Separate financial statements for the 12 month period ended 31 December 2015 prepared in accordance with International Financial Reporting Standards as adopted by the European Union

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STATEMENT OF THE MANAGEMENT BOARD

The Management Board of Grupa Azoty S.A. presents separate financial statements for the 12 month period ended 31 December 2015, which consist of:

- Separate statement of profit or loss and other comprehensive income for the period from 01.01.2015 to 31.12.2015,
- Separate statement of financial position as at 31.12.2015,
- Separate statement of changes in equity for the period from 01.01.2014 to 31.12.2015,
- Separate statement of cash flows for the period from 01.01.2015 to 31.12.2015,
- Notes to the separate financial statements.

The separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union and present fairly the financial position and financial performance of the Company.

Signatures of the Members of the Management Board

………………………………
Mariusz Bober
President of the Management Board

………………………………
Andrzej Skolmowski
Vice-President of the Management Board

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

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

Person entrusted with maintaining accounting records

………………………………
Ewa Gładysz
Director of the Department of Corporate Finance

Tarnów, 8 March 2016

(all amounts in PLN thousand unless otherwise stated)

Separate statement of profit or loss and other comprehensive income

	Note	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Revenue	1	1 776 651	1 847 250
Cost of sales	2	(1 487 619)	(1 625 949)
Gross profit		**289 032**	**221 301**
Selling and distribution expenses	2	(93 886)	(82 348)
Administrative expenses	2	(160 144)	(154 189)
Other income	3	3 994	5 164
Other expenses	4	(34 798)	(19 171)
Results from operating activities		**4 198**	**(29 243)**
Finance income	5	237 782	270 738
Finance costs	6	(33 044)	(37 554)
Net finance income		**204 738**	**233 184**
Profit before tax		**208 936**	**203 941**
Tax expense	7	119	10 692
Profit for the year		**209 055**	**214 633**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability	20	(852)	(5 350)
Tax on items that will never be reclassified to profit or loss	7.3	162	1 016
		(690)	**(4 334)**
Items that are or may be reclassified to profit or loss			
Valuation of hedging instruments		65	-
		65	-
Other comprehensive income for the year		**(625)**	**(4 334)**
Profit or loss and other comprehensive income for the year		**208 430**	**210 299**
Earnings per share:	9		
Basic earnings per share (PLN)		2.11	2.16
Diluted earnings per share (PLN)		2.11	2.16

Separate statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to and forming part of the separate financial statements.

(all amounts in PLN thousand unless otherwise stated)

Separate statement of financial position

	Note	As at 31.12.2015	As at 31.12.2014*	As at 01.01.2014*
Assets				
Non-current assets				
Property, plant and equipment	10	1 114 240	981 306	996 454
Investment property	11	12 863	13 407	15 154
Intangible assets	12	50 442	43 214	40 370
Investments in subordinated entities	13.1	3 832 536	3 814 993	3 814 983
Available-for-sale financial assets	13.2	12 134	12 134	12 134
Other financial assets	13.4	218 115	-	-
Other non-current assets	14	-	210	690
Total non-current assets		**5 240 330**	**4 865 264**	**4 879 785**
Current assets				
Inventories	15	220 437	237 672	235 390
Other financial assets	13.4	30 172	829	5 649
Current tax assets		-	2 133	10 268
Trade and other receivables	16	246 894	258 824	232 629
Cash and cash equivalents	17	111 942	27 431	6 349
Other current assets	14	5 832	8 302	5 611
Assets held for sale	10.1	340	107	125
Total current assets		**615 617**	**535 298**	**496 021**
Total assets		**5 855 947**	**5 400 562**	**5 375 806**

* Financial information restated as presented in point 2.3 of the notes to the separate financial statements

Separate statement of financial position is to be read in conjunction
with the notes to and forming part of the separate financial statements.

(all amounts in PLN thousand unless otherwise stated)

Separate statement of financial position (continued)

	Note	As at 31.12.2015	As at 31.12.2014	As at 01.01.2014
Equity and liabilities				
Equity				
Share capital	18.1	495 977	495 977	495 977
Share premium	18.2	2 418 270	2 418 270	2 418 270
Hedging reserve		65	-	-
Retained earnings, including:		1 468 459	1 260 094	1 069 634
Profit for the year		*209 055*	*214 633*	*44 117*
Total equity		**4 382 771**	**4 174 341**	**3 983 881**
Liabilities				
Loans	19	935 550	347 263	513 827
Employee benefits	20	50 679	49 741	41 873
Provisions	21	24 446	24 374	22 781
Government grants	22	3 163	3 313	3 463
Deferred tax liabilities	7.4	29 770	22 363	33 381
Other financial liabilities	24	244	1 114	1 842
Total non-current liabilities		**1 043 852**	**448 168**	**617 167**
Loans	19	48 962	442 976	402 883
Employee benefits	20	2 694	2 683	2 369
Trade and other payables	23	286 630	225 052	257 177
Provisions	21	42 165	36 203	40 145
Government grants	22	2 314	791	533
Deferred income	25	5	20	3 669
Other financial liabilities	24	46 554	70 328	67 982
Total current liabilities		**429 324**	**778 053**	**774 758**
Total liabilities		**1 473 176**	**1 226 221**	**1 391 925**
Total equity and liabilities		**5 855 947**	**5 400 562**	**5 375 806**

Separate statement of financial position is to be read in conjunction
with the notes to and forming part of the separate financial statements.

(all amounts in PLN thousand unless otherwise stated)

Separate statement of changes in equity

For the period ended 31 December 2015

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
Balance at 1 January 2015	**495 977**	**2 418 270**	**-**	**1 260 094**	**4 174 341**
Profit or loss and other comprehensive income for the year					
Profit for the year	-	-	-	209 055	209 055
Other comprehensive income	-	-	65	(690)	(625)
Total profit or loss and other comprehensive income for the year	**-**	**-**	**65**	**208 365**	**208 430**
Balance at 31 December 2015	**495 977**	**2 418 270**	**65**	**1 468 459**	**4 382 771**

For the period ended 31 December 2014

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
Balance at 1 January 2014	495 977	2 418 270	-	1 069 634	**3 983 881**
Profit or loss and other comprehensive income for the year					
Profit for the year	-	-	-	214 633	**214 633**
Other comprehensive income	-	-	-	(4 334)	**(4 334)**
Total profit or loss and other comprehensive income for the year	**-**	**-**	**-**	**210 299**	**210 299**
Transactions with owners of the Company, recognised directly in equity					
Dividends	-	-	-	(19 839)	**(19 839)**
Total transactions with owners of the Company	**-**	**-**	**-**	**(19 839)**	**(19 839)**
Balance at 31 December 2014	**495 977**	**2 418 270**	**-**	**1 260 094**	**4 174 341**

Separate statement of changes in equity is to be read in conjunction
with the notes to and forming part of the separate financial statements.

(all amounts in PLN thousand unless otherwise stated)

Separate statement of cash flows

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014 *
Cash flows from operating activities		
Profit before tax	**208 936**	**203 941**
Adjustments for:	*(92 591)*	*(136 429)*
Depreciation and amortisation	91 141	91 753
Impairment losses of assets	16 059	655
Loss on investing activities	4 812	4 158
Interest, foreign exchange gains or losses	26 473	36 532
Dividends	(230 680)	(269 938)
Change in fair value of financial assets at fair value through profit or loss	(396)	411
Cash generated from operating activities before changes in working capital	***116 345***	***67 512***
Changes in trade and other receivables	45 460	(13 724)
Changes in inventories	17 235	(2 283)
Changes in trade and other payables	13 696	(28 188)
Changes in provisions, prepayments and grants	11 113	(359)
Cash generated from operating activities	***203 849***	***22 958***
Income taxes returned	9 822	8 827
Net cash from operating activities	**213 671**	**31 785**

* Financial information restated as presented in point 2.3 of the notes to the separate financial statements

(all amounts in PLN thousand unless otherwise stated)

Separate statement of cash flows (continued)

	For the period from 01.01.2015 to 31.12.2015	For the period from 01.01.2014 to 31.12.2014
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	4 155	2 953
Acquisition of property, plant and equipment, intangible assets and investment property	(238 596)	(100 225)
Dividends received	230 680	269 938
Acquisition of financial assets	(17 543)	(10)
Interest received	1 808	138
Loans	(247 300)	5 148
Other disbursements	(5 751)	(7 048)
Net cash used in investing activities	**(272 547)**	**170 894**
Cash flows from financing activities		
Dividends paid	-	(19 839)
Proceeds from loans and borrowings	939 801	206 269
Payment of loans and borrowings	(745 109)	(336 310)
Interest paid	(28 635)	(33 099)
Payment of finance lease liabilities	(771)	(1 592)
Other (disbursements) / proceeds	(21 899)	2 974
Net cash from financing activities	**143 387**	**(181 597)**
Net increase in in cash and cash equivalents	**84 511**	**21 082**
Cash and cash equivalents at the beginning of the period	**27 431**	**6 349**
Cash and cash equivalents at the end of the period	**111 942**	**27 431**

Separate statement of cash flows is to be read in conjunction with the notes to and forming part of the separate financial statements.

Notes to the separate financial statements

1. Information about the Company

1.1. General information about the Company

The Company Grupa Azoty Spółka Akcyjna ("the Company", "the Entity") with its registered office in Tarnow was established on 21 February 1991 on the basis of the notary deed A Nr 910/91. The Company operates in Poland under the regulations of the Commercial Companies Code. The Company is registered in commercial register of the District Court in Cracow, XII Commercial Department of the National Court Register, under no. 0000075450. The Company's REGON number for public statistics purposes is 850002268. The Company was established for an indefinite period.
Since 22 April 2013, after registering the changes in the Company's Statute, the Company operates under the name Grupa Azoty Spółka Akcyjna (short version: Grupa Azoty S.A.).

The Company is the Parent Company of Grupa Azoty S.A. Group ("the Group") and prepares also the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

The Company's scope of business activities includes the following:
- production of basic chemicals,
- production of fertilizers and nitrogen compounds,
- production of synthetic materials and synthetic rubber in primary forms,
- production of plastics.

The separate financial statements were authorised for issue by the Company's Management Board on 8 March 2016.

1.2. The Company's Management and Supervisory Boards

The Management Board
As at 31 December 2015, the Management Board of the Company comprised:

- Paweł Jarczewski - President of the Management Board,
- Andrzej Skolmowski - Vice-President of the Management Board,
- Witold Szczypiński - Vice-President of the Management Board,
- Marek Kapłucha – Vice-President of the Management Board,
- Krzysztof Jałosiński - Vice-President of the Management Board,
- Marian Rybak - Vice-President of the Management Board,
- Artur Kopeć – Member of the Management Board

As at 8 March 2016, the Management Board of the Company comprised:
- Mariusz Bober - President of the Management Board,
- Andrzej Skolmowski - Vice-President of the Management Board,
- Witold Szczypiński - Vice-President of the Management Board,
- Artur Kopeć – Member of the Management Board

The Supervisory Board
As at 31 December 2015, the Supervisory Board of the Company comprised:
- Monika Kacprzyk-Wojdyga – Chairman of the Supervisory Board,
- Jacek Obłękowski – Vice-Chairman of the Supervisory Board,
- Przemysław Lis – Member of the Supervisory Board,
- Robert Kapka – Member of the Supervisory Board,
- Tomasz Klikowicz – Member of the Supervisory Board,
- Artur Kucharski - Member of the Supervisory Board,

- Marek Mroczkowski – Member of the Supervisory Board,
- Zbigniew Paprocki – Member of the Supervisory Board,
- Ryszard Trepczyński – Member of the Supervisory Board.

On 29 January 2016, Mr Przemyslaw Lis was dismissed from the Supervisory Board and replaced by Mr Marek Grzelaczyk.

On February 1 2016, the following members of the Supervisory Board were recalled based on the resolutions of the Company's Extraordinary General Meeting: Mrs. Monika Kacprzyk-Wojdyga and Mr Marek Mroczkowski, Mr Jacek Obłękowski and Mr Ryszard Trepczyński. They were replaced by: Mr Przemysław Lis (as Chairman), Mr Maciej Baranowski, Mr Tomasz Karusewicz and Mr Bartłomiej Litwińczuk.

On 8 March 2016, following the above-mentioned changes, the Supervisory Board comprises:
- Przemysław Lis – Chairman of the Supervisory Board,
- Marek Grzelaczyk – Vice-Chairman of the Supervisory Board,
- Zbigniew Paprocki – Secretary of the Supervisory Board,
- Maciej Baranowski – Member of the Supervisory Board,
- Robert Kapka – Member of the Supervisory Board,
- Tomasz Karusewicz – Member of the Supervisory Board,
- Tomasz Klikowicz – Member of the Supervisory Board,
- Artur Kucharski – Member of the Supervisory Board,
- Bartłomiej Litwińczuk – Member of the Supervisory Board.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements. There were changes in the presentation of the use of CO_2 emission rights and presentation of advance payments, as further presented in point 2.3. The respective comparatives were restated.

2.1. Statement of compliance

These separate financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union („IFRS EU") and other applicable regulations. IFRS EU contain all International Accounting Standards (IAS), International Financial Reporting Standards (IFRS) and related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) except for the below listed Standards and Interpretations which are awaiting approval of the European Union as well as those Standards and Interpretations which have been approved by the European Union but are not yet effective.

2.2. Changes in International Financial Reporting Standards

New Standards, amendments to Standards and Interpretations which are or will be mandatorily effective for annual periods ending after 31 December 2015 have not been applied in preparing these separate financial statements. The entity intends to apply them to the first legally required periods.

Of these pronouncements, the following might potentially have an impact on the Company's financial statements:

2.2.1. Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2015

- Improvements to IFRS 2010-2012, that will be mandatory for the Company's separate financial statements for 2016. The Improvements to IFRSs (2010-2012) contain 8 amendments to 7 standards, with consequential amendments to other standards and interpretations. The main changes which could have an impact on the financial statements:

  • amend paragraph 22 of IFRS 8 *Operating segments* to require entities to disclose those factors that are used to identify the entity's reportable segments when operating segments have been aggregated. This is to supplement the current disclosure requirements in paragraph 22(a) of IFRS 8;
  • amend paragraph 28(c) of IFRS 8 *Operating Segments* to clarify that a reconciliation of the total assets of the reportable segments to the entity's assets should be disclosed, if that amount is regularly provided to the chief operating decision maker. This proposed amendment is consistent with the requirements in paragraphs 23 and 28(d) of IFRS 8;

  It is expected that the application of the Improvements will have an impact on the extent of disclosures in the financial statements.

- Amendments to IAS1 *Presentation of Financial Statements*, Disclosure initiative, that will be mandatory for the Company's financial statements for 2016. Key clarifications resulting from the Amendments include the following:

  • An emphasis on materiality. Specific single disclosures that are not material do not have to be presented – even if they are a minimum requirement of a standard.
  • The order of notes to the financial statements is not prescribed. Instead, companies can chose their own order, and can also combine, for example, accounting policies with notes on related subjects.
  • It had been made explicit that companies:
    - should disaggregate line items in the statement of financial position and in the statement of profit or loss and other comprehensive income (OCI) if this provides helpful information to users; and
    - can aggregate line items in the statement of financial position if the line items specified by IAS 1 are individually immaterial.
  • Specific criteria are provided for presenting subtotals in the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the statement of profit or loss and OCI.
  • The presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method should follow IAS1 approach of grouping items into those that may, or that will never, be reclassified to profit or loss.

  It is expected that the application of the Improvements will have an impact on the presentation of the financial statements.

- Amendments to IAS 27 *Separate Financial Statements* introducing the possibility of applying the equity method in separate financial statements, that will be obligatory for the Company's financial statements for 2016. The amendments introduce an option for the entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements, in addition to the existing cost and fair value options.

  It is expected that the Amendments, if initially applied, might have a significant impact on the entity's separate financial statements. However, the entity intends to continue to measure its investments in subsidiaries, joint ventures and associates in the separate financial statements at cost.

2.2.2. Standards and interpretations not yet endorsed by the EU as at 31 December 2015

- IFRS 9 *Financial instruments (2014)* that will be mandatory for the Company's financial statements for 2018. New standard replaces the guidance included in IAS 39 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets, including a model for calculating impairment. IFRS 9 eliminates the existing IAS 39 categories of held to maturity, available for sale and loans and receivables used to classify financial assets.

  Under the new standard, financial assets are to be classified on initial recognition into one of three categories:

  - financial assets measured at amortized cost;
  - financial assets measured at fair value through profit or loss; or
  - financial assets measured at fair value through other comprehensive income (OCI).

  The Company is not able to prepare an analysis of the impact the standard will have on the financial statements until the date of initial application. However, the classification and measurement of the Company's financial assets are not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial assets that it holds.

- IFRS 15 *Revenue from Contracts with Customers*, that will be mandatory for the Company's financial statements for 2018. The Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Specifically, it replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

  Under the new standard, entities will apply a five-step model to determine when to recognize revenue, and at what amount. The model specifies that revenue should be recognized when (or to the extent as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized:

  - Over time, in a manner that depicts the entity's performance of a contract; or
  - At a point in time, when control of the goods or services is transferred to the customer.

  Included in the Standard are new qualitative and quantitative disclosure requirements to enable financial statements users to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

  The impact of the initial application of the Standard will depend on the specific facts and circumstances of the contracts with customers to which the Company will be a party. However, the Company is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application.

- IFRS 16 *Leases*, that will be mandatory for the Company's financial statements for 2019. IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases. Bringing operating leases in balance sheet will result in recognizing a new asset – the right to use the underlying asset – and a new liability – the obligation to make lease payments. The right-of-use asset will be depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. Lessor accounting, however, shall remain largely unchanged and the distinction between operating and finance leases will be retained.

(all amounts in PLN thousand unless otherwise stated)

The impact of the initial application of the Standard will depend on the specific facts and circumstances of the lease arrangements to which the entity will be a party. However, the entity is not able to prepare an analysis of the impact this will have on the financial statements until the date of initial application.

- Diclosure initiative (Amendments to IAS 7 *Statement of Cash Flows*), that will be mandatory for financial statements of the Company for the year 2017. Pursuant to the amendments, an entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. One way to fulfil the above disclosure requirement in is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

  The Company is in the process of analysing the impact of the Amendments on its financial statements.

2.3 Changes in accounting policies

Except for the changes in the presentation of the use of CO_2 emission rights and presentation of advance payments, there were no changes in the accounting policies as compared to the policies used for preparation of the 2014 separate financial statements.

Previously, the “Use of CO_2 emission rights” was presented under “Cost of sales” in the statement of profit or loss and other comprehensive income as a component of “Raw materials and energy used”. Currently, it is presented under “Cost of sales” as well, but as a component of “Taxes and charges”.

Previously, “Advance payments for property, plant and equipment under construction”, “Advance payments for intangible assets” and “Advance payments for deliveries” were presented in the statement of financial position as a component of “Property, plant and equipment”, “Intangible assets” and “Inventories”, respectively. Currently, they are presented as prepayments under “Trade and other receivables”.

The comparatives as at and for the period ended 31 December 2014 and as at 1 January 2014 were restated accordingly. The tables below present the impact of the changes in presentation of advance payments on the statement of financial position and the statement of cash flows as well as the impact of changes in presentation of the use of CO_2 emission rights on the presentation of operating expenses.

	Previously reported as at 31.12.2014	Restated as at 31.12.2014	Impact of changes
Assets			
Non-current assets			
Property, plant and equipment	997 948	981 306	(16 642)
Total non-current assets	**4 881 906**	**4 865 264**	**(16 642)**
Current assets			
Inventories	238 378	237 672	(706)
Trade and other receivables	241 476	258 824	17 348
Total current assets	**518 656**	**535 298**	**16 642**
Total assets	**5 400 562**	**5 400 562**	**-**

(all amounts in PLN thousand unless otherwise stated)

	Previously reported as at 01.01.2014	Restated 01.01.2014	Impact of changes
Assets			
Non-current assets			
Property, plant and equipment	1 000 610	996 454	(4 156)
Total non-current assets	**4 883 941**	**4 879 785**	**(4 156)**
Current assets			
Inventories	236 749	235 390	(1 359)
Trade and other receivables	227 114	232 629	5 515
Total current assets	**491 865**	**496 021**	**4 156**
Total assets	**5 375 806**	**5 375 806**	**-**

Statement of cash flows

	Previously reported for the period 01.01.2014 31.12.2014	Restated for the period 01.01.2014 31.12.2014	Impact of changes
Cash flow from operating activities			
Profit before tax	**203 941**	**203 941**	**-**
Adjustments	**(136 429)**	**(136 429)**	**-**
Cash generated from operating activities before changes in working capital	**67 512**	**67 512**	**-**
Changes in trade and other receivables	(14 377)	(13 724)	**653**
Changes in inventories	(1 630)	(2 283)	**(653)**
Cash generated from operating activities	**22 958**	**22 958**	**-**

Koszty działalności operacyjnej (nota 2)

	Previously reported 01.01.2014 31.12.2014	Restated for the period 01.01.2014 31.12.2014	Impact of changes
Raw materials and energy used	1 218 751	1 202 405	(16 346)
Taxes and charges	42 321	58 667	16 346
Costs by kind	**1 833 672**	**1 833 672**	**-**
Cost of sales	**1 625 949**	**1 625 949**	**-**

2.4 Basis of measurement

The separate financial statements have been prepared on the historical cost basis except for assets and liabilities that are measured at fair value, i.e.:

- derivatives,
- financial instruments at fair value through profit or loss,
- available-for-sale financial assets.

2.5 Functional and presentation currency

These separate financial statements are presented in Polish zloty, rounded to the nearest thousand. Polish zloty is the Company's functional currency.

2.6 Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the period in which the estimates are revised or in current and any future periods affected. Main accounting estimates and assumptions are also additionally presented in the relevant notes to the separate financial statements:

- estimates and assumptions concerning the possibility of realisation of the deferred tax asset on the tax losses carried-forward are presented in Note 7.4,
- estimates concerning useful lives of property, plant and equipment, investment property and intangible assets are presented in Notes 10, 11, 12,
- estimates concerning impairment losses on property, plant and equipment are presented in Note 10,
- estimates concerning write-downs of inventory to net realizable value are presented in Note 15,
- estimates concerning impairment losses on receivables are presented in Note 16,
- estimates concerning employee benefits are presented in Note 20,
- estimates concerning provisions are presented in Note 21.

2.7 Going concern

The separate financial statements were prepared under the assumption that the Company will continue to operate as a going concern for the foreseeable future.

There are no circumstances indicating that the Company may be unable to continue its activities as a going concern.

2.8 Foreign currency

Transactions in foreign currencies are translated into Polish zloty at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated into Polish zloty at the average exchange rate on that date, as published by the National Bank of Poland. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Non-monetary items that are measured at fair value in a foreign currency are retranslated at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the statement of profit or loss as financial income or expense, except for differences arising on retranslation of available-for-sale equity instruments and qualifying cash flow hedges, which are recognised as other comprehensive income.

For valuation purposes the following exchange rates were used:

	31.12.2015	**31.12.2014**
EUR	4.2615	4.2623
USD	3.9011	3.5072

2.9 Property, plant and equipment

2.9.1 Property, plant and equipment owned

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes the purchase price of the asset and the costs directly attributable to bringing the assets to a condition necessary for it to be capable of operating in a manner intended by management, including expenses relating to transport, loading, unloading and storage. Discounts, rebates and other similar reductions decrease the acquisition cost of the asset. Cost of self-constructed item of property, plant and equipment and assets under construction includes all costs incurred in the construction, assembly, installation and improvement process up to the date when the asset was brought into use (or until the reporting date when the asset has not yet been brought to use). Cost also includes, when necessary, an initial estimate of the costs of dismantling and removing the items of property, plant and equipment and restoring the site to its original state. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment may be derecognised upon its disposal or when no economic benefits are expected from further use of the asset. Gains or losses arising from the derecognition of property, plant and equipment are determined as the difference between the net proceeds from disposal and the carrying amount of the item and are recognised as other operating income or other operating expenses in the statement of profit or loss.

Assets under construction are recognised at cost less any accumulated impairment losses. Assets under construction are not depreciated until construction is completed and assets are available for use.

Advance payments for property, plant and equipment are presented under trade and other receivables.

2.9.2 Leased items of property, plant and equipment

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.

(all amounts in PLN thousand unless otherwise stated)

Lease payments are apportioned between the finance expense and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Subsequent to initial recognition, the leased assets are measured at cost less accumulated depreciation and any accumulated impairment losses in accordance with the accounting policy applicable to the Company's own assets. If it is unlikely that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.

Leases where lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease payments under operating leases are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

2.9.3 Perpetual usufruct right

The perpetual usufruct right received by the Company free of charge on the basis of an administrative decision is a form of an operating lease. The right is excluded from the Company's assets and is carried off-balance sheet.

The perpetual usufruct right acquired by the Company is recognised as property, plant and equipment. It is measured at cost less accumulated depreciation and any accumulated impairment losses.

2.9.4 Subsequent expenditure

Subsequent expenditure is capitalised only when it can be measured reliably and it is probable that the future economic benefits associated with the expenditure will flow to the Company. Ongoing repairs and maintenance are recognised in the statement of profit or loss as an expense.

2.9.5 Depreciation

Depreciation is calculated on a straight-line basis over the estimated useful life of an item of property, plant and equipment or its major components. The estimated useful lives are as follows:

Type	Depreciation rate	Period
Land	None	-
Perpetual usufruct of land	1%-33%	Up to 99 years
Buildings and structures	1%-33%	3-100 years
Machines and technical devices	2%-100%	1-50 years
Office equipment	10%-100%	1-10 years
Vehicles	7%-100%	1-7 years
Computers	20%-100%	1-5 years

Depreciation commences when asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ends no later than when accumulated depreciation equals the cost of the asset or an asset is derecognised. The depreciable amount is determined after deducting its residual value.

Assets under construction are not depreciated.

The Company allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant components (if the component's value is significant compared to the total cost of the asset) and depreciates separately each such part over its useful life.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

2.10 Investment property

Investment property is land, structures and buildings held by the Company for capital appreciation or other benefits, e.g. to earn rental income.

Investment property is measured at fair value. If the fair value estimate is not possible, the investment property is measured in accordance with policy applicable to property, plant and equipment.

2.11 Intangible assets

2.11.2 Research and development

Expenditure on research activities is recognised in the statement of profit or loss as incurred.

Development costs which effects are used in design or production of new or substantially improved products and processes are capitalised only if the product or process is technically and commercially feasible and the Company has sufficient technical, financial and other resources to complete development.

Expenditure on development activities is measured at cost less accumulated amortisation and any accumulated impairment losses. Capitalised development expenditures are amortised over the expected period when the benefits from the development project will be obtained.

Capitalised development costs are tested for impairment at each reporting date if the asset has not yet been brought into use or if the impairment indicators were identified and indicate that the carrying amount may not be recoverable.

2.11.3 REACH costs

The Company capitalises costs resulting from obtaining appropriate permissions under REACH system. When registering a product in the REACH system the Company obtains the right to manufacture and sell products that bring economic benefits. Additionally, an asset resulting from registration cannot be separated from the entity but arises from legal right. An asset has non-monetary character and has no physical substance.

The Company capitalises costs that are directly attributable to the specific registration. Such costs include: registration fees, testing, information about potential utilisation, costs incurred for another registrant for the right to acquire the tests results. REACH costs are recognised as other intangible assets and are amortised over the same period as the corresponding property, plant and equipment.

Costs that cannot be assigned to any specific registration are recognised in the statement of profit or loss as incurred.

2.11.4 Other intangible assets

Other intangible assets acquired in a separate transaction are recognised in the statement of financial position at cost. After initial recognition, intangible assets with finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with indefinite useful lives are measured at cost less any accumulated impairment losses.

Except for the development costs, internally generated intangible assets are not recognised in the statement of financial position and are recognised in the statement of profit or loss as an expense when incurred.

(all amounts in PLN thousand unless otherwise stated)

2.11.5 Subsequent expenditure

Subsequent expenditures are capitalised only when they increase future economic benefits relating to the asset. All other expenditures are recognised in the statement of profit or loss as an expense when incurred.

2.11.6 Amortisation

Intangible assets are amortised on a straight-line basis over their estimated useful lives, unless it is indefinite. Intangible assets with indefinite useful lives and those that are not yet used are tested for impairment annually at the level of separate asset or as part of the cash generating unit. For the remaining intangible assets the Company annually assesses if there are any impairment indicators.

The estimated useful lives are as follows:

Type	Amortisation rate	Period
Licences	5%-50%	2-20 years
Software	16%-50%	2-6 years
Technological licences	2%-100%	1-50 years
REACH	2%-100%	1-50 years
Development costs	2%-100%	1-50 years

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

2.12 Investments in subordinated entities

Investments in subordinated entities include shares in subsidiaries and associates. These investments are measured at cost less any accumulated impairment losses.

2.13 Current and non-current trade and other receivables

Current and non-current trade receivables are non-derivative financial assets, not quoted in an active market, with fixed or determinable payments. They are initially recognised at fair value and are subsequently measured at amortised cost, using effective interest rate method, less impairment losses.

Trade and other receivables due within 12 months, when the difference between the amortised cost and amount due is not significant, are measured at amounts due less impairment losses.

Impairment losses are calculated when the full recovery of the receivable is no longer probable. If there is an objective evidence that receivables carried at amortised cost are impaired, the impairment loss is determined as the difference between the carrying amount of the asset and the present value of future cash flows discounted at the asset's original effective interest rate. Losses are recognised as expense in the statement of profit or loss.

2.14 Presentation of factoring and receivables discounting contracts

The Company uses two types of contracts concerning the purchases of receivables by the financing party before their maturities:

- factoring with recourse or receivables discounting with recourse – secured by the cession from the insurance policy, in which the financing party purchases the receivables before maturity with recourse for a fee and interest from the date of purchase to the maturity date. In case the debtor does not pay at the maturity date or within the maximum allowed period after the maturity date, the financing party is allowed to claim the repayment of the balance. Due to the cession from insurance policy the financing party is first entitled to claim the payment from the policy without the recourse to the Company. Therefore the Company derecognises the receivables as at the transaction date and settles it with the amount received from the financing party and discloses the contingent liability resulting from the factoring (receivables discounting),

- factoring with recourse or receivables discounting with recourse – not secured by the cession from the insurance policy, in which the financing party purchases the receivables before maturity with recourse for a fee and interest from the date of purchase to the maturity date. In case the debtor does not pay at the maturity date or within the maximum allowed period after the maturity date, the financing party is allowed to claim the repayment of the balance. Therefore the Company does not derecognise the receivables as at the transaction date and presents cash received from the financing party as other financial liabilities concerning factoring (receivables discounting).

2.15 Inventories

Inventories are assets held for sale in the ordinary course of business, in the process of production for such sale or raw materials used in production or in rendering of services.

Inventories are measured at the lower of cost and net realisable value as at the reporting date. The cost of inventories is based on the weighted average principle.

The cost is the purchase price of an asset, including an amount due to the seller, excluding recoverable value added tax and excise, in case of import increased by relevant taxes and duties, adjusted for other directly attributable costs incurred when bringing an asset to its existing location and condition, including transport, loading and unloading, less any rebates, discounts or similar recovered amounts. Finished goods, semi-finished goods and work in progress are measured at production cost including an appropriate share of production overheads based on normal operating capacity.

Net realizable value is the estimated selling price in the ordinary course of business, net of discounts and rebates, less the estimated costs of completion and estimated costs necessary to make the sale.

Inventories write-downs and reversals are recognised in the statement of profit or loss as "cost of sales".

2.15.2 CO_2 emission rights

The emission rights received free of charge are initially recognised as inventories, with a corresponding entry in deferred income (government grants in accordance with IAS 20), at fair value at the date of registration in the appropriate registers.

If the emission rights for a given period are not registered, the Company recognises the expected receivable of the free of charge CO_2 emission rights as other receivables with a corresponding entry in deferred income. The receivable is estimated as a product of the expected amount of rights for the period and the fair value of CO_2 emission rights at the reporting date.

Acquired emission rights are recognised at cost.

The provision arising from the emission of pollutants is recognised as cost of sales and measured as follows:

- if the Company has a sufficient amount of rights to cover its liabilities arising from the emission: as a product of the amount of rights required to be redeemed to settle the obligation and the unit cost of rights held by the Company or recognised as a receivable at the reporting date. The unit cost of rights required to settle the estimated emission is determined based on the weighted average principle.
- if the Company does not have a sufficient amount of rights to cover its liabilities arising from the emission: as a product of the amount of rights held by the Company and recognised as a receivable at the reporting date and the unit cost of such emission rights, increased by the fair value of emission rights missing.

The government grants are recognised in the statement of profit or loss as a reduction to cost of sales in the proportion of CO_2 emission realised in the reporting period to the estimated annual emissions.

Emission rights received free of charge and acquired are redeemed against the corresponding provision when the redemption of the adequate amount of rights required to cover the emission for the previous reporting period is registered.

Sale of emission rights is recognised as revenue from sales. The cost of disposal of the rights is determined based on the weighted average principle and presented in cost of sales. Additionally, in case of the sale of rights received free of charge, the respective part of the government grant presented as deferred income is recognised in the statement of profit or loss.

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits on demand with original maturities less than three months. Cash and cash equivalents included in the statement of cash flows include the above mentioned items.

2.17 Impairment of non-financial assets

The carrying amounts of the Company's assets, other than inventories, deferred tax assets and financial instruments, measured under different principles, are reviewed at each reporting date to determine whether there is any indication of impairment losses. If any such indication exists, the Company estimates the assets' or cash-generating units' (CGUs) recoverable amount. CUGs containing goodwill and indefinite-lived or not completed intangible assets are tested for impairment annually at the reporting date.

Impairment losses are recognised when the carrying amount of an asset or its related CGU exceeds the recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. The Company's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to the CGU based on consistent and reasonable basis and are tested for impairment as part of the CGU.

Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the

CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that impairment loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.18 Equity

The equity is divided by type according to the applicable laws and the Company's Deed.

Share capital is measured in the nominal value of the issued shares.

Transaction costs incurred on incorporation of the entity or associated with the issue of equity securities reduce share premium.

Capital reserves from previous years, accumulated results from previous years and result for the period are presented in the financial statements as retained earnings.

2.19 Employee benefits

Employee benefits include all kinds of benefits in exchange for the work of employees, both benefits paid during the employment period and post-employment benefits.

2.19.1 Defined contribution plans

Under current regulations the Company has an obligation to withhold and pay contributions concerning social security of the employees. These benefits, in accordance with IAS 19, constitute government programme and are a defined contribution plan. Obligations for contributions are estimated based on the amounts payable for the year and are recognised as an employee benefit expenses in the period during which related services are rendered by employees.

Additionally, based on the agreement with employees, the Company pays fixed contributions into a separate entity and has no other legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

2.19.2 Defined benefit plans

The Company's obligations in respect of defined benefit plans are calculated for each benefit plan separately by estimation of the present value of future benefits earned by employees in the current period and previous periods. Current service costs are recognised in the statement of profit or loss as employee expenses. Interest on obligations in respect of defined benefit plans are recognised in the statement of profit or loss as financial expenses. Revaluation of an obligation is recognised in other comprehensive income.

2.19.2.1 Defined benefit plans – retirement and death-in-service benefits

Under current labour code and collective agreement regulations the Company has an obligation to pay retirement and death-in-service benefits.

The Company's retirement benefit liability is calculated by a qualified actuary using the projected unit credit method. The estimate of the future salaries at the retirement date and the amount of future benefits to be paid is included in the calculation. The Company's death-in-service benefit liability is calculated by a qualified actuary estimating the future benefits to be paid. The benefits are discounted to determine their present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations. Employees' turnover is estimated based on the past experience and the expected turnover rates in the future. The liability is recognised proportionally to the expected period of employee's service.

2.19.2.2 Defined benefit plans – provisions for Social Fund benefits for pensioners

Under current regulations the Company has an obligation to pay the social fund benefits to the pensioners. Therefore the Company recognises the liabilities for post-employment Social Fund contributions. The liabilities are estimated based on the average salaries in the Polish economy. The benefits are discounted to determine their present value similarly as other classes of employee benefits. The amount of provision for the Social Fund benefits is calculated individually for each employee and equals the present value of future benefits.

2.19.3 Other long-term employee benefits - jubilee awards

The Company offers jubilee awards to the employees. The cost of the awards depends on seniority and remuneration of the employees when the awards are paid.

The calculation of benefits is performed using the projected unit credit method. The Company's liability resulting from the jubilee awards is measured by estimating the future salaries at the date the employee is entitled to receive the jubilee awards and the amount of future awards to be paid. The benefits are discounted to determine their present value. The discount rate is the yield at the reporting date on government bonds that have maturity dates approximating the terms of the Company's obligations. Employees' turnover is estimated based on the past experience and the expected turnover rates in the future. The liability is recognised proportionally to the expected period of employee's service.

2.19.4 Short term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

2.20 Provisions

Provisions are recognised if:
- a present obligation (legal or constructive) has arisen as a result of a past events,
- the outflow of economic benefits is probable,
- the amount can be measured reliably.

The amount of a provision is the best estimate of the expenditure to be incurred which is required to settle the obligation at the reporting date. The estimates are based on the management's judgment, supported by the experience resulting from similar past events and independent experts' opinions, if required.

If the Company expects to be reimbursed for the expenditures required to settle a provision, e.g. by the insurer, the reimbursement is recognised as a separate asset if it is virtually certain that the reimbursement will be received.

2.20.1 Site restoration costs

In accordance with the Company's environmental policy and applicable legal requirements, a provision for site restoration in respect of contaminated land or other property is recognised when the land or other property is contaminated.

2.20.2 Litigations and claims

Provisions for the effects of litigations and claims are recognised considering all available evidence, including lawyers' opinions. If as at the reporting date the outflow of benefits is assessed probable based on the analysis performed, the respective provision is recognised (provided the remaining recognition criteria are met).

2.20.3 Provision for emission rights

The accounting policies concerning provisions for CO_2 emission rights are presented in point 2.15.1.

2.21 Trade and other liabilities

Trade and other liabilities are initially recognised at fair value. Subsequently such liabilities are measured at amortised cost using the effective interest rate method.

Liabilities due up to 12 months, when the difference between the amortised cost and amount due is not significant, are measured at amounts due.

2.22 Interest-bearing loans

Interest-bearing loans are initially recognised at fair value (adjusted for the transaction costs associated with the issue of debt). Subsequently interest-bearing loans are measured at amortised cost using the effective interest rate method.

2.23 Financial instruments

Financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity provided that the contract has clear economic consequences to both or more parties.

Financial instruments are classified into the following categories:

- financial assets or liabilities at fair value through profit or loss – including derivatives and financial assets or liabilities acquired or held for the purpose of selling or repurchasing in the near term or designated on initial recognition as identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking,

- held-to-maturity investments - are non-derivative financial assets with fixed or determinable payments and fixed maturities that an entity intends and is able to hold to maturity,

- loans and receivables - are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market,

- available-for-sale financial assets - are non-derivative financial assets designated on initial recognition as available-for-sale or other instruments that are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

- other financial liabilities.

2.23.1 Initial recognition and derecognition of financial assets and liabilities

Financial asset or a financial liability is recognised when the Company becomes a party to the contractual provisions of the instrument. Transactions to purchase or sell standardised financial instruments are recognised in the accounts at the trade date.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred and the Company does not retain control over the asset.

A financial liability is derecognised from the statement of financial position when it is extinguished, i.e., when the obligations specified in the contract are discharged, cancelled or expired.

2.23.2 Initial measurement of financial instruments

Initially, financial assets and liabilities are measured at fair value. Transaction costs adjust the initial value of assets and liabilities, except for the assets or liabilities measured at fair value through profit or loss.

2.23.3 Measurement subsequent to initial recognition

The Company measures:

- at amortised cost using the effective interest method: held-to-maturity investments, loans and receivables and non-derivative financial liabilities,

- at fair value: financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets.

The impact of subsequent measurement of available-for-sale financial assets, other than impairment loss, is recognised in other comprehensive income and presented in fair value reserve.

The impact of subsequent measurement of financial assets and liabilities classified to other categories is recognised as profit or loss in the statement of profit or loss.

2.23.4 Derivatives

The Company uses derivatives in order to manage its currency risk exposure resulting from operating, financial and investment activities. According to the Company’s treasury policy, the Company does not use or issue derivatives held for trading.

Initially, the financial assets and liabilities are recognised at fair value.

Subsequent valuation of derivatives not designated for hedge accounting is recognised as profit or loss in the statement of profit or loss.

2.23.5 Impairment of financial assets

A financial asset is impaired, and impairment losses are recognised, if there is an objective evidence as a result of one or more events that such loss event(s) have negative impact on the estimated future cash flows from the asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. An impairment loss in respect of available-for-sale financial assets is recognised when the decline in fair value of such investment below its cost is considered significant or prolonged.

At the reporting date, all individually significant assets are assessed for specific impairment. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

Impairment losses in respect of financial assets measured at amortised cost are recognised in the statement of profit or loss. Impairment losses in respect of available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss.

If, in a subsequent period, the value of an impaired financial asset increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. An impairment of available-for-sale equity security is not reversed in the statement of profit or loss. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in the statement of profit or loss.

2.24 Hedge accounting

Financial instruments (including derivatives) are designated as hedging instrument when their fair values or cash flows are expected to offset the changes in the fair value or cash flows of a designated hedged item. The Company uses hedge accounting when the following criteria are met:

- hedge documentation is prepared at the inception of the hedge and includes at least the following: the entity's risk management objectives and strategy for undertaking the hedge, identification of the hedging instrument, identification of the hedged position being an asset, liability or the probable future transaction, the nature of the risk being hedged, timing and how the entity measures the hedge effectiveness,

- hedge is considered highly effective in offsetting the changes in the fair value or cash flows. The hedge effectiveness is measured by comparing the changes in the fair value of the hedging item with the change in the fair value of the hedged item or the relating cash flows. The hedge is considered highly effective if changes in the fair value or cash flows of the hedged item are offset by the change in the fair value or cash flows of the hedging item and actual results of each hedge are within a range of 80-125%,

- hedge effectiveness can be reliably measured by the reliable estimate of fair value of the hedged position or its related cash flows and fair value of hedging instrument. Hedge effectiveness is assessed retrospectively (ex-post) and prospectively both at the inception of the hedge relationship as well as on an ongoing basis, to determine whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk,

- for a cash flow hedge of a forecast transaction, the transaction is highly probable to occur.

2.24.1 Cash-flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk associated with recognised asset or liability, an unrecognised firm commitment or highly probable forecast transaction.

The portion of gains or losses on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and presented as hedging reserve in equity. Any ineffective portion of changes in the fair value of the hedging instrument is recognised immediately in the statement of profit or loss.

When the hedged item is a non-financial asset or liability, the Company includes the amount accumulated in equity in the initial carrying amount of that asset or liability. In other cases, the amount accumulated in equity is reclassified to the statement of profit or loss in the same period that the hedged item affects profit or loss.

If the forecast transaction is no longer highly probable to occur, hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to the statement of profit or loss.

2.25 Revenue

Revenue from the sale is measured at the fair value of the consideration received or receivable in relation to products, merchandises and services delivered in the course of ordinary operating activities of an entity, net of rebates, discounts, value added and other sales related taxes. Revenue is recognised in the amount for which recovery is probable at the transaction date and which can be measured reliably.

2.25.1 Sale of goods and merchandises, rendering of services

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the customer and the amount of revenue can be measured reliably.

Revenue from rendering of services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date and when the outcome of the transaction can be measured reliably. The stage of completion is assessed by reference to the physical proportion of the contract work performed. When the outcome of the transaction cannot be estimated reliably, revenue is recognised only to the extent of costs incurred that are likely to be recovered.

2.25.2 Revenue from sale of certificates of origin of energy

The Company recognises revenue from sale of certificates of origin of red energy in the period in which they have been generated and when it is probable that the economic benefits will be obtained.

2.25.3 Rentals

Revenue from rental of property is recognised in the statement of profit or loss on a straight-line basis for the lease period.

2.25.4 Loyalty programmes

Revenue is allocated between the loyalty programme and the other components of the sale. The amount allocated to the loyalty programme is deferred, and is recognised as revenue in the period when the Company has fulfilled its obligations resulting from the programme or when it is no longer probable that the rights under the programme will be redeemed.

2.25.5 Finance income

Finance income comprises the interest on funds invested by the Company, dividends, gains on disposal of available-for-sale financial assets, fair value gains on financial instruments at fair value through profit or loss, foreign exchange gains and such gains on hedging instruments which are recognised in the statement of profit or loss.

Interest income is recognised as it accrues in the statement of profit or loss, using the effective interest rate method. Dividend income is recognised in the statement of profit or loss on the date that the Company’s right to receive payment is established.

2.26 Expenses

2.26.1 Cost of sales

Cost of sales includes all operating expenses except for selling and distribution expenses, administrative expenses, other expenses and finance costs. Production cost includes direct costs and an appropriate share of production overheads based on normal operating capacity.

2.26.2 Selling and distribution expenses

Selling and distribution expenses comprise:
- cost of packaging,
- transport, loading and unloading costs,
- customs duties and agents’ commissions,
- other costs, including carriage insurance cost.

2.26.3 Administrative expenses

Administrative expenses comprise:
- general and administration expenses associated with the management of the Company,
- general production overheads (related to the production, including maintenance and functioning of general departments, not associated with the direct production).

2.26.4 Operating lease payments

Payments made under operating leases are recognised in the statement of profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

2.26.5 Finance lease payments

Finance lease payments are apportioned between the finance expense and the reduction of the outstanding liability. The finance expenses are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

2.26.6 Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign exchange losses, fair value losses on financial instruments through profit or loss and impairment losses recognised on financial assets. Interest is recognised in profit or loss using the effective interest rate method.

Borrowing costs that are directly attributable to acquisition or construction of a qualifying asset are capitalised. Other borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss as incurred.

2.27 Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the statement of profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable is calculated based on the tax result (tax base) for the period. Tax result differs from the result before tax for the period due to the temporary differences in taxable income and costs and due to the permanent differences which will never be tax-deductible or taxable.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for 1) temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, 2) temporary differences related to investments in subsidiaries, associates and jointly controlled entities to the extent it is not probable that they will be disposed in the foreseeable future, 3) temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised only to the extent that it is expected that taxable profits will be available in the future against which the deductible difference would be utilized. Deferred tax assets are not recognised to the extent it is not probable that taxable income will be available to realise all deductible temporary differences or their part. Such assets are subsequently recognised if it becomes probable that sufficient taxable income will be available.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority. Deferred tax assets and liabilities are not discounted and are presented in the statement of financial position as non-current assets or liabilities.

2.28 Segment reporting

The Company identifies operating segments based on internal reports. The operating results of each segment are reviewed on a regular basis by the Company’s chief operating decision maker, who decides about the allocation of resources to different segments and analyses its results. Separate information prepared for each segment is available.

The Company identifies the following operating segments:
- Fertilizers-Agro Segment,
- Plastics Segment,
- Energy Segment,
- Other Activities Segment comprising other operations, such as laboratory services, rental of properties and other activities that cannot be allocated to other segments.

The Company presents administrative, selling and distribution expenses and other income and expenses allocated to the segments. Performance of each segment is analyzed based on its sales revenue, EBIT and EBITDA.

The Company identifies the following geographical areas:
- Poland,
- Germany,
- Other European Union countries,
- Asia countries,
- South America countries,
- Other.

2.29 Discontinued operations and non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale, the Company's management must actively seek the buyer and sale must be highly probable within a year from classification as held for sale. The assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Discontinued operation is a part of the Company's operations, which represent separate major line of business or a geographical area of operations, which is a part of a single co-ordinated plan to sold or dispose, or is a subsidiary acquired exclusively with a view to re-sale. Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

3 Notes to the separate financial statements

Segment reporting

Operating segments

The Company realises its business objectives through three reportable segments that offer different products and services, and are managed separately because they require different technology and marketing strategies. For each segment the Management Board reviews internal management reports on a monthly basis.

The operations of each of the Company's reporting segments comprise:

- Fertilizers-Agro Segment includes manufacturing and sales of the following products:
  - nitrogenous fertilizers (Saletrzak 27 Standard, Saletrzak, Saletrzak with boron 27+B Standard, Ammonium Sulphate 30 Makro,
  - nitrogenous fertilizers with sulphur (Ammonium Sulphate AS 21, Saletrosan®30, Saletrosan® 26),
  - ammonia,
  - concentrated nitric acid;
- Plastics Segment includes manufacturing and sales of the following products:
  - Tarnamid® (PA6) and its modified forms,
  - Tarnoform® (POM) and its modified forms,
  - Tarnoprop C i H (PPC, modified PPH),
  - Tarnodur A (modified PBT),
  - Tarnamid® A (modified PA66),
  - caprolactam,
  - Polyamide 11 and 12 tubes, polyethylene tubes, Polyamide 6 tubes,
  - Polyamide Casings FOOD GRADE;
- Energy Segment includes activities that concern production of electricity and heat for the purposes of chemical installations and selling electricity to customers connected to electric network, with whom the contracts were signed;
- Other Activities Segment containing other activities, including laboratory services, rental of properties and other activities which cannot be allocated to other segments.

Information regarding the results of each reportable segment is set out below. Performance of each segment is measured based on sales revenue, EBIT and EBITDA.

(all amounts in PLN thousand unless otherwise stated)

Operating segments

Revenue, expenses and financial result of operating segments for the 12 month period ended 31 December 2015

	Fertilizers-Agro	Plastics	Energy	Other Activities	Total
External revenues	834 936	883 113	25 665	32 937	1 776 651
Inter-segment revenue	224 967	246 238	450 914	41 673	963 792
Total revenue	1 059 903	1 129 351	476 579	74 610	2 740 443
Operating expenses, including:(-)	(1 024 242)	(1 129 921)	(476 027)	(75 251)	(2 705 441)
Selling and distribution expenses (-)	*(76 505)*	*(16 571)*	*(142)*	*(668)*	*(93 886)*
Administrative expenses (-)	*(77 820)*	*(78 511)*	*(1 400)*	*(2 413)*	*(160 144)*
Other income	584	623	463	2 324	3 994
Other expenses (-)	(4 493)	(17 825)	(2 817)	(9 663)	(34 798)
Segment results from operating activities EBIT	**31 752**	**(17 772)**	**(1 802)**	**(7 980)**	**4 198**
Finance income	-	-	-	-	237 782
Finance costs (-)	-	-	-	-	(33 044)
Profit before tax	**-**	**-**	**-**	**-**	**208 936**
Tax expense	-	-	-	-	119
Profit for the year	**-**	**-**	**-**	**-**	**209 055**
EBIT*	**31 752**	**(17 772)**	**(1 802)**	**(7 980)**	**4 198**
Depreciation and amortisation	31 198	32 439	10 696	9 894	84 227
Unallocated depreciation and amortisation	-	-	-	-	6 914
EBITDA**	**62 950**	**14 667**	**8 894**	**1 914**	**95 339**

* EBIT is calculated as results from operating activities presented in the statement of profit or loss.
** EBITDA is calculated as results from operating activities increased by depreciation and amortisation.

(all amounts in PLN thousand unless otherwise stated)

Revenue, expenses and financial result of operating segments for the 12 month period ended 31 December 2014

	Fertilizers-Agro	Plastics	Energy	Other Activities	Total
External revenues	801 710	994 622	23 769	27 149	1 847 250
Inter-segment revenue	238 262	258 257	482 018	29 375	1 007 912
Total revenue	1 039 972	1 252 879	505 787	56 524	2 855 162
Operating expenses, including:(-)	(1 052 128)	(1 257 872)	(503 701)	(56 697)	(2 870 398)
Selling and distribution expenses (-)	*(66 509)*	*(15 103)*	*(114)*	*(622)*	*(82 348)*
Administrative expenses (-)	*(70 575)*	*(79 913)*	*(1 959)*	*(1 742)*	*(154 189)*
Other income	225	304	211	4 424	5 164
Other expenses(-)	(4 952)	(3 831)	(1 751)	(8 637)	(19 171)
Segment results from operating activities EBIT	**(16 883)**	**(8 520)**	**546**	**(4 386)**	**(29 243)**
Finance income	-	-	-	-	270 738
Finance costs (-)	-	-	-	-	(37 554)
Profit before tax	**-**	**-**	**-**	**-**	**203 941**
Tax expense	-	-	-	-	10 692
Profit for the year	**-**	**-**	**-**	**-**	**214 633**
EBIT*	(16 883)	(8 520)	546	(4 386)	(29 243)
Depreciation and amortisation	31 603	32 391	12 027	8 987	85 008
Unallocated depreciation and amortisation	-	-	-	-	6 745
EBITDA**	**14 720**	**23 871**	**12 573**	**4 601**	**62 510**

* EBIT is calculated as results from operating activities presented in the statement of profit or loss.
** EBITDA is calculated as results from operating activities increased by depreciation and amortisation.

(all amounts in PLN thousand unless otherwise stated)

Assets and liabilities of operating segments as at 31 December 2015

	Fertilizers-Agro	Plastics	Energy	Other Activities	Total
Segment assets	519 565	654 623	252 941	144 992	1 572 121
Unallocated assets	-	-	-	-	4 283 826
Total assets	**519 565**	**654 623**	**252 941**	**144 992**	**5 855 947**
Segment liabilities	96 408	151 839	111 323	31 881	391 451
Unallocated liabilities	-	-	-	-	1 081 725
Total liabilities	**96 408**	**151 839**	**111 323**	**31 881**	**1 473 176**

Assets and liabilities of operating segments as at 31 December 2014

	Fertilizers-Agro	Plastics	Energy	Other Activities	Total
Segment assets	433 068	641 063	187 208	140 696	1 402 035
Unallocated assets	-	-	-	-	3 998 527
Total assets	**433 068**	**641 063**	**187 208**	**140 696**	**5 400 562**
Segment liabilities	97 365	181 484	65 668	25 523	370 040
Unallocated liabilities	-	-	-	-	856 181
Total liabilities	**97 365**	**181 484**	**65 668**	**25 523**	**1 226 221**

(all amounts in PLN thousand unless otherwise stated)

Other information related to operating segments for the year ended 31 December 2015

	Fertilizers-Agro	Plastics	Energy	Other Activities	Total
Capital expenditure on property, plant and equipment	83 538	86 285	52 625	5 690	228 138
Capital expenditure on intangible assets	390	788	-	111	1 289
Other unallocated capital expenditure	-	-	-	-	7 519
Total capital expenditure	**83 928**	**87 073**	**52 625**	**5 801**	**236 946**
Segment depreciation and amortisation	31 198	32 439	10 696	9 894	84 227
Unallocated depreciation and amortisation	-	-	-	-	6 914
Total depreciation and amortisation	**31 198**	**32 439**	**10 696**	**9 894**	**91 141**

Other information related to operating segments for the year ended 31 December 2014

	Fertilizers-Agro	Plastics	Energy	Other Activities	Total
Capital expenditure on property, plant and equipment	31 284	21 200	4 356	4 187	61 027
Capital expenditure on intangible assets	1 288	-	-	1 016	2 304
Other unallocated capital expenditure	-	-	-	-	9 551
Total capital expenditure	**32 572**	**21 200**	**4 356**	**5 203**	**72 882**
Segment depreciation and amortisation	31 603	32 391	12 027	8 987	85 008
Unallocated depreciation and amortisation	-	-	-	-	6 745
Total depreciation and amortisation	**31 603**	**32 391**	**12 027**	**8 987**	**91 753**

In 2015, due to the change in the production technology of cyclohexanone (which is used in the production of caprolactam), there was an impairment loss recognised in the Plastics segment on the installation producing cyclohexanone from benzene: property, plant and equipment in the amount of PLN 11 947 thousand, intangible assets in the amount of PLN 30 thousand and property, plant and equipment under construction in the amount of PLN 148 thousand, i.e. in the total amount of PLN 12 125 thousand. There were no significant impairment losses recognised in 2014.

(all amounts in PLN thousand unless otherwise stated)

Geographical information

In presenting information on the basis of geography, revenue is reported based on the geographical location of customers and assets are reported based on their geographical location.

Revenue

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Poland	746 646	730 843
Germany	646 873	690 573
Other European Union countries	272 157	298 692
Asia countries	3 264	23 051
South America countries	57 448	54 623
Other countries	50 263	49 468
Total	**1 776 651**	**1 847 250**

Non-current assets

All the Company's assets are located in Poland.

Significant customers

Revenue from the subsidiary Grupa Azoty ATT Polymers GmbH of the Plastics segment amounted to PLN 347 855 thousand (2014: PLN 372 031 thousand).

Note 1 Revenue

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Sales of goods and services	1 750 819	1 813 868
Sales of merchandises and raw materials	23 824	32 276
Sales of certificates of origin of energy	2 008	1 106
	1 776 651	**1 847 250**

(all amounts in PLN thousand unless otherwise stated)

Note 2 Operating expenses

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014 *
Depreciation and amortisation	91 141	91 753
Raw materials and energy used	1 034 282	1 202 405
External services	303 042	287 667
Taxes and charges	56 045	58 667
Wages and salaries	149 191	137 137
Social security and other employee benefits	38 546	34 537
Other expenses	22 823	21 506
Costs by kind	**1 695 070**	**1 833 672**
Changes in inventories of finished goods and work in progress (+/-)	25 236	(982)
Work performed by the entity and capitalised (-)	(3 871)	(3 678)
Selling and distribution expenses (-)	(93 886)	(82 348)
Administrative expenses (-)	(160 144)	(154 189)
Cost of merchandises and raw materials sold	25 214	33 474
Cost of sales	**1 487 619**	**1 625 949**
Includes excise duty	9 197	9 325

* Financial information restated as presented in point 2.3 of the notes to the separate financial statements

Note 2.1 Cost of sales

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Cost of goods and services sold	1 462 405	1 592 475
Cost of merchandises and raw materials sold	25 214	33 474
	1 487 619	**1 625 949**

(all amounts in PLN thousand unless otherwise stated)

Note 2.2 Employee benefit expenses

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Wages and salaries paid and due	143 425	139 256
Social security contributions	26 160	25 330
Employee benefit fund	4 988	4 642
Trainings	1 137	899
Change in defined benefit liabilities	(509)	(618)
Change in other long-term employee benefit liabilities	(1 140)	1 354
Change in unused holiday accrual	927	145
Change in annual and motivation bonus accruals	7 905	(4 064)
Other	4 844	4 730
	187 737	**171 674**
Average employment	**2 090**	**2 086**

Note 3 Other income

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Reversed impairment losses on:		
Trade receivables	30	51
	30	**51**
Other operating income:		
Received compensation	1 558	2 309
Sales of social services	336	359
Reversal of provisions	1 374	1 549
Grants received	157	156
Fixed assets restored to use	71	193
Other (aggregated insignificant items)	468	547
	3 964	5 113
	3 994	**5 164**

Income from compensation resulted mainly from the compensation received from the insurer for breakdown recovery expenses.

Reversal of provisions relates to provision for ordering the property of PLN 1 374 thousand (2014: PLN 1 549 thousand).

(all amounts in PLN thousand unless otherwise stated)

Note 4 Other expenses

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Loss on disposal of assets		
Loss on disposal of property, plant and equipment	3 629	5 157
	3 629	**5 157**
Recognised impairment loss on:		
Property, plant and equipment	14 949	770
Assets held for sale	1 073	-
Investment property	14	-
Intangible assets	30	-
Trade receivables	352	325
	16 418	**1 095**
Other expenses:		
Fines and compensations	22	9
Maintenance of installations not in use	724	1 071
Cost of social services sold	550	589
Breakdown recovery expenses	11 630	8 738
Provisions recognised	1 182	2 106
Other (aggregated insignificant items)	643	406
	14 751	**12 919**
	34 798	**19 171**

The most significant amount recognised in other operating expenses is PLN 14 949 thousand in respect of the property, plant and equipment impairment loss. The most significant item included therein is the impairment of the installation producing cyclohexanone from benzene in the amount of PLN 12 095 thousand.

The significant item of other expenses are breakdown recovery expenses of PLN 11 630 thousand (2014: PLN 8 738 thousand). Breakdown recovery expenses were partly offset by the compensation received (presented in other income).

The provisions recognised of PLN 1 182 thousand (2014: PLN 2 106 thousand) concern in particular:
- remeasurement of provision for environmental protection,
- remeasurement of provision for properties ordering.

(all amounts in PLN thousand unless otherwise stated)

Note 5 Finance income

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Interest income on:		
Bank deposits	500	74
Cash pooling	14	5
Loans	1 808	138
Other	367	306
	2 689	**523**
Gain on valuation of financial assets and liabilities:		
Net change in fair value of financial assets at fair value through profit or loss	396	-
	396	**-**
Other finance income:		
Foreign exchange gains	1 867	-
Dividends received	230 680	269 938
Other finance income	2 150	277
	234 697	**270 215**
	237 782	**270 738**

The main item of other finance income is the fee from related parties for loan commitments, in the amount of PLN 1 862 thousand.

(all amounts in PLN thousand unless otherwise stated)

Note 6 Finance costs

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Interest expense on:		
Bank loans and overdrafts	24 572	27 558
Cash pooling	826	1 045
Loans	1 788	3 176
Finance leases	32	104
Factoring commissions	231	532
Receivables discounting	1 199	1 442
Other	1 541	2 046
	30 189	**35 903**
Loss on disposal of financial investments:		
Loss on disposal of financial investments	-	22
	-	**22**
Loss from valuation of financial assets and liabilities:		
Net change in fair value of financial assets at fair value through profit or loss	-	389
	-	**389**
Other finance costs:		
Foreign exchange loss	-	915
Unwind of discount on provisions and loans	99	54
Other finance costs	2 756	271
	2 855	**1 240**
	33 044	**37 554**

The main item of other financial expenses is the fee for the received sureties in the amount of PLN 2 477 thousand.

Interest capitalised to the cost of property, plant and equipment and intangible assets in 2015 amounted to PLN 457 thousand (2014: PLN 0 thousand).

(all amounts in PLN thousand unless otherwise stated)

Note 7 Income tax expense

Note 7.1 Tax recognised in the statement of profit or loss

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Current tax expense:		
Adjustment for prior years	(7 688)	(690)
	(7 688)	**(690)**
Deferred tax expense:		
Origination and reversal of temporary differences	7 569	(10 002)
	7 569	(10 002)
Tax expense recognised in the statement of profit or loss	**(119)**	**(10 692)**

Note 7.2 Effective tax rate

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Profit before tax	**208 936**	**203 941**
Tax using the Company's domestic tax rate	39 698	38 749
Tax exempt income (+/-)	(43 950)	(50 168)
Non deductible expenses (+/-)	1 642	1 448
Change in recognised deductible temporary differences	1 108	-
Other(+/-)	1 383	(721)
Tax expense in the statement of profit or loss	**(119)**	**(10 692)**
Effective tax rate	**(0.01%)**	**(5.2%)**

The effective tax rate in 2015 of (0.01%) and in 2014 of (5.2%) results mainly from realisation of the finance income in the form of dividends received that are not taxable.

Nota 7.3 Income tax recognised in other comprehensive income

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Tax on items that will never be reclassified to profit or loss (+/-)	**(162)**	**(1 016)**
Revaluation of net liabilities/assets from defined benefit plans	(162)	(1 016)
Tax expense recognised in other comprehensive income	**(162)**	**(1 016)**

(all amounts in PLN thousand unless otherwise stated)

Note 7.4 Deferred tax assets and liabilities

	Deferred tax assets (-)		Deferred tax liabilities (+)	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
Property, plant and equipment	(12 070)	(9 872)	97 541	79 825
Intangible assets	(1 357)	(1 357)	7 157	6 334
Financial assets	(1 782)	(2 891)	105	105
Inventories	(1 469)	(1 603)	4 248	3 027
Trade and other receivables	(699)	(523)	336	229
Trade and other payables	(2 667)	(3 103)	222	11
Employee benefits	(14 789)	(13 118)	-	-
Provisions	(15 897)	(11 455)	-	-
Other financial liabilities	(95)	(140)	-	-
Tax losses carried forward	(28 479)	(22 550)	-	-
Other	(630)	(556)	95	-
Deferred tax assets(-)/liabilities(+)	**(79 934)**	**(67 168)**	**109 704**	**89 531**
Offsetting	**79 934**	**67 168**	**(79 934)**	**(67 168)**
Deferred tax liabilities recognised in the statement of financial position (+)	**-**	**-**	**29 770**	**22 363**

As at 31 December 2015, the Company presented deferred tax assets of PLN 28 479 thousand (31 December 2014: PLN 22 550 thousand) resulting from tax losses carried forward which were considered probable to be utilised based on the forecasts of the future taxable profits. The Company will be allowed to settle the losses in the following years:

Loss for the period	Amount	Settlement
2013	10 815	2016 - 2018
2014	15 839	2016 - 2019
2015	1 825	2016 - 2020
	28 479	

(all amounts in PLN thousand unless otherwise stated)

Note 7.5 Change in temporary differences

	Movement in deferred tax balances recognised in (+/-)			
	Balance at 01.01.2015	**Profit or loss**	**Other comprehensive income**	**Balance at 31.12.2015**
Property, plant and equipment	69 953	15 518	-	85 471
Intangible assets	4 977	823	-	5 800
Financial assets	(2 786)	1 109	-	(1 677)
Inventories	1 424	1 355	-	2 779
Trade and other receivables	(294)	(69)	-	(363)
Trade and other payables	(3 092)	647	-	(2 445)
Employee benefits	(13 118)	(1 509)	(162)	(14 789)
Provisions	(11 455)	(4 442)	-	(15 897)
Other financial liabilities	(140)	45	-	(95)
Tax losses carried forward	(22 550)	(5 929)	-	(28 479)
Other	(556)	21	-	(535)
Deferred tax assets(-)/liabilities(+)	**22 363**	**7 569**	**(162)**	**29 770**

(all amounts in PLN thousand unless otherwise stated)

	Balance at 01.01.2014	Movement in deferred tax balances recognised in (+/-) Profit or loss	Other comprehensive income	Balance at 31.12.2014
Property, plant and equipment	65 783	4 170	-	69 953
Intangible assets	3 352	1 625	-	4 977
Financial assets	(2 695)	(91)	-	(2 786)
Inventories	579	845	-	1 424
Trade and other receivables	2 349	(2 643)	-	(294)
Trade and other payables	(1 266)	(1 826)	-	(3 092)
Employee benefits	(12 954)	852	(1 016)	(13 118)
Provisions	(12 673)	1 218	-	(11 455)
Other financial liabilities	-	(140)	-	(140)
Tax losses carried forward	(8 605)	(13 945)	-	(22 550)
Other	(489)	(67)	-	(556)
Deferred tax assets(-)/liabilities(+)	**33 381**	**(10 002)**	**(1 016)**	**22 363**

(all amounts in PLN thousand unless otherwise stated)

Note 7.6 Unrecognised deferred tax assets/liabilities

As at 31 December 2015 and 31 December 2014, the Company did not recognise a deferred tax liability resulting from the difference in tax and carrying amounts of shares in Grupa Azoty PUŁAWY. The amount of temporary differences thereon was PLN 1 775 995 thousand as at 31 December 2015 and 31 December 2014.

Note 8 Discontinued operations

In 2015, the Company has not discontinued any operations.

Note 9 Earnings per share

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

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Net profit for the period	**209 055**	**214 633**
Issued ordinary shares at the beginning of the period	99 195 484	99 195 484
Issued ordinary shares at the end of the period	99 195 484	99 195 484
Weighted average number of ordinary shares in the period	**99 195 484**	**99 195 484**
Earnings per share:		
Basic (PLN)	2.11	2.16
Diluted (PLN)	2.11	2.16

Diluted earnings per share

There are no dilutive potential ordinary shares causing the dilution of earnings per share.

Note 10 Property, plant and equipment

Carrying amounts

	As at 31.12.2015	As at 31.12.2014 *
Land	949	648
Buildings and structures	246 037	261 889
Technical devices and machines	639 523	626 630
Vehicles	2 857	3 658
Other	16 415	16 294
	905 781	**909 119**
Property, plant and equipment under construction	208 459	72 187
	1 114 240	**981 306**

* Financial information restated as presented in point 2.3 of the notes to the separate financial statements

(all amounts in PLN thousand unless otherwise stated)

Carrying amounts of property, plant and equipment

	Land	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Total
Carrying amount at 01.01.2015	**648**	**261 889**	**626 630**	**3 658**	**16 294**	**72 187**	**981 306**
Additions, including:	***302***	***4 279***	***91 148***	***450***	***3 906***	***231 326***	***331 411***
Additions through purchases, construction, transfer to use	302	4 064	90 351	63	3 906	231 326	330 012
Additions through lease agreements	-	-	-	387	-	-	387
Reversal of impairment loss	-	85	797	-	-	-	882
Reclassification from investment property	-	130	-	-	-	-	130
Deductions, including: (-)	***(1)***	***(20 131)***	***(78 255)***	***(1 251)***	***(3 785)***	***(95 054)***	***(198 477)***
Depreciation	(1)	(19 142)	(62 141)	(1 232)	(3 777)	-	(86 293)
Disposals	-	-	-	(19)	-	-	(19)
Liquidation	-	(78)	(797)	-	-	-	(875)
Transfer to use	-	-	-	-	-	(92 395)	(92 395)
Recognised impairment loss	-	(600)	(11 682)	-	(8)	(2 659)	(14 949)
Reclassification to investment property	-	(311)	-	-	-	-	(311)
Other deductions	-	-	(3 635)	-	-	-	(3 635)
Carrying amount at 31.12.2015	**949**	**246 037**	**639 523**	**2 857**	**16 415**	**208 459**	**1 114 240**

(all amounts in PLN thousand unless otherwise stated)

	Land	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Advances paid for property, plant and equipment
Carrying amount at 01.01.2014	**649**	**262 432**	**631 652**	**4 680**	**14 962**	**82 079**	**996 454**
Additions, including:	*-*	*19 028*	*57 969*	*354*	*5 609*	*67 216*	*150 176*
Additions through purchases, construction, transfer to use	-	17 961	57 823	32	5 601	67 216	148 633
Additions through lease agreements	-	-	-	322	-	-	322
Reversal of impairment loss	-	111	73	-	8	-	192
Reclassification from investment property	-	765	-	-	-	-	765
Other additions	-	191	73	-	-	-	264
Deductions, including: (-)	*(1)*	*(19 571)*	*(62 991)*	*(1 376)*	*(4 277)*	*(77 108)*	*(165 324)*
Depreciation	(1)	(19 562)	(62 169)	(1 345)	(4 261)	-	(87 338)
Disposals	-	-	-	(31)	-	-	(31)
Liquidation	-	-	(38)	-	(8)	-	(46)
Transfer to use	-	-	-	-	-	(77 108)	(77 108)
Recognised impairment loss	-	(9)	(753)	-	(8)	-	(770)
Deductions through reclassification to investment property	-	-	(31)	-	-	-	(31)
Carrying amount at 31.12.2014	**648**	**261 889**	**626 630**	**3 658**	**16 294**	**72 187**	**981 306**

(all amounts in PLN thousand unless otherwise stated)

Gross carrying amount of property, plant and equipment

	Land	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Total
Balance at 31.12.2015							
Gross carrying amount	952	704 186	1 754 191	13 903	54 529	260 948	2 788 709
Accumulated depreciation (-)	(3)	(450 040)	(1 056 749)	(11 045)	(38 076)		(1 555 913)
Impairment loss (-)		(8 109)	(57 919)	(1)	(38)	(52 489)	(118 556)
Carrying amount at 31.12.2015	**949**	**246 037**	**639 523**	**2 857**	**16 415**	**208 459**	**1 114 240**
Balance at 31.12.2014							
Gross carrying amount	649	702 550	1 686 101	14 055	50 781	122 017	2 576 153
Accumulated depreciation (-)	(1)	(433 067)	(1 012 437)	(10 396)	(34 457)	-	(1 490 358)
Impairment loss (-)	-	(7 594)	(47 034)	(1)	(30)	(49 830)	(104 489)
Carrying amount at 31.12.2014	**648**	**261 889**	**626 630**	**3 658**	**16 294**	**72 187**	**981 306**

(all amounts in PLN thousand unless otherwise stated)

Impairment losses

	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Total
Impairment loss at 01.01.2015	**7 594**	**47 034**	**1**	**30**	**49 830**	**104 489**
Impairment recognised in the statement of profit or loss	600	11 682	-	8	2 659	14 949
Reversal/utilisation of impairment recognised in the statement of profit or loss (-)	(85)	(797)	-	-	-	(882)
Impairment loss at 31.12.2015	**8 109**	**57 919**	**1**	**38**	**52 489**	**118 556**
Impairment loss at 01.01.2014	**7 696**	**46 354**	**1**	**30**	**49 830**	**103 911**
Impairment recognised in the statement of profit or loss	9	753	-	8	-	770
Reversal of impairment recognised in the statement of profit or loss (-)	(111)	(73)	-	(8)	-	(192)
Impairment loss at 31.12.2014	**7 594**	**47 034**	**1**	**30**	**49 830**	**104 489**

(all amounts in PLN thousand unless otherwise stated)

In the reporting period, the Company recognized impairment losses for property, plant and equipment of PLN 14 949 thousand (2014: PLN 770 thousand), which were presented in other operating expenses. This amount comprises the impairment of installation producing cyclohexanone from benzene of PLN 12 095 thousand and other equipment which is not used and will be put into liquidation or physically removed.

The utilisation of impairment allowances applies to property, plant and equipment that were put into liquidation, were removed or sold and for which impairment had previously been recognised. There were no indications in the current period that the impairment recognized in prior years for polioxymethylene (POM) installation may cease to exist and needs to be reversed.

Impairment test for the installation producing cyclohexanone from benzene

Due to the change in the CGU Plastics business model, related completion of the investment in "Intensification of the Installation Producing Cyclohexanone from Phenol", and the limited potential for selling the cyclohexanone on the market, it was decided to close the installation producing cyclohexanone from benzene in 2016. Accordingly, there were indications as at 31 December 2015 to perform the impairment test. Based on the test results, an impairment loss of PLN 12 125 thousand was recognized and allocated to property, plant and equipment in the amount of PLN 12 095 thousand (including PLN 412 thousand for buildings and structures, PLN 11 535 thousand for technical devices and machines, and PLN 148 thousand for assets under construction) and to intangible assets in the amount of PLN 30 thousand.

The installation producing cyclohexanone from benzene comprised the equipment used in the production of cyclohexanone, a material used in the production of caprolactam.

The recoverable amount of the installation producing cyclohexanone from benzene amounts to PLN 2 291 thousand as at 31 December 2015 and was estimated based on its fair value less the costs of disposal. The fair value measurement was categorized as a Level 3 fair value. The recoverable amount concerns the installation's buildings that will continue to be used by the Company in its activities. For the remaining assets, it is estimated that the proceeds from their scrapping and removal will cover the expected costs of dismantling.

Significant expenditures on property, plant and equipment under construction

In 2015, the Company continued its two major investment projects launched in 2014, i.e. Construction of Polyamide Plant II for which the investment expenditures amount to PLN 60 948 thousand as at 31 December 2015 (as at 31 December 2014: PLN 2 325 thousand) and Mechanical Granulation Plant II for which the investment expenditures amount to PLN 30 336 thousand as at 31 December 2015 (as at 31 December 2014: PLN 5 532 thousand).

The remaining capital expenditures comprising property, plant and equipment under construction include: construction of fertilizers warehouse (PLN (41 753 thousand, 31 December 2014: PLN 10 621 thousand), construction of extraction-condensing turbine set (PLN 29 704 thousand, 31 December 2014: PLN 265 thousand), installation of flue gas denitrification (PLN 13 543 thousand; 31 December 2014: PLN 373 thousand), installation of flue gas desulphurisation (PLN 8 282 thousand; 31 December 2014: PLN 373 thousand), intensification of production capacity of ammonia (PLN 3 904 thousand, 31 December 2014: PLN 167 thousand), new cooling tower (PLN 2 326 thousand; 31 December 2014: PLN 0 thousand), new plant producing iron-chromium catalyst (PLN 2 853 thousand, 31 December 2014: PLN 150 thousand) and other less significant expenditures.

Leased assets

	As at 31.12.2015	As at 31.12.2014
Carrying amount of assets leased under finance lease	777	1 881
	777	1 881

The Company leases under finance leases mainly computers, IT infrastructure and vehicles.

(all amounts in PLN thousand unless otherwise stated)

Security

As a result of signing the New Financing Agreement, all pledges on property, plant and equipment have been released. As at 31 December 2014, the carrying amount of properties (buildings and structures), plant and equipment pledged as security for bank loans amounted to PLN 184 043 thousand.

Liability title / type of security	As at 31.12.2015	As at 31.12.2014
Bank loan/ mortgage	-	30 558
Bank loan/ registered pledge	-	153 485
	-	**184 043**

Perpetual usufruct of land

	As at 31.12.2015	As at 31.12.2014
Perpetual usufruct of land	52 003	52 407

Note 10.1 Property, plant and equipment held for sale

	As at 31.12.2015	As at 31.12.2014
Land	95	107
Machines and equipment	245	-
	340	107

In 2015, the Company recognised an impairment loss in the amount of PLN 1 073 thousand upon classification of assets as held for sale (in 2014: PLN 0 thousand).

Note 11 Investment property

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Carrying amount at the beginning of the period	**13 407**	**15 154**
Additions, including:	***487***	**-**
Acquisition, construction	162	-
Reversal of impairment loss	14	-
Reclassification from other category of assets	311	-
Deductions, including:(-)	***(1 031)***	***(1 747)***
Depreciation (-)	(873)	(982)
Disposals, liquidation	(14)	-
Impairment loss	(14)	-
Reclassification to other category of assets	(130)	(765)
Carrying amount at the end of the period	**12 863**	**13 407**

Revenue from lease of investment properties in 2015 amounted to PLN 4 420 thousand (2014: PLN 4 284 thousand).

(all amounts in PLN thousand unless otherwise stated)

Note 12 Intangible assets

Carrying amounts

	As at 31.12.2015	As at 31.12.2014
Patents and licences	33 838	30 791
Computer software	5 713	4 865
Development costs	5 787	284
Other intangible assets	2 359	2 513
	47 697	**38 453**
Intangible assets under construction	2 745	4 761
	50 442	**43 214**

Intangible assets comprise mainly licences, including SAP licence of PLN 25 830 thousand (31 December 2014: PLN 24 828 thousand). The Company does not hold any intangible assets with indefinite useful lives.

Amortisation of intangible assets is generally allocated to administrative expenses.

There are no intangible assets for which legal title is restricted or which are used as collateral.

(all amounts in PLN thousand unless otherwise stated)

Carrying amount of intangible assets

	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
Carrying amount at 01.01.2015	**30 791**	**4 865**	**284**	**2 513**	**4 761**	**43 214**
Additions, including:	***6 281***	***1 358***	***5 526***	***84***	***5 620***	***18 869***
Additions through purchases, construction, transfer to use	6 281	1 358	2 482	84	5 620	15 825
Other additions	-	-	3 044	-	-	3 044
Deductions, including:(-)	***(3 234)***	***(510)***	***(23)***	***(238)***	***(7 636)***	***(11 641)***
Amortisation	(3 234)	(510)	(23)	(208)		(3 975)
Transfer to use	-	-	-	-	(7 636)	(7 636)
Impairment loss	-	-	-	(30)	-	(30)
Carrying amount at 31.12.2015	**33 838**	**5 713**	**5 787**	**2 359**	**2 745**	**50 442**

	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
Carrying amount at 01.01.2014	**28 471**	**5 315**	**306**	**1 732**	**4 546**	**40 370**
Additions, including:	***5 117***	***13***	***-***	***932***	***5 345***	***11 407***
Additions through purchases, construction, transfer to use	5 117	13	-	932	5 345	11 407
Deductions, including:(-)	***(2 797)***	***(463)***	***(22)***	***(151)***	***(5 130)***	***(8 563)***
Amortisation	(2 797)	(463)	(22)	(151)		(3 433)
Transfer to use	-	-	-	-	(5 130)	(5 130)
Carrying amount at 31.12.2014	**30 791**	**4 865**	**284**	**2 513**	**4 761**	**43 214**

(all amounts in PLN thousand unless otherwise stated)

Gross carrying amounts of intangible assets

	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
Gross carrying amount	61 736	10 735	6 096	3 518	2 745	84 830
Accumulated amortisation (-)	(21 198)	(5 022)	(309)	(685)	-	(27 214)
Impairment loss (-)	(6 700)	-	-	(474)	-	(7 174)
Carrying amount at 31.12.2015	**33 838**	**5 713**	**5 787**	**2 359**	**2 745**	**50 442**
Gross carrying amount	55 576	9 396	570	3 434	4 761	73 737
Accumulated amortisation (-)	(18 085)	(4 531)	(286)	(477)	-	(23 379)
Impairment loss (-)	(6 700)	-	-	(444)	-	(7 144)
Carrying amount at 31.12.2014	**30 791**	**4 865**	**284**	**2 513**	**4 761**	**43 214**

Impairment losses

	Patents and licences	Other intangible assets	Total
Impairment loss at 01.01.2015	**6 700**	**444**	**7 144**
Impairment recognised in the statement of profit or loss	-	30	30
Impairment loss at 31.12.2015	**6 700**	**474**	**7 174**
Impairment loss at 01.01.2014	**6 700**	**444**	**7 144**
Impairment loss at 31.12.2014	**6 700**	**444**	**7 144**

(all amounts in PLN thousand unless otherwise stated)

Significant expenditures on intangible assets under construction

Significant expenditures on intangible assets under construction include: purchase of license for Mechanical Granulation Plant II (PLN 1 000 thousand, 31 December 2014: PLN 1 000 thousand), purchase of license for Polyamide Plant II (PLN 788 thousand, 31 December 2014: nil), rollout of CMMS system (PLN 867 thousand, 31 December 2014: nil) and other less significant projects.

Note 13 Financial assets

Note 13.1. Investments in subordinated entities

	As at 31.12.2015	As at 31.12.2014
Investments in subsidiaries	3 832 516	3 814 973
Investments in associates	20	20
	3 832 536	**3 814 993**
Thereof:		
Non-current	3 832 536	3 814 993
	3 832 536	**3 814 993**

Movement in subordinated entities

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Carrying amount at the beginning of the period	**3 814 993**	**3 814 983**
Additions, including:	***17 543***	***10***
Purchases	17 543	10
Carrying amount at the end of the period	**3 832 536**	**3 814 993**

In October 2015, the share capital of Grupa Azoty "Folie" Sp. z o.o. was increased by PLN 5 495 thousand.

In December 2015, the Company acquired 176 017 shares (comprising a 3.2% share in equity) in Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki "Siarkopol" S.A. for the total amount of PLN 12 048 thousand.

Refinancing the selected loan agreements, the Company repaid the loans from the Agreement on Joint Financing with PKO BP and PZU in the total amount of PLN 426 552 thousand and released all collaterals required by this agreement, including:

1) financial and registered pledges on 495 000 000 shares in Grupa Azoty Zakłady Chemiczne Police S.A. with the total carrying amount of the investment amounting to PLN 569 250 thousand,
2) financial and registered pledges on 18,345,735 shares in Grupa Azoty Zakłady Azotowe Puławy S.A. with the total carrying amount of the investment amounting to PLN 2 496 673 thousand.

All above-mentioned collaterals on financial assets with the total carrying amount of PLN 3 065 923 thousand as at 31 December 2014 were released.

(all amounts in PLN thousand unless otherwise stated)

Shares in subordinated entities

Name of the entity	Ownership interest	Country	Carrying amount of shares
31 December 2015			
Grupa Azoty ATT Polymers GmbH	100%	Germany	16 057
Grupa Azoty „Compounding” Sp. z o.o.	100%	Poland	5
Grupa Azoty „Folie” Sp. z o.o.	100%	Poland	5 500
Grupa Azoty „Koltar” Sp. z o.o.	100%	Poland	31 722
Grupa Azoty Zakłady Azotowe "Puławy" S.A.	95.98%	Poland	2 496 673
Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.	93.48%	Poland	350 090
Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki "Siarkopol" S.A.	88.20%	Poland	336 581
Grupa Azoty Zakłady Chemiczne "Police" S.A.	66%	Poland	569 250
Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o.	63.27%	Poland	26 638
Navitrans Sp. z o.o.	26.45%	Poland	20
			3 832 536
31 December 2014			
Grupa Azoty ATT Polymers GmbH	100%	Germany	16 057
Grupa Azoty „Compounding” Sp. z o.o.	100%	Poland	5
Grupa Azoty „Folie” Sp. z o.o.	100%	Poland	5
Grupa Azoty „Koltar” Sp. z o.o.	100%	Poland	31 722
Grupa Azoty Zakłady Azotowe "Puławy" S.A.	95.98%	Poland	2 496 673
Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.	93.48%	Poland	350 090
Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki "Siarkopol" S.A.	85%	Poland	324 533
Grupa Azoty Zakłady Chemiczne "Police" S.A.	66%	Poland	569 250
Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o.	63.27%	Poland	26 638
Navitrans Sp. z o.o.	26.45%	Poland	20
			3 814 993

(all amounts in PLN thousand unless otherwise stated)

Note 13.2 Available-for-sale financial assets

	As at 31.12.2015	As at 31.12.2014
Shares in other entities	12 134	12 134
	12 134	**12 134**
Thereof:		
Non-current	12 134	12 134
	12 134	**12 134**

Movement in available-for-sale financial assets

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Carrying amount at the beginning of the period	**12 134**	**12 134**
Additions, including:	**-**	***22***
Reversal of impairment loss	-	22
Deductions, including: (-)	**-**	***(22)***
Disposal, liquidation	-	(22)
Carrying amount at the end of the period	**12 134**	**12 134**

Note 13.3 Impairment of investments

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Balance at the beginning of the period	**16 253**	**16 275**
Utilisation of impairment loss, including: (-)	***(5 837)***	***(22)***
Utilisation of impairment loss in other entities	(5 837)	(22)
Balance at the end of the period	**10 416**	**16 253**

In 2015, the Company used an impairment write-off derecognising shares for which an impairment loss has been recognised in previous years.

Note 13.4 Other financial assets

	As at 31.12.2015	As at 31.12.2014
Financial instruments at fair value through profit or loss	986	829
Loans	247 301	-
	248 287	**829**
Thereof:		
Non-current	218 115	-
Current	30 172	829
	248 287	**829**

The details concerning loans were presented in note 28.

(all amounts in PLN thousand unless otherwise stated)

Note 14 Other assets

	As at 31.12.2015	As at 31.12.2014
Insurance	3 353	3 701
Subscriptions	536	166
Advertising	863	272
Development costs	-	3 044
Other	1 080	1 329
	5 832	**8 512**
Thereof:		
Non-current	-	210
Current	5 832	8 302
	5 832	**8 512**

Note 15 Inventories

	As at 31.12.2015	As at 31.12.2014 *
Finished goods	82 058	101 894
Semi-finished products, work in progress	18 516	21 726
Raw materials	88 269	84 630
Emission rights	31 594	29 422
Total inventory, including:	**220 437**	**237 672**
Carrying amount of inventories at net realisable value	*24 519*	*11 296*
Carrying amount of inventories securing liabilities	*-*	*84 730*

* Financial information restated as presented in point 2.3 of the notes to the separate financial statements

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Raw materials and energy used	1 034 282	1 202 405
Change in inventories of finished goods and work in progress (+/-)	25 236	(982)
Amount of inventories included in cost of sales in the period	**1 059 518**	**1 201 423**

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Write-downs recognised as an expense in the period	3 749	14 666
Write-downs used/reversed in the period	(4 453)	(16 707)
	(704)	**(2 041)**

Inventories write downs recognised in 2015 relate to finished goods and raw materials for which cost exceeds net realisable value or which are held on stock more than one year. Changes in write downs resulted from sale, use or liquidation of particular items. Recognition and reversals of write downs are included in the statement of profit or loss as cost of sales.

(all amounts in PLN thousand unless otherwise stated)

Nota 15.1 CO_2 emission rights

CO_2 emission rights owned (number of units)	2015	2014
Balance at the beginning of the period (units owned)	**1 189 653**	**959 508**
Redeemed	(1 302 484)	(1 328 969)
Allocated	649 001	1 305 967
Acquired	482 464	253 147
Balance at the end of the period (units owned)	**1 018 634**	**1 189 653**
Emission in the reporting period	1 235 534	1 302 484

In 2016, due to the realisation of investment expenditures in years 2014-2015, the Company will additionally receive 333 298 CO_2 emission rights. As at 31 December 2015, the rights have not yet been registered in the Company's account.

Note 16 Trade and other receivables

	As at 31.12.2015	As at 31.12.2014 *
Trade receivables - related parties	64 507	90 048
Trade receivables - other parties	75 069	87 499
Tax receivables other than current tax assets	52 801	63 012
Advances paid - related parties	8 242	1 047
Advances paid - other parties	46 246	17 197
Other receivables - other parties	29	21
	246 894	**258 824**
Thereof:		
Non-current	-	-
Current	246 894	258 824

* Financial information restated as presented in point 2.3 of the notes to the separate financial statements

Impairment losses

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Balance at the beginning of the period	**7 733**	**5 772**
Additions, including:	***661***	***2 362***
Impairment loss on trade receivables - related parties	2	5
Impairment loss on trade receivables - other parties	659	591
Impairment loss on other receivables - other parties	-	1 766
Deductions, including: (-)	***(347)***	***(401)***
Trade receivables written off - related parties	(2)	-
Trade receivables written off - other parties	(33)	(77)
Trade receivables impairment loss reversed - related parties	(1)	(4)
Trade receivables impairment loss reversed - other parties	(311)	(320)
Balance at the end of the period	**8 047**	**7 733**
Thereof:		
Non-current	-	-
Current	8 047	7 733
	8 047	**7 733**

(all amounts in PLN thousand unless otherwise stated)

Not impaired trade receivables ageing structure

	As at 31.12.2015	As at 31.12.2014
Not past due	133 907	167 127
Past due to 60 days	5 629	9 221
Past due 60-180 days	39	1 199
Past due 180-360 days	1	-
	139 576	**177 547**

Impaired trade receivables ageing structure

	As at 31.12.2015	As at 31.12.2014
Not past due	345	267
Past due to 60 days	39	33
Past due 60-180 days	93	91
Past due 180-360 days	112	91
Past due more than 360 days	5 692	5 485
	6 281	**5 967**

Receivables currency structure

	As at 31.12.2015	As at 31.12.2014
PLN	121 296	116 549
EUR translated to PLN	124 615	136 401
USD translated to PLN	983	498
CHF translated to PLN	-	5 376
	246 894	**258 824**
Thereof:		
Non-current	-	-
Current	246 894	258 824
	246 894	**258 824**

Impairment losses on receivables were recognised as it was probable they would not be collectible. Changes to impairment losses on trade receivables (reversals) are recognised in the statement of profit or loss as other income or expense (receivable principal) and finance income or expense (accrued interest).

Both trade and tax receivables do not bear interest.

As at 31 December 2015, receivables of PLN 45 731 thousand (31 December 2014: PLN 68 940 thousand) secured the Company's receivables discounting.

The average collection period of trade receivables under normal sales conditions is 30 days.

(all amounts in PLN thousand unless otherwise stated)

Note 17 Cash and cash equivalents

	As at 31.12.2015	As at 31.12.2014
Cash in hand	16	12
Bank balances in PLN	1 885	5 948
Bank balances in foreign currencies (translated to PLN)	50 087	18 616
Bank deposits - up to 3 months	59 954	2 855
	111 942	**27 431**
Cash and cash equivalents in the statement of financial position	**111 942**	**27 431**
Cash and cash equivalents in the statement of cash flows	**111 942**	**27 431**

As at 31 December 2015 and 31 December 2014 there was no restricted cash.

In 2015, the Company released financial and registered pledges on certain bank accounts in PKO BP SA and Dom Maklerski PKO BP SA securing bank loans. The total value of cash in these accounts at 31 December 2014 amounted to PLN 16 282 thousand.

Note 18 Capital and reserves

Note 18.1 Share capital

Value of share capital

	As at 31.12.2015	As at 31.12.2014
Value of share capital	120 000	120 000
Nominal value of series B shares	75 582	75 582
Nominal value of series C shares	124 995	124 995
Nominal value of series D shares	175 400	175 400
	495 977	**495 977**

Number of shares

	As at 31.12.2015	As at 31.12.2014
Number of shares at the beginning of the period	**99 195 484**	**99 195 484**
Number of shares at the end of the period	**99 195 484**	**99 195 484**
Nominal value of 1 share (PLN/share)	5	5

Holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at the General Meeting. All shares participate to the same extent in the net assets in case of liquidation.

Limitation in voting rights

As long as the State Treasury of Poland or its subsidiaries hold shares in the Company carrying at least one fifth of the total voting rights, the other shareholders' voting rights will be limited in such a manner that no shareholder may exercise at the General Meeting more than one fifth of total voting rights existing on the day of the General Meeting.

(all amounts in PLN thousand unless otherwise stated)

Note 18.2 Share premium

	As at 31.12.2015	As at 31.12.2014
Share issue	2 445 409	2 445 409
Share issue costs (-)	(30 713)	(30 713)
Tax (+/-)	3 574	3 574
	2 418 270	**2 418 270**

Note 18.3 Hedging reserve

	As at 31.12.2015	As at 31.12.2014
Hedging reserve	65	-
	65	**-**

Note 18.4 Dividends

In 2015, the Company did not pay a dividend. In 2014, the Company paid a dividend of PLN 19 839 thousand, i.e. PLN 0.20 per share.

Note 19 Loans

	As at 31.12.2015	As at 31.12.2014
Bank credits	934 512	440 071
Loans	50 000	350 168
	984 512	**790 239**
Thereof:		
Non-current	935 550	347 263
Current	48 962	442 976
	984 512	**790 239**

On 23 April 2015, implementing the centralised financing model, the Company entered into a syndicated Revolving Loan Agreement with PKO BP S.A., BGK, BZ WBK and ING for the amount of PLN 1,500 million, concluded for a period of 5 years. The loan is intended to refinance the selected financing agreements and to finance the investment program and other objectives set out in the long-term Strategy of Grupa Azoty.

On 23 April 2015, together with Grupa Azoty Puławy S.A., Grupa Azoty Police S.A. and Grupa Azoty ZAK S.A., the Company concluded also a consolidated loan agreement in a form of a Multi-Purpose Credit Limit with PKO BP in the amount of PLN 237 million and, together with other selected subsidiaries, an annex to the Overdraft Agreement with PKO BP in the amount of PLN 302 million. The purpose of the agreements was, inter alia, to release all collaterals on the Group's assets and to harmonize the relevant terms and covenants of these loan agreements with the syndicated Revolving Loan Agreement.

Additionally, on 28 May 2015, the Company entered into long-term loan agreements for the total amount of PLN 700 million, including with the EIB of PLN 550 million, and with the EBRD of PLN 150 million, for a period of 10 years, which supplement the corporate financing package up to PLN 2 200 million.

The relevant covenants, terms and conditions as well as the method of securing loans from the EIB and the EBRD were harmonized with the previously concluded syndicated Revolving Loan Agreement.

(all amounts in PLN thousand unless otherwise stated)

As at 31 December 2015, the Company has unused available credit limits resulting from the above-mentioned agreements in the total amount of approximately PLN 1 260 million.

Loans maturities and currency structure

31 December 2015

Currency	Reference rate	Value at the reporting date		Less than 1 year	1-2 year(s)	2-5 years	>5 years
		in original currency	in PLN				
PLN	variable	767 430	767 430	48 962	-	711 665	6 803
EUR	variable	1 104	4 676	-	-	4 676	-
EUR	fixed	50 000	212 406	-	-	75 584	136 822
			984 512	**48 962**	**-**	**791 925**	**143 625**

31 December 2014

Currency	Reference rate	Value at the reporting date		Less than 1 year	1-2 year(s)	2-5 years
		in original currency	in PLN			
PLN	variable	769 241	769 241	435 872	162 148	171 221
EUR	variable	1 198	5 097	1 697	1 699	1 701
USD	variable	4 543	15 901	5 407	5 415	5 079
			790 239	**442 976**	**169 262**	**178 001**

The financing of the Company is based on variable and fixed interest rates. Depending on the currency, the rates are based on WIBOR, EURIBOR.

Security granted on credits and loans

The corporate financing package was secured in the form of harmonised sureties and guarantees granted by the selected subsidiaries, i.e. Grupa Azoty Puławy S.A., Grupa Azoty Police S.A. and Grupa Azoty ZAK S.A. Each of the above-mentioned subsidiaries provided sureties/guarantees up to 1/3 of 120% of the value of the loan agreements, including:

- syndicated Revolving Loan Agreement in the amount of PLN 1 500 million (total guarantees up to PLN 1 800 million),
- Overdraft Agreement with PKO BP in the amount of PLN 302 million (total guarantees up to PLN 362.4 million),
- Multi-Purpose Credit Limit with PKO BP in the amount of PLN 237 million (total guarantees up to PLN 284.4 million),
- Loan with the EIB of PLN 550 million (total guarantees up to PLN 660 million),
- Loan with the EBRD of PLN 150 million (total guarantees up to PLN 180 million).

(all amounts in PLN thousand unless otherwise stated)

Note 20 Employee benefits

	As at 31.12.2015	As at 31.12.2014
Liability for pension benefits	18 979	17 826
Liability for jubilee benefits	25 322	25 691
Liability for Social Fund benefits for pensioners	4 010	3 943
Other liabilities	5 062	4 964
	53 373	**52 424**
Thereof:		
Non-current	50 679	49 741
Current	2 694	2 683
	53 373	**52 424**

Changes in defined benefit obligation

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Balance at the beginning of the period	**26 733**	**20 953**
Current service costs (+)	850	655
Interest costs (+)	803	942
Remeasurement of defined benefit plan liabilities, resulting from:	852	5 350
- changes in demographic estimates (+/-)	852	2 060
- changes in financial assumptions (+/-)	-	3 290
Benefits paid (-)	(1 187)	(1 167)
Balance at the end of the period	**28 051**	**26 733**

Changes in other long-term benefit obligation

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Balance at the beginning of the period	**25 691**	**23 289**
Current service costs (+)	920	813
Interest costs (+)	771	1 048
Actuarial gains or losses recognised in profit or loss for the period (+/-)	(61)	2 525
Benefits paid (-)	(1 999)	(1 984)
Balance at the end of the period	**25 322**	**25 691**

Actuarial assumptions

	As at 31.12.2015	As at 31.12.2014
Discount rate %	3.0%	3.0%
Future minimum wage increases	4.0%	4.0%
Future average salary increases	3.0%	3.0%

(all amounts in PLN thousand unless otherwise stated)

Sensitivity analysis
The following table presents sensitivity analysis of employee benefit obligations (compared to standard actuarial assumptions) for changes in: employee turnover, discount rate, future wage or salary increases.

As at 31 December 2015

	Liability for jubilee benefits	Liability for retirement benefits	Liability for pension benefits	Liability for death-in service benefits	Liability for Social Fund benefits for pensioners
Employee turnover x90%	633	535	14	127	120
Discount rate x90%	582	582	15	137	265
Future wage or salary x110%	582	977	15	132	265

As at 31 December 2014

	Liability for jubilee benefits	Liability for retirement benefits	Liability for pension benefits	Liability for death-in service benefits	Liability for Social Fund benefits for pensioners
Employee turnover x90%	668	537	14	129	126
Discount rate x90%	617	710	15	134	264
Future wage or salary x110%	617	935	15	134	264

Note 21 Provisions

	As at 31.12.2015	As at 31.12.2014
Provision for legal claims	74	83
Provision for environment protection, including site restoration	17 483	17 431
Provision for mercury electrolysis demolition	7 479	7 613
Provision for CO_2 emission rights	37 151	30 423
Other provisions, including:	4 424	5 027
Provision for property ordering	3 899	4 502
Provision for demolition	525	525
	66 611	**60 577**
Thereof:		
Non-current	24 446	24 374
Current	42 165	36 203
	66 611	**60 577**

Present value of long-term provisions was calculated using a real, risk free discount rate of 2.0% (2014: 2.0%).

Provision for environment protection
Due to the contamination of the Company’s land and two buildings of the electrolysis plant with chemicals (mainly by mercury), which was identified based on the examinations performed, the

Company recognised a provision for site restoration and for costs of reducing the content of mercury in the buildings walls.

When preparing the estimate of the provision it was assumed that the works would be performed until 2031. The provision was estimated at the amount of direct costs required to remove the contaminated land, transfer it to the landfill and pay the storage costs. The estimates were made taking into consideration the area of the contaminated land, depth of penetration and the expected level of contamination. The provision for treatment of buildings was estimated at the amount of costs necessary to clean the buildings from mercury to such extent, that the mercury contamination does not exceed the permitted limits and the rubble from the buildings demolition would be accepted for storage as inactive, non-hazardous waste.

The present value of the provision as at 31 December 2015 amounted to PLN 16 126 thousand (31 December 2014: PLN 16 075 thousand).

In 2015, the Company incurred reclamation related expenses of PLN 218 thousand (2014: nil).

Provision for liquidation of Mercury Electrolysis Plant

The provision for liquidation costs was recognised in connection with the decision to liquidate buildings of Mercury Electrolysis Plant.

The provision for costs of liquidation of Mercury Electrolysis Plant was estimated based on the assumption that restoration will be completed to year 2031.

The provision was estimated for buildings and constructions demolition costs and storage of waste in the landfills.

In 2015, spending related to abovementioned liquidation amounted to PLN 260 thousand (2014: PLN 421 thousand).

Provision for CO_2 emission rights

The provision is recognised for the obligation arising from the emission of pollutants and is measured as a product of the amount of rights required to be redeemed to settle the obligation and the unit cost of rights held by the Company or recognised as receivable at the reporting date. The Company is obliged to redeem the appropriate amount of emission rights by the end of April of the following year.

(all amounts in PLN thousand unless otherwise stated)

Changes in provisions

	Provision for legal claims	Provision for environment protection, including site restoration	Provisions for mercury electrolysis demolition	Provision for CO_2 emission rights	Other provisions	Total
Balance at 01.01.2015	**83**	**17 431**	**7 613**	**30 423**	**5 027**	**60 577**
Additions, including:	**-**	***284***	***127***	***37 608***	***771***	***38 790***
Recognised	-	284	127	37 608	771	38 790
Deductions, including:(-)	***(9)***	***(232)***	***(261)***	***(30 880)***	***(1 374)***	***(32 756)***
Used	(9)	(219)	(261)	(30 880)	-	(31 369)
Reversed	-	(13)	-		(1 374)	(1 387)
Balance at 31.12.2015	**74**	**17 483**	**7 479**	**37 151**	**4 424**	**66 611**

	Provision for legal claims	Provision for environment protection, including site restoration	Provisions for mercury electrolysis demolition	Provision for CO_2 emission rights	Other provisions	Total
Balance at 01.01.2014	**398**	**16 913**	**6 870**	**33 014**	**5 731**	**62 926**
Additions, including:	**-**	***668***	***1 040***	***30 423***	***845***	***32 976***
Recognised	-	668	1 040	30 423	845	32 976
Deductions, including: (-)	***(315)***	***(150)***	***(297)***	***(33 014)***	***(1 549)***	***(35 325)***
Used	(315)	-	-	(32 726)	-	(33 041)
Reversed	-	(150)	(297)	(288)	(1 549)	(2 284)
Balance at 31.12.2014	**83**	**17 431**	**7 613**	**30 423**	**5 027**	**60 577**

(all amounts in PLN thousand unless otherwise stated)

Note 22 Grants

	As at 31.12.2015	As at 31.12.2014
Government grants	4 483	3 464
Other grants	994	640
	5 477	**4 104**
Thereof:		
Non-current	3 163	3 313
Current	2 314	791
	5 477	**4 104**

In 2015, the Company received and settled grants related to the free-of-charge CO_2 emission rights amounting to PLN 18 551 thousand (2014: PLN 13 559 thousand) and received PLN 1 170 thousand grant financing the investment in installation of flue gas denitrification.

Note 23 Trade and other payables

	As at 31.12.2015	As at 31.12.2014
Trade payables - related parties	56 755	45 859
Trade payables – other parties	109 614	101 257
Tax payables other than current tax liabilities	23 938	26 308
Payroll liabilities	6 657	6 625
Payables relating to capital expenditure - related parties	23 766	6 557
Payables relating to capital expenditure - other parties	30 809	5 435
Advances received - other parties	1 348	937
Accrual for employee bonuses	14 509	7 084
Accrual for unused holiday	4 717	3 790
Accrual for cost of sales of licences	1 955	2 036
Accrual for renewable energy	1 062	962
Accrual for uninvoiced expenses	2 080	6 234
Accrual for other employee costs	690	1 197
Accrual for other expenses	6 674	5 084
Other payables - related parties	-	27
Other payables - other parties	2 056	5 660
	286 630	**225 052**
Thereof:		
Non-current	-	-
Current	286 630	225 052
	286 630	**225 052**

(all amounts in PLN thousand unless otherwise stated)

Trade payables ageing structure

	As at 31.12.2015	As at 31.12.2014
Not past due	144 745	141 333
Past due to 60 days	21 473	5 682
Past due 60-180 days	37	92
Past due 180-360 days	52	6
Past due more than 360 days	62	3
	166 369	**147 116**

Payables currency structure

	As at 31.12.2015	As at 31.12.2014
PLN	226 161	179 977
EUR translated to PLN	60 145	44 426
USD translated to PLN	215	626
Other	109	23
	286 630	**225 052**

Note 24 Other financial liabilities

	As at 31.12.2015	As at 31.12.2014
Finance lease liabilities	568	950
Financial instruments at fair value through profit or loss	499	738
Factoring liabilities	45 731	68 940
Other financial liabilities	-	814
	46 798	**71 442**
Thereof:		
Non-current	244	1 114
Current	46 554	70 328
	46 798	**71 442**

Finance lease liabilities repayment schedule

	Future minimum lease payments	Interest	Principal
		31 December 2015	
Up to 1 year	335	11	324
1 to 3 years	249	5	244
	584	**16**	**568**

	Future minimum lease payments	Interest	Principal
		31 December 2014	
Up to 1 year	682	32	650
1 to 3 years	315	15	300
	997	**47**	**950**

(all amounts in PLN thousand unless otherwise stated)

Note 25 Deferred income

	As at 31.12.2015	As at 31.12.2014
Other	5	20
Thereof:		
Non-current	-	-
Current	5	20
	5	**20**

Note 26 Financial instruments

Note 26.1 Capital management

The Company's policy is to maintain a strong capital base, so as to maintain investor, creditor and market environment confidence and to sustain future development of the business. The Company monitors changes in the shareholders structure, return on capital and debt to equity ratios.

The Company manages the capital in order to ensure the Company's ability to continue as a going concern and maximise returns for shareholders through optimisation of the debt to equity ratio.

The capital structure of the Company consists of liabilities including credits and loans presented in Note 19, other financial liabilities presented in Note 24 and equity (including issued shares, reserves and retained earnings) presented in Note 18.

The Company, as a joint stock company, is subject to article 396 § 1 of the Commercial Companies Code, which requires to transfer to the reserves at least 8% of the profit for the period, until such reserves equal one third of the share capital.

Note 26.2 Categories of financial instruments

Classification of financial instruments

Financial assets

	As at 31.12.2015	As at 31.12.2014
At fair value through profit or loss	986	829
Loans and receivables	386 906	177 568
Cash and cash equivalents	111 942	27 431
Available-for-sale financial assets	12 134	12 134
	511 968	**217 962**
Recognised in the statement of financial position as:		
Available-for-sale financial assets	12 134	12 134
Trade and other receivables	139 605	177 568
Cash and cash equivalents	111 942	27 431
Other financial assets	248 287	829
	511 968	**217 962**

(all amounts in PLN thousand unless otherwise stated)

Financial liabilities

	As at 31.12.2015	As at 31.12.2014
At fair value through profit or loss	499	738
At amortised cost	1 260 359	1 032 252
	1 260 858	**1 032 990**
Recognised in the statement of financial position as:		
Non-current loans	935 550	347 263
Current loans	48 962	442 976
Trade and other payables	229 548	171 309
Other financial liabilities	46 798	71 442
	1 260 858	**1 032 990**

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

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Financial assets		
At fair value through profit or loss	157	328
Loans and receivables	(27)	1
Financial liabilities		
At fair value through profit or loss	239	(738)
At amortised cost	(99)	(54)
	270	**(463)**

Additionally we inform that:

- there were no financial assets presented in the statement of financial position as at 31 December 2015 and 31 December 2014 for which the terms and conditions were renegotiated,
- except for the impairment losses on receivables presented in Note 16, the Company did not recognise other impairment losses,
- no reclassifications of financial assets resulting from their maturities at the reporting dates occurred in 2015 and 2014,
- no instruments containing both a liability and an equity component as well as containing embedded derivatives were issued in 2015 and 2014,
- in 2015 and 2014 the Company did not seize any collaterals.

Note 26.3 Financial risk management

The Company has exposure to the credit risk, liquidity risk and market risk (related mainly to the foreign exchange and interest rate risk). These risks arise in normal business activities of the Company. The objective of the Company's financial risk management is to reduce the impact of market factors such as currency exchange rates and interest rates on the basic financial parameters (result for the period, cash flows) previously approved in the Company's budgets by using natural hedging and derivatives.

Note 26.3.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the trade receivables, bank deposits and cash-pooling.

(all amounts in PLN thousand unless otherwise stated)

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

	As at 31.12.2015	As at 31.12.2014
Assets at fair value through profit or loss	986	829
Loans and receivables	386 906	177 568
Cash and cash equivalents	111 942	27 431
	499 834	**205 828**

Trade receivables

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

	As at 31.12.2015	As at 31.12.2014
Fertilisers-Agro Segment	25 468	24 869
Plastics Segment	98 457	138 535
Energy Segment	3 058	3 053
Other Activities Segment	12 593	11 090
	139 576	**177 547**

53.8% of trade receivables are trade receivables from third parties (31 December 2014: 49.3%). 87.8% (31 December 2014: 82.1%) of the trade receivables from third parties are insured under trade credit insurance policies issued by Korporacja Ubezpieczeń Kredytów Eksportowych S.A. It limits the credit risk exposure to the level of the Company's own contribution (5-8% of the insured receivables value). The insurance policy provides the facility for current monitoring of customer's current financial position and debt recovery when required. Additionally, upon customer's real or legal insolvency, the Company receives the compensation payment amounting to 92-95% of insured receivable value.

Trade receivables from related parties, accounting for 46.2% (31 December 2014: 50.7%) of total trade receivables, are not insured.

The Company performs ongoing credit assessment including customer monitoring. For these purposes, the Company reviews business intelligence reports, debtor registers and where appropriate require adequate collateral.

Customers for which the Company does not have a positive history of cooperation or for which sales is made occasionally, and for which is not possible to receive the insured credit limit, perform the purchases on prepayment basis. The credit limit is granted to the customers primarily based on the decision issued by the insurer or additionally based on the positive history of cooperation and creditworthiness determined base on the business intelligence reports, financial statements and payment history.

Credit risk exposure is defined as the total of unpaid receivables and is monitored on an ongoing basis by the Company's internal financial staff (individually for each customer) and in case of insured receivables additionally by the external credit risk analysts of the insurer. Taking into account the Company's internal procedures and the diversified customers' portfolio the concentration of credit risk not considered significant.

Approximately 60.0% (31 December 2014: 73.5%) of the balance concerns the receivables from foreign customers and the remaining 40.0% (31 December 2014: 26.5%) relates to the domestic customers. The Company's revenue concentrates in two main segments reflecting the Company's business profile. The most significant portion of the Company's trade receivables relate to Plastics Segment – 70.5% (31 December 2014: 78%) of total trade receivables. In this Segment the foreign customers prevail, to which sales are made on deferred payment terms within insured credit limits.

(all amounts in PLN thousand unless otherwise stated)

Another significant group of the Company's trade receivables relate to Fertilizers-Agro Segment – 18.2% (31 December 2014: 14.0%) of total trade receivables. In this Segment domestic customers are dominant. Sales to these customers is made on prepaid basis and in case of customers with proven credit rating based on trade credit within the insured credit limits.

Not impaired overdue trade receivables

	As at 31.12.2015	As at 31.12.2014
Overdue to 60 days	5 629	9 221
Overdue 60 - 180 days	39	1 199
Overdue 180 – 360 days	1	-
	5 669	**10 420**

Changes in trade receivables impairment losses are presented in Note 16.

Cash and bank deposits
Cash and cash equivalents are held in the banks having high ratings and which maintain safe solvency ratios.

Note 26.3.2 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities at their maturity. The activities aimed to reduce the risk comprise the appropriate liquidity management realised through the assessment of cash surplus based on the planned cash flows in different time brackets. The Company, as a parent entity in the Group, optimises the management of cash surplus using cash-pooling, revolving loans granted under the Intercompany Financing Agreement and dividend policy within the Group companies and therefore the liquidity risk is very low. Additionally, the Company manages the overdraft facilities and multi-purpose credit limit for the Group entities and holds free factoring and receivables discounting limits, further reducing this risk.

The Company drew loans and credits that contain in the contracts unified and harmonised loan covenants. A future breach of these covenants may require the Company to repay the loans and credits earlier than indicated in the table below. In 2015 and 2014, there were no defaults in payments of liabilities or other conditions relating to the liabilities that could result in early payment requests. The interest payments on variable interest rate loans and other financial instruments were estimated based on the interest rates at the reporting date and these amounts may change in the future.

Furthermore, in 2015 the Company implemented a centralised financing model of the Grupa Azoty Capital Group, based on which it signed the financing agreements for the total amount of PLN 2.2 billion, described in more details in note 19. The agreements ensure long-term financial liquidity, including financing for both the long-term strategy and current operating objectives.

The table below presents the contractual cash flows of financial liabilities at the reporting date.

(all amounts in PLN thousand unless otherwise stated)

31 December 2015

		Contractual cash flows			
	Carrying amount	Total	up to 1 year	1 to 5 years	>5 years
At fair value through profit or loss	499	499	499		
At amortised cost, including:	1 260 359	1 362 689	346 934	867 203	148 552
loans and credits	984 512	1 086 842	71 331*	866 959	148 552
finance lease	568	568	324	244	-
factoring and receivables discounting	45 731	45 731	45 731	-	-
trade and other liabilities	229 548	229 548	229 548	-	-
	1 260 858	**1 363 188**	**347 433**	**867 203**	**148 552**

31 December 2014

		Contractual cash flows			
	Carrying amount	Total	up to 1 year	1 to 5 years	>5 years
At fair value through profit or loss	738	738	738	-	-
At amortised cost, including:	1 032 252	1 066 385	701 957	364 428	-
loans and credits	790 239	824 325	461 026*	363 299	-
finance lease	950	997	682	315	-
factoring and receivables discounting	68 940	68 940	68 940	-	-
other financial liabilities	814	814	-	814	
trade and other liabilities	171 309	171 309	171 309	-	-
	1 032 990	**1 067 123**	**702 695**	**364 428**	**-**

* - the amount of PLN 71 331 thousand as at 31 December 2015 and PLN 461 026 thousand as at 31 December 2014 include bank overdrafts of PLN 0 thousand and PLN 139 561 thousand respectively, and renewable loans of PLN 50 000 thousand as at 31 December 2015 and PLN 120 000 thousand as at 31 December 2014, for which the final repayment date is in 2016-2017. The balances, for which the final repayment date is after 2016, were classified as current since the Company expects that these liabilities will be settled in the normal operating cycle.

(all amounts in PLN thousand unless otherwise stated)

Note 26.3.3 Market risk

Interest rate risk

The Company's exposure to changes in interest rates applies mainly to variable interest-bearing bank credits, loans, lease liabilities and factoring based on WIBOR + margin or respectively EURIBOR + margin, and additionally cash and cash equivalents and financial assets for which interest payments are determined based on the of abovementioned market rates. The Company does not hedge the interest rate risk.

The following table presents the sensitivity analysis (maximum exposure) of the Company to the interest rate risk, divided by instruments with fixed and variable interest rates:

	Carrying amount as at 31.12.2015	Carrying amount as at 31.12.2014
Fixed rate instruments	(212 406)	-
Financial liabilities(-)	**(212 406)**	**-**
Variable rate instruments		
Financial assets	359 227	27 419
Financial liabilities(-)	(818 405)	(860 943)
	(459 178)	**(833 524)**

The Company does not hedge against the interest rate risk. However, in order to diversify the impact of the interest rate risk part of the bank loans drawn in 2015 with fixed interest rates.

Other activities aimed to reduce the interest rate risk include ongoing monitoring of the financial situation in the money market. The Company's cash surpluses in 2015 were mostly used in the virtual cash-pooling facility, with the interest rate of 1M WIBOR, and the remaining part is held as the short-term interest-bearing bank deposits with the interest based on the market rates on the date of opening the deposit.

The stabilisation of market interest rates WIBID and WIBOR on the historically low level observed in 2015, resulting from the deflation, and stable GDP growth influenced the decrease of interest on the Company's credits and loans in 2015, reducing the interest expense on financial liabilities.

The Company has analysed the sensitivity of the variable interest-bearing financial instruments to the changes in the market interest rates. The following table presents the impact a change in the interest rates by 100 basis points would have on profit or loss and equity.

Sensitivity analysis: (+/-)

	Profit or loss		Other comprehensive income	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2015	(4 592)	4 592	-	-
31 December 2014	(8 335)	8 335	-	-

Currency risk

The Company is exposed to the currency risk on foreign currency transactions including more than the two-thirds of revenue and one third of expenses. Exchange rate fluctuations affect the revenue and costs of raw materials. The appreciation of the domestic currency has a negative impact on the profitability of export and domestic sales denominated in foreign currencies. The depreciation of the domestic currency positively impacts the profitability. Changes in the value of export revenues and domestic revenues measured in foreign currencies resulting from the exchange rate fluctuations are partially offset by the changes in costs of imported raw materials which significantly reduces the Company's exposure to the currency risk.

The Company considers the current and planned net currency exposure and reduces the existing currency risk resulting from the net currency exposure by using selected hedging instruments and activities. The Company used primarily in the reporting period the natural hedging, factoring of receivables denominated in foreign currencies and for approximately 50% other currency exposures – currency forwards.

The following table presents the summary quantitative data about the Company's exposure to currency risk, by classes of financial instruments and currencies:

Exposure to currency risk:

31 December 2015	EUR	USD	GBP
Trade and other receivables	29 303	252	-
Cash and cash equivalents in foreign currencies	10 785	1 093	-
Trade and other payables (-)	(14 084)	(55)	(19)
Loans and borrowings (-)	(51 104)	-	-
Lease, factoring and discounting liabilities (-)	(10 731)	-	-
Forward contracts (-)	(42 500)	-	-
Futures contracts on emission rights (+/-)	231	-	-
Total in currency	**(78 100)**	**1 290**	**(19)**
The impact of foreign currency increase by 5% on profit or loss (in PLN thousand)	(5 987)	252	(5)
The impact of foreign currency decrease by 5% on profit or loss (in PLN thousand)	5 987	(252)	5
The impact of foreign currency increase by 5% on other comprehensive income (in PLN thousand)	(10 654)	-	-
The impact of foreign currency decrease by 5% on other comprehensive income (in PLN thousand)	10 654	-	-

31 December 2014	EUR	USD	GBP
Trade and other receivables	31 441	142	-
Cash and cash equivalents in foreign currencies	4 445	335	-
Trade and other payables (-)	(10 420)	(186)	(4)
Loans and borrowings (-)	(1 199)	(4 543)	-
Lease, factoring and discounting liabilities (-)	(16 174)	-	-
Forward contracts sales currency (-)	(17 000)	-	
Forward contracts the power to issue (-)	194	-	-
Total in currency	**(8 713)**	**(4 252)**	**(4)**
The impact of foreign currency increase by 5% on profit or loss (in PLN thousand)	(1 857)	(744)	(1)
The impact of foreign currency decrease by 5% on profit or loss (in PLN thousand)	1 857	744	1
The impact of foreign currency increase by 5% on other comprehensive income (in PLN thousand)	-	-	-
The impact of foreign currency decrease by 5% on other comprehensive income (in PLN thousand)	-	-	-

The Company prepared a sensitivity analysis of financial instruments denominated in foreign currencies (including derivatives) to exchange rates changes. The following table presents the impact the appreciation or depreciation of the Polish zloty by 5% in relation to the other currencies would have on profit or loss and equity. The analysis assumes that all other variables, in particular interest rates, remain constant.

(all amounts in PLN thousand unless otherwise stated)

	Profit or loss		Other comprehensive income	
	5% increase	5% decrease	5% increase	5% decrease
31 December 2015	(5 741)	5 741	(10 654)	10 654
31 December 2014	(2 602)	2 602	-	-

Risk of changes in prices of raw materials, products and services
In order to reduce the risk, the Company undertakes activities to include such provisions in sales contracts which are symmetric to the provisions included in its supply contracts (e.g. references to ICIS-LOR quotations).

Note 26.4 Fair value of financial instruments

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

- cash and cash equivalents, short-term bank deposits and short-term bank loans. The carrying amount of such instruments approximates their fair value because of the short maturities of such instruments,
- trade receivables, other receivables, trade payables. The carrying amount of such instruments approximates their fair value because of their short maturities,
- long-term bank credits and loans with variable interest. The carrying amount of such instruments approximates their fair value due to the variable interest,
- long-term bank credits and loans with fixed interest. The carrying amount of such instruments amounts to PLN 212 750 thousand and their fair value to PLN 213 394 thousand (categorised as a Level 2 fair value),
- currency derivatives. The carrying amount of such instruments is equal to their fair value,
- available-for-sale financial assets. The carrying amount of such instruments is equal to their fair value.

There were no financial instruments recognised by the Company in 2015 and 2014 for which the initial value resulting from the transaction would differ from their fair value as at the date of transaction, determined using the appropriate valuation technique.

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy:

31 December 2015

Classification level	**Level II**	**Level III**
Financial assets at fair value, including:		
available-for-sale shares	-	12 134
futures contracts on emission rights (-)	986	-
	986	**12 134**
Financial liabilities at fair value, including:		
currency forwards	499	-
	499	**-**

31 December 2014

Classification level	**Level II**	**Level III**
Financial assets at fair value, including:		
available-for-sale shares	-	12 134
futures contracts on emission rights (-)	829	-
	829	**12 134**
Financial liabilities at fair value, including:		
currency forwards	738	-
	738	**-**

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

The fair value of currency forwards and futures contracts for emission rights presented in level II is determined based on a valuation carried out by banks with which the related contracts were entered into. Such valuations are reviewed by discounting the expected cash flows from the contracts using market interest rates prevailing at the reporting date.

The Company has investments of PLN 12 134 thousand (31 December 2014: PLN 12 134 thousand) in shares that were qualified to Level III because the shares are not quoted in an active market and there were no transactions performed on the shares. The fair value of the shares was estimated by an expert using valuation techniques containing significant unobservable inputs, i.e. the expected cash flows and discount rates.

Note 26.5 Derivatives and hedge accounting

Currency derivatives
As at 31 December 2015, the nominal value of open currency derivatives (forward contracts) amounted to EUR 42.5 million (EUR 6.0 million with maturity in January 2016, EUR 5.0 million in February 2016, EUR 5.5 million in March 2016, EUR 4.5 million in April 2016, EUR 4.0 million in May 2016, EUR 3.0 million in June, July, August and September 2016 each, EUR 2.5 million in October 2016, EUR 1.5 million in November and December 2016 each). As at 31 December 2014, the nominal value of open derivatives to sell currencies amounted to EUR 17 million.

Transactions are entered only with reliable banks and are based on framework agreements. All derivative transactions reflect the real transactions affecting the currency cash flows. Currency derivatives are entered in accordance with the net currency exposure of the Company and are aimed to reduce the impact of exchange rate fluctuations on profit or loss.

Derivatives for emission rights
As at 31 December 2015, the Company had open positions in futures for emission rights amounting to 250 thousand EUA units with the total nominal value of EUR 1,825 thousand with maturity in March 2016. As at 31 December 2014, the Company had open positions in futures for emission rights amounting to 200 thousand EUA units with the total nominal value of EUR 1,250 thousand with maturity in March 2015.

Transactions are entered only with reliable banks and are based on framework agreements. Futures contracts are entered in accordance with the Company's exposure resulting from shortage of emission rights (EUA) and are aimed to reduce the impact of emission rights prices fluctuations on profit or loss.

Note 26.6 Hedge accounting

Since 28 September 2015, the Company applies cash flow hedge. The hedged item are future, highly probable inflows from sales in EUR that will be recognized in the statement of profit or loss from December 2018 to June 2025. The risk being hedged against is the currency risk. The hedging item is the foreign currency loan in EUR, with a nominal value of EUR 50 million as at 31 December 2015, which will be repaid in the period from December 2018 to June 2025 in 14 equal, semi-annual instalments of EUR 3 571 thousand each. The loan's fair value as at 31 December 2015 amounts to PLN 213 394 thousand. The Company recognised in 2015 PLN 65 thousand being an effective portion of hedge in the hedging reserve. In 2015, the Company did not reclassify any amounts relating to hedge accounting from other comprehensive income to the statement of profit or loss.

(all amounts in PLN thousand unless otherwise stated)

Note 27 Contingent liabilities, contingent assets and guarantees

Contingent liabilities and guarantees

	As at 31.12.2015	As at 31.12.2014
Guarantees	6 165	8 297
	6 165	8 297

As at 31 December 2015, the guarantees concern the security for payments of liabilities by subsidiaries.

Note 28 Related party transactions

Transactions with subordinated entities

Trade transactions

	Revenue	Receivables	Purchases	Liabilities
Balance at 31 December 2015				
Related parties of Grupa Azoty, including:	385 034	69 755	400 930	70 692
Grupa Azoty ATT Polymers GmbH	347 855	52 947	43 372	5 699
Grupa Azoty Folie Sp. z o.o.	56	14	-	-
Grupa Azoty KOLTAR Sp. z o.o.	3 047	142	28 074	4 996
Grupa Azoty ZA PUŁAWY S.A.	8 103	2 664	55 904	7 030
Grupa Azoty ZAK S.A.	11 720	5 000	31 242	3 220
Grupa Azoty SIARKOPOL S.A.	662	156	21 657	3 606
Grupa Azoty PKCh Sp. z o.o.	645	6 643	74 844	23 794
Grupa Azoty ZCh.POLICE S.A.	12 946	2 189	145 837	22 347
Related parties of Grupa Azoty ZA PUŁAWY S.A.	26 436	892	4 768	99
Related parties of Grupa Azoty ZAK S.A	10	-	200	-
Related parties of Grupa Azoty PKCh Sp. z o.o.	4 741	2 087	60 761	9621
Related parteis of Grupa Azoty ZCh. POLICE S.A.	49	15	257	67
Other related parties	-	-	419	42
	416 270	**72 749**	**467 335**	**80 521**

(all amounts in PLN thousand unless otherwise stated)

	Revenue	Receivables	Purchases	Liabilities
Balance at 31 December 2014				
Related parties of Grupa Azoty, including:	412 747	89 494	368 520	43 481
Grupa Azoty ATT Polymers GmbH	*372 644*	*80 509*	*40 753*	*6 136*
Grupa Azoty KOLTAR Sp. z o.o.	*3 118*	*141*	*29 337*	*3 426*
Grupa Azoty ZA PUŁAWY	*14 973*	*2 579*	*71 766*	*5 201*
Grupa Azoty ZAK S.A.	*11 415*	*2 935*	*29 796*	*2 509*
Grupa Azoty SIARKOPOL S.A.	*1 113*	*295*	*26 206*	*1 737*
Grupa Azoty PKCh Sp. z o.o.	*647*	*64*	*30 924*	*5 184*
Grupa Azoty ZCh. POLICE S.A.	*8 837*	*2 971*	*139 738*	*19 288*
Related parties of Grupa Azoty ZA PUŁAWY S.A.	12 447	149	5 183	399
Related parties of Grupa Azoty ZAK S.A	-	-	196	-
Related parties of Grupa Azoty PKCh Sp. z o.o.	4 719	398	56 493	8 283
Related parties of Grupa Azoty ZCh. POLICE	19	3	193	95
Other related parties	-	4	1 180	185
	429 932	**90 048**	**431 765**	**52 443**

Other transactions

	Other income	Other expenses	Finance income	Finance costs
Balance at 31 December 2015				
Related parties of Grupa Azoty, including:	88	1 396	234 314	4 237
Grupa Azoty ATT Polymers GmbH	*9*	-	-	-
Grupa Azoty Folie Sp. z o.o.	-	-	*2*	-
Grupa Azoty KOLTAR Sp. z o.o.	*32*		*1 052*	-
Grupa Azoty ZA PUŁAWY S.A.	-	-	*129 651*	*876*
Grupa Azoty ZAK S.A.	*23*	-	*56 655*	*1 477*
Grupa Azoty SIARKOPOL S.A.	-	-	*9 350*	*1 121*
Grupa Azoty PKCh Sp. z o.o.	*6*	*1 396*	*8 657*	-
Grupa Azoty ZCh. POLICE S.A.	*18*	-	*28 947*	*763*
Related parties of Grupa Azoty ZA PUŁAWY S.A.	11	165	-	-
Related parties of Grupa Azoty ZAK S.A	6	-	-	-
Related parties of Grupa Azoty PKCh Sp. z o.o.	62	5 274	-	-
Other related parties	13	-	42	-
	180	**6 835**	**234 356**	**4 237**

(all amounts in PLN thousand unless otherwise stated)

	Other income	Other expenses	Finance income	Finance costs
Balance at 31 December 2014				
Related parties of Grupa Azoty, including	84	641	270 080	3 178
Grupa Azoty ATT Polymers GmbH	-	-	*138*	-
Grupa Azoty ZCh Police S.A.	*16*	-	*15 345*	-
Grupa Azoty KOLTAR Sp. z o.o.	*46*	*3*	*1 490*	-
Grupa Azoty ZA Puławy S.A.	-	-	*190 429*	*2*
Grupa Azoty ZAK S.A.	*16*	-	*39 437*	*2 572*
Grupa Azoty SIARKOPOL S.A.	-	-	*12 763*	*604*
Grupa Azoty PKCh Sp. z o.o.	*6*	*638*	*10 478*	-
Related parties of Grupa Azoty PKCh Sp. z o.o.	81	6 017	-	-
Other related parties	10	-	-	-
	175	**6 658**	**270 080**	**3 178**

Loans granted to related parties

In 2015, the Company granted loans in the total amount PLN 249 893 thousand, to the following related entities:

- Grupa Azoty ZCh Police S.A. in the amount of PLN 98 000 thousand (with the repayment from 31.01.2016 to 31.12.2024),
- Grupa Azoty ZAK S.A. in the amount of PLN 151 893 thousand (with the repayment from 30.09.2015 to 26.06.2024).

Credits, loans granted to the Company by related parties

In 2015, the Company did not receive loans and credits from related parties. In 2015, the Company repaid a loan in the amount of PLN 70 000 thousand received from Grupa Azoty KĘDZIERZYN S.A. in 2013. As at 31 December 2015, the Company has an outstanding loan taken out in 2013 and 2014 from Grupa Azoty SIARKOPOL S.A. of PLN 50 000 thousand. The final repayment due date falls on 31 December 2017, but in relation to the renewable nature of the loan and the intention to repay the loan within the normal operating cycle, the resulting liabilities were classified as current.

Remuneration of the Management Board

	For period 01.01.2015 - 31.12.2015	For period 01.01.2014 - 31.12.2014
Short-term benefits	6 013	6 859
Post-employment benefits	2	2
Other long-term benefits	2	10
	6 017	**6 871**

Remuneration of the Supervisory Board

	For period 01.01.2015 - 31.12.2015	For period 01.01.2014 - 31.12.2014
Short-term benefits	1 440	1 392
	1 440	1 392

(all amounts in PLN thousand unless otherwise stated)

Bonuses for the Management Board members
In accordance with the resolution of the Supervisory Board dated 20 October 2011 on remuneration rules and amounts for members of the Management Board of the Company, the members of the Management Board may receive the so-called “profit-based variable part of remuneration” (annual bonus) or a “special bonus”.

Annual bonus is calculated individually for each Member of the Management Board, based on the evaluation of realisation of performance targets.

The Supervisory Board may grant a special bonus, notwithstanding the criteria presented in the annual bonus regulations, based on the detailed analysis of realization of performance targets realization.

The regulations concerning the annual bonus for Management Board were approved by the Supervisory Board on 13 February 2014.

Loans
In 2015 and 2014, the Company did not grant any loans to the members of the Management or the Supervisory Board.

Transactions with owners
In 2015, the Company received a loan from the EBRD of PLN 10 018 thousand. In 2014, the Company did not conclude any transactions with owners.

Transactions with the State Treasury related entities

Balance at 31 December 2015

Name of entity	Value	Purpose of transaction
PGNiG	149 501	purchase of natural gas
Kompania Węglowa	36 281	purchase of coal
PKP Cargo	29 836	purchase of transport services
PKN Orlen	94 930	purchase of raw materials
Tauron	17 647	purchase of energy
PGE	1 742	purchase of energy
KGHM Polska Miedź	112	purchase of raw materials
LOTOS	252	purchase of raw materials
PKO BP	219 271	loans taken
PZU	5 380	insurance
BGK	219 271	loans taken
PKO BP	233 704	repayment of loan and interest
PZU Życie	235 704	repayment of loan and interest
	1 243 631	

(all amounts in PLN thousand unless otherwise stated)

Balance at 31 December 2014

Name of entity	Value	Purpose of transaction
PGNiG	211 569	purchase of natural gas
PKN Orlen	100 654	purchase of raw materials
PKO BP	88 835	repayment of loan and interest
PZU Życie	88 835	repayment of loan and interest
Kompania Węglowa S.A.	41 220	purchase of coal
PKP Cargo	31 924	purchase of transport services
Tauron	17 509	purchase of energy
PZU	8 521	insurance
LOTOS	2 728	purchase of advisory services and raw materials
PGE	2 449	purchase of energy
PSE	218	purchase of transmission of energy
	594 462	

Note 29 Operating leases

Leases as lessor

	As at 31.12.2015	As at 31.12.2014
Due within 1 year	1 244	760
Due between 1 and 5 years	4 213	1 231
Due in more than 5 years	5 712	1 314
	11 169	**3 305**

Leases as lessee

	As at 31.12.2015	As at 31.12.2014
Due within 1 year	10 850	8 940
Due between 1 and 5 years	5 019	5 480
	15 869	**14 420**

Lease payments recognised as expense

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Lease payments	18 649	18 294

Note 31 Capital commitments

In the period ended 31 December 2015, the Company signed contracts concerning the continuation of previously launched and new investment projects. The contracts for realisation of the investment projects comprise construction, mechanical, electric, design and supervision services. The most significant are:

- Construction of Polyamide Plant II – capital commitments as at 31 December 2015 amounted to PLN 74 128 thousand (31 December 2014: PLN 83 722 thousand),
- Construction of Mechanical Granulation Plant II - capital commitments as at 31 December 2015 amounted to PLN 49 626 thousand (31 December 2014: PLN 16 538 thousand),
- Construction of the flue gas desulphurisation installation – capital commitments as at 31 December 2015 amounted to PLN 29 689 thousand (31 December 2014: nil),
- Construction of the flue gas denitrification installation – capital commitments as at 31 December 2015 amounted to PLN 23 689 thousand (31 December 2014: nil),
- Construction of extraction-condensing turbine set – capital commitments as at 31 December 2015 amounted to PLN 23 360 thousand (31 December 2014: PLN 44 105 thousand),
- Intensification of ammonia production capacity – capital commitments as at 31 December 2015 amounted to PLN 20 337 thousand (31 December 2014: nil),
- Construction of the new plant producing ferric-chromium catalyst – capital commitments as at 31 December 2015 amounted to PLN 14 031 thousand as at 31 December 2015 (31 December 2014: nil),
- Construction of a new nitric acid storage facility – capital commitments as at 31 December 2015 amounted to PLN 12 000 thousand as at 31 December 2015 (31 December 2014: nil).

Additionally, in the agreement on the acquisition of Grupa Azoty SIARKOPOL S.A. (with further annexes thereto), the Company has committed to incur capital expenditures in this entity of no less than PLN 30 million by 2019, in accordance with the annex signed on 11 September 2015.

In total, the Company is committed to incur capital expenditure of PLN 276 860 thousand as at 31 December 2015 (31 December 2014: PLN 192 221 thousand).

Note 31 Construction contracts

There were no construction contracts both as at 31 December 2015 and 31 December 2014.

Note 32 Regulatory financial information by type of activity, in accordance with Article 44 of the Energy Law Act

In order to comply with Article 44 point 2 of the Energy Law Act, Grupa Azoty S.A. prepares the regulatory financial information which comprises the statement of profit or loss and the statement of financial position by types of activity. Pursuant to Article 6 point 2 of the Act amending the Energy Law Act and Certain Other Acts (Official Journal from 2015, item 1618), Grupa Azoty S.A. complies with the provisions set out in Article 44 as amended by this Act, i.e. prepares the regulatory financial information for activities comprising the distribution of electricity and trading in gaseous fuels.

Description of presented types of activities

The Company operates in the following areas that require separate reporting pursuant to the provisions set out in Article 44 of the Energy Law Act:
- Distribution of electricity – concession No. PEE/65/711/U/OT-7/98/MK, issued on 1 December 1998 and valid until 15 December 2025,
- Trading in gaseous fuels – concession No. OPG/273/711/W/DRG/2014/KL, issued for a period from 20 September 2014 to 20 September 2024,
- Other activities.

Within other activities, the Company presents its core business activities in this financial information, i.e. in particular:
- the production of basic chemicals,
- the production of fertilizers and nitrogenous compounds,
- the production of plastics and plastic products.

Basis for preparation

Description of accounting policies

The regulatory financial information was prepared based on accounting principles described in point 2 of the notes to the separate financial statements as well as based on the principles of allocation of revenues and expenses as well as assets and liabilities presented below.

Only the part of revenues, expenses, assets and liabilities concerning the Company's external sales is subject to allocation, using appropriate allocation rates, to revenues, expenses, assets and liabilities of the activities requiring separate reporting pursuant to the provisions set out in Article 44 of the Energy Law Act. The remaining part of revenues, expenses, assets and liabilities of the activities related to the supply of energy that pertains to the internal transfers for the Company's core businesses purposes is presented as a component of other activities.

Allocation principles for statement of profit or loss by types of activity

The Company keeps accounts in a way enabling the separate reporting for expenses and revenues as well as profits and losses for the activities that require to be separated pursuant to the requirements laid down in Article 44 of the Energy Law Act.

Revenues from external sales, related to separate types of activities, and other operating income (that can be identified and allocated directly to the activity related to the supply of electricity) were allocated directly. Other operating income that cannot be identified and allocated directly to the activity related to the supply of energy was divided according to the cost centers structure and then allocated to the individual types of activities using appropriate allocation ratios.

Finance income is not allocated to any type of activities and is presented as an unallocated item.

Cost of sales, selling costs and other operating expenses (that can be identified and allocated directly to the activity related to the supply of energy) of individual types of activities were allocated directly. Other operating expenses were divided according to the cost centers structure and then allocated to the individual types of activities using appropriate allocation ratios.

General and administrative expenses concerning management overheads, were allocated proportionally to the cost of sales for the relevant type of activity. Expenses comprising general manufacturing expenses (costs related to production but not allocated to individual departments, related to the maintenance and operation of general purpose units) were allocated directly.

Finance cost is not allocated to any type of activities and is presented as an unallocated item.

Income tax is not allocated to any type of activities and is presented as an unallocated item.

Allocation principles for the statement of financial position by types of activity

Property, plant and equipment were allocated to individual types of activities based on the cost centers structure. In order to allocate assets to property, plant and equipment used in electricity production and heat production the Company used allocation ratio which is consistent with the one used in allocating the energy production related expenses by the respective energy costs drivers. For distribution of the electricity, the allocation between internal and external activity was performed using the allocation key calculated as the power used in the regulated activity in relation to the total power available.

Intangible assets were allocated to individual types of activities based on the cost centers structure, using the allocation ratios applied to *Property, plant and equipment*.

Trade receivables were allocated directly, based on the consumers' allocation to the individual types of activities. Other receivables were allocated to other activities or classified as an unallocated item.

In other current assets, property insurance was allocated to the individual types of activities and afterwards to external or internal activity according to the cost centers structure. Other current assets were allocated to other activities or classified as an unallocated item.

Loans and borrowings were allocated to other activities, when the directly relate to any of the Company's segments, or classified as unallocated items.

Employee benefit liabilities were allocated according to the cost centers structure using allocation ratios. The liabilities are allocated directly to the electricity distribution based on cost centers structure.

Provisions, government grants and other financial liabilities were allocated to other activities or classified as unallocated items.

Trade liabilities were allocated to individual types of activities based on the cost centers structure and using cost drivers for the energy production related expenses. Trade liabilities concerning electricity distribution were allocated according to the amounts of electricity supplied and assigned power. Trade liabilities concerning trading in gaseous fuels were allocated based on the identification of particular suppliers and using the allocation ratio calculated as the volume of gas sold to the total of the volume of gas used for internal purposes and the volume of gas sold. Other liabilities were allocated to other activities or classified as unallocated items.

Investment properties, provisions, non-current assets held for sale and other liabilities are related to the Company's other activities.

Investments in subordinated entities, available-for-sale financial assets, other non-current assets, other financial assets, income tax receivables, cash and cash equivalents, deferred tax liabilities and deferred income are not allocated to any type of activities and are presented as unallocated items.

(all amounts in PLN thousand unless otherwise stated)

Statement of profit or loss by types of activity for the year ended 31 December 2015

	Distribution of electricity	Trading in gaseous fuels	Other activities	Unallocated items	Total
Revenue	4 825	177	1 771 649	-	1 776 651
Cost of sales	(4 058)	(161)	(1 483 400)	-	(1 487 619)
Gross profit / (loss)	**767**	**16**	**288 249**	**-**	**289 032**
Selling and distribution expenses	(41)	(4)	(93 841)	-	(93 886)
Administrative expenses	(588)	(3)	(159 553)	-	(160 144)
Other income	10	-	3 984	-	3 994
Other expenses	(3)	-	(34 795)	-	(34 798)
Results from operating activities	**145**	**9**	**4 044**	**-**	**4 198**
Finance income	-	-	-	237 782	237 782
Finance costs	-	-	-	(33 044)	(33 044)
Net finance income / (costs)	**-**	**-**	**-**	**204 738**	**204 738**
Profit / (loss) before tax	**145**	**9**	**4 044**	**204 738**	**208 936**
Tax expense	-	-	-	119	119
Profit / (loss) for the year	**145**	**9**	**4 044**	**204 857**	**209 055**

(all amounts in PLN thousand unless otherwise stated)

Statement of profit or loss by types of activity for the year ended 31 December 2014

	Distribution of electricity	Trading in gaseous fuels	Other activities	Unallocated items	Total
Revenue	4 726	139	1 842 385	-	1 847 250
Cost of sales	(3 532)	(132)	(1 622 285)	-	(1 625 949)
Gross profit / (loss)	**1 194**	**7**	**220 100**	**-**	**221 301**
Selling and distribution expenses	(29)	-	(82 319)	-	(82 348)
Administrative expenses	(425)	(3)	(153 761)	-	(154 189)
Other income	1	-	5 163	-	5 164
Other expenses	(34)	-	(19 137)	-	(19 171)
Results from operating activities	**707**	**4**	**(29 954)**	**-**	**(29 243)**
Finance income	-	-	-	270 738	270 738
Finance costs	-	-	-	(37 554)	(37 554)
Net finance income / (costs)	**-**	**-**	**-**	**233 184**	**233 184**
Profit / (loss) before tax	**707**	**4**	**(29 954)**	**233 184**	**203 941**
Tax expense	-	-	-	10 692	10 692
Profit / (loss) for the year	**707**	**4**	**(29 954)**	**243 876**	**214 633**

(all amounts in PLN thousand unless otherwise stated)

Statement of financial position by types of activity as at 31 December 2015

	Distribution of electricity	Trading in gaseous fuels	Other activities	Unallocated items	Total
Assets					
Non-current assets					
Property, plant and equipment	2 725	-	1 088 104	23 411	1 114 240
Investment property	-	-	12 863	-	12 863
Intangible assets	99	-	9 804	40 539	50 442
Investments in subordinated entities	-	-	-	3 832 536	3 832 536
Available-for-sale financial assets	-	-	-	12 134	12 134
Other financial assets	-	-	-	218 115	218 115
Other non-current assets	-	-	-	-	-
Total non-current assets	**2 824**	**-**	**1 110 771**	**4 126 735**	**5 240 330**
Current assets	-	-	220 437	-	220 437
Inventories	-	-	-	30 172	30 172
Other financial assets	-	-	-	-	-
Current tax assets	516	4	233 934	12 440	246 894
Trade and other receivables	-	-	-	111 942	111 942
Cash and cash equivalents	5	-	3 118	2 709	5 832
Other current assets	-	-	340	-	340
Assets held for sale	**521**	**4**	**457 829**	**157 263**	**615 617**
Total current assets	**3 345**	**4**	**1 568 600**	**4 283 998**	**5 855 947**

(all amounts in PLN thousand unless otherwise stated)

Statement of financial position by types of activity as at 31 December 2015 (continued)

	Distribution of electricity	Trading in gaseous fuels	Other activities	Unallocated items	Total
Equity and liabilities					
Equity	**-**	**-**	**-**	**4 382 771**	**4 382 771**
Liabilities					
Loans	-	-	-	935 550	935 550
Employee benefits	257	-	39 644	10 778	50 679
Provisions	-	-	1 716	22 730	24 446
Government grants			3 163	-	3 163
Deferred tax liabilities	-	-	-	29 770	29 770
Other financial liabilities	-	-	148	96	244
Total non-current liabilities	**257**	**-**	**44 671**	**998 924**	**1 043 852**
Loans	-	-	-	48 962	48 962
Employee benefits	36	-	2 175	483	2 694
Trade and other payables	284	2	256 465	29 879	286 630
Provisions	-	-	37 152	5 013	42 165
Government grants	-	-	2 314	-	2 314
Deferred income	-	-	-	5	5
Other financial liabilities	-	-	45 846	708	46 554
Total current liabilities	**320**	**2**	**343 952**	**85 050**	**429 324**
Total liabilities	**577**	**2**	**388 623**	**1 083 974**	**1 473 176**
Total equity and liabilities	**577**	**2**	**388 623**	**5 466 745**	**5 855 947**

(all amounts in PLN thousand unless otherwise stated)

Statement of financial position by types of activity as at 31 December 2014

	Distribution of electricity	Trading in gaseous fuels	Other activities	Unallocated items	Total
Assets					
Non-current assets					
Property, plant and equipment	2 893	-	952 726	25 687	981 306
Investment property	-	-	13 407	-	13 407
Intangible assets	70	-	8 876	34 268	43 214
Investments in subordinated entities	-	-	-	3 814 993	3 814 993
Available-for-sale financial assets	-	-	-	12 134	12 134
Other financial assets	-	-	-	210	210
Other non-current assets	**2 963**	**-**	**975 009**	**3 887 292**	**4 865 264**
Total non-current assets					
	-	-	235 161	2 511	237 672
Current assets	-	-	-	829	829
Inventories	-	-	-	2 133	2 133
Other financial assets	499	11	185 858	72 456	258 824
Current tax assets	-	-	-	27 431	27 431
Trade and other receivables	4	-	2 423	5 875	8 302
Cash and cash equivalents	-	-	107	-	107
Other current assets	**503**	**11**	**423 549**	**111 235**	**535 298**
Assets held for sale	**3 466**	**11**	**1 398 558**	**3 998 527**	**5 400 562**

(all amounts in PLN thousand unless otherwise stated)

Statement of financial position by types of activity as at 31 December 2014 (continued)

	Distribution of electricity	Trading in gaseous fuels	Other activities	Unallocated items	Total
Equity and liabilities					
Equity	**-**	**-**	**-**	**4 174 341**	**4 174 341**
Liabilities					
Loans	-	-	40 086	307 177	347 263
Employee benefits	258	-	37 545	11 938	49 741
Provisions	-	-	1 634	22 740	24 374
Government grants	-	-	3 313	-	3 313
Deferred tax liabilities	-	-	-	22 363	22 363
Other financial liabilities	-	-	152	962	1 114
Total non-current liabilities	**258**	**-**	**82 730**	**365 180**	**448 168**
Loans	-	-	15 804	427 172	442 976
Employee benefits	2	-	2 233	448	2 683
Trade and other payables	253	2	168 395	56 402	225 052
Provisions	-	-	30 501	5 702	36 203
Government grants	-	-	786	5	791
Deferred income	-	-	-	20	20
Other financial liabilities	-	-	69 076	1 252	70 328
Total current liabilities	**255**	**2**	**286 795**	**491 001**	**778 053**
Total liabilities	**513**	**2**	**369 525**	**856 181**	**1 226 221**
Total equity and liabilities	**513**	**2**	**369 525**	**5 030 522**	**5 400 562**

Note 33 Subsequent events

On 14 January, 9 February and 1 March 2016 the Company acquired 443 229 shares in Grupa Azoty SIARKOPOL accounting for 8.06% of the entity's share capital for PLN 30 343 thousand. Accordingly, the Company's share in the entity currently amounts to 96.26%.

The translation of the financial statements of Grupa Azoty S.A. for the 12 month period ended 31 December 2015 contains 97 pages.