.9
AGRO Segment	55.9	-
Other Operations	117.5	110.2
Total revenues from sales	**2 121.3**	**2 350.0**
Costs by segment		

Synthetic Rubber Segment	867.0	1 026.5
Styrene Plastics Segment	784.8	907.5
Dispersions, Adhesives and Latex Segment	86.7	83.7
AGRO Segment	45.2	-
Other Operations	82.2	84.6
Total costs	**1 865.9**	**2 102.3**
Segment results		
Synthetic Rubber Segment	116.8	150.3
Styrene Plastics Segment	83.6	69.6
Dispersions, Adhesives and Latex Segment	9.0	2.2
AGRO Segment	10.7	-
Other Operations	35.3	25.6
Total segment results	**255.4**	**247.7**

Synthetic Rubber Segment

The segment results in our Synthetic Rubber Segment for the six months ended June 30, 2015 were PLN 116.8 million, a decrease of PLN 33.5 million, or 22.3%, from PLN 150.3 million for the six months ended June 30, 2014.

This decrease was driven mainly by large fall in the prices of the monomers in the first half of 2015 compared to the first half of 2014.

Styrene Plastics Segment

The segment results in our Styrene Plastics Segment for the six months ended June 30, 2015 were PLN 83.6 million, an increase of PLN 14 million, or 20.1%, from PLN 69.6 million for the six months ended June 30, 2014.

Despite the higher sales volume of styrene plastics, the significant decline in trading caused a decline in the profitability of products sold in the first half of 2015 and sales of the finished products stock produced in the end of 2014 with high styrene prices.

Dispersions, Adhesives and Latex Segment

The segment results in our Dispersions, Adhesives and Latex Segment for the six months ended June 30, 2015 were PLN 9.0 million, an increase of PLN 6.8 million, or 309.1%, from PLN 2.2 million for the six months ended June 30, 2014.

AGRO Segment

The segment results in our AGRO Segment for the six months ended June 30, 2015 were PLN 10.7 million. We did not separate this segment in the analogous financial period for the last year.

Other Operations

The segment results from our Other Operations Segment for the six months ended June 30, 2015 were PLN 35.3 million, an increase of PLN 9.7 million, or 37.9%, from PLN 25.6 million for the six months ended June 30, 2014.

Cost of Sales

Cost of sales for the six months ended June 30, 2015 was PLN 1 710.8 million, a decrease of PLN 245.2 million, or 12.54%, from PLN 1 956.0 million for the six months ended June 30, 2014. This decrease was mainly due to main monomers average market prices.

Other Operating Income

Other operating income for the six months ended June 30, 2015 was PLN 10.8 million, a decrease of PLN 2.2 million, or 16.9%, from PLN 13 million for the six months ended June 30, 2014. The decrease was mainly due to a lower profit on the disposal of the nonfinancial assets of PLN 1.4 million.

Selling costs

Selling costs for the six months ended June 30, 2015 were PLN 67.7 million, an increase of PLN 1.1 million, or 1.7%, from PLN 66.6 million for the six months ended June 30, 2014.

General Expenses

General and administrative expenses for the six months ended June 30, 2015 were PLN 87.4 million, an increase of PLN 7.6 million, or 9.5%, from PLN 79.8 million for the six months ended June 30, 2014. The increase in general and administrative expenses was mainly due to the new activity in AGRO segment.

Other Operating Expenses

Other operating expenses for the six months ended June 30, 2015 were PLN 4.5 million, a decrease of PLN 3.9 million, or 46.4%, from PLN 8.4 million for the six months ended June 30, 2014.

Financial Income

Financial income for the six months ended June 30, 2015 was PLN 34.8 million, an increase of PLN 32.5 million, or 1413.04%, from PLN 2.3million for the six months ended June 30, 2014. The increase in financial income was mainly due to the foreign exchange gains and Currency Forward Contracts gains.

Financial Costs

Financial costs for the six months ended June 30, 2015 were PLN 25.5 million, an increase of PLN 3.2 million, or 14.3%, from PLN 22.3 million for the six months ended June 30, 2014. The increase in financial cost was mainly due to increase in interest costs from the bonds.

Income Tax

Income tax for the six months ended June 30, 2015 was PLN 19.5 million, a decrease of PLN 43.8 million, or 69.2%, from PLN 63.3 million for the six months ended June 30, 2014. The change was mainly due to the charge off of the part of the investment incentive asset in 2014 for the income tax in the amount of PLN 36.6 million.

Net Profit

For the reasons discussed above, our net profit for the six months ended June 30, 2015 was PLN 246.4 million, an increase of PLN 77.5 million, or 45.9%, from PLN 168.9 million for the six months ended June 30, 2014.

EBITDA

Our EBITDA for the six months ended June 30, 2015 was PLN 334.4 million, an increase of 4.4 PLN million, or 1.3%, from PLN 330.0 million for the six months ended June 30, 2014.

The below table shows our historic EBITDA for each of the segments for the six months ended June 30, 2015 and 2014.

	For the six months ended June 30,	
	2015	2014
	(PLN million) (unaudited)	
Synthetic Rubber Segment	142.7	171.5
Styrene Plastics Segment	105.9	95.6
Dispersions, Adhesives and Latex Segment	12.9	5.3
AGRO Segment	12.3	-
Other Operations	60.6	57.6
Total	334.4	330.0

3.5 Liquidity and Capital Resources

Historically, our liquidity needs have arisen primarily from the need to fund capital expenditures and working capital and service our debt obligations. Our principal sources of liquidity have been cash generated from our operations, bonds issuance, disposal of assets, and EU grants for capital expenditures.

Cash Flow

The following table sets forth our consolidated cash flow data for each of the periods indicated.

	For the six months ended June 30,	
	2015	2014
	(PLN million)	
Net cash from operating activities	366.6	227.3
Net cash from investing activities	(339.0)	(146.1)
Net cash from financing activities	179.7	(350.9)

Net Cash from Operating Activities

Net cash from operating activities for the six months ended June 30, 2015 was PLN 366.6 million, an increase of PLN 139.3 million, or 61.2%, from PLN 227.3 million for the six months ended June 30, 2014. This increase was principally due to the stock change.

Net Cash from Investing Activities

Net cash used in investing activities for the six months ended June 30, 2015 was PLN 339.0 million, an increase of PLN 192.9 million, or 132%, from PLN 146.1 million for the six months ended June 30, 2014. This increase was principally due to higher expenditures on the purchase of intangible assets, plant and equipment.

Net Cash from Financing Activities

Proceeds from net cash from financing activities for the six months ended June 30, 2015 amounted to PLN 179.7 million, for the six months ended June 30, 2014 the outflow was PLN 350.9 million, principally due to proceeds from the issuance of the Initial Notes.

Working Capital Requirements

We define our net working capital as current assets except for cash flows minus short-term liabilities except for financial liabilities. Our net working capital requirements primarily depend on the prices of raw materials and the management of receivables, liabilities and stock.

As at June 30, 2015, net working capital was PLN 892.4 million, an increase of PLN 66.8 million, from PLN 825.6 million from December 31, 2014. This increase resulted mainly from a material reduce of the obligation from the investment expenditures.

Off-Balance Sheet Arrangements

As at June 30, 2015, we did not have any contingent liabilities in relation to unrelated entities.

Investment Expenditures

Our investment expenditures were PLN 360.5 million for the six months ended June 30, 2015.

The following table sets forth our capital expenditures by business segment for the periods indicated.

	For the six months ended June 30,	
	2015	**2014**
	(PLN million)	
Synthetic Rubber Segment	247.8	85.6
Styrene Plastics Segment	23.8	9.4
Dispersions, Glues and Latex Segment	2.3	0.5
AGRO Segment	9.4	-
Other Operations	77.2	48.8
Total	**360.5**	**144.3**

We have an extensive capital expenditure program in place to fund the construction, maintenance and improvement of our production facilities. Significant capital expenditures are required to maintain our plants' current production, meet the requirements of new regulations, and retain our licenses to operate. Additional capital expenditures are further required to upgrade aging or obsolete equipment, improve energy efficiency, increase production capabilities, and improve process control.

We expect our aggregate capital expenditure for the year ended December 31, 2015 to amount to approximately PLN 594.4 million, and we expect our capital expenditure for the year ended December 31, 2016 to be approximately PLN 593.7 million.

Our largest single current investment project is the construction of a SSBR rubber plant in Oświęcim, Poland, which was just completed. Currently the process of testing of the equipment and a production of the first test parts of the products is undergoing. We expect the total investment value in this project to be approximately PLN 555 million.

Additional ongoing projects include: (i) the construction of a fluid boiler in Oświęcim, Poland; (ii) a DeNOx DeSOx installation to treat exhaust gas at our production facility in Oświęcim; and (iii) the launch of an investment process, namely the construction of a fluid boiler in our utilities production facility in Kralupy. All of our stated investment figures are only estimates and are subject to change or amendment at any time.

The Group intends to execute investment plans which comprise organic and equity growth.

Forecasts

The Management Board of Synthos S.A. did not publish any forecasts of the financial results of the Company and the Synthos Group for the first half of 2015.

Significant changes in the estimates made by the Synthos S.A. Group in the first half of 2015

We did not make any significant changes to our estimates in the reporting period.

3.6 Financing Activities

The Initial Notes

On 30 September 2014, Synthos Finance AB (publ), with its registered seat in Stockholm, Sweden (the "**Issuer of the Notes**"), the 100% owned subsidiary of Synthos S.A., issued senior notes with a total nominal value of EUR 350,000,000 ("**Initial Notes**"). The Initial Notes bear fixed interest of 4.000% per annum, with the interest payable semi-annually (on March 30 and September 30 of each year), payable for the first time on March 30, 2015, and will mature on September 30, 2021. The Initial Notes were issued for a price equal to 100% of their principal amount for a total consideration of EUR 350,000,000. The Initial Notes constitute senior debt and rank equally in right of payment with its existing and future unsecured senior debt.

The Notes are unsecured and are jointly and severally guaranteed by Synthos S.A., Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością sp. j., SYNTHOS Kralupy a.s., TAMERO INVEST s.r.o. and SYNTHOS PBR s.r.o. (the "**Guarantors**"). The guarantee provided by the Guarantors covers all obligations of Synthos Finance AB (publ) stemming from the Initial Notes (including the obligation to pay a nominal value of the Initial Notes and interest on Notes) and has been granted to all Noteholders. The guarantee shall expire after extinction of claims of Noteholders against Synthos Finance AB (publ). Remuneration obtained for providing the guarantee has been granted on the arm's length basis.

In relation with the issuance of the Initial Notes, the Group is subject to typical covenants for high-yield bonds which may limit its ability to finance future operations and capital needs and to pursue business opportunities and activities. The restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. Initial Notes are subject to listing on the Official List of the Irish Stock Exchange and were admitted to trading on the Global Exchange Market.

The Indenture, the Initial Notes and the Guarantees are governed by, and construed in accordance with, the laws of the State of New York.

Concurrently, in order to transfer the funds from the Initial Notes issue, the Management Board of the Company adopted a resolution dated 30 September 2014 regarding the issue of the intercompany bonds by Synthos S.A., which constitute unsecured registered bonds issued pursuant to the Bonds Act of 29 June 1995. The nominal value of the intercompany bonds is equal to 350.000.000 EUR and corresponds to the nominal value of the Initial Notes. The total issue price of the intercompany bonds is equal to 344.001.000 EUR. Funds raised from the issue of intercompany bonds were allotted for the repayment of indebtedness of the Group, estimated fees and expenses associated with the Initial Notes issuance and general corporate purposes of the Group. Terms and conditions of intercompany bonds redemption and interest payment redemption correspond to the Initial Notes.

The Additional Notes

On 2 April 2015, Synthos Finance AB (publ), with its registered seat in Stockholm, Sweden, the 100% owned subsidiary of Synthos S.A., issued EUR 50,000,000 4.000% senior notes due 30 September 2021 ("**Additional Notes**"). The Additional Notes constitute the tap issue of the Initial Notes.

Similarly to the issuance of the Initial Notes, the obligations of Synthos Finance AB (publ) under the Additional Notes are guaranteed on a joint and several basis by the Guarantors.

Concurrently, in order to transfer the funds from the Additional Notes issue, on 2 April 2015, Synthos Finance AB (publ) granted the intercompany loan to Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością sp. j., the indirectly subsidiary of Synthos S.A. from Synthos S.A. in the amount of EUR 50,000,000 4.700% due 30 September 2021.

Similarly to the Initial Notes, the Additional Notes are listed on the Official List of the Irish Stock Exchange and admitted to trading on the Global Exchange Market.

Information on dividends paid (or declared)

On June 24, 2015 the Ordinary General Meeting of Synthos S.A. passed a resolution no. 6 on dividend payment in the amount of PLN 330,812.50 (three hundred thirty million eight hundred twelve thousand and five hundred zlotys zlotys), that is PLN 0.25 (twenty five grosz) per share. The date of record was set to 2 July 2015. Dividend shall be paid on 17 July 2015. The dividend was paid on the date.

Information on extension by the Company or by a subsidiary of a surety for a credit or a loan or a granting a guarantee – together to one entity or a subsidiary of the entity, if the total amount of the existing suretyships or guarantees equals to at least of 10% of the equity capital of the Company.

In the reporting period, no events occurred

4. RISK FACTORS

4.1 Risks Related to the Group's Business and Industry

Disruptions in the global economy and the financial markets in which the Group operates may adversely impact its business

The business of the Group is largely based on the sales of chemical products used as raw materials and intermediate products in a wide range of industries, including, in particular, the automotive, packaging and construction industries. Demand for the Group's customers' products is affected by general economic conditions and other factors, including conditions in the automotive and packaging industries, labor and energy costs, currency changes, fluctuations in interest rates and other factors beyond the Group's control. As a result, the volume and profitability of the Group's sales depend upon these fluctuations, as well as the economic situation in Poland, the Czech Republic, Europe and worldwide. The recent economic downturn in the Group's end markets and the geographic areas where the Group sells its products, including the automotive industries in Europe, has substantially reduced demand for the Group's products and resulted in decreased sales volumes. While demand for certain of Group's products began to recover in 2010 despite the Eurozone crisis, the Group cannot assure you that events having an adverse effect on the industries and markets in which the Group operates, such as a downturn in the Polish, European or global economies, increases in interest rates, unfavorable currency fluctuations or other factors, will not occur or continue. Any significant downturn in the Group's customers' businesses or in Polish, European or global economic conditions could result in a reduction in demand for the Group's products and could adversely affect the Group's business, results of operations, financial condition or prospects.

Price fluctuations in the cost of raw materials used to manufacture the Group's products or disruptions in the supply of raw materials may adversely affect Group's production costs

The Group's manufacturing costs may be directly affected by volatility in the cost of the Group's raw materials and fuel, which are subject to global supply and demand and other factors beyond the Group's control. The Group's principal raw materials (C4 fraction, butadiene, benzene, ethylene or styrene) together represented PLN 979 billion, or 53.8% of the Group's total cost of goods sold for the six months ended June 30, 2015. As a significant portion of the Group's cost of goods sold is represented by these raw materials, the Group's gross profit and margins could be adversely affected by changes in the cost of these raw materials if the Group is unable to pass any increased costs on to its customers. The probability of such a risk may be greater if suppliers accumulate considerable stock and, as a consequence, temporarily limit their orders. Although in the long term, changes in the prices of raw materials will be reflected in product prices, in the short term, raw material cost volatility poses a challenge as the Group may be unable to manage passing cost increases on to its customers in a timely manner by adjusting its prices. The Group believes that rapid changes in pricing may also affect customer demand. In extraordinary cases, such as the notification of a force majeure event by a key supplier, the Group may find itself with insufficient materials to produce its products. Alternatively, if the availability of any of its principal raw materials is limited, the Group may be unable to produce some of its products in the quantities demanded by the Group's customers, which could have an adverse effect on plant utilization and the sales of the Group's products requiring such raw materials.

In addition, the Group's production process requires significant amounts of energy and fuel. The Group uses thermal coal and natural gas to generate electricity, operate its facilities and generate heat and steam for its various manufacturing processes. Thermal coal and natural gas prices have experienced significant volatility in the past several years, and the Group may not be able to pass on any increased costs of production and distribution of its products to its customers. Any disruptions in the thermal coal or natural gas supply to the Group's production facilities could severely impact the Group's business, results of operations, financial condition or prospects.

The chemicals industry is subject to cyclicality, which may cause fluctuations in the Group's results of operations

The Group's operations are subject to the cyclical and, more importantly, variable nature of the supply and demand balance in the chemicals industry, and the Group's future results of operations may continue to be affected by this cyclicality and variability. Historically, the chemicals industry as a whole has experienced alternating periods of capacity shortages leading to tight supply conditions and increasing prices and margins, followed by periods when substantial capacity was added resulting in oversupply, declining capacity utilization rates and declining prices and profit margins.

Several factors that have historically contributed to volatile margins in the chemicals industry, and in the Group's business particularly, most of which are beyond the Group's control, include:

- exchange rate fluctuations for producers with a global manufacturing footprint or distribution;
- oversupply due to capacity expansions by existing or new competitors;
- short-term utilization rate fluctuations due to planned turnarounds and unplanned production downtime;
- regulatory requirements driving required technology and manufacturing changes; and
- political and economic conditions, which drive rapid changes in prices for the Group's key raw materials, including C4 fraction, butadiene, benzene, ethylene or styrene.

Given the current uncertainty in the global economic environment (that could result in lower demand) and the implications of the variable supply and demand balance in the chemicals industry, increasing supply could increase pressure on the Group's margins and could materially adversely affect the Group's business, results of operations, financial condition or prospects.

The Group is highly dependent on a limited number of regional suppliers of its main raw materials and its revenue and profit could decrease significantly if the Group loses one or more of these suppliers

The Group's operations require substantial amounts of raw materials, including C4 fraction, butadiene, benzene, ethylene and styrene, which the Group sources mainly from regional crackers such as PKN Orlen (which together with Unipetrol forms one group), Sabic and OMV who deliver raw materials to the Group's production facilities in the Czech Republic and Poland. The Group's regional production facilities are also linked through pipelines with certain of the Group's suppliers, including a pipeline with Unipetrol through which the Group obtains C4 fraction, ethylene and benzene for the Group's production facility in the Czech Republic In addition, the Group owns 49% in a joint venture established together with Unipetrol, which provides the Group with approximately 50% of the Group's annual requirements for butadiene, which is the key raw material for the Group's synthetic rubber production.

The nature of the Group's business depends on regular deliveries of raw materials to the Group's production facilities, which means that the Group might not always be able to avoid reliance on a single supplier. Any disruption or delay in the supply of raw materials from a particular supplier, or the loss of a supplier where the Group is unable to find a suitable alternative within a required time frame, could force the Group to curtail its production. If any one of the Group's suppliers becomes unable to meet its delivery requirements for any reason (for example, due to insolvency, destruction of production plants or refusal to perform a contract), the Group may be unable to source input products from other suppliers at the required volume, and/or at the same or lower prices. The realization of any of these risks could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group depends on certain key customers for a significant proportion of the Group's sales volumes, and the Group's revenue and profits could decrease significantly if the Group loses one or more of these key customers

The Group derives a substantial portion of its revenue from sales from certain key customers. For example, for the six months ended June 30, 2015, the Group's top ten customers accounted for 64% of the Group's revenues from sales, nine of which are car tire manufacturers. As a result, it is critical that the Group maintains close relationships with its key customers. The deterioration in or termination of these relationships could lead to a material decline in sales, revenues, profitability and cash flows and impair the Group's business and reputation.

Furthermore, the Group is exposed to credit risk, which relates to the non-payment or non-performance by customers with respect to trade and other receivables. The failure of the Group's customers to perform their obligations or the possibility that they may terminate their agreements with the Group could result in the Group being unable to meet its working capital requirements. Financial difficulties experienced by customers, including bankruptcies, restructurings and liquidations, or potential financial weakness in the industry, increase this risk. The failure of a customer to pay outstanding amounts owed to the Group could have a materially adverse effect on the Group's business, results of operations, financial condition or prospects. Although the Group has adopted procedures and policies aimed at minimizing this risk, such as insuring receivables, monitoring credit exposures and assigning credit limits to customers, these credit procedures and policies may not be adequate, and they may not protect the Group against the risk of non-payment and/or non-performance by customers.

The Group's ability to manufacture its key specialty products may be impaired by the Group's failure to maintain relevant licenses and the Group cannot assure you that it will be able to renew all necessary certificates, approvals and permits for the Group's operations

The Group's ability to manufacture key specialty products requires licenses to use certain patents, patent applications and other intellectual property. In July 2011, the Group launched the production of NdBR rubber (required for production of high performance tires) under a license agreement with Michelin at the Group's production facility in the Czech Republic. In June 2012, the Group signed a license agreement with Goodyear under which the Group gained access to the technology for producing advanced SSBR rubber. These licenses are for an infinite period and will continue in full force insofar the Group does not comply with their requirements, which may include the payment of royalties, maintenance of confidentiality, obeying any restrictions on not use and construction of additional capacity.

The Group cannot assure you that it will be able to maintain its licenses, including the license agreements the Group has with Michelin and Goodyear. If the Group is unable to maintain or secure alternative licenses on acceptable terms or develop its own proprietary technology, which does not infringe intellectual property rights of third parties, the Group may not be able to sell certain of its products, which could have a material adverse effect on the Groups business, results of operations, financial condition or prospects.

The Group's operations are subject to various certificates, approvals and permits in various jurisdictions. The Group cannot assure you that it will be able to renew its certificates, approvals and permits upon their expiration. The eligibility criteria for such certificates, approvals and permits may change from time to time and may become more stringent. In addition, new requirements for certificates, approvals and permits may come into effect in the future. The introduction of any new or more stringent laws, regulations, certification requirements, approvals and permits relevant to the Group's business may significantly escalate the Group's compliance and maintenance costs, preclude the Group from continuing its existing operations or limit or prohibit the Group from expanding its business. Any such event may have an adverse effect on the Group's business, financial results and future prospects.

The commodity organic chemicals industry is highly competitive and the Group may struggle to maintain its current market position

The Group's industry is highly competitive and the Group faces significant competition from large international producers, as well as from smaller regional competitors. The Group's most significant competitors in the synthetic rubber market include Lanxess, Trinseo and Versalis. In the styrenics market, the Group's competitors include Styrolution, Total and Ineos.

Competition is based on a number of factors, such as product quality, service and price. The Group's competitors may improve their competitive position in the Group's core end-use markets by successfully introducing new products, improving their manufacturing processes or expanding their capacity or manufacturing facilities. In addition, if the Group is forced to increase the prices of its principal synthetic rubber, latex raw materials, polystyrene plastics, or butadiene, other manufacturers who offer similar products made with less expensive raw materials for example, as a result of a different chemical composition, may be able to improve their market position and force the Group to lower its prices in order to compete with them. Competition between styrene-based chemical products and other products within the end-use markets in which the Group competes is intense. Supply (production capacity) exceeds potential demand in this market and the Group may need to adjust its prices to meet competitors' offers. In addition, increased competition from existing or new products may reduce demand for the Group's products in the future and the Group's customers may decide on alternate sources to meet their requirements.

The long-term impact of competition for these products is unclear. Some of the Group's competitors may be able to drive down prices for the Group's products if they have lower operating costs. Alternatively, some of the Group's competitors may have greater financial, technological and other resources, enabling them to better withstand cost and demand changes in the market. Such competitors may be better able to withstand changes in market conditions than the Group. The Group's competitors may also be able to respond more quickly than the Group can to new or emerging technologies or changes in customer requirements. If the Group is unable to keep pace with its competitors' product and manufacturing process innovations, the Group may be unable to maintain its current market position.

In addition, consolidation of the Group's competitors or customers may result in reduced demand for the Group's products or make it more difficult for the Group to compete with its competitors. If the Group is unable to successfully compete with other producers of styrene-based chemical products or if other products can be successfully substituted for the Group's products, the Group's sales may decline.

Production at our manufacturing facilities could be disrupted for a variety of reasons and any disruptions could expose us to significant losses or liabilities.

Due to the nature of the Group's business, the Group is exposed to the hazards associated with chemical manufacturing and the related storage and transportation of raw materials, products and wastes. These hazards could lead to an interruption or suspension of our operations and have an adverse effect on the productivity and profitability of a particular manufacturing facility or on the Group as a whole. These potential risks of disruption include, but are not necessarily limited to:

- pipeline and storage tank leaks and ruptures;
- explosions and fires;
- inclement weather, including floods, and natural disasters;
- terrorist attacks;
- failure of mechanical, process safety and pollution control equipment;
- contamination, chemical spills and other discharges or releases of toxic or hazardous substances or gases; and
- exposure to toxic chemicals.

In the course of its operations the Group has experienced such hazards and disruptions as listed above (except for terrorist attacks), which are customarily associated with chemical manufacturing. In May 2015 there was an event in the production plant in Oświęcim, connected to the pollution of the rainwater drained off to the river Vistula with RAE plasticizers used for the production of the SBR rubber. For example, the Group has experienced a downtime lasting a few days caused by flooding at our production plant in Kralupy in June 2013. The Group believes its Kralupy plant remains at a potential risk of flooding due to its location. The Group also experienced a fire at its production plant in Oświęcim in February 2014. Moreover, the Group's production plant in Poland is listed by the Polish State Fire Service as a plant with high risk of the occurrence of the industrial accident. As the Group's facilities operate close to large population centers, any fires could affect the nearby communities. In 2010, the Group also experienced a leakage of our rainwater sewer system which was caused by insufficient care taken to manage oil tank levels by an unaffiliated company whose place of business was on our premises, which caused the Group to incur expenses for the clean-up of such incident. Following this incident, the Group invested in a special protection system to avoid the re-occurrence of the problem in the future.

All the above hazards could also expose employees, customers, the community and others to toxic chemicals and other hazards, contaminate the environment, damage property, result in personal injury or death, lead to an interruption or suspension of operations, damage the Group's reputation and adversely affect the productivity and profitability of a particular manufacturing facility or the Group as a whole, and result in the need for remediation, governmental enforcement, regulatory shutdowns, the imposition of government fines and penalties and claims brought by governmental entities or third parties. Legal claims and regulatory actions could subject the Group to both civil and criminal penalties, which could affect the Group's product sales, reputation and profitability. The Group cannot be certain that environmental, health and safety compliance, management and response systems currently in place will be sufficient to prevent such potential risks or to remedy any such disruption or incident.

Moreover, the type of activities performed by the Group's employees during the production process and resultant contact with harmful and hazardous substances could increase the risk of accidents. Despite the Group's best efforts to promote awareness through trainings and briefings and ensure safe working conditions for the Group's employees, the Group cannot be certain the safety measures and programs it has implemented will prevent accidents occurring onsite or employees contracting occupational diseases, which may have a negative impact on the Group's operating activities and financial performance.

In the event that an individual successfully brings a claim against the Group, it may not have adequate insurance to cover such claims or may not have sufficient cash flow to pay for such claims. Such outcomes could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

If any disruptions occur, alternative facilities with sufficient capacity or capabilities may not be available, may cost substantially more or may take a significant amount of time to start production. Each of these scenarios could negatively affect the Group's business, results of operations, financial condition or prospects. If one of the Group's key manufacturing facilities is unable to produce our products for an extended period of time, its sales may be reduced by the shortfall caused by the disruption and the Group may not be able to meet its customers' needs, which could cause them to seek out other suppliers. Furthermore, to the extent a production disruption occurs at a manufacturing facility that has been operating at or near full capacity, the resulting shortage of the product could be particularly harmful because production at the manufacturing facility may not be able to reach levels achieved prior to the disruption.

Although the Group maintains property, environmental impairment and comprehensive general liability insurance, among others, of the types and in the amounts that the Group believes are customary for the industry, it does not currently maintain business interruption insurance and furthermore may not be fully insured against all potential causes of disruption due to limitations and exclusions in the Group's policies. While the hazards associated with chemical manufacturing have not resulted in incidents that have significantly disrupted the Group's operations or exposed it to significant losses or liabilities to date, the Group cannot assure you that it will not suffer such losses in the future.

The Group may not be able to adjust its products or technologies to address the Group's customers' changing requirements or competitive challenges in a timely manner, and the Group's customers may substitute its products with other products that the Group does not offer.

The market segments where the Group's customers compete are subject to periodic technological changes, ongoing product improvements, product substitution and changes in customer requirements. Increased competition from existing or newly developed products offered by the Group's competitors or companies whose products offer a similar functionality to the Group's products may negatively affect demand for the Group's products.

For example, in the EPS industry, where competition between producers leads to the constant introduction of improved grades with lower thermal conductivity, which requires the Group to adjust its products in order to address the Group's customers' requirements and sustain market demand for the Group's products.

The Group works to identify, develop and market innovative products on a timely basis to meet its customers' changing requirements and competitive challenges. However if the Group is unable to substantially maintain or further develop its product portfolio, customers may elect to source comparable products from competitors which could have a detrimental impact on the Group's business, results of operations, financial condition or prospects.

The Group may not be able to develop products that adequately address its customers' needs. In addition, the timely commercialization of products that the Group is developing may be disrupted or delayed by manufacturing or other technical difficulties, industry acceptance or insufficient industry size to support a new product, competitors' new products, and difficulties in moving from the experimental stage to the production stage, which is usual for the process of product development, especially during the scale up from laboratory to semi-technical stage. These disruptions or delays could adversely affect The Group's business, results of operations, financial condition or prospects.

The Group cannot be certain that the investments it makes in its technology department and research and development department will result in proportional increases in net sales or profits. The Group's research and development and application technology teams work closely with the Group's customers to develop high-quality, innovative products and applications that are tailored to meet their specific requirements.

In addition, alternative materials, procedures or technologies may be developed, or existing ones may be improved, and replace those the Group currently offers. For example, substitute products may affect the demand for the Group's products, in particular for emulsion rubber and polystyrene. Production advances, including increased demand for substitute end products, which use different materials, and increases in the quality of competing substitute materials used in the production of current end products, as well as product and raw material price fluctuations, may increase the comparative advantage of substitute products and result in a decline in demand for the Group's products as customers may switch to substitutes.

For example, the tire labelling regulations in the EU have led to increased demand for higher-performance (SSBR and NdBR rubbers) tires for personal vehicles with better properties than emulsion rubber, which is the Group's main product offering. Polystyrene is also subject to substitution risks. Competing materials, such as other polymers, particularly polypropylene, polylactic acid and paper, can also be used in packaging applications. While the cost of switching to one of these alternatives is relatively low, as modern conversion lines can generally switch between polymers, additional investment may be required to process polyethylene terephthalate ("**PET**"), and in some cases, polypropylene. If such newly developed, improved products or alternative products are being offered at lower prices, have preferable features or other advantages, particularly from a regulatory perspective, and the Group is not able to offer similar new or improved products, the Group may lose substantial business, which could have an adverse effect on the Group's business, results of operations, financial condition or prospects.

Any future acquisitions may prove difficult for the Group to consummate

The Group has a history of making acquisitions, including in July, 2014, with the Group's acquisition of 100% of the share capital in Oristano Investment, which is a manufacturer of dispersions and adhesives, the Group's acquisition of 100% of share capital in Zakład Doświadczalny "Organika" sp. z o.o., the Group's R&D company specializing in plant protection products ("**PPP**"), which will allow the Group to develop manufacturing of PPP and in third quarter of 2014, the Group finalized the takeover of the registration of plant protection products and biocidal products from Zakłady Chemiczne Organika-Azot S.A. in Jaworzno. The Group is likely to continue to acquire companies or assets engaged in similar or complementary businesses if the Group identifies appropriate acquisition targets. To finance future acquisitions, the Group may need to borrow money, which will increase the Group's debt service requirements and could impact the Group's ability to make payments on its debt instruments, and the Group may not be able to obtain acquisition finance on favorable terms, if at all. In order to manage any acquisitions the Group successfully completed, the Group will need to expand and continue to improve its operational, financial and management information systems and the Group's increased leverage may limit its ability to do so. The Group's excess cash may be limited, and the Group may not be able to invest in the acquired company to achieve the desired synergies. The Group has in the past and may continue to pursue opportunistic acquisitions in order to widen the Group's current product portfolio or to provide further geographic or product diversification of the Group's business segments, which could be subject to a number of risks, including:

- problems with the effective integration of operations;
- the inability to maintain key pre-acquisition business relationships;
- increased operating costs;
- costs related to achieving or maintaining compliance with laws, rules or regulations, including in particular in relation to any expansion into new markets;
- the loss of key employees of the acquired company;
- exposure to unanticipated liabilities; and
- difficulties in realizing projected efficiencies, synergies and cost savings.

The Group cannot assure you that any acquisition it consummates will ultimately provide the benefits the Group originally anticipates. Furthermore, the Group may not succeed in identifying attractive acquisition candidates or financing or completing potential acquisitions on favorable terms.

Fluctuations in currency exchange rates may significantly impact the Group's results of operations and may significantly affect the comparability of the Group's results between financial periods

The Group conducts its operations in a number of different countries. The Group's results are reported in relevant foreign currencies and then translated into Polish złoty at the applicable exchange rates for inclusion in the Group's consolidated financial statements. The main currencies to which the Group is exposed are the euro, Polish złoty, U.S. dollar and Czech koruna. The exchange rates between these currencies and the Polish złoty in recent years have fluctuated significantly and may continue to do so in the future. A depreciation of these currencies against the złoty will decrease the złoty equivalent of the amounts derived from these operations reported in the Group's consolidated financial statements. An appreciation of these currencies will result in a corresponding increase in such amounts. As the Group sells its products in foreign currencies and that proceeds exceed the Group's raw material costs which are procured in euro or U.S. dollar, an appreciation of the złoty against euro or U.S. dollar may have an adverse effect on the Group's profit margins or the Group's reported results of operations. Additionally, because the relation of the sale in euro versus U.S. dollar exceeds the similar relation on cost side, a depreciation of euro against U.S. dollar may have an adverse effect on the Group's profit margins or its reported results of operations. Additionally, to the extent that the Group is selling its products in foreign currencies, the appreciation of złoty against foreign currencies will tend to negatively impact the Groups results of operations. In addition, currency fluctuations may affect the comparability of the Group results of operations between financial periods.

As a result of the currency composition of the Group's purchases of raw materials, product sales, loans and borrowings raised and cash in foreign currencies, the Group has been and expects to continue to be exposed to foreign exchange rate fluctuations, which could materially affect the Group's results of operations, assets and liabilities, and cash flows as reported in złoty. For six months ended June 30, 2015 74% of the Group's revenues and 90% of the Group's costs related to transactions settled in foreign currencies (mainly in euro and in the U.S. dollar). Fluctuations of exchange rates have an impact on the volume of sales revenue and purchase costs of raw materials. Strengthening of the domestic currency has a negative impact on export profitability and domestic sales; however, changes in revenues from export or from domestic sales valued on the basis of listing, caused by fluctuations of exchange rates, are balanced by changes in the costs of import of raw materials (or valued on the basis of foreign currency quotations), mitigating, to a great extent, the Group's exposure to currency exchange risk.

The Group incurs currency transaction risk whenever the Group enters into either a purchase or sale transaction using a currency other than the local currency of the transacting entity. Given the volatility of exchange rates, the Group cannot assure you that it will be able to effectively manage its currency transaction risks or that any volatility in currency exchange rates will not have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Overcapacity of synthetic rubber in China may adversely impact the Group's business

China is one of the world's most dynamic synthetic rubber markets and has a significant impact on the global synthetic rubber market. In recent years, the overall volume levels of the Chinese synthetic rubber market have improved significantly, increasing industrial concentration and leading to the rapid growth of production capacity. The capacity of the synthetic rubber industry in China has far exceeded actual market demand and the carrying capacity of the market has been unable to fully digest total production in the industry. Therefore, China may export its products to the EU at a competitive price, which would increase the quantity of synthetic rubber offered in Europe. This could result in decreased demand for the Group's products which could adversely affect the Group's business, results of operations, financial condition or prospects.

Many of the Group's contracts with suppliers contain terms that may limit the amount of raw materials delivered to the Group in force majeure circumstances

Many of the Group's contracts with suppliers contain provisions that allow them to limit the amount of raw materials delivered to the Group below the contracted amount in force majeure circumstances. If the Group is required to obtain alternative sources for raw materials because a supplier is unwilling or unable to perform its obligations under a raw material supply agreement or if a supplier terminates its agreements with the Group, the Group may not be able to obtain these raw materials from alternative suppliers in a timely manner on terms comparable or favorable to the Group, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Failure to comply with the regulations related to subsidy grants may impact the Group's business

The Group has been approved to receive certain EU and state budget subsidies for the Group's investment and R&D projects which amounted to approximately PLN 290 million as at June 30, 2015 which were partly paid out or will be disbursed in the next few years. In 2014, the Group received PLN 108 million from Ministry of Economy, Polish Agency for Enterprise Development, National Fund for Environmental Protection and Water Management and National Centre for Research and Development. In 2014, the Group signed the grants agreements which amounted to approximately PLN 19,4 million, in 2013 amounted to – PLN 45 million and in 2012 amounted to PLN 207.9 million, including PLN 43.3 million from the Operational Program ''*Innovative Economy"* to finance the Group's R&D Center in Oswiecim and PLN 146.8 million for the ''Implementation of an innovative technology for manufacturing SSBR X3 rubbers in Synthos Dwory 7" project, in relation to which the Group started construction of a new 90kt per year production line for advanced SSBR and Li-BR rubbers as part of the Group's aim to expand its portfolio by introducing new innovative products. The Group has also been granted subsidies from the National Fund for Environmental Protection and Water Management *(Narodowy Fundusz Ochrony Środowiska i Gospodarki Wodnej).* In order to maintain the grants the Group has obtained, it is required to fulfill strict regulatory obligations, such as promotion of the project, maintaining the integrity of a project during the five years following completion and reaching the employment rate targets set out in the program application. If the Group fails to fulfill its obligations, it will be required to return the grants it has received with statutory interest. Non-compliance with such regulations may impact the Group's business, results of operations, financial condition or prospects.

The Group is subject to different tax regulations, customs, international trade, export control, antitrust, zoning and occupancy and labor and employment laws that could require the Group to modify its current business practices and incur increased costs

The Group is subject to numerous regulations, including customs and international trade laws, export/import control laws, and associated regulations. These laws and regulations limit the countries in which the Group can do business, the persons or entities with whom the Group can do business, the products which the Group can buy or sell, and the terms under which the Group can do business, including exposure to anti-dumping restrictions and investigations. In addition, the Group is subject to antitrust laws, zoning and occupancy laws that regulate manufacturers generally and govern the importation, promotion and sale of the Group's products, the operation of factories and warehouse facilities and the Group's relationship with its customers, suppliers and competitors. If any of these laws or regulations were to change or were violated by the Group's management, employees, suppliers, buying agents or trading companies, the costs of certain goods could increase, the Group could experience delays in shipments of its goods, be subject to fines or penalties, or suffer reputational harm, all of which could reduce demand for the Group's products and hurt the Group's business and negatively impact results of operations. For example, the Group faces the risk of dumping prices of products from China or India, where the prices charged are below the prices charged in China or India, or below the cost of production, which may harm the group's competitive position and business. In addition, in some areas the Group benefits from certain trade protections, including anti-dumping protection and the EU's Authorized Economic Operator program, which provides expedited customs treatment for materials crossing national borders. If the Group was to lose these protections, the Group's results of operations could be adversely affected.

In addition, changes in statutory minimum wage laws and other laws relating to employee benefits could cause the Group to incur additional wage and benefits costs, which could negatively impact the Group's profitability.

The Group exercises significant judgment in calculating its worldwide provision for income taxes and other tax liabilities, and the Group believes its tax estimates are reasonable. However, the accuracy of such tax estimates may be reduced, because the Group files tax returns in many jurisdictions in which the Group does not have a deep knowledge of tax regulations. The Group may be subject to audits by tax authorities in the future and the tax authorities may disagree with the Group's tax treatment of certain material items, including past or future acquisitions and/or dispositions, and thereby require the Group to recalculate and potentially increase the Group's tax liability. In addition, changes in existing laws may also increase the Group's effective tax rate. The Group may also be subject to new tax regulations that may affect the Group's tax structure, in particular the expected substance-over-form regulations and CFC regulations (controlled foreign companies) which may have a negative impact on the Group's business. A substantial increase in the Group's tax burden could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Legal requirements are frequently changed and subject to interpretation, and the Group is unable to predict the ultimate cost of compliance with these requirements or their effects on the Group's operations. The Group may be required to make significant expenditures or modify its business practices to comply with existing or future laws and regulations, which may increase the Group's costs and materially limit the Group's ability to operate its business.

Failure to fulfill the conditions of the state tax incentive programs may affect the Group's business results

SYNTHOS PBR s.r.o, the Group's Czech entity, benefits from state tax incentive programs in the form of tax relief granted by the Czech government for the years 2011-2015, during which it is exempt from income corporate tax. This tax relief is only effective if SYNTHOS PBR s.r.o fulfills the requirements imposed by the Czech and EU law and the Czech Government, otherwise the Group may lose any unused relief and be required to pay back the relief already used including any applicable penalties, which could affect the Group's business, results of operations, financial condition or prospects.

In addition, on July 2, 2014 the Group was granted three permits to operate in the Krakow Special Economic Zone, which allows the Group to benefit from Polish state tax incentives. However, benefits related to this admission to the Special Economic Zone will apply only if the Group fulfills certain requirements as set out in the rules on regional aid in the EU. If the expected investment expenditures are not realized and investment in the region for which the permit was obtained are not maintained for at least five years, the Group's permits could be withdrawn and the Group would no longer benefit from state tax incentives which may impact the Group's business, results of operations, financial condition or prospects. Furthermore, under current Polish regulations Special Economic Zones are scheduled to cease to exist in 2026.

The Group could be held liable in connection with pollution

A large number of the Group's current, past or discontinued production facilities have a long history of industrial use which may include chemical processing, hazardous substances and waste storage and related activities such as landfill activities. As a result, soil and groundwater contamination can occur due to releases of hazardous substances in the future as has occurred at certain facilities in the past, and it is possible that further contamination could be discovered at these sites or other sites in the future.

Certain environmental laws, regulations and court decisions impose liability for contamination on present and former owners, operators or users of facilities and sites, whether on or from such facilities and sites without regard to causation, negligence or knowledge of contamination. At any time, the Group could be responsible for investigating and remediating contamination that originated at its facilities or was caused by operations at its facilities, which could result in substantial unanticipated costs. The occurrence of future releases of hazardous materials, the discovery of previously unknown contamination, or the imposition of new obligations to investigate or remediate contamination at the Group's facilities, could result in substantial unanticipated costs. The Group may also become obligated to pay fines or fees if its emissions and/or other activities are in excess of regulatory limits, and the Group has paid such fines and/or fees in the past.

The Group's financial results may also be adversely affected if environmental liability arises for which the Group is not adequately indemnified. Although the Group believes the indemnities given by the selling parties from whom the Group has acquired assets or businesses will help to defray the cost associated with pre-acquisition environmental liabilities, the Group's financial results may still be adversely affected to the extent (i) the sellers do not fulfill their respective indemnification obligations, and/or (ii) the Group breaches its obligations not to undertake certain activities that may aggravate existing conditions or to mitigate associated losses.

Additionally, the Group could be required to establish or substantially increase financial reserves for obligations or liabilities in relation to remediation costs. If the Group fails to accurately predict the amount or timing of such costs, the related impact on the Group's business, results of operations or financial condition, in any period in which such costs need to be incurred, may be material. In addition, in certain jurisdictions, authorities are empowered to impose liens on real estate and attach to accounts of the property operator to cover remediation costs.

Provisions for environmental liabilities may be insufficient

The Group regularly reviews all of its environmental risks and the provisions made for such risks. A provision is recorded when the Group has a present obligation as a result of a past event, the amount of the obligation can be reliably estimated, and it is probable that an outflow of resources of economic value will be required to settle the obligation. Provisions are determined based on, among other factors, known events, the type and scope of pollution, site rehabilitation techniques, applicable laws and regulations, and estimated risks, at each balance sheet date and adjusted as needed at subsequent balance sheet dates. Since such determinations are based on a range of factors, many of which may change and are subject to unforeseeable or unpredictable circumstances, the Group cannot assure you that such provisions will be sufficient. For example, from time to time the Group may incur remediation costs at its current facilities and newly acquired facilities. If environmental harm is found to have occurred as a result of the Group's current or historical operations (as a successor), the Group may incur significant remediation costs and be required to pay substantial fines. Should provisions made for environmental liabilities fall short of any unforeseen environmental compliance costs and/or liabilities, the Group may have to make additional payments, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Compliance with extensive and evolving environmental, health and safety laws may require substantial expenditures

The Group uses large quantities of hazardous substances, generates hazardous wastes and emits wastewater and air pollutants during the course of its manufacturing operations. Consequently, the Group's operations are subject to extensive environmental, health and safety laws and regulations at both the national and local level in multiple jurisdictions. Many of these laws and regulations have become more stringent over time and the costs of compliance with these requirements may increase further, including costs associated with any capital investments for pollution control facilities. In addition, the Group's production facilities require operating permits that are subject to periodic renewal and, in circumstances of noncompliance, may be subject to revocation. The necessary permits may not be issued or continue in effect, and any issued permits may contain more stringent limitations that restrict the Group's operations or that require further expenditures to meet the permit requirements. For example, in connection with the EU's Registration, Evaluation, Authorization and Restriction of Chemicals (the "**REACH Regulation**"), or the new EU Classification, Labeling and Packaging Regulation (the "**CLP Regulation**"), any key raw material, chemical or substance, including the Group's products, could be classified as having a toxicological or health-related impact on the environment, on users of the Group's products or on the Group's employees.

The REACH Regulation imposes significant obligations on the chemicals industry as a whole with respect to the testing, evaluation, assessment and registration of basic chemicals and chemical intermediates. Any delay in implementing the full registration of substances in accordance with these requirements could result in penalties for violation of these laws and regulations or the inability to sell the Groups products containing them. The REACH Regulation processes are expensive and time-consuming and lead to increased production costs and reduced operating margins for chemical products.

In 2014, the new Polish Environmental Protection Act ("**EPA**"), the Industrial Emissions Directive of the European Parliament ("**IED Directive**") and additional regulations on land, soil and underground water contamination was implemented in Poland. The EPA introduces new, lower emission standards for the energy industry and new responsibilities for the land owner with regards to research and reclamation of contaminated land. The Group expects to have expenditures in order to comply with the requirements of the EPA for the year ended December 31, 2015, both for research and activities connected with land reclamation itself, and has already begun to make relevant investments. The Group's necessary investments are in progress with the first such expenditures expected in 2015.

Compliance with more stringent environmental requirements could also increase the Group's costs of transportation and storage of raw materials and finished products, as well as the costs of storage and disposal of wastes. Additionally, the Group may incur substantial costs, including penalties, fines, damages, criminal or civil sanctions and remediation costs, or experience interruptions in the Group's operations for failure to comply with these laws or permit requirements.

Compliance with current and future regulations targeting greenhouse gas emissions may cause the Group to incur significant additional operating and capital expenses.

Emissions such as carbon dioxide, methane and other greenhouse gases ("**GHG**") are a standard by-product of the Group's production process. Over the past few decades, concerns about the relationship between GHG and global climate change have resulted in increased levels of scrutiny from regulators and the public alike, and have led to proposed and enacted regulations on both national and supranational levels, to monitor, regulate and control carbon dioxide and other GHG emissions.

In the EU, the Group's emissions are regulated under the European Union Emissions Trading Scheme ("**EU ETS**"), an EU-wide trading system for industrial GHG emissions. The Group has been subject to the EU ETS since January 1, 2013. The Group has obtained emission allowances for the period from 2014 to 2020, and the Group has to purchase additional CO2 emission allowances. The EU ETS is anticipated to become progressively more stringent over time. If the current proposals are implemented this could have an impact on the Group's costs of compliance under the EU ETS.

Compliance with current or future GHG regulations governing our operations, including those discussed above may result in increased capital expenditures for measures such as capital expenditures to install more environmentally efficient technology or the purchase of allowances to emit carbon dioxide or other greenhouse gases.

On January 6, 2011, the IED Directive came into effect. The IED Directive limits the amount of gas emissions at new and existing large fuel combustion plants, with existing plants subject to stricter requirements and consequently the IED Directive provides a transitional period to bring existing plants into compliance. The IED Directive was adopted into Polish law in 2014.

The Group is currently in the process of implementing a modernization program and investing in new equipment to bring the heat and power plant at Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka into compliance with these new limits and expect this to be completed in January 2016. As part of this process, the Group is building a new installation for desulphurization and dust removal in one of the existing boilers, a new installation for denitrogenation of flue gases in one of the existing boilers, and a new fluidized bed boiler. Any delay in the implementation of the processes described above could result in penalties for violation of these regulations.

There is no way to predict the form that future regulations may take or to estimate any costs that the Group may be required to incur with respect to these or any other future requirements. In addition to the increased expenditures outlined above, such requirements could also adversely affect the Group's energy supply, or the costs (and types) of raw materials the Group uses for fuel, and ultimately reduce demand for our products. The realization of any or all of these consequences could have a material adverse impact on Group's business, results of operations, financial condition or prospects.

Regulatory and statutory changes in jurisdictions where the Group manufactures and sells its products could lead to increased costs or decreased demand.

The Group's products are also used in a variety of end-uses that have specific regulatory requirements, such as those relating to products that have contact with food used in the packaging industry or those used in the automotive industry. Many of the applications for the products in the end markets in which the Group sells its products are regulated by various national and local rules, laws and regulations. For example, materials such as aromatic compounds like benzene and styrene, as well as more complex compounds such as antioxidants and plasticizers, are used in the manufacturing of the Group's products and have come under increased regulatory scrutiny due to potentially significant or perceived health and safety concerns. Changes in regulations could result in additional compliance costs, seizures, confiscations, recall or monetary fines, any of which could prevent or inhibit the development, distribution and sale of our products. Changes in environmental and safety laws and regulations banning or restricting the use of these residual materials in the Group's products, or the Group's customers' products, could adversely affect the Group's business, results of operations, financial condition or prospects. Failure to appropriately manage safety, human health, product liability and environmental risks associated with our products, product life cycles and production processes could adversely impact employees, communities, stakeholders, our reputation and the results of our operations.

The Group is dependent on the continued service and recruitment of key executives, the loss of any of whom could adversely affect its business.

The Group's ability to maintain its competitive position and to implement its business strategy is dependent to a large degree on our senior management team. The loss or diminution in the services of members of the Group's senior management team, or the inability to attract and retain additional senior management personnel could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. Competition for personnel with relevant expertise is intense due to the relatively small pool of qualified individuals, and this affects the Group's ability to retain existing senior management and attract additional qualified personnel. If any of the Group's key senior managers leave, it may have difficulty replacing them, and additional costs and expenses may be incurred in securing their replacement. The Group does not maintain key person life insurance on any of its executive officers and does not intend to purchase any in the near future.

The Group also relies on its ability to recruit, retain and train skilled managerial, sales, marketing, administration, operating, research and development and other personnel. The nature of the Group's business and operations and its research and development activities require the employment of personnel who are skilled and qualified in chemistry and other scientific and technical fields. Qualified and skilled technical personnel, including chemists, remain in high demand, and the competition among potential employers is intense. If these qualified and skilled employees leave or if the Group is unable to attract, retain, train and motivate additional qualified and skilled employees, this could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group may be unable to implement its business strategies.

The Group's future financial performance and success largely depend on its ability to implement its business strategies successfully. The Group cannot assure you that the Group will successfully implement the business strategies developed by the Group's management or that implementing these strategies will sustain or improve its competitive position. The Group's business strategies are based on assumptions about future demand for our current products and the new products and applications the Group is developing, as well as on Group's continuing ability to produce its products profitably. The Group's ability to implement its business strategies depends on, among other things, its ability to divest businesses or discontinue product lines on favorable terms and with minimal disruptions, finance its operations and product development activities, maintain high quality and efficient manufacturing operations, respond to competitive and regulatory changes, access quality raw materials in a cost-effective and timely manner, and retain and attract highly-skilled technical, managerial, marketing and finance personnel.

The Group may be unable to implement its business strategies, including the expansion into new markets such as South America and North America. Preparations for the expansion of the Group's product portfolio may not be economically viable or the introduction of its innovative products may be difficult to achieve. In addition, the costs involved in implementing the Group's strategies may be significantly greater that the Group currently anticipates and the costs involved in its own research may not be fully recovered. Any failure to develop, revise or implement the Group's business strategies in a timely and effective manner could have a material adverse effect on its business, results of operations, financial condition, prospects and cash flows.

The success of the Group's business is inextricably linked to its ability to maintain and protect its intellectual property.

The Group relies on a combination of patents, trade secrets, copyrights and trademarks to establish and protect its intellectual property rights in its products and processes for the development, manufacture and marketing of the Group's products. The Group uses non-patented know-how, trade secrets, processes and other proprietary information and employs various methods to protect this proprietary information. These methods include confidentiality agreements, invention assignment agreements, and agreements with employees, independent sales agents, distributors, consultants, universities and research units with whom the Group has partnerships. However, these agreements may be breached. Governmental agencies or other national and state regulatory bodies may require the disclosure of such information in order for us to obtain the right to market a product. An agency or regulator may also disclose such information on its own initiative if it decides that such information is not confidential business or trade secret information. Trade secrets, know-how and other unpatented proprietary technology may also otherwise become known to, or independently developed by, the Group's competitors.

In addition, the Group holds patents related to a number of its components and products and have patent applications pending with respect to other components and products. The Group also applies for additional patents in the ordinary course of its business, as it deems appropriate. However, these precautions offer only limited protection, and would not, for example, protect against our proprietary information becoming known to, or being independently developed by, competitors. The Group cannot assure you that the Group's existing or future patents, if any, will afford it adequate protection or any competitive advantage, that any future patent applications will result in issued patents or that the Group's patents will not be circumvented, invalidated or declared unenforceable.

Furthermore, the Group's proprietary rights in intellectual property may be challenged, which could have a material adverse effect on the Group's business, results of operations, financial condition or prospects. In some cases, intellectual property litigation may be used to gain a competitive advantage. The Group has in the past and may in the future become a party to lawsuits involving patents or other intellectual property. If a third- party brings a legal action against the Group, the Group may incur substantial costs in defending itself, and the Group cannot assure you that such an action would be resolved in our favor. If such a dispute were to be resolved against the Group, the Group may be subject to significant damages, and the testing, manufacture or sale of one or more of its technologies or products may be enjoined.

Any proceedings before a national patent or trademark governmental authority or in a national or state court could result in adverse decisions as to the priority of the Group's inventions and the narrowing or invalidation of claims in issued and pending patents. The Group could also incur substantial costs in any such proceedings. In addition, the laws of some of the countries in which the Group's products are or may be sold may not protect its products and intellectual property to the same extent as in Europe, if at all. The Group may also be unable to protect its rights in trade secrets, trademarks and unpatented proprietary technology in certain countries.

The Group's products may infringe the intellectual property rights of others, which may cause the Group to incur unexpected costs or prevent it from selling its products.

The Group continually seeks to improve our business processes and develop new products and applications. Many of the Group's competitors have a substantial amount of intellectual property that the Group must continually monitor to avoid infringement. Although it is the Group's policy and intention not to infringe valid patents, whether present or future and other intellectual property rights belonging to others, it cannot assure you that the Group's processes and products do not and will not infringe issued patents. If patents belonging to others already exist that cover the Group's products, processes, or technologies, or are subsequently issued, it is possible that the Group could be liable for infringement of such patents and the Group could be required to take remedial or curative actions to continue its manufacturing and sales activities with respect to products that are found to be infringing. Intellectual property litigation is often expensive and time-consuming, regardless of the merits of any claim, and the Group's involvement in such litigation could divert the Group's management's attention away from operating our business. If the Group was to discover that any of its processes, technologies or products infringe the valid intellectual property rights of others, it might seek to obtain licenses from the owners of such rights or substantially re-engineer its products in order to avoid infringement. The Group may not be able to obtain the necessary licenses on acceptable terms, or at all, or be able to re-engineer its products in a manner that is successful in avoiding infringement. Moreover, if the Group is sued for infringement and lose, it could be required to pay substantial damages or be prohibited from using and selling the infringing products or technology. Any of the foregoing could cause the Group to incur significant costs and prevent us from selling its products.

A deterioration in* the Group's *relationships with its employees or trade unions or a failure to extend, renew or renegotiate on favorable terms its collective bargaining agreements could have an adverse impact on the Group's business.

Maintaining good relationships with the Group's employees, unions and other employee representatives is crucial to the Group's operations. As a result, any deterioration in the Group's relationships with its employees, unions and other employee representatives could have an adverse effect on the Group's business, results of operations, financial condition or prospects.

Some of the Group's employees are covered by national collective bargaining agreements. These agreements typically complement applicable statutory provisions in respect of, among other things, the general working conditions of our employees such as maximum working hours, holidays, termination, retirement, welfare and incentives. National collective bargaining agreements and company-specific agreements also contain provisions that could affect the Group's ability to restructure its operations and facilities or terminate employees. The Group may not be able to extend existing company-specific agreements, renew them on their current terms or, upon the expiration of such agreements, negotiate such agreements in a favorable and timely manner or without work stoppages, strikes or similar industrial actions. The Group may also become subject to additional company-specific agreements or amendments to the existing national collective bargaining agreements. Such additional company-specific agreements or amendments may increase the Group's operating costs and have an adverse effect on the Group's business, results of operations, financial condition or prospects.

Legal proceedings filed by or against the Group and adverse outcomes may harm the Group's business.

The Group cannot predict with certainty the cost of prosecution, the cost of defense or the ultimate outcome of litigation and other proceedings filed by or against the Group, including remedies and damage awards. The Group has been, and in the future may be, involved in litigation and other proceedings relating to intellectual property, commercial arrangements, environmental, health and safety, labor and employment or other harms, including claims resulting from the actions of individuals or entities outside of the Group's control. In the case of intellectual property litigation and proceedings, adverse outcomes could include the cancellation, invalidation or other loss of material intellectual property rights used in the Group's business and injunctions prohibiting our use of business processes or technology that are subject to third party patents or other third party intellectual property rights. Litigation based on environmental contamination or exposure to hazardous substances in the workplace or from the Group's products could result in material liability for the Group. Adverse outcomes in any litigation or other proceeding could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The Group's business involves risk of exposure to product liability claims.

Even though the Group is generally a materials supplier rather than a manufacturer of finished goods, the development, manufacture and sales of specialty emulsion polymers and other materials by the Group involve inherent risks of exposure to product liability claims, product recalls and related adverse publicity. While the Group attempts to protect itself from such claims and exposures in its adherence to standards and specifications and contractual negotiations, it cannot assure you that its efforts in this regard will ultimately protect it from any such claims. For instance, the Group's customer may attempt to seek contribution from it due to a product liability claim brought against them by a consumer, or a consumer may bring a product liability claim directly against the Group. A product liability claim or judgment against the Group could result in substantial and unexpected expenditures, affect consumer or customer confidence in the Group's products, and divert management's attention from other responsibilities. A successful product liability claim or series of claims against the Group in excess of its insurance coverage payments, for which the Group is not otherwise indemnified, could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

The insurance that the Group maintains may not fully cover all potential exposures.

The Group maintains insurance typical of similarly situated companies in our industry but such insurance may not cover all risks associated with the operation of the Group's business or its manufacturing process and the related use, storage and transportation of raw materials, products and wastes in or from our manufacturing sites or its distribution centers. While the Group has purchased what it deems to be adequate limits of coverage and broadly worded policies, the coverage is subject to limitations, including higher self-insured retentions or deductibles and maximum limits and liabilities covered. Notwithstanding diligent efforts to successfully procure specialty coverage for environmental liability and remediation, the Group may incur losses beyond the limits or outside the terms of coverage of the Group's insurance policies, including liabilities for environmental remediation. In addition, from time to time, various types of insurance for companies in the specialty chemicals industry have not been available on commercially acceptable terms or, in some cases, at all. The Group is potentially at additional risk if one or more of our insurance carriers fail. Additionally, severe disruptions in the domestic and global financial markets could adversely impact the ratings and survival of some insurers. Future downgrades in the ratings of enough insurers could adversely impact both the availability of appropriate insurance coverage and its cost. In the future, the Group may not be able to obtain coverage at current levels, if at all, and the premiums may increase significantly on coverage that it maintains.

The Group may be subject to information technology systems failures, network disruptions and breaches of data security.

Information technology systems failures, including risks associated with upgrading our systems, network disruptions and breaches of data security could disrupt the Group's operations by impeding the Group's operational efficiencies, delaying processing of transactions and inhibiting our ability to protect customer or internal information. The Group's computer systems, including our back-up systems, could be damaged or interrupted by power outages, computer and telecommunications failures, computer viruses, internal or external security breaches, events such as fires, earthquakes, floods, and/or errors by the Group's employees. Although the Group has taken steps to address these concerns by implementing sophisticated network security, back-up systems and internal control measures, it cannot assure you that a system failure or data security breach will not have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

4.2 Risks Related to the Group's Financial Profile

Substantial leverage and debt service obligations could adversely affect the Group's business and prevent from fulfilling each of obligations with respect to the Notes.

After the issuance of the Notes the Group is highly leveraged. Moreover, the Group may incur substantial additional indebtedness in the future, including indebtedness in connection with any future acquisition. Although the Indenture contains restrictions governing the incurrence of additional indebtedness, the restrictions are subject to a number of significant qualifications and exceptions and, under certain circumstances, the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial.

The Group may incur additional indebtedness, including at the level of its subsidiaries, which could increase risk exposure from debt and could decrease your share in any proceeds.

Subject to restrictions in the Indenture, the Group and its subsidiaries may incur additional indebtedness, including debt that will effectively rank senior in right of payment to the Notes by virtue of being secured by certain of the assets. Any indebtedness that will be incurred in the future at a non-Guarantor subsidiary level would be structurally senior to the Notes. Additionally, the Group could raise additional debt that could mature prior to the Notes. Although the Indenture contains restrictions on the incurrence of additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances, the amount of indebtedness that could be incurred in compliance with those restrictions could be substantial. If new debt is added to the Group or its subsidiaries' existing debt levels, the related risks that the Group now face would increase. In addition, the Indenture does not prevent the Group from incurring obligations that do not constitute indebtedness under those agreements.

The Group will require a significant amount of cash to service its debt and sustain its operations. The ability to generate sufficient cash depends on many factors beyond the Group's control, and it may be forced to take other actions to satisfy the debt obligations, which may not always be successful.

The ability to make payments on and to refinance the debt, and to fund working capital and capital expenditures, will depend on a future operating performance and ability to generate sufficient cash. This depends, to some extent, on the success of business strategy and on general economic, financial, competitive, market, legislative, regulatory and other factors, as well as the other factors discussed in these *"Risk Factors"* many of which are beyond Group's control.

The Group cannot assure you that our business will generate sufficient cash flow from operations or that future debt and equity financing will be available to the Group in an amount sufficient to enable to pay debts when due, including the Notes or to fund other liquidity needs.

If the future cash flow from operations and other capital resources are insufficient to pay the obligations as they mature or to fund the liquidity needs, the Group may be forced to:

- reduce or delay business activities and capital expenditures;
- sell assets;
- obtain additional debt or equity capital; or
- restructure or refinance all or a portion of the debt, including the Notes, on or before maturity.

The Group cannot assure you that it would be able to accomplish any of these alternatives on a timely basis or on commercially reasonable terms, if at all. In particular, the ability to restructure or refinance the debt will depend in part on the Group's financial condition at such time. Furthermore, the Group may be unable to find alternative financing, and even if it could obtain alternative financing it might not be on terms that are favorable or acceptable to the Group. If the Group is unable to satisfy the obligations through alternative financing, it may not be able to satisfy the debt obligations, including under the Notes. In that event, borrowings under other debt agreements or instruments that contain cross acceleration or cross default provisions, including the Notes, may become payable on demand, and the Group may not have sufficient funds to repay all its debts, including the Notes.

Any failure to make payments on the Notes on a timely basis would likely result in a reduction of the Group's credit rating, which could also harm our ability to incur additional indebtedness. In addition, the terms of the debt, including the Notes and any future debt may limit the ability to pursue any of these alternatives. In the absence of such operating results and resources, the Group could face substantial liquidity problems and might be required to dispose of material assets or operations to meet its debt service and other obligations. The terms of the Group's debt, including under the Indenture, restrict the ability to transfer or sell assets. In addition, there can be no assurance that any assets which the Group could be required to dispose of can be sold or that, if sold, the timing of such sale and the amount of proceeds realized from such sale will be acceptable. If any of these efforts were Group may not have sufficient unsuccessful, the cash to meet the obligations.

5. MANAGEMENT

5.1 Management Board

In accordance with the Company's information (relating on the information presented by the persons liable) the shareholding in Synthos S.A. by the managing persons is presented in the table below:

Full name	Number of shares held as at 30 June 2015	Change in the shareholding up to 30 June 2015
Tomasz Kalwat President of the Management Board ..	786,000	no change
Zbigniew Warmuz Vice-President of the Management Board	0	no change
Tomasz Piec Management Board Member.............	0	no change
Zbigniew Lange Management Board Member.............	0	no change
Jarosław Rogoża Management Board Member.............	0	no change

5.2 Supervisory Board

In accordance with the Company's information (relating on the information presented by the persons liable) the shareholding in Synthos S.A. by the supervising persons is presented in the table below:

Full name	Number of shares held as at 30 June 2015	Change in the shareholding up to 30 June 2015
Jarosław Grodzki Supervisory Board Chairperson..........	350	no change
Wojciech Ciesielski Supervisory Board Deputy Chairperson.......................................	0	no change
Krzysztof Kwapisz Supervisory Board Deputy Chairperson.......................................	0	no change
Grzegorz Miroński Supervisory Board Secretary.............	0	no change
Robert Oskard Supervisory Board Member	0	no change

6. PRINCIPAL SHAREHOLDERS

As at June 30, 2015 our issued share capital amounted to PLN 39,697,500 and was divided into 1,323,250,000 ordinary bearer shares with a par value of PLN 0.03 each.

We are a public company and our shares are listed on the regulated market of the Warsaw Stock Exchange. Therefore, we do not have detailed information on all of our shareholders. We receive information on our significant shareholders only if these shareholders comply with the notification requirements prescribed by Polish law.

The following table sets forth the list of shareholders as at June 30, 2015, based on their notifications of holding at least 5% of votes at the shareholders meeting of Synthos.

Shareholder	Number of shares	Percentage of share capital (%)	Number of votes at general shareholders' meeting	Percentage of voting rights at the general shareholders' meeting
Michał Sołowow, *indirectly through subsidiaries*:................	826,559,009	62.46%	826,559,009	62.46%
FTF Galleon S.A.........	682,918,112	51.61%	682,918,112	51.61%
Ustra S.A.	143,640,897	10.85%	143,640,897	10.85%
Others[(1)]..........................	496,690,991	37.54%	496,690,991	37.54%
Total..............................	**1,323,250,000**	**100%**	**1,323,250,000**	**100%**

(1) Other than the shareholders set forth in the table above and based on notifications of holding received at the shareholders meeting, no shareholder owns more than 5% of the shares in the Company.

In the period from January 2015 until the date of this report there were no changes in the structure of the shares ownership of Synthos S.A.

The Company is unaware of any agreements which may result in future changes to the proportions of shares held by the current shareholders.

7. STRUCTURE OF THE CAPITAL GROUP

7.1 Organization of the Group

The parent company of the Capital Group SYNTHOS S.A. is SYNTHOS S.A. (hereinafter referred to as: the Company). The main area of operation of the Company is the management of the Capital Group. The Company's share capital amounts to PLN 39,697,500 (thirty nine million six hundred ninety seven thousand five hundred zlotys), and is divided into:

(a) 854,250,000 (eight hundred fifty four million two hundred fifty thousand) A series ordinary bearer shares with a nominal value of PLN 0.03 (three grosz) each, numbered from A 000,000,001 to A 854,250,000,

(b) 469,000,000 (four hundred sixty nine million) B series ordinary bearer shares with a nominal value of PLN 0.03 (three grosz) each, numbered from A 000,000,001 to B 469,000,000,

In the structure of the Capital Group Synthos S.A. there are three key manufacturing companies: Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna, Synthos Kralupy a.s. and Synthos PBR s.r.o., whose principal activity is the production of mainly rubber and styrene plastics.

7.2 The subsidiaries being part of the Company's Group and being subject to consolidation:

The branch of Synthos S.A. operating under the name Synthos S.A. (organisačni složka) with its registered office in Kralupy nad Vltavou, the Czech Republic, which started its operations on the day of its registration in the Czech Commercial Register, i.e. on 22 January 2008.

Synthos Dwory 7 sp. z o.o. with its registered office in Oświęcim. The Company holds 100% shares in the share capital and represents 100% votes at the Shareholders' Meeting of Synthos Dwory 7 sp. z o.o.

Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna with its registered office in Oświęcim. The company is engaged in the production of synthetic rubber and synthetic latex, styrene plastics, vinyl dispersions and acrylate and copolymer dispersions and the generation and distribution of electricity, generation and distribution of heat, collection and treatment of water. Synthos Dwory 7 sp. z o.o. z with its registered office in Oświęcim, in which the Company holds 100% shares in the share capital, and Green Pepper SCSp with its registered office in Luxemburg (an indirect subsidiary of the Company) are the shareholders of that company. Synthos Dwory 7 sp. z o.o., a 100% subsidiary of the Company, is the shareholder entitled to exclusive representation.

Synthos Kralupy, a.s. with its registered office in Kralupy nad Vltavou, Czech Republic. It is a chemical producing such materials as synthetic rubber, styrene plastics, ethylbenzene, butadiene. The sole shareholder of Synthos Kralupy a.s. is the Company, which represents 100% of the share capital of that company.

Synthos PBR s.r.o. with its registered office in Kralupy nad Vltavou, Czech Republic. The company is engaged in the production of synthetic rubbers on the basis of a license granted by the Michelin Group. The Company holds 100% of shares in the share capital of that company and represents 100% votes at the Shareholders' Meeting of that company.

Tamero Invest s.r.o with its registered office in Kralupy nad Vltavou, Czech Republic. The areas of operation of the company are the generation and distribution of electricity, generation and distribution of heat, collection and treatment of water. Synthos Kralupy a.s. holds 100% of shares in the share capital of that company.

Synthos Dwory 4 Sp. z o.o. with its registered office in Oświęcim. Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna holds 99% of shares in the share capital and represents 99% votes at the Shareholders' Meeting of that company. SYNTHOS S.A. holds 1% of shares in the share capital and represents 1% votes at the Shareholders' Meeting of that company. The areas of operation of that company include the generation of electricity.

Synthos Dwory 5 Sp. z o.o. with its registered office in Oświęcim. Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna holds 99% of shares in the share capital and represents 99% votes at the Shareholders' Meeting of that company. SYNTHOS S.A. holds 1% of shares in the share capital and represents 1% votes at the Shareholders' Meeting of that company. The areas of operation of that company include the generation of electricity.

Synthos Dwory 8 Sp. z o.o. with its registered office in Oświęcim. Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna holds 100% of shares in the share capital and represents 100% of votes at the Shareholders Meeting of that company. The areas of operation of that company include the generation of electricity.

Miejsko-Przemysłowa Oczyszczalnia Ścieków Sp. z o.o. with its registered office in Oświęcim. Company operates in the areas of collection, treatment and discharge of waste water, waste disposal and the provision of sanitation and related services. Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna holds 76.79% of shares in the share capital of that company and represents 76.79% of votes at the Shareholders' Meeting of that company. The Oświęcim city holds other 23.21% of shares in the share capital and represents 23.21% of votes at the Shareholders' Meeting of that company.

SYNTHOS Fundusz Inwestycyjny Zamknięty in liquidation – entered into the register of investment funds under the number 655, managed by FORUM TFI S.A. with its registered office in Cracow. The Company indirectly held all certificates issued by SYNTHOS FIZ. Of the total number of two certificates, both (Series A) were held by the Company. The Regional Court in Warsaw with a judgment of June 30, 2015 stroke off SYNTHOS Fundusz Inwestycyjny Zamknięty in liquidation from the court register.

FORUM 62 FIZ managed by FORUM TFI S.A. with its registered office in Cracow. The Company holds directly and indirectly all certificates issued by the fund. Of the total number of 1,379,911 certificates, Synthos S.A. holds 250 certificates Series A, and Red Chilli Ltd. (100% subsidiary of the Company) holds 1,379,661 certificates Series B.

CALGERON INVESTMENT LIMITED with its registered office in Nicosia, Cyprus. Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością jawna holds 100% of the share capital of CALGERON INVESTMENT Ltd., which conducts investment and capital activity with the Capital Group Synthos S.A.

Red Chilli Ltd. with its registered office in Nicosia, Cyprus. SYNTHOS S.A. holds 100% of shares in the share capital and represents 100% votes at the Shareholders' Meeting of that company, which conducts investment and capital activity with the Capital Group Synthos S.A.

Butadien Kralupy, a.s. with its registered office in Kralupy nad Vltavou, Czech Republic. Synthos Kralupy a.s. holds 49% of shares in the share capital of that company – the area of operation of Butadien Kralupy a.s. is C4 fraction processing to obtain butadiene and raffinate-1 products. The company is consolidated using the equity method.

Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością Holding spółka komandytowo-akcyjna with its registered office in Oświęcim, entered into the National Court Register on 26 September 2013 under the no KRS 0000478085. The company's share capital is PLN 50,000.00. The only general partner of the company is Synthos Dwory 7 sp. z o.o. (100% subsidiary of the Company), being at the same time its shareholder (100 registered Series B shares). 49,900 (forty nine thousand nine hundred) of A Series shares are held by Synthos Fundusz Inwestycyjny Zamknięty (indirectly 100% subsidiary of the Company).

Zakład Doświadczalny "Organika" Sp. z o.o. with its registered office in Nowa Sarzyna, in which the Company holds 100% of shares in the share capital and represents 100% votes at the Shareholders' Meeting of that company. The area of operation of that company is the production of pesticides.

Synthos Finance AB (publ.) – Swedish special purpose vehicle, conducts capital activity. The share capital of that company is EUR 55,005.61 and is divided into 4951 shares, and the nominal value of the shares is EUR 11.11 each. The Company owns 100% of shares of this Company.

Green Pepper SCSp with its registered office in Luxemburg, registered in the Commercial and Companies Register in Luxemburg under the number RCS: B 192143 on 27 November 2014. The company is in 100% indirectly controlled by Synthos S.A. In the Capital Group Synthos S.A., it conducts the investment and capital activity.

Synthos Agro Sp. z o.o. (formerly under the name Synthos Dwory 6 Sp. z o.o.) with its registered office in Oświęcim. The company conducts commercial and marketing activity in the area of plant protection products. Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna holds 99% of shares in the share capital and represents 99% votes at the Shareholders' Meeting of that company. SYNTHOS S.A. holds 1% of shares in the share capital and represents 1% votes at the Shareholders' Meeting of that company.

Oristano Investment Spółka z ograniczoną odpowiedzialnością w likwidacji with its registered office Oświęcim. The Company holds 100% of shares in the share capital and represents 100% of votes on the Shareholders' Meeting of that company. On 15 October 2014, the Shareholders' Meeting adopted a resolution on the liquidation of the company. Accordingly, from 15 October 2014 the liquidation procedure has been started.

7.3 The companies not subject to consolidation but being part of the Capital Group:

Synthos Dwory 2 Sp. z o.o. with its registered office in Oświęcim. The planned area of operation of that company is the laboratory activity. Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna holds 100% shares in the share capital and represents 100% votes at the Shareholders' Meeting of that company.

Synthos XEPS s.r.o. with its registered office in Kralupy nad Vltavou, Czech Republic. The Company holds 100% of shares in the share capital of that company and represents 100% votes at the Shareholders' Meeting of that company. The company will be used as a special purpose vehicle for the planned investment activities relating to new products.

Synthos do Brasil Industria e Comercio de Quimicos Limitada, registered in the National Register of Legal Persons of the Federal Republic of Brazil on 21 November 2013 under the number 19.297.642/0001-22. On 11 August 2014, the Company's share capital has been increased and currently amounts 3,544,400.00 of Brazilian real and is divided into 3 544 400 000 shares. Synthos S.A. holds 3 542 400 shares in the share capital. Synthos Dwory 2 Sp. z o.o. holds 2 000 shares in the share capital.

7.4 Changes in our capital group structure

In the reporting period there were no changes in our capital group structure other than indicated in the other point of this report.

7.5 Information about transactions concluded by Synthos S.A. or its subsidiary with related entities on terms other than on an arm's length, if they are material either individually or cumulatively

There were no such events in the reporting period.

8. DEFINITIONS

“**Additional Notes**” means senior notes with a total nominal value of EUR 50,000,000 which Synthos Finance AB (publ) issued on April 2, 2015;

“**C4 fraction**” means a mixture of liquidated hydrocarbons with prevailing content of four carbon atoms in their molecules;

“**Company**” means Synthos S.A.;

“**Consolidated Interim Report**” means the interim consolidated financial statement of the Group for the period from January 1, 2015 to June 30, 2015;

“**EPS**” means expandable polystyrene;

“**EU**” means European Union;

“**GDP**” means gross domestic product;

“**GHG**” means carbon dioxide, methane and other greenhouse gases;

“**GPPS**” means general purpose polystyrenes, clear, hard, usually colorless thermoplastic resin;

“**Group**” or “**Synthos Group**” means Synthos S.A and all its subsidiaries;

“**Guarantor**” or “**Guarantors**” means each Synthos S.A., Synthos Dwory 7 spółka z ograniczoną odpowiedzialnością spółka jawna., SYNTHOS Kralupy a.s., TAMERO INVEST s.r.o. and SYNTHOS PBR s.r.o. guaranteed the Notes;

“**HIPS**” means high impact polystyrenes;

“**Indenture**” means the indenture governing the Notes.

“**Initial Notes**” means senior notes with a total nominal value of EUR 350,000,000 which Synthos Finance AB (publ) issued on September 30, 2014;

“**Issuer of Notes**” means Synthos Finance AB (publ), with its registered seat in Stockholm, Sweden who issued Initial Notes and Additional Notes;

“**LBS**” means concentrated styrene-butadiene latex;

“**LBSK**” means styrene-butadiene carboxylic latex;

“**PET**” means polyethylene terephthalate;

“**PPP**” means plant protection products;

“**R&D**” means Research and Development;

“**WSE**” means Warsaw Stock Exchange;

“**XPS**” means extruded polystyrene board.