Consolidated 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

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

Azoty Group

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(all amounts in PLN thousand unless otherwise stated)

STATEMENT OF THE MANAGEMENT BOARD

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

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

The consolidated 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 Group.

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

Person entrusted with maintaining accounting records

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

Tarnów, 8 March 2016

(all amounts in PLN thousand unless otherwise stated)

Consolidated 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
Continuing operations			
Revenue	1	10 024 405	9 898 476
Cost of sales	2	(7 760 211)	(8 231 565)
Gross profit		**2 264 194**	**1 666 911**
Selling and distribution expenses	2	(633 314)	(581 145)
Administrative expenses	2	(736 546)	(739 977)
Other income	3	47 664	58 421
Other expenses	4	(111 987)	(101 980)
Results from operating activities		**830 011**	**302 230**
Finance income	5	42 910	45 767
Finance costs	6	(47 576)	(58 398)
Net finance costs		**(4 666)**	**(12 631)**
Share of profit of equity-accounted investees	13.1	13 737	13 940
Profit before tax		**839 082**	**303 539**
Tax expense	7	(147 234)	(37 731)
Profit from continuing operations		**691 848**	**265 808**
Discontinued operations			
Net loss from discontinued operations	8	-	(753)
Profit for the year		**691 848**	**265 055**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability	20	(6 987)	(23 542)
Tax on items that will never be reclassified to profit or loss		1 309	4 420
		(5 678)	**(19 122)**

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

(all amounts in PLN thousand unless otherwise stated)

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

	Note	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Items that are or may be reclassified to profit or loss			
Measurement of hedging instruments	18.3, 26.6	65	-
Net change in fair value of available-for-sale financial assets		-	(24)
Net change in fair value of available-for-sale financial assets reclassified to profit or loss		-	(2 912)
Foreign currency translation differences – foreign operations		(526)	7 807
Tax on items that are or may be reclassified to profit or loss		-	559
		(461)	**5 430**
Other comprehensive income for the year		**(6 139)**	**(13 692)**
Total comprehensive income for the year		**685 709**	**251 363**
Profit attributable to:			
Equity holders of the Parent Company		609 499	231 350
Non-controlling interests		82 349	33 705
Total comprehensive income attributable to:			
Equity holders of the Parent Company		604 443	216 144
Non-controlling interests		81 266	35 219
Earnings per share:	9		
Basic earnings per share (PLN)		6.14	2.33
Diluted earnings per share (PLN)		6.14	2.33

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

(all amounts in PLN thousand unless otherwise stated)

Consolidated 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	6 429 767	5 905 106	5 736 378
Investment property	11	52 204	54 968	53 374
Intangible assets	12	532 798	509 964	519 280
Goodwill	12.1	12 550	12 600	11 617
Investments in subordinated entities	13.1	111 095	110 842	128 944
Available-for-sale financial assets	13.2	12 370	12 371	23 989
Other financial assets	13.4	4 347	19 054	53
Non-current receivables	16	1 797	2 932	3 408
Deferred tax assets	7.4	62 769	86 941	103 540
Other non-current assets	14	5 226	4 675	4 462
Total non-current assets		**7 224 923**	**6 719 453**	**6 585 045**
Current assets				
Inventories	15	1 180 599	1 343 513	1 147 585
Other financial assets	13.2 13.4	502 885	68 484	106 822
Current tax assets		2 156	6 720	40 558
Trade and other receivables	16	1 078 292	1 227 334	1 335 931
Cash and cash equivalents	17	753 144	558 603	713 024
Other current assets	14	32 047	24 118	21 016
Assets held for sale	10.1	3 123	107	792
Total current assets		**3 552 246**	**3 228 879**	**3 365 728**
Total assets		**10 777 169**	**9 948 332**	**9 950 773**

* Financial information restated as presented in point 2.3.1 of the notes to the consolidated financial statements

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

(all amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position (continued)

	Note	As at 31.12.2015	As at 31.12.2014* restated	As at 01.01.2014* restated
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	18.3 26.6	65	-	-
Fair value reserve		-	-	2 346
Translation reserve		752	1 403	(3 681)
Retained earnings, including:		3 452 224	2 843 389	2 649 822
Profit for the year		*609 499*	*231 350*	*676 948*
Equity attributable to owners of the Parent Company		**6 367 288**	**5 759 039**	**5 562 734**
Non-controlling interests	18.5	**768 933**	**729 097**	**707 820**
Total equity		**7 136 221**	**6 488 136**	**6 270 554**
Liabilities				
Loans	19	1 047 450	476 932	634 693
Employee benefits	20	326 968	312 419	254 613
Other non-current payables	23	972	1 498	61 821
Provisions	21	100 740	113 106	119 343
Government grants	22	47 036	39 993	24 906
Deferred tax liabilities	7.4	245 868	231 692	284 068
Other financial liabilities	24	16 112	20 205	22 513
Total non-current liabilities		**1 785 146**	**1 195 845**	**1 401 957**
Loans	19	118 880	509 259	604 140
Employee benefits	20	33 167	30 494	34 008
Current tax liabilities		18 986	2 934	4 903
Trade and other payables	23	1 347 227	1 425 553	1 313 547
Provisions	21	273 447	211 432	213 839
Government grants	22	5 091	2 982	2 936
Deferred income	25	1 346	2 322	25 921
Other financial liabilities	24	57 658	79 375	78 968
Total current liabilities		**1 855 802**	**2 264 351**	**2 278 262**
Total liabilities		**3 640 948**	**3 460 196**	**3 680 219**
Total equity and liabilities		**10 777 169**	**9 948 332**	**9 950 773**

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

(all amounts in PLN thousand unless otherwise stated)

Consolidated statement of changes in equity
For the period ended 31 December 2015

	Share capital	Share premium	Hedging reserve	Fair value reserve	Translation reserve	Retained earnings	Equity attributable to owners of the Parent Company	Non-controlling interests	Total equity
Balance at 1 January 2015	**495 977**	**2 418 270**	**-**	**-**	**1 403**	**2 843 389**	**5 759 039**	**729 097**	**6 488 136**
Profit or loss and other comprehensive income for the year									
Profit for the year	-	-	-	-	-	609 499	**609 499**	82 349	691 848
Other comprehensive income	-	-	65	-	(651)	(4 470)	(5 056)	(1 083)	(6 139)
Total profit or loss and other comprehensive income for the year	**-**	**-**	**65**	**-**	**(651)**	**605 029**	**604 443**	**81 266**	**685 709**
Transactions with owners, recognised directly in equity				-					
Dividends	-	-	-	-	-	-	-	(25 576)	(25 576)
Contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(25 576)**	**(25 576)**
Changes in ownership interests in subsidiaries									
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	3 806	3 806	(15 854)	(12 048)
Total transactions with owners	**-**	**-**	**-**	**-**		**3 806**	**3 806**	**(41 430)**	**(37 624)**
Balance at 31 December 2015	**495 977**	**2 418 270**	**65**	**-**	**752**	**3 452 224**	**6 367 288**	**768 933**	**7 136 221**

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

(all amounts in PLN thousand unless otherwise stated)

Consolidated statement of changes in equity (continued)
For the period ended 31 December 2014

	Share capital	Share premium	Hedging reserve	Fair value reserve	Translation reserve	Retained earnings	Equity attributable to owners of the Parent Company	Non-controlling interests	Total equity
Balance at 1 January 2014	**495 977**	**2 418 270**	**-**	**2 346**	**(3 681)**	**2 649 822**	**5 562 734**	**707 820**	**6 270 554**
Profit or loss and other comprehensive income for the year									
Profit for the year	-	-	-	-	-	231 350	231 350	33 705	265 055
Other comprehensive income	-	-	-	(2 346)	5 084	(17 944)	(15 206)	1 514	(13 692)
Total profit or loss and other comprehensive income for the year	**-**	**-**	**-**	**(2 346)**	**5 084**	**213 406**	**216 144**	**35 219**	**251 363**
Transactions with owners, recognised directly in equity									
Dividends	-	-		-	-	(19 839)	(19 839)	(13 942)	(33 781)
Total transactions with owners	**-**	**-**	**-**	**-**	**-**	**(19 839)**	**(19 839)**	**(13 942)**	**(33 781)**
Balance at 31 December 2014	**495 977**	**2 418 270**	**-**	**-**	**1 403**	**2 843 389**	**5 759 039**	**729 097**	**6 488 136**

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

(all amounts in PLN thousand unless otherwise stated)

Consolidated statement of cash flows

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014* restated
Cash flows from operating activities		
Profit before tax	**839 082**	**303 539**
Adjustments for:	*566 576*	*589 459*
Depreciation and amortisation	484 810	520 175
Impairment losses	61 469	40 300
Loss from investing activities	8 177	1 628
Profit on disposal of financial assets	(4 691)	(2 912)
Share of profit of equity-accounted investees	(13 737)	(13 940)
Interest, foreign exchange gains or losses	31 213	48 740
Dividends	(187)	(807)
Change in fair value of financial assets at fair value through profit or loss	(478)	(3 725)
Cash generated from operating activities before changes in working capital	***1 405 658***	***892 998***
Changes in trade and other receivables	165 599	122 141
Changes in inventories	142 870	(195 134)
Changes in trade and other payables	(39 758)	(20 733)
Changes in provisions, prepayments and grants	30 803	57 824
Other adjustments	(925)	761
Cash generated from operating activities	***1 704 247***	***857 857***
Income taxes paid	(74 021)	(38 076)
Net cash from operating activities	**1 630 226**	**819 781**

* Financial information restated as presented in point 2.3.1 of the notes to the consolidated financial statements

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

(all amounts in PLN thousand unless otherwise stated)

Consolidated 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* restated
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	13 029	8 786
Acquisition of property, plant and equipment, intangible assets and investment property	(1 061 762)	(676 398)
Dividends received	12 668	11 971
Acquisition of financial assets	(855 926)	(179 583)
Acquisition of subsidiaries, net of cash acquired	-	(23 443)
Proceeds from sale of financial assets	389 769	215 686
Interest received	3 840	3 480
Government grants received	10 928	-
Loans	(9 974)	(645)
Other disbursements	(5 945)	(7 920)
Net cash used in investing activities	**(1 503 373)**	**(648 066)**
Cash flows from financing activities		
Dividends paid	(25 544)	(41 768)
Proceeds from loans and borrowings	1 105 758	288 300
Acquisition of non-controlling interests	(12 048)	-
Payment of loans and borrowings	(927 651)	(541 358)
Interest paid	(36 955)	(43 766)
Payment of finance lease liabilities	(12 504)	(13 191)
Other proceeds / (disbursements)	(22 538)	23 742
Net cash from financing activities	**68 518**	**(328 041)**
Net increase / (decrease) in cash and cash equivalents	**195 371**	**(156 326)**
Cash and cash equivalents at the beginning of the period	**558 603**	**713 024**
Effect of exchange rate fluctuations on cash held	(830)	1 905
Cash and cash equivalents at the end of the period	**753 144**	**558 603**

* Financial information restated as presented in point 2.3.1 of the notes to the consolidated financial statements

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

Notes to the consolidated financial statements

1. Information about Azoty Group

1.1. General information about Azoty Group

As at 31 December 2015, Grupa Azoty S.A. Group ("Azoty Group", the "Group") comprises Grupa Azoty S.A. – the Parent Company and its 10 subsidiaries (including 9 with a direct interest exceeding 50% and 1 controlled indirectly), including:

- a subsidiary Grupa Azoty Zakłady Azotowe „Puławy" S.A. (Grupa Azoty PUŁAWY),
- a subsidiary Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. (Grupa Azoty ZAK S.A.),
- a subsidiary Grupa Azoty Zakłady Chemiczne „Police" S.A.(Grupa Azoty POLICE),
- a subsidiary Grupa Azoty ATT Polymers GmbH,
- a subsidiary Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. (Grupa Azoty PKCh Sp. z o.o.),
- a subsidiary Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki „Siarkopol" S.A. (Grupa Azoty SIARKOPOL),
- a subsidiary Grupa Azoty „Koltar" Sp. z o.o.,
- a subsidiary Grupa Azoty „Folie" Sp. z o.o.,
- a subsidiary Grupa Azoty „Compounding" Sp. z o.o.,
- an entity controlled indirectly Navitrans Sp. z o.o. w likwidacji,
  at the same time:
- Grupa Azoty PUŁAWY is a parent company of 9 subsidiaries and owns shares in 4 associates,
- Grupa Azoty ZAK S.A. is a parent company of 1 subsidiary and owns shares in 2 associates,
- Grupa Azoty POLICE is a parent company to 9 subsidiaries and owns shares in 2 associates,
- Grupa Azoty PKCh Sp. z o.o. is a parent company to 3 subsidiaries.

The Parent Company was registered in the commercial register of the National Court Register under no. 0000075450 on 28 December 2001 based on the resolution of the District Court in Cracow-Śródmieście for Cracow, XII Commercial Department of the National Court Register. The Parent Company received a REGON identification number 850002268.
Since 22 April 2013, the company operates under the name Grupa Azoty Spółka Akcyjna (short version: Grupa Azoty S.A.).

The Group's scope of business activities includes the following:

- processing of nitrogen products,
- production and sales of fertilizers,
- production and sales of plastics,
- production and sales of oxo alcohols,
- production and sales of titanium dioxide,
- production and sales of melamine,
- extracting and sulphur products processing,
- extracting of phosphate rock.

The Parent Company and companies forming Azoty Group were established for an indefinite period.

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

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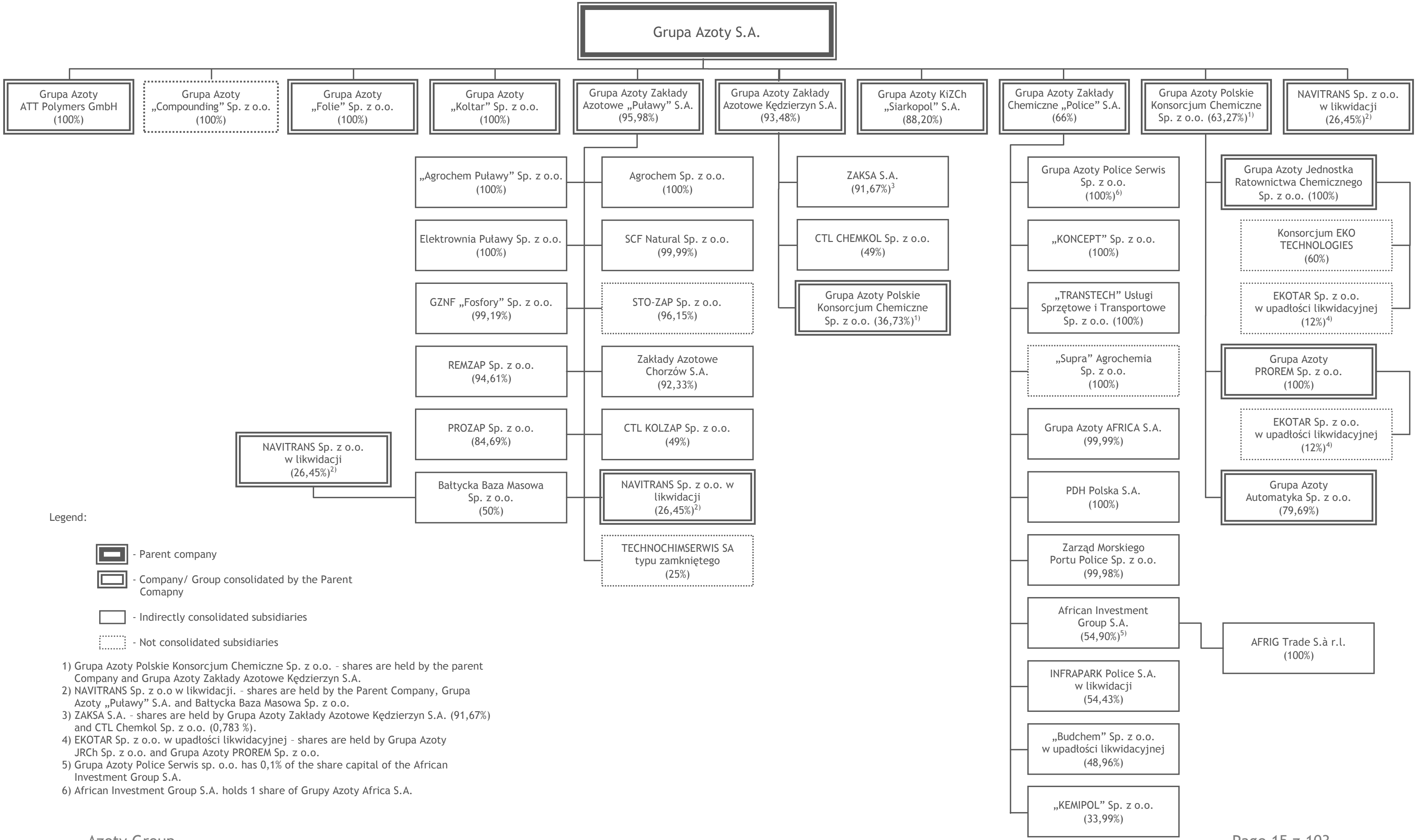
Chart of the Group as at 31 December 2015



1) Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. - shares are held by the parent Company and Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.
2) NAVITRANS Sp. z o.o w likwidacji. – shares are held by the Parent Company, Grupa Azoty „Puławy" S.A. and Bałtycka Baza Masowa Sp. z o.o.
3) ZAKSA S.A. – shares are held by Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. (91,67%) and CTL Chemkol Sp. z o.o. (0,783 %).
4) EKOTAR Sp. z o.o. w upadłości likwidacyjnej – shares are held by Grupa Azoty JRCh Sp. z o.o. and Grupa Azoty PROREM Sp. z o.o.
5) Grupa Azoty Police Serwis sp. o.o. has 0,1% of the share capital of the African Investment Group S.A.
6) African Investment Group S.A. holds 1 share of Grupy Azoty Africa S.A.

The following entities were not consolidated due to their insignificance:
- Grupa Azoty „Compounding" Sp. z o.o.,
- STO-ZAP Sp. z o.o. (subsidiary of Grupa Azoty PUŁAWY),
- Technochimserwis S.A. – closed joint-stock company (subsidiary of Grupa Azoty PUŁAWY),
- Konsorcjum EKO TECHNOLOGIES (subsidiary of Grupa Azoty PKCh Sp. z o.o.),
- EKOTAR Sp. z o.o. w upadłości likwidacyjnej (subsidiary of Grupa Azoty PKCh Sp. z o.o.),
- „Supra" Agrochemia Sp. z o.o. (subsidiary of Grupa Azoty POLICE).

1.2. Description of changes in the Group

Merger of REMECH Spółka z o.o. and AUTOMATIKA Sp. z o.o.
On 1 June 2015, the merger of REMECH Sp. z o.o. (the acquirer) and AUTOMATIKA Sp. z o.o. (the acquiree) was registered. The merger was effected through the transfer of acquiree's assets to the acquirer. The merged entity changed its name to Grupa Azoty Police Serwis Sp. z o.o.

Hotel Centralny Sp. z o.o. w Likwidacji removed from the National Court Register (KRS).
On 24 June 2015, as the liquidation process was completed, Hotel Centralny Sp. z o.o. w Likwidacji was removed from the National Court Register.

Grupa Azoty "Folie" Sp. z o.o. commences lease of the Ammono business
On 24 July 2015, Grupa Azoty "Folie" Sp. z o.o. and the assignee in bankruptcy of Ammono S.A. w upadłości likwidacyjnej signed a lease agreement concerning the Ammono business. Grupa Azoty "Folie" Sp. z o.o. acts as a managing entity for the leased business. The lease commenced on 1 August 2015. The lease agreement is valid till 30 April 2016 and may be extended. Ammono's scope of activities comprises research and manufacture of gallium nitride substrates for optoelectronics and electronics of high power and frequency.

Commencement of liquidation of Navitrans Sp. z o.o.
On 4 September and 4 October 2015, the Extraordinary Meeting of Shareholders resolved to commence the liquidation of Navitrans. The above resolutions were registered in the National Court Register on 21 October 2015.

Merger of "Agrochem Puławy" Sp. z o.o. and UNIBALTIC AGRO Sp. z o.o.
On 11 September 2015, the merger of "Agrochem Puławy" Sp. z o.o. (the acquirer) and UNIBALTIC AGRO Sp. z o.o. (the acquiree) was registered. The merger was effected through the transfer of acquiree's assets to the acquirer, without increasing the acquirer's share capital.

Conditional Share Sale Agreement for Remzap Sp. z o.o. concluded
On 10 December 2015, Grupa Azoty PUŁAWY concluded a conditional agreement to sell to REMIN Sp. z o.o., an employee-owned company, 24 486 shares with the total nominal value of PLN 1 714 thousand, accounting for 95.74% of the total number of shares of Remzap Sp. z o.o. The sale agreement for Remzap Sp. z o.o. will become effective upon fulfilment of the conditions precedent by 24 March 2016.

Sale of shares in MEDICAL Sp. z o.o.
On 10 December 2015, Grupa Azoty PUŁAWY concluded with MED - LEK Sp. z o.o., an employee-owned company, a sale agreement for one share with the uneven nominal value of PLN 1 825.5 thousand, accounting for 95.19% of the share capital of MEDICAL Sp. z o.o. The agreement became effective as at 30 December 2015.

Acquisition of shares in Grupa Azoty Africa S.A.
On 23 December 2015, the company African Investment Group SA acquired from Grupa Azoty POLICE one share of Grupa Azoty Africa S.A.

1.3. Management and Supervisory Boards of the Parent Company

The Management Board
As at 31 December 2015, the Management Board of the Parent 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, General Director,
- 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 Parent 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, General Director,
- Artur Kopeć – Member of the Management Board.

The Supervisory Board
From 1 January to 22 December 2015 the Supervisory Board comprised:
- Monika Kacprzyk-Wojdyga – Chairman of the Supervisory Board,
- Jacek Obłękowski – Vice-Chairman of the Supervisory Board,
- Ewa Lis – Secretary 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 22 December 2015, based on the letter of the Minister of State Treasury, Mrs Ewa Lis was dismissed from the Supervisory Board and Mr Przemysław Lis was appointed.

As at 31 December 2015, the Supervisory Board of the Parent Company comprised:
- Monika Kacprzyk-Wojdyga – Chairman of the Supervisory Board,
- Jacek Obłękowski – Vice-Chairman of the Supervisory Board,
- Zbigniew Paprocki – 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,
- Przemysław Lis – Member of the Supervisory Board,
- Marek Mroczkowski – Member of the Supervisory Board,
- Ryszard Trepczyński – Member of the Supervisory Board.

On 29 January 2016, based on the letter of the Minister of State Treasury, Mr Przemysław Lis was dismissed from the Supervisory Board and Mr Marek Grzelaczyk was appointed.

On February 1 2016, the following members of the Supervisory Board were recalled based on the resolutions of the Parent 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 Maciej Baranowski, Mr Tomasz Karusewicz, Mr Przemysław Lis (as Chairman) 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 consolidated financial statements. There were changes in the presentation of the use of CO2 emission rights and presentation of advance payments, as further presented in point 2.3. The respective comparatives were restated.

2.1. Statement of compliance

Consolidated 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 consolidated 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 Group’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 Group’s consolidated 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 Group’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.

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 Group'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 Group 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 Group's financial assets are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial assets that it holds.

- IFRS 15 *Revenue from Contracts with Customers,* that will be mandatory for the Group'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 Group will be a party. However, the Group 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 Group'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.

  The impact of the initial application of the Standard will depend on the specific facts and circumstances of the lease arrangements to which the Group will be a party. However, the Group is not able to prepare an analysis of the impact this will have on the consolidated 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 Group 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 Group is in the process of analysing the impact of the Amendments on its consolidated financial statements.

2.3. Changes in accounting policies

2.3.1. 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 consolidated 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 prepayments 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.

(all amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position

	Previously reported as at 31.12.2014	Restated as at 31.12.2014	Impact of changes
Assets			
Non-current assets			
Property, plant and equipment	5 966 287	5 905 106	(61 181)
Intangible assets	510 415	509 964	**(451)**
Total non-current assets	**6 781 085**	**6 719 453**	**(61 632)**
Current assets			
Inventories	1 347 826	1 343 513	(4 313)
Trade and other receivables	1 161 389	1 227 334	65 945
Total current assets	**3 167 247**	**3 228 879**	**61 632**
Total assets	**9 948 332**	**9 948 332**	**-**

	Previously reported as at 01.01.2014	Restated as at 01.01.2014	Impact of changes
Assets			
Non-current assets			
Property, plant and equipment	5 780 924	5 736 378	(44 546)
Intangible assets	519 631	519 280	(351)
Total non-current assets	**6 629 942**	**6 585 045**	**(44 897)**
Current assets			
Inventories	1 165 507	1 147 585	(17 922)
Trade and other receivables	1 273 112	1 335 931	62 819
Total current assets	**3 320 831**	**3 365 728**	**44 897**
Total assets	**9 950 773**	**9 950 773**	**-**

Consolidated 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	**303 539**	**303 539**	**-**
Adjustments	**589 459**	**589 459**	**-**
Cash generated from operating activities before changes in working capital	**892 998**	**892 998**	**-**
Changes in trade and other receivables	108 537	122 141	**13 604**
Changes in inventories	(181 530)	(195 134)	**(13 604)**
Cash generated from operating activities	**857 857**	**857 857**	**-**
Net cash from operating activities	**819 781**	**819 781**	**-**

(all amounts in PLN thousand unless otherwise stated)

Operating expenses (note 2)

	Previously reported for the period 01.01.2014 31.12.2014	Restated for the period 01.01.2014 31.12.2014	Impact of changes
Raw materials and energy used	6 259 092	6 143 389	(115 703)
Taxes and charges	299 088	414 791	115 703
Costs by kind	**9 457 859**	**9 457 859**	**-**
Cost of sales	**8 231 565**	**8 231 565**	**-**

2.4. Basis of measurement

The consolidated 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 consolidated financial statements are presented in Polish zloty, rounded to the nearest thousand. Polish zloty is the Parent 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 presented in the relevant notes to the consolidated 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, their residual values and recoverable amounts are presented in Notes 10, 11, 12,
- estimates concerning write-downs of inventory to net realisable values 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 consolidated financial statements were prepared under the assumption that the Group will continue to operate as a going concern for the foreseeable future.
There are no circumstances indicating that the Group may be unable to continue its activities as a going concern.

2.8. Basis of consolidation

2.8.1. Subsidiaries

Subsidiaries are entities controlled by the Parent Company. Control exists, when the Parent Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. In assessing control, the Group takes into consideration existing rights and potential voting rights that are currently exercisable.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

2.8.2. Investments in associates

Associates are those entities in which the Parent Company has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, from the date that significant influence commences until the date that significant influence ceases or associate is reclassified to assets held for sale.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment is reduced to zero, and the recognition of further losses is discontinued except to the extent of the Group's commitments.

2.8.3. Consolidation procedures

The following procedures are used when preparing the consolidated financial statements:

- elimination of the Parent Company's cost of investment in each subsidiary and the Parent Company's share in subsidiaries' equity,
- determination of non-controlling interests in equity and result for the reporting period,
- elimination of any intra-group balances,
- elimination of any unrealised income arising from intra-group transactions,
- elimination of unrealised losses arising from intra-group transactions, but only to the extent that there is no evidence of impairment,
- elimination of any revenue, income and expenses relating to intra-group transactions.

2.8.4. Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, i.e. when control is obtained by the Group. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (fair value) of the identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, a gain on bargain purchase is recognised immediately in the statement of profit or loss and presented as other operating income.

The fair value of the consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the statement of profit or loss.

(all amounts in PLN thousand unless otherwise stated)

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred and presented as administrative expenses.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

2.8.5. Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with equity holders and therefore no goodwill is recognised. Adjustments to non-controlling interests are based on a proportionate amount of the acquired net assets of the subsidiary.

2.8.1. Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the statement of profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently the retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2.9. Foreign currency

2.9.1. Transaction in 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 (NBP). 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
GBP	5.7862	5.4648

2.9.2. Translation of the financial statements of a foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated at the average exchange rate published by the NBP at the reporting date. The income and expenses of foreign operations are translated at the average rate published by the NBP in the reporting period.

Foreign currency differences arising on translation are recognised in other comprehensive income, and are presented in the foreign currency translation reserve in equity. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportion of the translation difference is allocated to non-controlling interests. When a foreign operation is disposed-off such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

2.10. Property, plants and equipment

2.10.1. 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.

2.10.2. Leased items of property, plant and equipment.

Assets held by the Group under leases that transfer to the Group 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.

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 Group’s own assets. If it is unlikely that the Group 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.

(all amounts in PLN thousand unless otherwise stated)

2.10.3. Perpetual usufructur right

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

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

2.10.4. Mineral deposit

Mineral deposits comprise acquired rights to extract mineral resources and mine development expenditure, as well as exploration rights acquired in the business combinations for which there is a high likelihood that the profitable extraction will commence.

Minerals deposits acquired by the Group are recognised as a property, plant and equipment and are measured at cost less accumulated depreciation and any accumulated impairment losses.

2.10.5. 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 Group. Ongoing repairs and maintenance are recognised in the statement of profit or loss as an expense.

2.10.6. Depreciation

Depreciation, except for mineral deposits, is calculated on a straight-line basis over the estimated useful life of an item of property, plant and equipment or its major components. Mineral deposits are depreciated using a unit of production method based on the quantity of tons of resources extracted compared to the estimated reserves. The estimated useful lives are as follows:

Type	Depreciation rate	Period
Land	None	-
Perpetual usufruct of land	1%-33%	up to 99 years
Mineral deposits	unit of production	6-72 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%	1-6 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 Group 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 prospectively adjusted prospectively if appropriate.

2.11. Investment property

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

Investment property is measured in accordance with policy applicable to property, plant and equipment.

2.12. Intangible assets

2.12.1. 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 Group 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.

2.12.2. REACH costs

The Group capitalizes costs resulting from obtaining appropriate permissions under REACH system. When registering a product in the REACH system the Group 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 Group capitalizes 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.

2.12.3. Goodwill

The measurement of goodwill at initial recognition was presented in point 2.8.4.

After initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill, allocated to the CGU or group of CGUs, is tested for impairment annually.

In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity accounted investee as a whole.

2.12.4. 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.

(all amounts in PLN thousand unless otherwise stated)

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.

2.12.5. 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.

2.12.6. 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 Group annually assesses if there are any impairment indicators.

The estimated useful lives are as follows :

Type	Amortisation rate	Period
Trademarks	none	-
Brand name	none	-
Customers portfolio	17%-100%	1-7 years
Licences	5%-100%	1-20 years
Software	16%-100%	1-6 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 prospectively adjusted if appropriate.

2.13. Exploration for and evaluation of mineral resources

2.13.1. Measurement and classification of expenditures

The Group applies IFRS 6 *Evaluation and exploration of mineral resources* in relation to the expenditures on exploration for and evaluation of mineral resources:

- during the exploration for and evaluation of mineral resources, after obtaining the exploration rights to explore a specific area,
- before the technical feasibility and commercial viability of extraction of a mineral resource are demonstrable.

Expenditure for exploration for and evaluation of mineral resources are classified according to the activities:

- performed before obtaining exploration and evaluation licences on a specific area.

  Any expenditure incurred before obtaining exploration and evaluation licences (rights) are recognised in the statement of profit or loss when incurred.

- performed after obtaining exploration and evaluation licences on a specific area but before the technical feasibility and commercial viability of extraction of a mineral resource are demonstrable.

Expenditure for exploration for and evaluation of mineral resources incurred after obtaining exploration and evaluation licences, which may be directly attributable to the specific asset, is classified depending on the nature of the asset as either tangible asset from exploration for and evaluation of mineral resources (tangible fixed asset under construction) or intangible asset from exploration for and evaluation of mineral resources (class of intangible assets).

When the technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the evaluation and exploration assets are no longer classified as such. They are then tested for impairment and subsequently reclassified to mineral deposits.

Exploration and evaluation assets are measured at purchase or development cost and after initial recognition they are reduced by accumulated depreciation and any accumulated impairment losses.

2.13.2. Depreciation or amortisation

Depreciation or amortisation of exploration and evaluation assets commences once the mine is ready to commence operations and extraction.

The carrying amount of assets is depreciated using a unit of production method based on the quantity of production in the year/month to the estimated reserves and considering the future capital expenditures necessary to commence the production. Future capital expenditures are estimated considering the development necessary for the future exploration.

Expenditures for drilling, for which the technical feasibility and economical viability of minerals exploration was not demonstrated, but could still be used for development purposes, are carried at the book value as tangible fixed assets and are depreciated over their estimated useful lives.

2.13.3. Impairment

Exploration and evaluation assets are assessed for impairment, when the technical feasibility and economical viability of minerals exploration was demonstrated or when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

When sufficient information is available to determine the technical feasibility and economical viability of the project, each element of assets is assessed for impairment at least annually, in order to confirm the technical feasibility and economical viability of the project.

2.14. 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.

2.15. Presentation of factoring and receivables discounting contracts

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

- full factoring (without recourse) or receivables discounting without recourse, in which the financing party purchases the receivables before maturity without 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 not allowed to claim the repayment of the balance. Therefore, the Group derecognizes the receivables as at the transaction date and settles it with the amount received from the financing party,
- 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 Group. Therefore the Group derecognizes 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 Group does not derecognize the receivables as at the transaction date and presents cash received from the financing party as other financial liabilities concerning factoring (receivables discounting).

2.16. 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 determined 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”.

2.16.1. CO_2 emision 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 Group 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 Group 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 Group 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 Group 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 Group 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.

2.17. 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.

2.18. Impairment of non-financial assets

The carrying amounts of the Group'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 Group 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 Group'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.

2.19. Equity

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

Share capital, which is the share capital of the Parent Company, 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.

2.20. 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.

2.20.1. Defined contribution plans

Under current regulations the Group 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 Group 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.

2.20.2. Defined benefit plans

The Group'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.

2.20.2.1. Defined benefit plans – retirement and death-in-service benefits

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

The Group'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 Group'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 Group's obligations. Employees' turnover is estimated based on the past experience and the expected turnover rates in the future. The retirement and death-in-service liabilities are recognised proportionally to the expected period of employee's service.

2.20.2.2. Defined benefit plans – provisions for Social Fund benefits for pensioners

Under current regulations the Group has an obligation to pay the social fund benefits to the pensioners. Therefore the Group 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.

2.20.3. Other long-term employee benefits - jubilee awards

The Group 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 Group'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 Group'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.

2.20.4. 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 Group 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.

2.21. 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 Group 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.

2.21.1. Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

2.21.2. Site restoration costs

In accordance with the Group'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.

2.21.3. Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract.

2.21.4. 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).

2.21.5. Provision for CO_2 emission rights

The accounting policies concerning provisions for CO_2 emission rights are presented in point 2.16.1.

2.22. 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.

2.23. 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.

2.24. 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.

2.25. Initial recognition and derecognition of financial assets and liabilities

Financial asset or a financial liability is recognised when the Group 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 Group 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 Group 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.

2.26. Initial measurement of financial instrumenta

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.

2.26.1. Measurement subsequent to initial recognition

The Group 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.

2.26.2. Derivatives

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

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.

2.26.3. 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.

2.27. 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 Group 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 Group'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.

2.27.1. 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 Group 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.

2.28. 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 which recovery is probable at the transaction date and which can be measured reliably.

2.28.1. 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.

2.28.2. Licence fees

Revenue from the sale of licenses is recognised, when it is probable the economic benefits from sale will flow to the Group and the amount of revenue and the related costs can be reliably measured. The revenue is presented as revenue from sale.

2.28.3. Revenue from sale of certificates of origin of energy

The Group 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 from sale.

2.28.4. Rentals

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

2.28.5. 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 Group has fulfilled its obligations resulting from the programme or when it is no longer probable that the rights under the programme will be redeemed.

2.28.6. Finance income

Finance income comprises the interest on funds invested by the Group, 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 Group's right to receive payment is established.

2.29. Expenses

2.29.1. 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.

2.29.2. 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.

2.29.3. Administrative expenses

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

2.29.4. 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.

2.29.5. 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.

2.29.6. Finance cost

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.

2.30. 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.

Taxable income on activities in special economic zones may be tax-exempt to the amount determined in the special economic zones regulations. Future benefits resulting from tax exemption are treated as investment tax credits and recognised as deferred tax assets applying IAS 12 by analogy.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group 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.

2.31. Segment reporting

The Group identifies operating segments based on internal reports. The operating results of each segment are reviewed on a regular basis by the Group'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 Group identifies the following operating segments:
- Fertilizers-Agro Segment,
- Plastics Segment,
- Chemical 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 Group presents administrative, selling and distribution expenses and other income and expenses allocated to the segments. Performance of each segment is analysed based on its sales revenue, EBIT and EBITDA.

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

2.32. 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 Group'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 Group'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 consolidated financial statements

Segment reporting

Operating segments

The Group realises its business goals through four reportable segments managed separately because they require different management strategies (including production, sales and marketing strategies). For each segment the Management Board of the Group reviews internal management reports on a monthly basis.

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

- Fertilizers-Agro Segment includes manufacturing and sales of the following products:

- nitrogenous fertilizers (Pulrea®, Saletrzak 27 Standard, Saletrzak with boron 27+B Standard, Salmag®, Slamag® with boron, ZAKsan® (Kędzierzyn ammonium nitrate), Ammonium nitrate 30 Macro, mocznik.pl®, granulated urea 46%, PULGRAN®, PULAN®, RSM®, PULREA®),
- nitrogenous fertilizers with sulphur (ammonium sulphate AS21, Saletrosan®30, Saletrosan® 26, POLIFOSKA® 21, Salmag with sulphur®, Pulgran®S, Pulsar®, Pulaska®, RSM®S),
- compound fertilizers (POLIFOSKA® 4, POLIFOSKA® 5, POLIFOSKA® 6, POLIFOSKA® 8, POLIFOSKA® 12, POLIFOSKA® M, POLIFOSKA® TYTAN, POLIFOSKA® START, POLIFOSKA® Petroplon, POLIMAG® S, POLIFOSKA®PLUS, Amofoska® NPK 5-10-25 +0,1B, Amofoska® NPK 4-16-18, Amofoska® NPK 4-10-28 +2,5Mg+0,1B, Amofoska® NPK 4-12-20, Amofoska® NPKMg 4-12-12+2,5, Amofoska® NPK 4-14-32, Amofoska® Corn NPK 4-10-22 +2,5Mg+0,2Zn),
- physpho-nitrogenous fertilizers (POLIDAP® TYTAN, POLIDAP®, POLIDAP® light, Super FOS DAR 40™),
- ammonia,
- concentrated nitric acid,
- technical gases;

- Plastics Segment includes manufacturing and sales of the following products:

- Tarnamid® (PA6) and its modified forms,
- Tarnoform® (POM) and its modified forms,
- alphalon™ (PA6),
- 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;

- Chemicals Segment includes manufacturing and sales of the following products:

  - oxo alcohols (2- ethylhexanol, N-butanol, Izobutanol, Octyl alkohol F),
  - plasticizers (Oxoplast® O, Oxoviflex®, Oxoplast Medica®, Oxoplast® PH),
  - pigments (Tytanpol®),
  - melamine,
  - Iron (II) sulphate (Fespol®),
  - special solutions based on urea and ammonia, including: water urea solution (NOXy®), 32.5%, 40% and 45% urea solution (PULNOx®), ammonia solution (LIKAM®);

- 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 comprising other activities, such as laboratory services, manufacturing of catalysts (iron-chromium catalysts, copper catalysts, iron catalysts), rental of properties and other activities which cannot be allocated to other segments. None of these activities met the quantitative criteria to be separated as reportable segment in 2015 and 2014.

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	Chemicals	Energy	Other Activities	Total
External revenues	6 057 906	1 247 971	2 302 233	209 236	207 059	10 024 405
Inter-segment revenue	2 190 855	308 990	992 745	2 712 905	903 264	7 108 759
Total revenue	8 248 761	1 556 961	3 294 978	2 922 141	1 110 323	17 133 164
Operating expenses, including:(-)	(7 407 674)	(1 603 980)	(3 224 385)	(2 924 792)	(1 077 999)	(16 238 830)
Selling and distribution expenses (-)	(433 228)	*(52 742)*	*(145 660)*	*(121)*	(1 563)	(633 314)
Administrative expenses (-)	(385 839)	*(114 235)*	*(172 699)*	*(14 137)*	(49 636)	(736 546)
Other income	21 041	4 677	5 902	9 234	6 810	47 664
Other expenses(-)	(13 343)	(16 475)	(37 313)	(2 996)	(41 860)	(111 987)
Segment results from operating activities EBIT	848 785	**(58 817)**	**39 182**	**3 587**	(2 726)	830 011
Finance income	-	-	-	-	-	42 910
Finance costs (-)	-	-	-	-	-	(47 576)
Share of profit of equity-accounted investees	-	-	-	-	-	13 737
Profit before tax	-	-	-	-	-	839 082
Tax expense	-	-	-	-	-	147 234
Profit for the year	-	-	-	-	-	691 848
EBIT*	848 785	**(58 817)**	39 182	3 587	(2 726)	830 011
Depreciation and amortisation	149 275	48 417	95 540	74 307	80 839	448 378
Unallocated depreciation and amortisation	-	-	-	-	-	36 432
EBITDA**	**998 060**	(10 400)	**134 722**	**77 894**	**78 113**	**1 314 821**

* EBIT is calculated as results from operating activities presented in the statement of profit or loss, adjusted for the gain on bargain purchase.
** EBITDA is calculated as results from operating activities increased by depreciation and amortisation, adjusted for the gain on bargain purchase.

(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

Continued operations	Fertilizers-Agro	Plastics	Chemicals	Energy	Other Activities	Total
External revenues	5 580 374	1 460 155	2 505 638	194 621	157 688	9 898 476
Inter-segment revenue	2 323 040	348 170	1 050 591	2 933 148	802 963	7 457 912
Total revenue	7 903 414	1 808 325	3 556 229	3 127 769	960 651	17 356 388
Operating expenses, including:(-)	(7 468 963)	(1 899 986)	(3 568 630)	(3 123 579)	(949 441)	(17 010 599)
Selling and distribution expenses (-)	*(395 845)*	*(53 566)*	*(130 041)*	*(82)*	*(1 611)*	*(581 145)*
Administrative expenses (-)	*(367 528)*	*(123 773)*	*(184 559)*	*(12 565)*	*(51 552)*	*(739 977)*
Other income	14 929	12 923	4 778	10 336	15 455	58 421
Other expenses(-)	(13 960)	(2 678)	(47 709)	(8 582)	(29 051)	(101 980)
Segment results from operating activities EBIT	**435 420**	**(81 416)**	**(55 332)**	**5 944**	**(2 386)**	**302 230**
Finance income	-	-	-	-	-	45 767
Finance costs (-)	-	-	-	-	-	(58 398)
Share of profit of equity-accounted investees	-	-	-	-	-	13 940
Profit before tax	**-**	**-**	**-**	**-**	**-**	**303 539**
Result on discontinued operations	**-**	**-**	**-**	**-**	**-**	**(753)**
Tax expense	-	-	-	-	-	(37 731)
Profit for the year	**-**	**-**	**-**	**-**	**-**	**265 055**
EBIT*	435 420	(81 416)	(55 332)	5 944	(2 386)	302 230
Depreciation and amortisation	158 972	47 870	100 947	74 050	80 285	462 124
Unallocated depreciation and amortisation	-	-	-	-	-	58 051
EBITDA**	**594 392**	**(33 546)**	**45 615**	**79 994**	**77 899**	**822 405**

* EBIT is calculated as results from operating activities presented in the statement of profit or loss, adjusted for the gain on bargain purchase.
** EBITDA is calculated as results from operating activities increased by depreciation and amortisation, adjusted for the gain on bargain purchase.

(all amounts in PLN thousand unless otherwise stated)

Assets and liabilities of operating segments as at 31 December 2015

	Fertilizers-Agro	Plastics	Chemicals	Energy	Other Activities	Total
Segment assets	3 404 875	1 052 338	1 618 678	1 476 292	1 169 255	8 721 438
Unallocated assets	-	-	-	-	-	1 932 806
Equity accounted investees	-	-	-	-	-	122 925
Total assets	**3 404 875**	**1 052 338**	**1 618 678**	**1 476 292**	**1 169 255**	**10 777 169**
Segment liabilities	955 523	238 205	237 179	515 746	281 806	2 228 459
Unallocated liabilities	-	-	-	-	-	1 412 489
Total liabilities	**955 523**	**238 205**	**237 179**	**515 746**	**281 806**	**3 640 948**

Assets and liabilities of operating segments as at 31 December 2014

	Fertilizers-Agro	Plastics	Chemicals	Energy	Other Activities	Total
Segment assets	3 158 258	1 014 418	1 676 461	1 263 242	940 878	8 053 257
Unallocated assets	-	-	-	-	-	1 788 668
Equity accounted investees	-	-	-	-	-	106 407
Total assets	**3 158 258**	**1 014 418**	**1 676 461**	**1 263 242**	**940 878**	**9 948 332**
Segment liabilities	852 180	212 372	248 900	363 119	122 035	1 798 606
Unallocated liabilities	-	-	-	-	-	1 661 590
Total liabilities	**852 180**	**212 372**	**248 900**	**363 119**	**122 035**	**3 460 196**

(all amounts in PLN thousand unless otherwise stated)

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

	Fertilizers-Agro	Plastics	Chemicals	Energy	Other Activities	Total
Capital expenditure on property, plant and equipment	390 173	108 561	109 760	274 652	116 559	999 705
Capital expenditure on investment property	-	-	-	-	1 191	1 191
Capital expenditure on intangible assets	28 371	868	457	165	15 834	45 695
Unallocated capital expenditure	-	-	-	-	-	23 285
Total capital expenditure	**418 544**	**109 429**	**110 217**	**274 817**	**133 584**	**1 069 876**
Segment amortisation	149 275	48 417	95 540	74 307	80 839	448 378
Unallocated amortisation	-	-	-	-	-	36 432
Total amortisation	**149 275**	**48 417**	**95 540**	**74 307**	**80 839**	**484 810**

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

	Fertilizers-Agro	Plastics	Chemicals	Energy	Other Activities	Total
Capital expenditure on property, plant and equipment	189 308	36 667	133 692	174 493	97 441	631 601
Capital expenditure on investment property	1 633	-	-	-	327	1 960
Capital expenditure on intangible assets	32 821	551	202	749	8 485	42 808
Unallocated capital expenditure	-	-	-	-	-	37 864
Total capital expenditure	**223 762**	**37 218**	**133 894**	**175 242**	**106 253**	**714 233**
Segment amortisation	158 972	47 870	100 947	74 050	80 285	462 124
Unallocated amortisation	-	-	-	-	-	58 051
Total amortisation	**158 972**	**47 870**	**100 947**	**74 050**	**80 285**	**520 175**

Description of impairment losses recognised by the Group was presented in Note 10 and 11.

(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	5 575 297	5 241 629
Germany	1 152 457	1 129 819
Other European Union countries	2 124 332	2 213 486
Asia countries	473 683	555 360
South America countries	343 504	338 060
Other countries	355 132	420 122
Total	**10 024 405**	**9 898 476**

None of the customers accounted for more than 10% of revenue in both 2015 and 2014.

Non-current assets *

	As at 31.12.2015	As at 31.12.2014** restated
Poland	6 738 824	6 231 708
Germany	74 299	76 657
Senegal	330 517	306 425
	7 143 640	**6 614 790**

* Non-current assets presented exclude financial instruments and deferred tax assets.
** Financial information restated with regards to advance payments as presented in point 2.3 of the notes to the consolidated financial statements

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	9 699 569	9 620 446
Construction contracts revenue	49 066	28 385
Sales of merchandises and raw materials	270 105	248 469
Sales of certificates of origin of energy	3 243	1 106
Sales of licenses	2 398	70
Other revenue	24	-
	10 024 405	**9 898 476**

(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 * restated
Depreciation and amortisation	484 810	520 175
Raw materials and energy used	5 619 255	6 143 389
External services	1 099 098	1 038 684
Taxes and charges	371 041	414 791
Wages and salaries	999 410	963 064
Social security and other employee benefits	256 009	251 424
Other expenses	155 844	126 332
Costs by kind	**8 985 467**	**9 457 859**
Changes in inventories of finished goods and work in progress (+/-)	142 803	19 821
Work performed by the entity and capitalised (-)	(254 276)	(159 075)
Selling and distribution expenses (-)	(633 314)	(581 145)
Administrative expenses (-)	(736 546)	(739 977)
Cost of merchandises and raw materials sold	256 077	234 082
Cost of sales	**7 760 211**	**8 231 565**
Includes excise duty	32 435	33 105

* Financial information restated with regards to CO_2 emission rights as presented in point 2.3 of the notes to the consolidated 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	7 455 730	7 973 582
Cost of construction contracts sold	46 834	23 901
Cost of merchandises and raw materials sold	256 077	234 082
Cost of licences sold	1 570	-
Total cost of sales	**7 760 211**	**8 231 565**

(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	973 145	908 274
Social security contributions	182 436	163 182
Employee benefit fund	29 499	41 678
Trainings	6 771	5 728
Change in defined benefit liabilities	(2 225)	3 539
Change in other long-term employee benefit liabilities	11 388	23 901
Change in unused holiday accrual	2 262	1 820
Change in voluntary redundancy provision	(347)	329
Change in annual and motivation bonus accruals	16 627	23 263
Other	35 863	42 774
	1 255 419	**1 214 488**
Average employment	13 928	13 807

Note 3 Other income

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Proceeds from sale of assets:		
Proceeds from sale of property, plant and equipment	-	152
	-	**152**
Reversed impairment losses on:		
Property, plant and equipment	-	5
Trade receivables	4 365	960
Other	137	142
	4 502	**1 107**
Other operating income:		
Gain on remeasurement of investment property	-	1 132
Received compensation	10 632	13 330
Sales of social services	336	359
Reversal of provisions	17 462	22 133
Grants received	5 217	5 676
Other (aggregated insignificant items)	9 515	14 532
	43 162	**57 162**
	47 664	**58 421**

The most significant item of other operating income is the reversal of provisions of PLN 17 462 thousand (2014: PLN 22 133 thousand) which comprises:

- Reversal of provision for environment protection of PLN 11 705 thousand (2014: PLN 10 234 thousand),
- Reversal of provision for properties ordering of PLN 1 895 thousand (2014: PLN 3 543 thousand),

Income from compensation concerned mainly the compensation received from the insurer for breakdown recovery expenses and amounting to PLN 10 632 thousand (2014: 13 330 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	5 076	11 004
Loss on disposal of intangibles	-	81
	5 076	**11 085**
Recognised impairment loss on:		
Property, plant and equipment	59 402	43 412
Investment property	14	-
Intangible assets	1 105	124
Trade receivables	1 299	4 609
Other	1 220	1 150
	63 040	**49 295**
Other expenses:		
Loss on remeasurement of investment property	1 035	478
Fines and compensations	6 356	1 946
Maintenance of installations not in use	4 590	5 299
Cost of social services sold	550	589
Cost of current assets disposal	2 198	1 926
Breakdown recovery expenses	13 863	15 909
Provisions recognised	11 416	8 726
Grants	3 598	2 793
Other (aggregated insignificant items)	265	3 934
	43 871	**41 600**
	111 987	**101 980**

The most significant item of other operating expenses is the impairment loss on property, plant and equipment impairment of PLN 59 402 thousand (2014: 43 412 thousand). The detailed description was presented in Notes 10 and 11.

The significant item of other expenses are breakdown recovery expenses of PLN 13 863 thousand (2014: PLN 15 909 thousand). Breakdown recovery expenses were partly offset by the compensation received (presented in other income).

Provisions recognised include, among others, provisions for environment protection and for legal claims of PLN 11 416 thousand (2014: PLN 8 726 thousand).

(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	12 504	7 476
Cash pooling	1 383	2 265
Loans	1 344	665
Trade receivables	3 379	5 595
Other	825	817
	19 435	**16 818**
Gain on disposal of financial investments:		
Gain on disposal of financial investments	4 472	2 912
	4 472	**2 912**
Gain on valuation of financial assets and liabilities:		
Net change in fair value of financial assets at fair value through profit or loss	396	3 511
Net change in fair value of financial liabilities at fair value through profit or loss	110	603
	506	**4 114**
Other finance income:		
Foreign exchange gains	15 171	17 841
Dividends received	187	807
Other finance income	3 139	3 275
	18 497	**21 923**
	42 910	**45 767**

(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	28 008	34 244
Cash pooling	1 290	2 866
Loans	64	237
Finance leases	1 696	1 925
Factoring	241	537
Receivables discounting	1 199	1 442
Trade payables	1 192	243
Tax liabilities	578	1 425
Other	6 281	8 747
	40 549	**51 666**
Loss on disposal of financial investments:		
Loss on disposal of financial investments	4	22
	4	**22**
Loss from valuation of financial assets and liabilities:		
Net change in fair value of financial assets at fair value through profit or loss	32	889
	32	**889**
Other finance costs:		
Unwind of discount on provisions	2 655	3 909
Other finance costs	4 336	1 912
	6 991	**5 821**
	47 576	**58 398**

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:		
Current year	131 280	75 056
Adjustment for prior years	(24 056)	(4 789)
	107 224	**70 267**
Deferred tax expense:		
Origination and reversal of temporary differences	40 010	(32 536)
	40 010	**(32 536)**
Tax expense recognised in the statement of profit or loss	**147 234**	**37 731**

(all amounts in PLN thousand unless otherwise stated)

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	**839 082**	**303 539**
Tax using the Group's domestic tax rate	159 426	57 672
Effect of tax rates in foreign jurisdictions	(243)	(1 238)
Tax exempt income (+/-)	(2 451)	(1 100)
Non deductible expenses (+/-)	11 717	10 976
Tax effect of previously unrecognised tax losses(+/-)	(501)	(1 326)
Recognition of investment tax credits (-)	(14 129)	(27 083)
Change in recognised deductible temporary differences	1 108	-
Other(+/-)	(7 693)	(170)
Tax expense in the statement profit or loss	**147 234**	**37 731**
Effective tax rate	**17.5%**	**12.4%**

The effective tax rate in 2015 of 17.5% results from tax adjustments for prior years and recognition of deferred tax assets on investment tax credit resulting from Grupa Azoty PUŁAWY's activities in the special economic zone and based on the capital expenditures made in the special economic zone. The effective tax rate in 2014 of 12.4% results mainly from the recognition of deferred tax assets relating to the investment tax credit.

Note 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 (+/-)	**(1 309)**	**(4 420)**
Revaluation of liabilities from defined benefit plans	(1 309)	(4 420)
Tax on items that are or may be reclassified to profit or loss (+/-)	**-**	**(559)**
Change in fair value of available-for-sale financial assets	-	(559)
Tax expense recognised in other comprehensive income	**(1 309)**	**(4 979)**

(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	(83 773)	(87 814)	458 082	436 104
Investment property	(1 056)	-	5 811	6 108
Intangible assets	(7 213)	(7 637)	81 413	84 201
Financial assets	(12 870)	(13 852)	21 315	21 101
Inventories	(11 250)	(24 310)	31 655	24 872
Trade and other receivables	(1 482)	(3 153)	2 933	1 430
Trade and other payables	(32 530)	(36 377)	301	203
Other assets	(609)	(1 552)	113	329
Employee benefits	(75 010)	(74 668)	19	-
Provisions	(83 696)	(57 007)	-	-
Other financial payables	(1 101)	(709)	629	-
Investment tax credits	(80 502)	(91 059)	-	-
Tax losses carried forward	(29 310)	(30 428)	-	-
Other	(6 067)	(10 408)	7 297	9 377
Deferred tax assets(-)/liabilities(+)	**(426 469)**	**(438 974)**	**609 568**	**583 725**
Offsetting	**363 700**	**352 033**	**(363 700)**	**(352 033)**
Deferred tax liabilities recognised in the statement of financial position (+)	**(62 769)**	**(86 941)**	**245 868**	**231 692**

As at 31 December 2015, the Group presented deferred tax assets of PLN 29 225 thousand (31 December 2014: PLN 30 428 thousand) resulting from tax losses carried forward which were considered probable to be utilised based on the forecast of the future taxable profits. The Group entities will be allowed to settle the losses in the following years:

Loss for the period	**Amount**	**Settlement**
2013	11 206	2016 - 2018
2014	16 074	2016 - 2019
2015	2 030	2016 - 2020
	29 310	

(all amounts in PLN thousand unless otherwise stated)

Note 7.5 Change in temporary differences

	Balance at 01.01.2015	Movement in deferred tax balances recognised in (+/-): Profit or loss	Other comprehensive income	Foreign currency translation differences recognized in other comprehensive income	Balance at 31.12.2015
Property, plant and equipment	348 290	26 301	-	(282)	374 309
Investment property	6 108	(1 353)	-	-	4 755
Intangible assets	76 564	(2 392)	-	28	74 200
Financial assets	7 249	1 196	-	-	8 445
Inventories	562	19 849	-	(6)	20 405
Trade and other receivables	(1 723)	3 178	-	(4)	1 451
Trade and other payables	(36 174)	3 964	-	(19)	(32 229)
Other assets	(1 223)	733	-	(6)	(496)
Employee benefits	(74 668)	1 003	(1 309)	(17)	(74 991)
Provisions	(57 007)	(26 593)	-	(96)	(83 696)
Other financial payables	(709)	237	-	-	(472)
Investment tax credits	(91 059)	10 557	-	-	(80 502)
Tax losses	(30 428)	1 073	-	45	(29 310)
Other	(1 031)	2 257	-	4	1 230
Deferred tax assets(-)/liabilities(+)	**144 751**	**40 010**	**(1 309)**	**(353)**	**183 099**

(all amounts in PLN thousand unless otherwise stated)

	Movement in deferred tax balances recognised in (+/-)				
	Balance at 01.01.2014	Profit or loss	Other comprehensive income	Foreign currency translation differences recognized in other comprehensive income	Balance at 31.12.2014
Property, plant and equipment	346 312	43	-	1 935	348 290
Investment property	5 941	167	-	-	6 108
Intangible assets	94 650	(17 940)	-	(146)	76 564
Financial assets	11 553	(3 745)	(559)	-	7 249
Inventories	(2 373)	2 922	-	13	562
Trade and other receivables	3 052	(4 778)	-	3	(1 723)
Trade and other payables	(17 269)	(18 908)	-	3	(36 174)
Other assets	(413)	(816)	-	6	(1 223)
Employee benefits	(68 226)	(2 019)	(4 420)	(3)	(74 668)
Provisions	(53 804)	(3 200)	-	(3)	(57 007)
Other financial payables	(256)	(453)	-	-	(709)
Investment tax credits	(79 544)	(11 515)	-	-	(91 059)
Tax losses carried forward	(63 767)	33 408	-	(69)	(30 428)
Other	4 672	(5 702)	-	(1)	(1 031)
Deferred tax assets(-)/liabilities(+)	**180 528**	**(32 536)**	**(4 979)**	**1 738**	**144 751**

(all amounts in PLN thousand unless otherwise stated)

Note 7.6 Unrecognised deferred tax assets/liabilities

The Group has not recognised deferred tax assets related to the following titles:

	As at 31.12.2015	As at 31.12.2014
Tax losses	2 985	428
Unused tax credits	5 500	-
Temporary differences	1 471	1 165
	9 956	**1 593**

Note 8 Discontinued operations

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Revenue	-	1
Operating expenses	-	(70)
Other operating expenses	-	(684)
Loss before tax from discontinued operations	**-**	**(753)**

Note 9 Earnings per share

The calculation of basic earnings per share was based on the net profit attributable to ordinary shareholders of the Parent Company and a weighted average number of ordinary shares outstanding at period end 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	609 499	**231 350**
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)	6.14	2.33
Diluted (PLN)	6.14	2.33

Diluted earnings per share

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

(all amounts in PLN thousand unless otherwise stated)

Note 10 Property, plant and equipment

Carrying amounts

	As at 31.12.2015	As at 31.12.2014*
Land	516 801	520 207
Mineral deposits	328 793	332 848
Buildings and structures	1 881 080	1 815 832
Technical devices and machines	2 595 316	2 444 008
Vehicles	127 669	133 164
Other	109 451	105 316
	5 559 110	**5 351 375**
Property, plant and equipment under construction	870 657	553 731
	6 429 767	**5 905 106**

* Financial information restated as presented in point 2.3.1 of the notes to the consolidated financial statements

(all amounts in PLN thousand unless otherwise stated)

Carrying amounts of property, plant and equipment

	Land	Mineral deposits	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Total
Carrying amount at 01.01.2015	**520 207**	**332 848**	**1 815 832**	**2 444 008**	**133 164**	**105 316**	**553 731**	**5 905 106**
Additions, including:	***4 099***	***-***	***195 499***	***476 239***	***27 029***	***28 520***	***1 013 308***	***1 744 694***
Additions through purchases, construction, transfer to use	3 724	-	190 230	455 596	19 395	28 478	1 010 740	1 708 163
Additions through lease agreements	-	-	-	1 124	7 617	39	886	9 666
Reversal of impairment loss	-	-	575	2 682	17	3	150	3 427
Reclassification from investment property	356	-	3 054	22	-	-	-	3 432
Other additions	19	-	1 640	16 815	-	-	1 532	20 006
Deductions, including: (-)	***(7 505)***	***(4 055)***	***(130 251)***	***(324 931)***	***(32 524)***	***(24 385)***	***(696 382)***	***(1 220 033)***
Depreciation	(6 569)	(2 785)	(106 234)	(282 771)	(21 523)	(24 062)	-	(443 944)
Disposals	(463)	-	(276)	(1 100)	(287)	(34)	(248)	(2 408)
Liquidation	(23)	-	(1 500)	(7 380)	(2 019)	(32)	(65)	(11 019)
Transfer to use	-	-	-	-	-	-	(687 096)	(687 096)
Recognised impairment loss	(357)	-	(16 084)	(29 787)	(8 417)	(149)	(4 608)	(59 402)
Reclassification to investment property	-	-	(559)	-	-	-	(1 288)	(1 847)
Effect of movements in exchange rates	-	(1 270)	(11)	(85)	(5)	(3)	-	(1 374)
Other deductions	(93)	-	(5 587)	(3 808)	(273)	(105)	(3 077)	(12 943)
Carrying amount at 31.12.2015	**516 801**	**328 793**	**1 881 080**	**2 595 316**	**127 669**	**109 451**	**870 657**	**6 429 767**

(all amounts in PLN thousand unless otherwise stated)

	Land	Mineral deposits	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Total
Carrying amount at 01.01.2014	**507 367**	**336 840**	**1 772 736**	**2 422 371**	**138 409**	**91 740**	**466 915**	**5 736 378**
Additions, including:	***22 221***	***7 490***	***187 898***	***343 145***	***17 001***	***38 895***	***642 593***	***1 259 243***
Additions through purchases, construction, transfer to use	4 018	-	171 757	335 434	12 582	38 245	640 188	1 202 224
Acquisitions through business combinations	17 235	-	47	100	361	127	-	17 870
Additions through lease agreements	-	-	-	3 550	4 015	503	880	8 948
Reversal of impairment loss	136	-	9 934	1 459	5	8	-	11 542
Reclassification from investment property	-	-	1 997	-	-	-	-	1 997
Effect of movements in exchange rates	28	7 490	321	1 724	28	12	-	9 603
Other additions	804	-	3 842	878	10	-	1 525	7 059
Deductions, including: (-)	***(9 381)***	***(11 482)***	***(144 802)***	***(321 508)***	***(22 246)***	***(25 319)***	***(555 777)***	***(1 090 515)***
Depreciation	(6 312)	(11 482)	(111 955)	(283 075)	(20 358)	(24 860)	-	(458 042)
Disposals	(3 046)	-	(12 280)	(2 536)	(868)	(15)	-	(18 745)
Liquidation	(23)	-	(2 841)	(4 358)	(507)	(166)	(96)	(7 991)
Transfer to use	-	-	-	-	-	-	(554 458)	(554 458)
Recognised impairment loss	-	-	(13 654)	(28 580)	(121)	(270)	(787)	(43 412)
Reclassification to investment property	-	-	(4 072)	-	-	-	(436)	(4 508)
Effect of movements in exchange rates	-	-	-	-	-	-	-	-
Other deductions	-	-	-	(2 959)	(392)	(8)	-	(3 359)
Carrying amount at 31.12.2014	**520 207**	**332 848**	**1 815 832**	**2 444 008**	**133 164**	**105 316**	**553 731**	**5 905 106**

(all amounts in PLN thousand unless otherwise stated)

Gross carrying amount of property, plant and equipment

	Land	Mineral deposits	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Total
Balance at 31.12.2015								
Gross carrying amount	541 473	345 615	2 713 957	4 549 017	255 650	223 629	927 000	9 556 341
Accumulated depreciation (-)	(23 035)	(16 822)	(784 502)	(1 845 895)	(82 917)	(113 714)	-	(2 866 885)
Impairment loss (-)	(1 637)	-	(48 375)	(107 806)	(45 064)	(464)	(56 343)	(259 689)
Carrying amount at 31.12.2015	**516 801**	**328 793**	**1 881 080**	**2 595 316**	**127 669**	**109 451**	**870 657**	**6 429 767**
Balance at 31.12.2014								
Gross carrying amount	537 957	346 939	2 523 629	4 100 255	240 582	193 582	605 616	8 548 560
Accumulated depreciation (-)	(16 470)	(14 091)	(674 932)	(1 575 546)	(70 754)	(87 947)	-	(2 439 740)
Impairment loss (-)	(1 280)	-	(32 865)	(80 701)	(36 664)	(319)	(51 885)	(203 714)
Carrying amount at 31.12.2014	**520 207**	**332 848**	**1 815 832**	**2 444 008**	**133 164**	**105 316**	**553 731**	**5 905 106**

(all amounts in PLN thousand unless otherwise stated)

Impairment losses

	Land	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Total
Impairment loss at 01.01.2015	1 280	32 866	80 701	36 664	318	51 885	203 714
Impairment recognised in the statement of profit or loss	357	16 084	29 787	8 417	149	4 608	59 402
Reversal/ utilisation of impairment recognised in the statement of profit or loss (-)	-	(575)	(2 682)	(17)	(3)	(150)	(3 427)
Impairment loss at 31.12.2015	**1 637**	**48 375**	**107 806**	**45 064**	**464**	**56 343**	**259 689**
Impairment loss at 01.01.2014	**1 416**	**29 146**	**53 580**	**36 548**	**56**	**51 098**	**171 844**
Impairment recognised in the statement of profit or loss	-	13 654	28 580	121	270	787	43 412
Reversal / utilisation of impairment recognised in the statement of profit or loss (-)	(136)	(9 934)	(1 459)	(5)	(8)	-	(11 542)
Impairment loss at 31.12.2014	**1 280**	**32 866**	**80 701**	**36 664**	**318**	**51 885**	**203 714**

In the reporting period, the Group recognised impairment loss on property, plant and equipment of PLN 59 402 thousand (2014: PLN 43 412 thousand) presented in other operating expenses. The amount consists of:

- impairment loss for property, plant and equipment related to the fat processing plant (Chemicals Segment) in the total amount of PLN 18 405 thousand, including mainly buildings and structures of PLN 7 858 thousand and technical devices and machines of PLN 9 493 thousand. The impairment loss was recognised mainly due to the negative performance of the plant and the decrease in the forecasted future cash flows resulting from: operating below full capacity, a significant decrease in the main product's prices - stearin, an increase in the main raw material's prices - animal fat and strong competition from the Asian market using palm oil in production. The recoverable amount of the plant amounts to PLN 52 740 thousand and was determined as a value in use, with the nominal weighted average cost of capital of 7.85% calculated post-tax;

- impairment loss for property, plant and equipment related to the carbon disulphide plant, the sodium sulphide plant, tankers and transport containers for carbon disulphide (Chemicals Segment) in the total amount of PLN 13 245 thousand, including mainly buildings and structures of PLN 1 982 thousand, technical devices and machines of PLN 3 110 thousand and vehicles of PLN 8 079 thousand. The impairment loss was recognised following the decision to stop the production of carbon disulphide due to the low market capacity and inability to sell the volumes guaranteeing the profitability of production. The recoverable amount is nil and was estimated based on its fair value less the costs of disposal. It is estimated that the proceeds from their scrapping and removal will cover the expected costs of dismantling. The fair value measurement was categorized as a Level 3 fair value.

- impairment loss for property, plant and equipment and intangible assets of cyclohexanone from benzene plant (Plastics segment) in the amount of PLN 12 125 thousand including mainly technical devices and machines of PLN 11 535 thousand. The installation producing cyclohexanone from benzene comprises the equipment used in the production of cyclohexanone, a material used in the production of caprolactam. An impairment loss was recognised due to the changes in the Group's business model concerning production of plastics, related completion of the investment in the installation producing cyclohexanone from phenol, limited potential for selling the cyclohexanone on the market and the decision to close plant producing cyclohexanone from benzene in 2016. The recoverable amount of the assets was estimated based on their fair value less the costs of disposal and amounts to PLN 2 291 thousand as at 31 December 2015. 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. For the remaining assets, it is estimated that the proceeds from their scrapping and removal will cover the expected costs of dismantling;

- impairment loss for the unused plant of phthalic anhydride (Other Segments) in the amount of PLN 7 876 thousand, including buildings and structures of PLN 3 204 thousand and technical devices and machines of PLN 4 672 thousand. The increase in the impairment loss (in 2014, the Group recognised an impairment loss for the plant of PLN 40 267 thousand) results from the change in the estimate of the plant's recoverable amount, determined based on fair value less the costs of disposal. As at 31 December 2015 the recoverable amount was PLN 2 249 thousand (as at 31 December 2014: PLN 11 873 thousand). The fair value measurement was categorized as a Level 3 fair value.

Other impairment losses concerned property, plant and equipment which are not in use and will be put into liquidation in the foreseeable future or will be physically liquidated. 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 (Plastics segment) may cease to exist and needs to be reversed.

Property, plant and equipment under construction

The most significant items of property, plant and equipment under construction included:

- Construction of the New Heat and Power Plant in Grupa Azoty ZAK S.A. which is to restore heat and power production capacity using solutions complying with the increasing environmental requirements. As at the 31 December 2015, the capitalised expenditures amounted to PLN 199 651 thousand (31 December 2014: PLN 65 549 thousand),
- Exhaust gas treatment system and modernization of ECII power plant in Grupa Azoty POLICE which is to adapt the plant to EU IED Directive. As at the 31 December 2015, the capitalised expenditures amounted to PLN 117 914 thousand (31 December 2014: PLN 60 294 thousand),
- Construction of Polyamide Plant II in the Parent Company. As at the 31 December 2015, the capitalised expenditures amounted to PLN 60 948 thousand (31 December 2014: PLN 2 325 thousand),
- Construction of Granulation Plant II in the Parent Company. As at the 31 December 2015, the capitalised expenditures amounted to PLN 30 336 thousand (31 December 2014: PLN 5 532 thousand),
- Construction of fertilizers warehouse with a capacity of 10 000 tones and associated equipment in the Parent Company. As at the 31 December 2015, the capitalised expenditures amounted to PLN 41 753 thousand (31 December 2014: PLN 10 621 thousand),
- Construction of extraction-condensing turbine set in EC-20 Mw in the Parent Company. As at the 31 December 2015, the capitalised expenditures amounted to PLN 29 704 thousand (31 December 2014: PLN 265 thousand),
- Modernization of ammonia plant in Grupa Azoty POLICE. As at the 31 December 2015, the capitalised expenditures amounted to PLN 29 497 thousand (31 December 2014: nil),
- Construction of a PDH propylene production unit in Grupa Azoty POLICE. As at the 31 December 2015, the capitalised expenditures amounted to PLN 21 277 thousand (31 December 2014:nil).

(all amounts in PLN thousand unless otherwise stated)

Leased assets

	As at 31.12.2015	As at 31.12.2014
Carrying amount of assets leased under finance lease	21 890	29 733

The Group leases under finance leases mainly computers, IT infrastructure, catalysts and vehicles including locomotives, carriages, passenger cars and fork lifts.

Security

As at 31 December 2015, the carrying amount of property, plant and equipment pledged as security for bank loans amounted to PLN 26 120 thousand (31 December 2014: PLN 555 860 thousand).

Liability title / type of security	As at 31.12.2015	As at 31.12.2014
Bank loan/ mortgage	21 184	199 334
Bank loan/ registered pledge	4 936	354 646
Bank loan/ transfer of ownership	-	1 880
	26 120	**555 860**

In 2015, Grupa Azoty implemented a New Financing program, which includes: Revolving Loan Agreement, Intercompany Financing Agreement, Loan Agreements with the EBRD and the EIB. In result, the majority of pledges on the Group's assets has been released.

Note 10.1 Property, plant and equipment held for sale

	As at 31.12.2015	As at 31.12.2014
Land	95	107
Buildings and structures	245	-
Property, plant and equipment under construction	2 783	-
	3 123	**107**

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	**54 968**	**53 374**
Additions, including:	***6 373***	***6 832***
Acquisition, construction, subsequent expenditures	1 024	2 106
Reversal of impairment loss	14	-
Reclassification from other groups of assets	1 847	4 508
Other additions	3 488	218
Deductions, including:(-)	***(9 137)***	***(5 238)***
Depreciation (-)	(5 527)	(2 810)
Disposals, liquidation	(20)	(307)
Impairment loss	(14)	-
Reclassification to other groups of assets	(3 432)	(1 997)
Other deductions	(144)	(124)
Carrying amount at the end of the period	**52 204**	**54 968**

(all amounts in PLN thousand unless otherwise stated)

Revenue from lease of investment properties in 2015 amounted to PLN 13 844 thousand (2014: PLN 14 036 thousand).

Note 12 Intangible assets

Carrying amounts

	As at 31.12.2015	As at 31.12.2014
Trademarks	88 788	88 788
Brand name	130 545	130 545
Customers portfolio	84 729	105 020
Patents and licences	98 169	98 724
Computer software	33 549	31 945
Development costs	7 848	2 209
Other intangible assets	7 375	6 269
	451 003	**463 500**
Intangible assets under construction	27 212	17 728
Exploration for and evaluation of mineral resources	54 583	28 736
	532 798	**509 964**

As at 31 December 2015, the carrying amount of the trademarks recognised on acquisition of Grupa Azoty POLICE amounted to PLN 55 688 thousand (31 December 2014: PLN 55 688 thousand). As at 31 December 2015, the carrying amount of the trademarks recognised on acquisition of Grupa Azoty PUŁAWY amounted to PLN 33 100 thousand (31 December 2014: PLN 33 100 thousand). Trademarks are not amortised. The Group assumed the indefinite useful life of trademarks due to their long-term existence on the market and lack of plans of their modification or replacement in the future.

As at 31 December 2015, the carrying amount of the brand name "POLICE" was PLN 25 545 thousand (31 December 2014: PLN 25 545 thousand), and of the brand name "PUŁAWY" was PLN 105 000 thousand (31 December 2014: PLN 105 000 thousand). Brand names, similarly as trademarks, are not amortised.

Information on impairment tests performed for intangible assets with indefinite useful lives was presented in Note 12.1.

As at the 31 December 2015, the value of customers portfolio mainly results from customers of Fertilizers-Agro segment. Customers portfolios were recognised on acquisition of Grupa Azoty POLICE and Grupa Azoty PUŁAWY. As at 31 December 2015, the carrying amount of the customers portfolio recognised on acquisition of Grupa Azoty PUŁAWY amounted to PLN 83 630 thousand (31 December 2014: PLN 103 371 thousand), which are going to be amortised over 4 years. The remaining part of customers portfolio was recognised on acquisition of Grupa Azoty POLICE and amounts to PLN 1 099 thousand (31 December 2014: PLN 1 649 thousand).

As at 31 December 2015, the most significant licenses comprised: licence for OXO alcohols production of PLN 24 971 thousand (31 December 2014: PLN 26 755 thousand), licence for production of nitrous acid of PLN 9 408 thousand (31 December 2014: PLN 9 777 thousand) and SAP licence of PLN 31 605 thousand (31 December 2014: PLN 31 216 thousand).

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

The amortisation of intangible assets is generally allocated to the administrative expenses.

(all amounts in PLN thousand unless otherwise stated)

Carrying amounts of intangible assets

	Trademarks	Brand name	Customers portfolio	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Exploration for and evaluation of mineral resources	Total
Carrying amount at 01.01.2015	**88 788**	**130 545**	**105 020**	**98 724**	**31 945**	**2 209**	**6 269**	**17 728**	**28 736**	**509 964**
Additions, including:	***-***	***-***	***-***	***8 177***	***7 922***	***5 873***	***2 030***	***26 169***	***25 847***	***76 018***
Additions through purchases, construction, transfer to use	-	-	-	8 171	7 922	2 829	2 030	26 040	25 642	72 634
Effect of movements in exchange rates	-	-	-	-	-	-	-	-	205	205
Other additions	-	-	-	6	-	3 044	-	129	-	3 179
Deductions, including:(-)	***-***	***-***	***(20 291)***	***(8 732)***	***(6 318)***	***(234)***	***(924)***	***(16 685)***	***-***	***(53 184)***
Amortisation	-		(20 291)	(8 691)	(5 420	(233)	(704)			(35 339)
Sales	-	-	-	(41)	-	-	-	-	-	(41)
Liquidation	-	-	-	-	(10)		-	-	-	(10)
Transfer to use	-	-	-	-	-	-	-	(16 685)	-	(16 685)
Impairment loss	-	-	-	-	(886)	-	(219)	-	-	(1 105)
Effect of movements in exchange rates	-	-	-	-	(1)	(1)	(1)	-	-	(3)
Other deductions	-	-	-	-	(1)			-	-	(1)
Carrying amount at 31.12.2015	**88 788**	**130 545**	**84 729**	**98 169**	**33 549**	**7 848**	**7 375**	**27 212**	**54 583**	**532 798**

(all amounts in PLN thousand unless otherwise stated)

	Trademarks	Brand name	Customers portfolio	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Exploration for and evaluation of mineral resources	Total
Carrying amount at 01.01.2014	**88 788**	**130 545**	**150 067**	**97 403**	**27 367**	**2 471**	**6 061**	**13 046**	**3 532**	**519 280**
Additions, including:			***748***	***9 607***	***9 089***	***-***	***996***	***20 264***	***25 204***	***65 908***
Additions through purchases, construction, transfer to use	-	-	-	9 558	9 066	-	972	20 114	24 657	64 367
Acquisitions through business combinations	-	-	748	22	2	-	-	-	-	772
Effect of movements in exchange rates	-	-	-	-	4	-	24	-	547	575
Other additions	-	-	-	27	17	-	-	150	-	194
Deductions, including:(-)	***-***	***-***	***(45 795)***	***(8 286)***	***(4 511)***	***(262)***	***(788)***	***(15 582)***	***-***	***(75 224)***
Amortisation	-	-	(45 795)	(8 286)	(4 412)	(262)	(569)	-	-	(59 324)
Liquidation	-	-	-	-	(99)	-	-	(23)	-	(122)
Transfer to use	-	-	-	-	-	-	-	(15 489)	-	(15 489)
Impairment loss	-	-	-	-	-	-	(54)	(70)	-	(124)
Other deductions	-	-	-	-	-	-	(165)	-	-	(165)
Carrying amount at 31.12.2014	**88 788**	**130 545**	**105 020**	**98 724**	**31 945**	**2 209**	**6 269**	**17 728**	**28 736**	**509 964**

(all amounts in PLN thousand unless otherwise stated)

Gross carrying amounts of intangible assets

	Trademarks	Brand name	Customers portfolio	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Exploration for and evaluation of mineral resources	Total
Gross carrying amount	88 788	130 545	204 748	147 569	56 766	10 489	10 876	27 282	54 583	731 646
Accumulated amortisation (-)	-	-	(120 019)	(42 700)	(22 321)	(2 486)	(2 823)	-	-	(190 349)
Impairment loss (-)	-	-	-	(6 700)	(896)	(155)	(678)	(70)	-	(8 499)
Carrying amount at 31.12.2015	**88 788**	**130 545**	**84 729**	**98 169**	**33 549**	**7 848**	**7 375**	**27 212**	**54 583**	**532 798**
Gross carrying amount	88 788	139 995	204 748	139 563	49 278	4 617	8 888	17 798	28 736	682 411
Accumulated amortisation (-)	-	(9 450)	(99 728)	(34 139)	(17 323)	(2 253)	(2 121)	-	-	(165 014)
Impairment loss (-)	-	-	-	(6 700)	(10)	(155)	(498)	(70)	-	(7 433)
Carrying amount at 31.12.2014 restated	**88 788**	**130 545**	**105 020**	**98 724**	**31 945**	**2 209**	**6 269**	17 728	**28 736**	**509 964**

Impairment losses

	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
Impairment loss at 01.01.2015	**6 700**	**8**	**155**	**482**	**70**	**7 415**
Impairment recognised in profit or loss	-	886	-	219	-	1 105
Impairment loss at 31.12.2015	**6 700**	**894**	**155**	**701**	**70**	**8 520**
Impairment loss at 01.01.2014	6 700	110	155	569	-	**7 534**
Impairment recognised in profit or loss	-	-	-	54	70	124
Reversal of impairment loss recognised in profit or loss	-	(102)	-	(141)	-	(243)
Impairment loss at 31.12.2014	**6 700**	**8**	**155**	**482**	70	**7 415**

(all amounts in PLN thousand unless otherwise stated)

Significant expenditures on intangible assets under construction

Most significant expenditures on intangible assets under constructions include among others:

- Licence for Installation of Mechanical Granulation II in the Parent Company. As at the 31 December 2015, the capitalised expenditures amounted to PLN 1 000 thousand (31 December 2014: PLN 1 000 thousand),
- Licence OLEFLEX and SHP for PDH propylene production unit in the amount of PLN 11 315 thousand (31 December 2014: nil),
- Licence for the technology of the plant of ammonia modernisation in the amount of PLN 4 058 thousand (31 December 2014: nil).

Note 12.1 Goodwill

	As at 31.12.2015	As at 31.12.2014
Acquisition of Grupy Azoty POLICE	9 124	9 124
Acquisition of ZAKSA S.A.	2 493	2 493
Acquisition of Unibaltic Agro Sp. z o.o.	933	983
	12 550	12 600

Recoverable amount of CGU including goodwill and intangible assets with indefinite useful lives

Grupa Azoty POLICE

For the purpose of impairment testing, goodwill and intangible assets with indefinite useful lives are allocated to the group of CGUs including CGU Fertilizers and CGU Pigments in Grupa Azoty POLICE. The corporate assets in the Supporting Departments and Administration were allocated to the segments on an indirect basis. The most reasonable way of allocating corporate assets for the Supporting Departments was the cost basis whereas for Administration was the revenue basis.

The total carrying amount of intangible assets with indefinite useful lives and goodwill allocated to the group of CGUs in Grupa Azoty POLICE on 31 December 2015 was PLN 90 357 thousand (31 December 2014: 90 357 thousand).

The recoverable amount was based on value in use, determined at the group of CGUs level, i.e. Fertilizers and Pigments to which goodwill and intangible assets with indefinite useful lives were allocated. Value in use in 2015 was determined in a similar manner as in 2014.

The estimated future cash flows were prepared using the detailed financial forecasts for years 2016-2020. The forecast was limited to the estimate of the results on sales, excluding other income and expenses, finance income and costs and income tax. The forecast was prepared in real terms, i.e. excluding the impact of inflation. The currency exchange rates as of the reporting date were used in the forecast, i.e. for 3.9011 USD and for 4.2615 EUR (2014: for 3.5072 USD and 4.2623 for EUR).

Residual value was determined by extrapolating the free cash flows forecast beyond the 5 year detailed forecast and assuming an adequate growth rate.

The discount rate used was a nominal, pre-tax measure reflecting the weighted average cost of capital (WACC) amounting to 7.59% (2014: 7.72%)

The value in use of the CGUs as at the test date, i.e. 31 December 2015 amounted to:

- CGU Fertilizers PLN 879 948 thousand (31 December 2014: PLN 699 575 thousand),
- CGU Pigments PLN 215 865 thousand (31 December 2014: PLN 210 145 thousand),

Total PLN 1 095 813 thousand (31 December 2014: PLN 909 720 thousand).

The estimated recoverable amount exceeds the assets carrying amount.

(all amounts in PLN thousand unless otherwise stated)

Grupa Azoty PUŁAWY

The intangible assets with indefinite useful lives were allocated to the CGU Fertilizers-Agro in Grupa Azoty PUŁAWY for the purpose of impairment testing. The total carrying amount of intangible assets with indefinite useful lives as at 31 December 2015 amounted to PLN 138 100 thousand (31 December 2014: PLN 138 100 thousand). The recoverable amount was based on value in use.

The future cash flows were estimated based on the 5-year financial forecast of Grupa Azoty PUŁAWY.

The following significant assumptions were made:

- the business will continue for an indefinite period in the future,
- EBITDA margin will amount to 15.5% in 2016 and will range from 11.7 to 15% in the following years (in 2014 it was estimated in the range from 13 to 18%),
- the total volume of sales of fertilizers will be comparable to the volume realised in the past,
- the corporate assets of Grupa Azoty PUŁAWY were allocated to the CGUs on an indirect basis. The cost ratios were determined to by the most rational allocation ratios for corporate assets,
- the growth rate in terminal period will amount to 1.6% (in 2014: 2.5%).

The discount rate used was a nominal, post-tax measure reflecting the weighted average cost of capital (WACC) amounting to 7.85% (2014: 8.09%)

The value in use of the CGU Fertilizers-Agro as at 31 December 2015 and 31 December 2014 exceeded the carrying amount of the tested assets.

Note 13 Financial assets

Note 13.1 Investments in subordinated entities

	As at 31.12.2015	As at 31.12.2014
Investments in associates	107 603	106 407
Investments in unconsolidated entities	3 492	4 435
	111 095	**110 842**
Thereof:		
Non-current	111 095	110 842
	111 095	**110 842**

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	**110 842**	**128 944**
Additions, including:	*2 254*	*2 762*
Purchases of shares	839	10
Other additions	1 415	2 752
Deductions, including:(-)	***(2 001)***	***(20 864)***
Disposals, liquidation	(1 767)	(2 673)
Deductions due to business combinations	-	(15 961)
Reclassification	(15)	-
Impairment loss	-	(1 045)
Other deductions	(219)	(1 185)
Carrying amount at the end of the period	**111 095**	**110 842**

(all amounts in PLN thousand unless otherwise stated)

The Group holds shares in 5 individually insignificant associates, accounted for using the equity method.

The Group's share of profit in its equity-accounted investees amounted to PLN 13 737 thousand (2014: PLN 13 940 thousand) and in other comprehensive income to PLN 0 thousand (2014 PLN: 0 thousand). In 2015, the Group received dividends from the equity accounted investees of PLN 12 711 thousand (2014: PLN 11 153 thousand).

Note 13.2 Available-for-sale financial assets

	As at 31.12.2015	As at 31.12.2014
Shares in other entities	12 370	12 371
	12 370	**12 371**
Thereof:		
Non-current	12 370	12 371
	12 370	**12 371**

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	12 371	33 499
Additions, including:	*167*	*22*
Acquisitions through business combinations	152	-
Reversal of impairment loss	-	22
Other additions	15	-
Deductions, including: (-)	***(168)***	***(21 150)***
Sales, liquidation	-	(20 297)
Impairment loss	-	(458)
Other deductions	(168)	(395)
Carrying amount at the end of the period	**12 370**	**12 371**

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	**19 321**	**18 928**
Utilisation of impairment loss in other entities	(8 831)	(65)
Recognition of impairment in unconsolidated subsidiaries	-	458
Balance at the end of the period	**10 490**	**19 321**

The use of impairment loss in the amount of PLN 8 831 thousand is related to the completion of the liquidation and bankruptcy proceedings of companies in which the Group is a minority shareholder, and the derecognition of shares for which an impairment loss has been recognised in previous years.

(all amounts in PLN thousand unless otherwise stated)

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	4 174	3 873
Loans	14 260	1 396
Bank deposits for over 3 months	487 573	81 359
Other	1 225	910
	507 232	**87 538**
Thereof:		
Non-current	4 347	19 054
Current	502 885	68 484
	507 232	**87 538**

Note 14 Other assets

	As at 31.12.2015	As at 31.12.2014
Insurance	16 424	14 669
Subscriptions	1 047	655
Development costs	-	3 044
Advertising	1 243	2 036
Drillings	9 159	-
Other	9 400	8 389
	37 273	**28 793**
Thereof:		
Non-current	5 226	4 675
Current	32 047	24 118
	37 273	**28 793**

Note 15 Inventories

	As at 31.12.2015	As at 31.12.2014*
Finished goods	222 906	324 629
Semi-finished products, work in progress	146 671	205 728
Raw materials	560 811	602 274
Merchandises	28 381	9 473
Emission rights	221 830	190 840
Other	-	10 569
Total inventory, including:	**1 180 599**	**1 343 513**
Carrying amount of inventories at net realisable value	*66 611*	*34 606*
Carrying amount of inventories securing liabilities	-	*109 141*

* Financial information restated as presented in point 2.3.1 of the notes to the consolidated financial statements

(all amounts in PLN thousand unless otherwise stated)

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014*
Raw materials and energy used	5 619 255	6 143 389
Change in inventories of finished goods and work in progress (+/-)	142 803	19 821
Amount of inventories recognised as an expense in the period	**5 762 058**	**6 163 210**

* Financial information restated as presented in point 2.3.1 of the notes to the consolidated financial statements

	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	50 357	72 654
Write-downs used/reversed in the period	(45 088)	(68 891)
	5 269	**3 763**

	As at 31.12.2015	na dzień 31.12.2014
Inventories write-downs	50 432	45 163

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

Note 15.1 CO2 emission rights

CO2 emission rights owned (number of units)	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 (units owned)	**8 882 174**	**3 989 933**
Redeemed	(7 883 176)	(7 943 092)
Allocated	4 829 503	9 999 186
Acquired	1 923 658	2 836 147
Balance at the end of the period (units owned and recognised as receivable)	**7 752 159**	**8 882 174**
Emission in the reporting period	7 892 470	7 851 644

In 2016, due to the realisation of investment expenditures in years 2013-2015, the Group will additionally receive 492 158 CO_2 emission rights. As at 31 December 2015, the rights have not yet been registered in the Group's account.

(all amounts in PLN thousand unless otherwise stated)

Note 16 Trade and other receivables

	As at 31.12.2015	As at 31.12.2014* restated
Trade receivables - related parties	278	167
Trade receivables - other parties	724 812	830 977
Tax receivables other than current tax assets	242 305	303 808
Construction contracts in progress - related parties	-	1 070
Construction contracts in progress - other parties	2 619	1 163
Advances paid - other parties	88 938	75 049
Other receivables - related parties	29	2
Other receivables - other parties	21 108	18 030
	1 080 089	**1 230 266**
Thereof:		
Non-current	1 797	2 932
Current	1 078 292	1 227 334
	1 080 089	**1 230 266**

* Financial information restated as presented in point 2.3.1 of the notes to the consolidated 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	**74 324**	**78 665**
Additions, including:	***8 057***	***11 781***
Impairment loss on trade receivables - related parties	6	10
Impairment loss on trade receivables - other parties	7 055	6 024
Impairment loss on construction contracts in progress - other parties	573	-
Impairment loss on other receivables - related parties	15	21
Impairment loss on other receivables - other parties	408	5 705
Assumed in business combinations	-	21
Deductions, including: (-)	***(18 902)***	***(16 122)***
Trade receivables written off - related parties	(32)	-
Trade receivables written off - other parties	(7 827)	(10 751)
Other receivables written off - related parties	(2)	(31)
Other receivables written off - other parties	(924)	-
Trade receivables impairment loss reversed - related parties	(17)	(172)
Trade receivables impairment loss reversed - other parties	(9 496)	(3 904)
Other receivables impairment loss reversed - other parties	(604)	(1 264)
Balance at the end of the period	**63 479**	**74 324**
Thereof:		
Non-current	1 856	3 622
Current	61 623	70 702
	63 479	**74 324**

(all amounts in PLN thousand unless otherwise stated)

Not impaired trade receivables ageing

	As at 31.12.2015	As at 31.12.2014
Not past due	644 709	710 967
Past due to 60 days	55 825	99 008
Past due 60-180 days	23 522	19 953
Past due 180-360 days	741	397
Past due more than 360 days	293	819
	725 090	**831 144**

Impaired trade and other receivables ageing structure

	As at 31.12.2015	As at 31.12.2014
Not past due	1 263	2 938
Past due to 60 days	409	2 255
Past due 60-180 days	1 801	1 572
Past due 180-360 days	1 669	2 809
Past due more than 360 days	58 337	64 750
	63 479	**74 324**

Receivables currency structure

	As at 31.12.2015	As at 31.12.2014* restated
PLN	647 766	709 190
EUR translated to PLN	295 525	323 859
USD translated to PLN	108 193	166 425
XOF translated to PLN	28 605	30 104
Other	-	688
	1 080 089	**1 230 266**
Thereof:		
Non-current	1 797	2 932
Current	1 078 292	1 227 334
	1 080 089	**1 230 266**

* Financial information restated as presented in point 2.3.1 of the notes to the consolidated financial statements

Impairment losses on receivables were recognised as it was probable they would not be collectible. Changes to impairment losses of 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.

Trade receivables in the amount of PLN 17 979 thousand (31 December 2014: PLN 13 776 thousand) secured the Group's loans.

(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	543	628
Bank balances in PLN	186 064	155 909
Bank balances in foreign currencies (translated to PLN)	112 387	105 076
Bank deposits - up to 3 months	452 637	296 346
Bank deposit - other	1 513	644
	753 144	**558 603**
Cash and cash equivalents in the statement of financial position	753 144	**558 603**
Cash and cash equivalents in the statement of cash flows	753 144	**558 603**

As at 31 December 2015, restricted cash amounted to PLN 5 506 thousand (31 December 2014: PLN 10 213 thousand).

Restricted cash consists of the funds deposited in the interest-bearing bank account to secure the realisation of open letters of credit and funds restricted in the bank account.

In 2015, the Parent Company released financial and registered pledges on certain bank accounts in PKO BP SA and an account in 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

Wartość kapitału zakładowego

	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.

(all amounts in PLN thousand unless otherwise stated)

Limitation of voting rights
As long as the State Treasury of Poland or its subsidiaries hold shares in the Parent 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.

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
The share of loans and foreign currency loans	65	-
	65	**-**

Note 18.4 Dividends

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

Note 18.5 Non-controlling Interests

The table on the following page summarises the information relating to each of the Group's subsidiaries that has material non-controlling interests. The non-controlling interests and the attributable profit or loss and other comprehensive income include non-controlling interest in the Parent Company's direct subsidiaries and their further subsidiaries.

Note 18.6 Acquisition of Non-controlling Interests

In June 2015, the court registered the share issue of Zakłady Azotowe Chorzów S.A. ("ZACh") to Grupa Azoty PUŁAWY for PLN 28 700 thousand, paid in cash. Grupa Azoty PUŁAWY increased its interest in ZACh from 85% to 92.33%. The carrying amount of ZACh's net assets at the time of the transaction amounted to approximately PLN 101 million. In December 2015, the court registered the share issue of GZNF "Fosfory" Sp. z o.o. ("Fosfory") to Grupa Azoty PUŁAWY for PLN 30 000 thousand, paid in cash. Grupa Azoty PUŁAWY increased its interest in Fosfory from 98.43% to 99.13%. The carrying amount of Fosfory's net assets at the time of the transaction amounted to approximately PLN 179 million. The Group recognised a decrease in non-controlling interest and increased its retained earnings by the total amount of PLN 3 130 thousand.

In December 2015, Grupa Azoty S.A. acquired 3.2% shares in Grupa Azoty SIARKOPOL for PLN 12 048 thousand in cash, increasing its share from 85% to 88.2%. The carrying amount of Grupa Azoty SIARKOPOL's net assets of at the time of settlement of the transaction amounted to approximately PLN 397 625 thousand. The Group recognised a decrease in non-controlling interest of PLN 12 724 thousand and increased retained earnings by PLN 676 thousand.

In total, the Group recognised a decrease in non-controlling interest of PLN 15 854 thousand and increased retained earnings by PLN 3 806 thousand.

(all amounts in PLN thousand unless otherwise stated)

Non-controlling interests

31 December 2015	Grupa Kapitałowa Grupa Azoty POLICE	Grupa Kapitałowa Grupa Azoty PUŁAWY	Grupa Kapitałowa Grupa Azoty ZAK	Grupa Azoty SIARKOPOL	Other individually insignificant subsidiaries	Total
Non-controlling interest percentage	34.0%	4.02%	6.52%	11.80%	20.31%	
Non-current assets	1 548 743	2 704 120	1 339 132	262 691		
Current assets	653 593	1 634 176	484 886	215 958		
Non-current liabilities	(392 705)	(236 786)	(279 410)	(37 919)		
Current liabilities	(551 816)	(581 247)	(344 756)	(36 542)		
Net assets	**1 257 815**	**3 520 263**	**1 199 852**	**404 188**		
Carrying amount of non-controlling interests	**489 554**	**149 822**	**78 189**	**47 343**	**4 025**	**768 933**
Revenue	2 741 689	3 809 343	1 820 116	302 621		
Profit	175 381	392 235	125 564	18 260		
Other comprehensive income	(2 115)	(2 384)	(627)	(727)		
Total profit or loss and other comprehensive income	**173 266**	**389 851**	**124 937**	**17 533**		
Profit allocated to non-controlling interests	**58 319**	**12 974**	**8 129**	**2 155**	**772**	**82 349**
Other comprehensive income allocated to non-controlling interests	**(1 008)**	**(83)**	**(41)**	**(86)**	**135**	**(1 083)**
Cash flows from operating activities	360 551	690 278	285 278	58 489		
Cash flows from investing activities	(317 577)	(641 202)	(205 510)	(26 223)		
Cash flows from financing activities	(2 583)	(116 261)	27 166	(11 342)		
Total net cash flows	**40 391**	**(67 185)**	**106 934**	**20 924**		
Dividends allocated to non-controlling interests	**14 280**	**5 411**	**3 829**	**1 650**	**406**	**25 576**

(all amounts in PLN thousand unless otherwise stated)

31 December 2014	Grupa Kapitałowa Grupa Azoty POLICE	Grupa Kapitałowa Grupa Azoty PUŁAWY	Grupa Kapitałowa Grupa Azoty ZAK	Grupa Azoty SIARKOPOL	Other individually insignificant subsidiaries	Total
Non-controlling interest percentage	34.00%	4.02%	6.52%	15.00%		
Non-current assets	1 379 416	2 699 333	1 133 103	309 139		
Current assets	704 606	1 379 360	502 513	165 410		
Non-current liabilities	(291 738)	(221 473)	(150 469)	(44 417)		
Current liabilities	(665 735)	(592 421)	(351 510)	(32 477)		
Net assets	**1 126 549**	**3 264 799**	**1 133 637**	**397 655**		
Carrying amount of non-controlling interests	**446 523**	**145 472**	**73 930**	**59 648**	**3 524**	**729 097**
Revenue	2 412 443	3 654 580	2 060 378	257 122		
Profit/(loss)	69 083	165 672	77 555	1 122		
Other comprehensive income	3 158	(5 329)	(3 187)	(4 257)		
Total profit or loss and other comprehensive income	**72 241**	**160 343**	**74 368**	**(3 135)**		
Profit /(loss) allocated to non-controlling interests	**21 510**	**6 421**	**5 077**	**168**	**529**	**33 705**
Other comprehensive income allocated to non-controlling interests	**2 959**	**(533)**	**(208)**	**(639)**	**(65)**	**1 514**
Cash flows from operating activities	204 522	307 824	175 088	46 242		
Cash flows from investing activities	(197 383)	(189 729)	(120 115)	(47 431)		
Cash flows from financing activities	(34 575)	(225 670)	(96 076)	(15 236)		
Total net cash flows	**(27 436)**	**(107 575)**	**(41 103)**	**(16 425)**		
Dividends allocated to non-controlling interests	**7 905**	**12**	**2 751**	**2 252**	**1 022**	**13 942**

(all amounts in PLN thousand unless otherwise stated)

Nota 19 Loans

	As at 31.12.2015	As at 31.12.2014
Bank credits	1 017 375	655 911
Loans	148 955	330 280
	1 166 330	**986 191**
Thereof:		
Non-current	1 047 450	476 932
Current	118 880	509 259
	1 166 330	**986 191**

Loans maturities and currency's structure

31 December 2015

Currency	Reference rate	Carrying amount at the reporting date		Less than 1 year	1-2 year(s)	2-5 years	>5 years
		in original currency	in PLN				
PLN	variable	893 368	893 368	39 699	25 641	784 210	43 818
EUR	variable /fixed	64 130	272 962	55 181	-	80 804	136 977
			1 166 330	**94 880**	**25 641**	**865 014**	**180 795**

31 December 2014

Currency	Reference rate	Carrying amount at the reporting date		Less than 1 year	1-2 year(s)	2-5 years	>5 years
		in original currency	in PLN				
PLN	variable	931 374	931 374	502 283	177 484	217 603	34 004
EUR	variable	9 122	38 882	1 550	35 629	1 703	-
USD	variable	4 543	15 935	5 426	5 426	5 083	-
			986 191	**509 259**	**218 539**	**224 389**	**34 004**

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

Implementing the centralised financing model, the Group entered in 2015 into a long-term bank loans package for a total amount of PLN 2 200 million intended to refinance existing credits and loans and to finance the investment program and other objectives set out in the long-term Strategy, including:

- a revolving credit facility in the amount of PLN 1 500 million granted by the syndicate of PKO BP, BGK, BZ WBK and ING BSK for a period of 5 years
- long-term loan in the amount of PLN 550 million granted by the EIB for a period of 10 years, and
- long-term loan in the amount of PLN 150 million granted by the EBRD for 10 years.

The Group also uses the umbrella loan agreements signed by the Parent Company and Group entities with PKO BP. The Parent Company acts as an agent authorized to allocate the loan sub-limits. The agreements comprise:
- overdraft in the amount of PLN 302 million, linked with the virtual cash pooling facility and
- credit in the form of multi-purpose credit limit in the amount of PLN 237 million.

Complimentarily, the Group uses credit or loan agreements entered into by the subsidiaries.

(all amounts in PLN thousand unless otherwise stated)

As at 31 December 2015, the Group has unused available credit limits resulting from the above-mentioned agreements in the total amount of approximately PLN 1 934 million.

Security granted on credits and loans
In 2015, having implemented the centralised financing model, the Group released the pledges established previously on non-current assets, including pledges on Grupa Azoty PUŁAWY and Grupa Azoty POLICE shares, as well as mortgages and pledges on the Group's property, plant and equipment.

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:

- 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 EIB of PLN 550 million (total guarantees up to PLN 660 million),
- loan with EBRD of PLN 150 million (total guarantees up to PLN 180 million).

Note 20 Employee benefits

	As at 31.12.2015	As at 31.12.2014
Liability for pension benefits	110 781	104 056
Liability for jubilee benefits	209 311	199 328
Liability for Social Fund benefits for pensioners	14 284	14 290
Other liabilities	25 759	25 239
	360 135	**342 913**
Thereof:		
Non-current	326 968	312 419
Current	33 167	30 494
	360 135	**342 913**

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	**143 585**	**115 027**
Current service costs (+)	6 671	5 268
Interest costs (+)	4 011	4 597
Remeasurement of defined benefit plan net assets/liabilities, resulting from:	6 987	23 542
- changes in demographic estimates (+/-)	7 056	5 538
- changes in financial assumptions (+/-)	(69)	18 004
Past service costs(+/-)	-	1 779
Effect of movements in exchange rates (+/-)	(1)	2
Benefits paid (-)	(10 429)	(6 630)
Balance at the end of the period	**150 824**	**143 585**

(all amounts in PLN thousand unless otherwise stated)

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	**199 328**	**173 594**
Current service costs (+)	10 209	8 802
Interest costs (+)	5 655	6 942
Actuarial gains or losses recognised in profit or loss for the period (+/-)	12 888	27 697
Benefits paid (-)	(18 769)	(17 707)
Balance at the end of the period	**209 311**	**199 328**

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%

Nota 21 Provisions

	As at 31.12.2015	As at 31.12.2014
Provision for litigations	4 313	4 192
Provision for environment protection, including: site restoration	99 849	109 866
Provision for mercury electrolysis demolition	7 479	7 613
Provision for guaranties, securities	3 999	1 886
Provision for bonuses, discounts	4 936	3 373
Provision for CO_2 emission rights	222 864	171 370
Other provisions	30 747	26 238
Provision for property ordering	12 210	13 325
Provision for demolition	525	525
Other	18 012	12 388
	374 187	**324 538**
Thereof:		
Non-current	100 740	113 106
Current	273 447	211 432
	374 187	**324 538**

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

The Parent Company
Due to the contamination of the Parent Company's land and two buildings within the electrolysis plant with chemicals (mainly by mercury), which was identified based on the examination performed, the Parent Company recognised a provision for site restoration and costs of lowering content of mercury in the walls of the mentioned buildings.

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 on 31 December 2015 amounted to PLN 16 126 thousand (31 December 2014: PLN 16 075 thousand).

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

Grupa Azoty PUŁAWY Group
The provisions comprise mainly:

- provision for reclamation and monitoring of landfills,
- provision for withdrawal from use of products containing asbestos,
- provision for emptying the production facilities and tanks and resulting waste management

For the provision for reclamation and monitoring of landfills in Grupa Azoty PUŁAWY it was estimated that further use of the landfill will continue for 22.5-year period and that monitoring of this landfill will continue for 30 years. Additionally, in GZNF "Fosfory" it was estimated that further monitoring of the landfill in "Wiślinka" will continue for 24 years. The obligation for reclamation and monitoring is required by law. The provision amounts to PLN 5 728 thousand (31 December 2014: PLN 10 408 thousand). In 2015, the part of provision concerning the landfill in Wiślinka of PLN 4 139 thousand was reversed. The entity resigned from the outsourced security services in favour of the electronic monitoring.

For the provision for withdrawal from use of products containing asbestos it was assumed in Grupa Azoty PUŁAWY that the expenditures will be incurred proportionally over a 16.5-year period while in GZNF "Fosfory" Sp. z o.o. it is expected that the process of asbestos removal will be completed in 2018. The obligation to remove the products containing asbestos is required by law.

For the provision for emptying the production facilities and resulting waste management it was estimated that the installations will be in further use for 22.5 years. The obligation to empty the production facilities and resulting waste management are required by law. The total value of these provisions amounts to PLN 1 684 thousand (31 December 2014: PLN 1 602 thousand).

Grupa Azoty POLICE Group
The provision for reclamation was recognised in order to cover the future costs of reclamation, monitoring and protection of surface waters for the landfills of ferrous sulphate and phosphogypsum. The value of the provision results from the expected costs to be incurred after closing the landfills and considers the time between starting and completing the landfills exploitation. As at 31 December 2015, the provision amounted to PLN 32 372 thousand (31 December 2014: PLN 32 418 thousand).

The provision for cleaning the installations from chemical substances was recognised for the activities necessary when the exploitation of particular production facilities is terminated. The provision was estimated separately for each production line based on the cost estimates prepared by the particular plants. As at 31 December 2015, the value of the provision amounted to PLN 3 338 thousand (31 December 2014: PLN 4 578 thousand).

The provision for cleaning the treatment plant reservoirs was recognised for emptying the two sedimentation reservoirs in the sewage treatment plant. The sediments from the reservoirs will be used entirely for restoration of the phosphogypsum landfill after the evacuation of phosphogypsum is completed. The value of provision was estimated based on the valuation of works necessary to excavate and transport the sediments. As at 31 December 2015, the provision amounted to PLN 10 528 thousand (31 December 2014: PLN 10 533 thousand). In 2015, the entity used the provision of PLN 1 373 thousand.

Grupa Azoty KĘDZIERZYN Group
Reclamation of land contaminated by chemicals

It was identified based on the results of land quality surveys that the acceptable contamination limits were exceeded for certain chemicals. In accordance with the environment protection law, the land contaminated above the allowed limits needs to be reclaimed so that it achieves the required standards. In 2015, the estimates of provisions for reclamation were revised based on a report prepared by Ramboll Environ. When preparing the estimate of the provision it was assumed that the works would be performed until 2030 (assumption unchanged since 2014). As at 31 December 2015, the provision for reclamation amounts to PLN 11 894 thousand (31 December 2014: PLN 16 661 thousand). The decrease of provision resulted mainly from the estimates of costs necessary to be incurred for the reclamation being lower than previously expected.

The entity recognised a provision for landfill of sewage sediments. It was assumed that the restoration works would be completed in 2016. The provision for restoration of landfills amounted to PLN 4 380 thousand (31 December 2014: PLN 4 133 thousand). In 2015, the additional provision of PLN 2 984 thousand was recognised due to the increase in the scope of works and PLN 2 728 thousand was used.

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 until 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 (PLN 421 thousand in 2014).

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 Group or recognised as receivable at the reporting date. The Group is obliged to redeem the appropriate amount of emission rights by the end of April of the following year.

The information about the number of emission rights owned or recognised as receivable is presented in Note 15.1. In order to secure the amount of rights required to settle the emission for 2015 the Group entities were purchasing the rights in 2015 and entered into forward contracts with realisation by the end of April 2016.

(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	Provisions for guarantees, securities	Provisions for bonuses, discounts	Provision for CO2 emission rights	Other provisions	Total
Balance at 01.01.2015	**4 192**	**109 866**	**7 613**	**1 886**	**3 373**	**171 370**	**26 238**	**324 538**
Additions, including:	***3 602***	***6 366***	***127***	***2 113***	***12 156***	***223 765***	***12 307***	***260 436***
Recognised	3 593	4 903	127	2 113	12 156	223 765	12 307	258 964
Unwind of discount	-	1 463	-	-	-	-	-	1 463
Effect of movements in exchange rates	9	-	-	-	-	-	-	9
Deductions, including:(-)	***(3 481)***	***(16 383)***	***(261)***		***(10 593)***	***(172 271)***	***(7 798)***	***(210 787)***
Reversed	(148)	(11 705)	-	-	(4 906)	-	(6 084)	(22 843)
Used	(3 333)	(4 678)	(261)	-	(5 687)	(172 271)	(1 714)	(187 944)
Balance at 31.12.2015	**4 313**	**99 849**	**7 479**	**3 999**	**4 936**	**222 864**	**30 747**	**374 187**

	Provision for legal claims	Provision for environment protection, including site restoration	Provisions for mercury electrolysis demolition	Provisions for guarantees, securities	Provisions for bonuses, discounts	Provision for CO2 emission rights	Other provisions	Total
Balance at 01.01.2014	**5 846**	**115 064**	**6 870**	**2 304**	**3 440**	**167 122**	**32 536**	**333 182**
Additions, including:	***829***	***12 883***	***1 040***	***332***	***6 270***	***173 439***	***6 258***	***201 051***
Recognised	796	9 933	1 040	279	6 270	173 439	6 179	197 936
Effect of movements in exchange rates	33	-	-	53	-	-	78	164
Other additions	-	2 950	-	-	-	-	1	2 951
Deductions, including:(-)	***(2 483)***	***(18 081)***	***(297)***	***(750)***	***(6 337)***	***(169 191)***	***(12 556)***	***(209 695)***
Reversed	(1 859)	(16 863)	(297)	(737)	(706)	(288)	(8 309)	(29 059)
Used	(624)	(1 218)	-	(13)	(5 631)	(168 903)	(4 247)	(180 636)
Balance at 31.12.2014	**4 192**	**109 866**	**7 613**	**1 886**	**3 373**	**171 370**	**26 238**	**324 538**

(all amounts in PLN thousand unless otherwise stated)

Note 22 Government grants

	As at 31.12.2015	As at 31.12.2014
Government grants	4 483	3 465
EU grants	35 684	34 348
Other grants	11 960	5 162
	52 127	**42 975**
Thereof:		
Non-current	47 036	39 993
Current	5 091	2 982
	52 127	**42 975**

In 2015 the Group received and settled grants related to the free-of-charge CO2 emission rights amounting to PLN 140 638 thousand (2014: PLN 66 193 thousand). The Parent Company received PLN 1 170 thousand grant financing the investment in installation of flue gas denitrification.

Nota 23 Trade and other payables

	As at 31.12.2015	As at 31.12.2014
Trade payables - related parties	3 472	6 244
Trade payables – other parties	795 403	810 173
Tax payables other than current tax liabilities	139 360	134 746
Payroll liabilities	45 349	42 412
Payables relating to capital expenditure - related parties	1	1
Payables relating to capital expenditure - other parties	109 250	101 727
Advances received - related parties	663	-
Advances received - other parties	12 694	9 380
Accrual for employee bonuses	81 951	69 732
Accrual for unused holiday	34 409	31 830
Accrual for cost of sales of licences	1 960	2 036
Accrual for renewable energy	9 199	7 663
Accrual for uninvoiced expenses	40 950	59 354
Accrual for other employee costs	4 526	2 328
Accrual for other expenses	44 852	52 843
Other payables - related parties	211	7
Other payables - other parties	23 949	96 575
	1 348 199	**1 427 051**
Thereof:		
Non-current	972	1 498
Current	1 347 227	1 425 553
	1 348 199	**1 427 051**

(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	768 985	752 275
Past due to 60 days	29 135	21 776
Past due 60-180 days	37	41 859
Past due 180-360 days	196	447
Past due more than 360 days	522	60
	798 875	**816 417**

Payables currency structure

	As at 31.12.2015	As at 31.12.2014
PLN	1 062 502	1 035 446
EUR translated to PLN	213 147	256 404
USD translated to PLN	44 830	117 843
XOF translated to PLN	26 727	17 123
Other	993	235
	1 348 199	**1 427 051**

Note 24 Other financial liabilities

	As at 31.12.2015	As at 31.12.2014
Finance lease liabilities	27 050	28 648
Liabilities at fair value through profit or loss	986	1 163
Factoring liabilities	45 731	68 940
Other financial liabilities	3	829
	73 770	**99 580**
Thereof:		
Non-current	16 112	20 205
Current	57 658	79 375
	73 770	**99 580**

(all amounts in PLN thousand unless otherwise stated)

Finance lease liabilities repayment schedule

	Future minimum lease payments	Interest	Principal	Future minimum lease payments	Interest	Principal
		31 December 2015			*31 December 2014*	
Up to 1 year	12 378	1 440	10 938	10 589	1 336	9 253
1 to 3 years	12 689	1 520	11 169	14 877	1 308	13 569
3 to 5 years	1 692	352	1 340	2 271	315	1 956
Over 5 years	7 799	4 196	3 603	7 940	4 070	3 870
	34 558	**7 508**	**27 050**	**35 677**	**7 029**	**28 648**

(all amounts in PLN thousand unless otherwise stated)

Note 25 Deferred income

	As at 31.12.2015	As at 31.12.2014
Discounts	119	245
Other	1 227	2 077
	1 346	**2 322**
Non-current	1 346	2 322
	1 346	2 322

Note 26 Financial instruments

Note 26.1 Capital management

The Group'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 Group monitors changes in the shareholders structure, return on capital and debt to equity ratios.

The Group manages the capital in order to ensure the Group'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 Group consists of liabilities including credits and loans presented in Note 19, other financial liabilities presented in Note 24 and equity (including issued shares, reserves, hedging reserve and retained earnings) presented in Note 18.

The Parent 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	4 174	3 873
Loans and receivables	1 248 060	932 007
Cash and cash equivalents	753 144	558 603
Available-for-sale financial assets	13 204	13 205
	2 018 582	**1 507 688**
Recognised in the statement of financial position as:		
Available-for-sale financial assets	12 370	12 371
Trade and other receivables	745 837	849 176
Cash and cash equivalents	753 144	558 603
Other financial assets	507 231	87 538
	2 018 582	**1 507 688**

(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	986	1 163
At amortised cost	2 216 749	2 141 747
	2 217 735	**2 142 910**
Recognised in the statement of financial position as:		
Non-current loans	1 047 450	476 932
Current loans	118 880	509 259
Trade and other payables	977 635	1 057 139
Other financial liabilities	73 770	99 580
	2 217 735	**2 142 910**

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	396	3 511
Available-for-sale financial assets	4 472	2 912
Financial liabilities		
At fair value through profit or loss	78	(286)
	4 946	**6 137**

The above information does not include gains and losses concerning interest and foreign exchange rate gains or losses.

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 Group 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 Group did not seize any collaterals.

Note 26.3 Financial risk management

The Group 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 Grupa Azoty. The objective of the Group'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 Grupa Azoty budgets by using natural hedging and derivatives.

Note 26.3.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

(all amounts in PLN thousand unless otherwise stated)

Credit risk arises principally from the trade receivables, bank deposits and cash-pooling.

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

	As at 31.12.2015	As at 31.12.2014
Assets at fair value through profit or loss	4 174	3 873
Loans and receivables	1 248 060	932 007
Cash and cash equivalents	753 144	558 603
	2 005 378	**1 494 483**

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	258 432	296 395
Plastics Segment	188 751	226 554
Chemicals Segment	217 604	222 155
Energy Segment	24 957	18 212
Other Activities Segment	35 346	67 828
	725 090	**831 144**

Over 61% of the Group's trade receivables from third parties are insured under trade credit insurance policies (31 December 2014: 59%). It limits the credit risk exposure to the level of the Group's own contribution (5-10% 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 Group receives the compensation payment amounting to 90-95% of insured receivable value. Additionally, more than 11% (31 December 2014: 14%) of the Group's trade receivables from third parties is secured by letters of credit and guarantees. Such receivables are excluded from the insurance. Further 5% is collateralised by mortgages and pledges.

The Group established a unified credit risk management policy and performs ongoing credit assessment including customer monitoring. For these purposes, the Group reviews business intelligence reports, debtor registers and where appropriate require adequate collateral.

The Group grants trade credits up to the market value of the collaterals received which mainly relates to domestic customers in Fertilisers-Agro Segment.

Customers for which the Group 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 Group's internal financial staff (individually for each customer) and in case of insured receivables additionally by the external credit risk analysts of the insurers. Taking into account the Group's internal procedures and the diversified customers' portfolio the concentration of credit risk not considered significant.

(all amounts in PLN thousand unless otherwise stated)

Approximately 53% (31 December 2014: 46%) of the balance concerns the receivables from domestic customers and the remaining 47% (as at 31 December 2014: 54%) relate to foreign customers.

The Group's revenue concentrates in three main segments reflecting the Group's business profile. The most significant portion of the Group's trade receivables relate to Fertilizers-Agro Segment – 35.6% (31 December 2014: 35.6%), Chemicals Segment - 30% (31 December 2014: 26.7%) and Plastic Segment – 26% (31 December 2014: 27.3%). In Plastics and Chemicals Segments the foreign customers prevail, to which sales are made on deferred payment terms, mainly within the insured credit limits or based on the open letters of credit and guarantees. In the Fertilizers-Agro 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	55 824	99 008
Overdue 60 - 180 days	23 523	19 953
Overdue 180 – 360 days	741	397
Overdue more than 360 days	293	819
	80 381	**120 177**

Changes in trade receivables impairment losses are presented in Note No. 16.

Cash and bank deposits
Cash and cash equivalents are held in the banks having high ratings and which maintain safe solvency ratios. The excess of domestic cash and cash equivalents is mostly held in the technical accounts linked to the overdraft balances of the Group's other companies, in the virtual cash-pooling facility provided by PKO BP S.A.

Note 26.3.2 Liquidity risk

Liquidity risk is the risk of a lack of the Group 's ability to repay its financial obligations as they fall due. Measures to reduce this risk include appropriate liquidity management, are performed by a correct assessment of the level of cash resources based on cash flow projections in different time horizons. The Parent Company optimises the management of Group's cash surplus using cash-pooling, revolving loans granted under the Intercompany Financing Agreement and dividend policy within the Group.

In 2015 the Group 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. Grupa Azoty has unused available credit limits described in note 19, unused limits within the overdraft linked to the virtual cash pooling facility and multi-purpose loan in PKO BP, which the Parent Company can manage to respond to the financing needs of the individual Group entities.

The Group incurred loans and credits that contain in the contracts unified and harmonised loan covenants. A future breach of these covenants may require the Group 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.

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	986	986	986	-	-
At amortised cost	2 216 749	2 352 693	1 158 948	997 284	196 461
loans and credits	1 166 330	1 294 766	124 173	981 931	188 662
lease liabilities	27 050	34 558	12 378	14 381	7 799
factoring and receivables discounting	45 731	45 731	45 731	-	-
other financial liabilities	3	3	3	-	-
trade and other liabilities	977 635	977 635	976 663	972	-
	2 217 735	**2 353 679**	**1 159 934**	**997 284**	**196 461**

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	1 163	1 163	1 163	-	-
At amortised cost	2 141 747	2 202 253	1 672 044	485 964	44 245
loans and credits	986 191	1 039 889	536 054	467 527	36 308
lease liabilities	28 648	33 998	9 709	16 352	7 937
factoring and receivables discounting	68 940	68 940	68 940	-	-
other financial liabilities	829	950	108	842	-
trade and other liabilities	1 057 139	1 058 476	1 057 233	1 243	-
	2 142 910	**2 203 416**	**1 673 207**	**485 964**	**44 245**

(all amounts in PLN thousand unless otherwise stated)

Note 26.3.3 Market risk

Interest rate risk
The Group exposure to changes in interest rates applies mainly to variable interest bearing cash and cash equivalents, financial assets, credits and loans, factoring and lease liabilities based on WIBOR + margin or respectively EURIBOR + margin in case of bank loans and factoring in EUR.

The following table presents the sensitivity analysis (maximum exposure) of the Group 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		
Financial assets	646 962	300 823
Financial liabilities(-)	(218 957)	(5 483)
	428 005	**295 340**
Variable rate instruments		
Financial assets	608 014	340 611
Financial liabilities(-)	(974 700)	(1 079 125)
	(366 686)	**(738 514)**

The Group does not hedge against the interest rate change 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.

The other activities aimed to reduce the interest rate risk include ongoing monitoring of the financial situation in the money market. The significant amount of the Group's cash surpluses is included 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 Group's credits and loans in 2015, reducing the interest expense on financial liabilities.

The Group 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. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Sensitivity analysis: (+/-)

	Profit or loss (+/-)		**Other comprehensive income**	
	increase 100bp	decrease 100bp	increase 100bp	decrease 100bp
31 December 2015	(3 667)	3 667	-	-
31 December 2014	(7 385)	7 385	-	-

Currency risk
The Group is exposed to the currency risk on foreign currency transactions including more than the half of revenue and approximately 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 Group's exposure to the currency risk.

The Group 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 Group used primarily in the reporting period the natural hedging, factoring of receivables denominated in foreign currencies and additionally currency forwards and currency corridor. In 2015, the Group had the net currency exposure in EUR, which represented 71% (2014: 63%) of the total currency exposure, and the remaining 29% exposure in USD (2014: 37%). The exposure was partially hedged (up to 80% of the expected net exposure).

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

Exposure to currency risk:

31 December 2015	**EUR**	**USD**	**GPB**
Trade and other receivables	75 567	27 734	-
Cash and cash equivalents in foreign currency	26 105	17 331	1
Trade and other payables (-)	(51 354)	(11 492)	(177)
Loans and borrowings (-)	(64 130)	-	-
Lease, factoring and discounting liabilities (-)	(10 731)	-	-
Forward contracts (-)	(99 339)	(12 374)	-
Derivatives for emission rights (+/-)	678	-	-
Total in currency	**(123 204)**	**21 199**	**(176)**
The impact of foreign currency increase by 5% on profit or loss (in thousand PLN)	(15 598)	4 135	(51)
The impact of foreign currency decrease by 5% on profit or loss (in thousand PLN)	15 598	(4 135)	51
The impact of foreign currency increase by 5% on other comprehensive income (in thousand PLN)	(10 654)	-	-
The impact of foreign currency decrease by 5% on other comprehensive income (in thousand PLN)	10 654	-	-

31 December 2014	**EUR**	**USD**	**GPB**
Trade and other receivables	94 975	47 452	-
Cash and cash equivalents in foreign currency	20 318	12 475	1
Trade and other payables (-)	(65 103)	(33 600)	(43)
Loans and borrowings (-)	(9 122)	(4 543)	-
Lease, factoring and discounting liabilities (-)	(16 174)	-	-
Forward contracts (-)	(28 750)	(6 755)	-
Derivatives for emission rights (+/-)	3 844	-	-
Total in currency	**(12)**	**15 029**	**(42)**
The impact of foreign currency increase by 5% on profit or loss (in thousand PLN)	(3)	2 635	(9)
The impact of foreign currency decrease by 5% on profit or loss (in thousand PLN)	3	(2 635)	9
The impact of foreign currency increase by 5% on other comprehensive income (in thousand PLN)			-
The impact of foreign currency decrease by 5% on other comprehensive income (in thousand PLN)			-

(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	(11 514)	11 514	(10 654)	10 654
31 December 2014	2 624	(2 624)	-	-

The risk of changes in prices of raw materials, products and services
In order to reduce the risk, the Group 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),
- foreign exchange derivatives, interest rate. The carrying value of these 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 Group in 2015 and in 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 fair value of the Group's financial instruments measured at fair value by level of classification as follows:

31 December 2015

Classification level	**Level I**	**Level II**	**Level III**
Financial assets at fair value:			
available-for-sale shares	-	-	13 204
currency forwards	-	1 283	-
futures contracts for emission rights	-	2 891	-
	-	**4 174**	**13 204**
Financial liabilities at fair value:			
currency forwards	-	(927)	-
interest rate forwards	-	(59)	-
	-	**(986)**	**-**

(all amounts in PLN thousand unless otherwise stated)

31 December 2014

Classification level	Level I	Level II	Level III
Financial assets at fair value:			
available-for-sale shares	-	-	13 205
currency forwards	-	29	-
futures contracts for emission rights	-	3 844	-
	-	**3 873**	**13 205**
Financial liabilities at fair value:			
currency forwards	-	1 163	-
	-	**1 163**	**-**

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

The Group has investments of PLN 13 204 thousand (31 December 2014: PLN 13 205 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

Currency derivatives
As at 31 December 2015, the nominal value of short positions in open currency derivatives (forward contracts) amounted to EUR 99.3 million (with maturity in 2016: January – 9.7 million EUR, February – 9.4 million EUR, March – 9.8 million EUR, April – 11.7 million EUR, May– 11.1 million EUR, June – 11.9 million EUR, July – 7.6 million EUR, August – 6.6 million EUR, September – 7.8 million EUR, October– 6.3 million EUR, November – 5.4 million EUR, December – 2 million EUR) and USD 12.4 million (with maturity in 2016: January– 2.4 million USD, February– 3.3 million USD, March – 3.8 million USD, April – 0.5 million USD, May– 1.9 million USD and June – 0.5 million USD). As at 31 December 2014, the nominal value of open derivatives to sell currencies amounted to EUR 28.7 million and USD 6.7 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 Group 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 Group had had open positions in forwards and futures for emission rights amounting to 848 thousand EUA units with the total nominal value of EUR 6.38 million (with maturity in March 2016 - 250 thousand units with a nominal value of EUR 1.82 million, in December 2016 - 445 thousand units with a nominal value of EUR 3.30 million and December 2017 - 153 thousand units with a nominal value of EUR 1.25 million). As at 31 December 2014, the Group had open futures contracts for the purchase of emission rights in the amount of 769 thousand of EUA units.

(all amounts in PLN thousand unless otherwise stated)

Futures contracts are entered in accordance with the Group'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 Group 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 Group recognised in 2015 PLN 65 thousand being an effective portion of hedge in the hedging reserve. In 2015, the Group did not reclassify any amounts relating to hedge accounting from other comprehensive income to the statement of profit or loss.

Note 27 Contingent liabilities, contingent assets and guarantees

Contingent assets

	As at 31.12.2015	As at 31.12.2014
Contingent assets	22 149	32 414

Contingent liabilities, sureties and guarantees

	As at 31.12.2015	As at 31.12.2014
Sureties	-	6 278
Guarantees	987	1 727
Other	26 381	31 327
	27 368	**39 332**

As at 31 December 2015, contingent assets relate mainly to a claim to Ciech S.A. to pay PLN 18 864 thousand for violating by Ciech S.A. the provision of GZNF "Fosfory" S.A. (subsidiary of Grupa Azoty PUŁAWY) shares purchase agreement. On 30 October 2012, Grupa Azoty PUŁAWY submitted a claim to the District Court in Warsaw. The court case is in progress.

Other contingent liabilities as at 31 December 2015 concern mainly a claim submitted by Ciech S.A. on 12 February 2013 to the District Court in Gdańsk to adjudge from GZNF "Fosfory" Sp. z o.o. PLN 18 864 thousand, penalty interest calculated since the claim submission date to the payment date and legal costs, including legal representation, to compensate Ciech S.A. for the loss resulting from the false statements concerning the legal and financial position of the defendant and its subsidiaries. The estimated amount of liability as at the reporting date amounts to 24 999 thousand. The court case is in progress.

(all amounts in PLN thousand unless otherwise stated)

Note 28 Related party transactions

Trade transactions with subordinated entities

Trade transactions

	Revenue	Receivables	Purchases	Liabilities
Balance at 31 December 2015				
Related parties of Grupa Azoty KĘDZIERZYN	3 760	-	26 327	2 223
Related parties of Grupa Azoty POLICE	5 590	307	13 122	1 488
Related parties of Grupa Azoty PUŁAWY	985	-	31 907	109
Other related parties	-	-	2 219	44
	10 335	**307**	**73 575**	**3 864**

	Revenue	Receivables	Purchases	Liabilities
Balance at 31 December 2014				
Related parties of Grupa Azoty PKCh Sp. z o.o.	4	8	34	-
Related parties of Grupa Azoty POLICE	4 014	345	11 809	2 432
Related parties of Grupa Azoty PUŁAWY	4 846	523	47 578	704
Related parties of Grupa Azoty KĘDZIERZYN	3 507	359	26 883	2 630
Other related parties	-	4	3 948	478
	12 371	**1 239**	**90 252**	**6 244**

Other transactions

	Other income	Other expenses	Finance income	Finance costs
Balance at 31 December 2015				
Related parties of Grupa Azoty KĘDZIERZYN	10	-	491	-
Related parties of Grupa Azoty PKCh Sp. z o.o.	91	-	45	-
Related parties of Grupa Azoty POLICE	2 909	-	296	-
Related parties of Grupa Azoty PUŁAWY	11	-	-	-
Other related parties	13	-	42	-
	3 034	**-**	**874**	**-**

(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 PKCh Sp. z o.o.	-	-	9	9
Related parties of Grupa Azoty POLICE	-	-	226	-
Related parties of Grupa Azoty PUŁAWY	-	9	301	-
Related parties of Grupa Azoty KĘDZIERZYN	-	-	463	-
Other related parties	10	-	-	-
	10	**9**	**999**	**9**

Remuneration of the Parent Company's Members of the Management Board

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Short-term benefits	9 113	9 674
Post-employment benefits	7	12
Other long-term benefits	5	16
	9 125	**9 702**

Remuneration of the Parent Company's Members of the Supervisory Board

	As at 31.12.2015	As at 31.12.2014
Short-term benefits	1 440	1 392
	1 440	**1 392**

Remuneration of Management of the Group's main subsidiaries (excluding Parent Company)

	As at 31.12.2015	As at 31.12.2014
Short-term benefits	11 064	9 170
Post-employment benefits	18	51
Other long-term benefits	155	229
Termination benefits	356	-
	11 593	**9 450**

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 Parent 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 Group did not grant any loans to the members of the Management or the Supervisory Board.

(all amounts in PLN thousand unless otherwise stated)

Transactions with owners
In 2015, the Group received a loan from the EBRD of PLN 10 018 thousand. In 2014, the Group 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	1 346 188	purchase of natural gas
Kompania Węglowa	117 965	purchase of coal
PKP Cargo	106 249	purchase of transport services
PKN Orlen	260 685	purchase of raw materials
Tauron	64 972	purchase of energy
PGE	72 506	purchase of energy
Enea	13 614	purchase of energy
KGHM Polska Miedź	17 029	purchase of raw materials
PSE	54 589	purchase of transmission of energy
LOTOS	23 353	purchase of raw materials
PKO BP	455 109	repayment of loan, loan taken
PZU Życie	239 429	repayment of loan
PZU	20 410	insurance
BGK	219 271	loan taken
	3 011 369	

Balance at 31 December 2014

Name of entity	Value	Purpose of transaction
PGNiG	1 697 184	purchase of natural gas
PKN Orlen	334 102	purchase of raw materials
PGE	165 029	purchase and sale of energy
Enea	140 540	purchase and sale of energy
Kompania Węglowa	124 915	purchase of coal
PKP Cargo	121 706	purchase of transport services
Tauron	57 094	purchase and sale of energy
KGHM Polska Miedź	12 502	purchase of raw materials
PSE	40 715	purchase of transmission of energy
LOTOS	22 988	purchase of advisory services and purchase of raw materials
PKO BP	111 688	repayment of principal and interest
PZU Życie	89 331	repayment of principal and interest
PZU	28 256	insurance
	2 946 050	

(all amounts in PLN thousand unless otherwise stated)

Note 29 Operating leases

Leases as lessor

	As at 31.12.2015	As at 31.12.2014
Due within 1 year	15 234	10 291
Due between 1 and 5 years	31 910	31 998
Due in more than 5 years	12 334	7 997
	59 478	**50 286**

Leases as lessee

	As at 31.12.2015	As at 31.12.2014
Due within 1 year	77 351	73 188
Due between 1 and 5 years	183 400	193 268
Due in more than 5 years	39 796	73 476
	300 547	**339 932**

Lease payments recognised as expense

	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2014 - 31.12.2014
Minimum lease payments	88 760	74 434

Note 30 Capital commitments

In the period ended 31 December 2015, the Group 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 contracted investment include:

	As at 31.12.2015	As at 31.12.2014
Construction of a new heat and power plant	138 870	262 400
Construction of Polyamide Plant II	74 128	83 722
Construction of installation of mechanical granulation II	49 626	16 538
Modernisation of the process of ammonia synthesis	45 161	-
Construction of the installation of flue gas desulphurisation	29 689	-
Construction of the installation of flue gas denitrification	23 689	-
Construction of condensing extraction turbine	23 360	44 105
Intensification of ammonia production capacity	20 337	-
Modification of the DA-HF phosphoric acid production technology	17 934	-
Delivery of the technology, equipment and services for the flue gas desulphurization plant	17 526	-

In total, the Company is committed to incur capital expenditure of PLN 581 773 thousand as at 31 December 2015 (31 December 2014: PLN 526 986 thousand).

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

Note 31 Subsequent events

Acquisition of shares in Grupa Azoty Siarkopol SA
On 14 January, 9 February and 1 March 2016 the Parent 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 Parent Company's share in the entity currently amounts to 96.26%.

The translated consolidated financial statements of Grupa Azoty Group for the 12-month period ended 31 December 2015 contain 103 pages.