Separate financial statements for the 12 month period ended 31 December 2016 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.

Grupa Azoty S.A.

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Statement of the Management Board

The Management Board of Grupa Azoty S.A. presents separate financial statements for the 12 month period ended 31 December 2016, which consist of:

- Separate statement of profit or loss and other comprehensive income for the period from 01.01.2016 to 31.12.2016,
- Separate statement of financial position as at 31.12.2016,
- Separate statement of changes in equity for the period from 01.01.2016 to 31.12.2016,
- Separate statement of cash flows for the period from 01.01.2016 to 31.12.2016,
- Notes to the separate financial statements

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

Signatures of the Members of the Management Board

....
dr Wojciech Wardacki
President of the Management Board

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

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

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

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

....
Artur Kopeć
Member of the Management Board

Person entrusted with maintaining accounting records

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

Tarnów, 26 April 2017

(all amounts in PLN thousand unless otherwise stated)

Separate statement of profit or loss and other comprehensive income

	Note	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Revenue	1	1 552 332	1 768 984
Cost of sales	2	(1 305 013)	(1 482 315)
Gross profit		**247 319**	**286 669**
Selling and distribution expenses	2	(92 494)	(94 088)
Administrative expenses	2	(162 346)	(160 144)
Other income	3	10 180	11 653
Other expenses	4	(31 838)	(39 735)
Results from operating activities		**(29 179)**	**4 355**
Finance income	5	287 228	237 625
Finance costs	6	(38 142)	(33 044)
Net finance income		**249 086**	**204 581**
Profit before tax		**219 907**	**208 936**
Tax expense	7	4 868	119
Profit for the year		**224 775**	**209 055**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability		106	(852)
Tax on items that will never be reclassified to profit or loss		(21)	162
		85	**(690)**
Items that are or may be reclassified to profit or loss			
Cash flow hedges – effective portion of change in fair value		(8 852)	65
Tax on items that are or will be reclassified to profit or loss		1 682	-
		(7 170)	**65**
Other comprehensive income for the year		**(7 085)**	**(625)**
Profit or loss and other comprehensive income for the year		**217 690**	**208 430**
Earnings per share:	9		
Basic earnings per share (PLN)		2.27	2.11
Diluted earnings per share (PLN)		2.27	2.11

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

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

(all amounts in PLN thousand unless otherwise stated)

Separate statement of financial position

	Note	As at 31.12.2016	As at 31.12.2015* restated	As at 01.01.2015* restated
Assets				
Non-current assets				
Property, plant and equipment	10	1 435 521	1 106 972	973 836
Perpetual usufruct right	11	373	377	76
Intangible assets	12	50 864	50 442	43 214
Investment property	13	17 700	19 754	20 801
Investments in subordinated entities	14.1	3 871 587	3 832 536	3 814 993
Available-for-sale financial assets	14.2	12 134	12 134	12 134
Other financial assets	14.4	244 220	218 115	-
Other receivables	17	-	-	210
Total non-current assets		**5 632 399**	**5 240 330**	**4 865 264**
Current assets				
Inventories	15	171 256	188 843	208 250
Property rights	16	31 423	32 272	30 299
Derivatives	28.5	834	986	829
Other financial assets	14.4	53 944	29 186	-
Current tax assets		-	-	2 133
Trade and other receivables	17	226 678	252 726	264 082
Cash and cash equivalents	18	326 031	111 942	27 431
Other current assets		-	-	3 044
Assets held for sale	10.1	691	340	107
Total current assets		**810 857**	**616 295**	**536 175**
Total assets		**6 443 256**	**5 856 625**	**5 401 439**

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

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

(all amounts in PLN thousand unless otherwise stated)

Separate statement of financial position (continued)

	Note	As at 31.12.2016	As at 31.12.2015* restated	As at 01.01.2015* restated
Equity and liabilities				
Equity				
Share capital	20.1	495 977	495 977	495 977
Share premium	20.2	2 418 270	2 418 270	2 418 270
Hedging reserve	20.3	(7 105)	65	-
Retained earnings, including:		1 609 995	1 468 459	1 260 094
Profit for the year		*224 775*	*209 055*	*214 633*
Total equity		**4 517 137**	**4 382 771**	**4 174 341**
Liabilities				
Loans	21	1 166 290	935 550	347 263
Other financial liabilities	22	1 539	244	1 114
Employee benefits	24	46 136	50 679	49 741
Provisions	25	25 992	24 446	24 374
Government grants	27	19 222	3 163	3 313
Deferred tax liabilities	7.4	23 241	29 770	22 363
Total non-current liabilities		**1 282 420**	**1 043 852**	**448 168**
Loans	21	307 375	48 962	442 976
Derivatives	28.5	1 108	499	738
Other financial liabilities	22	58 131	46 055	69 590
Employee benefits	24	2 994	2 694	2 683
Provisions	25	2 355	5 014	5 780
Trade and other payables	26	269 889	324 464	256 372
Government grants	27	1 847	2 314	791
Total current liabilities		**643 699**	**430 002**	**778 930**
Total liabilities		**1 926 119**	**1 473 854**	**1 227 098**
Total equity and liabilities		**6 443 256**	**5 856 625**	**5 401 439**

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

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

(all amounts in PLN thousand unless otherwise stated)

Separate statement of changes in equity

For the period ended 31 December 2016

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
Balance as at 1 January 2016	**495 977**	**2 418 270**	**65**	**1 468 459**	**4 382 771**
Profit or loss and other comprehensive income for the year					
Profit for the year	-	-	-	224 775	224 775
Other comprehensive income	-	-	(7 170)	85	(7 085)
Total profit or loss and other comprehensive income for the year	**-**	**-**	**(7 170)**	**224 860**	**217 690**
Transactions with owners of the Company, recognised directly in equity					
Dividends	-	-	-	(83 324)	(83 324)
Total transactions with owners of the Company	**-**	**-**	**-**	**(83 324)**	**(83 324)**
Balance as at 31 December 2016	**495 977**	**2 418 270**	**(7 105)**	**1 609 995**	**4 517 137**

For the period ended 31 December 2015

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

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

(all amounts in PLN thousand unless otherwise stated)

Separate statement of cash flows

	Note	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Cash flows from operating activities			
Profit before tax		**219 907**	**208 936**
Adjustments for:		*(150 620)*	*(92 591)*
Depreciation and amortisation		94 037	91 141
Impairment losses of assets		6 253	16 059
Loss on investing activities		5 229	4 812
Loss on disposal of financial assets		11	-
Interest, foreign exchange gains or losses		18 181	26 473
Dividends		(275 091)	(230 680)
Change in fair value of financial assets at fair value through profit or loss		760	(396)
Cash generated from operating activities before changes in working capital		***69 287***	***116 345***
Changes in trade and other receivables	32	(5 343)	45 460
Changes in inventories		18 436	17 434
Changes in trade and other payables	32	(26 759)	13 696
Changes in provisions, prepayments and grants	32	(15 062)	10 914
Cash generated from operating activities		***40 559***	***203 849***
Income taxes returned		-	9 822
Net cash from operating activities		**40 559**	**213 671**

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

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

(all amounts in PLN thousand unless otherwise stated)

Separate statement of cash flows (continued)

	Note	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Cash flows from investing activities			
Proceeds from sale of intangible assets, property, plant and equipment and investment property		405	4 155
Acquisition of intangible assets, property, plant and equipment and investment property		(395 415)	(238 596)
Dividends received		275 091	230 680
Acquisition of financial assets		(43 801)	(17 543)
Proceeds from sale of financial assets		9	-
Interest received		7 729	1 808
Loans granted	31	(80 722)	(249 893)
Loans repaid	31	30 193	2 593
Other disbursements		(5 597)	(5 751)
Net cash used in investing activities		**(212 108)**	**(272 547)**
Cash flows from financing activities			
Dividends paid		(83 325)	-
Proceeds from loans and borrowings		478 866	939 801
Repayment of loans and borrowings		-	(745 109)
Interest paid		(27 749)	(28 635)
Payment of finance lease liabilities		(1 014)	(771)
Other proceeds/(disbursements)		18 860	(21 899)
Net cash from financing activities		**385 638**	**143 387**
Net increase in cash and cash equivalents		**214 089**	**84 511**
Cash and cash equivalents at the beginning of the period		**111 942**	**27 431**
Cash and cash equivalents at the end of the period		**326 031**	**111 942**

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

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

Notes to the separate financial statements

1. Information about the Company

1.1. General information about the Company

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

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

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

The separate financial statements were authorised for issue by the Company's Management Board on 26 April 2017.

1.2. The Company's Management and Supervisory Boards

The Management Board
As at 31 December 2016, the Management Board of the Company comprised:
- dr Wojciech Wardacki – President of the Management Board,
- Tomasz Hinc – Vice-President of the Management Board,
- Paweł Łapiński – Vice-President of the Management Board,
- Józef Rojek – Vice-President of the Management Board,
- Witold Szczypiński – Vice-President of the Management Board,
- Artur Kopeć – Member of the Management Board.

Until the date of authorisation of the financial statements for issue, there were no changes in the composition of the Management Board.

The Supervisory Board
As at 31 December 2016, the Supervisory Board of the Company comprised:
- Marek Grzelaczyk - Chairman of the Supervisory Board,
- Tomasz Karusewicz - Vice-Chairman of the Supervisory Board,
- Zbigniew Paprocki – Secretary of the Supervisory Board,
- Monika Fill - Member of the Supervisory Board,
- Robert Kapka - Member of the Supervisory Board,
- Artur Kucharski - Member of the Supervisory Board,
- Bartłomiej Litwińczuk - Member of the Supervisory Board,
- Ireneusz Purgacz - Member of the Supervisory Board,
- Roman Romaniszyn - Member of the Supervisory Board.

Until the date of authorisation of the financial statements for issue, there were no changes in the composition of the Supervisory Board.

Audit Committee
As at the 31 December 2016, the Audit Committee was acting in the Company as the collective advisory body within the Supervisory Board. The composition of the Audit Committee has been presented below.

The Audit Committee is responsible for:
- monitoring of the financial reporting process,
- monitoring of the effectiveness of internal controls,
- monitoring of the external auditors' performance,
- monitoring the independence of the auditors and the audit firm responsible for auditing the Company's financial statements.

The composition of the Audit Committee:
- Artur Kucharski – Chairman,
- Monika Fill,
- Robert Kapka,
- Ireneusz Purgacz.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these separate financial statements. There were changes in the presentation of the financial statements in the reporting period which aimed at the enhanced presentation of impact of certain types of transactions on the Company's financial position and performance. The respective comparatives were restated. The changes were presented in point 2.3.

2.1. Statement of compliance

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

2.2. Changes in International Financial Reporting Standards

New Standards, amendments to Standards and Interpretations which are or will be mandatorily effective for annual periods ending after 31 December 2016 have not been applied in preparing these separate financial statements. The entity intends to apply them to the first legally required periods.

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

2.2.1. Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2016

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

Under the new standard, financial assets are to be classified on initial recognition into one of three categories:
- financial assets measured at amortized cost;
- financial assets measured at fair value through profit or loss; or
- financial assets measured at fair value through other comprehensive income (OCI).

The new standard retains almost all of the existing requirements of IAS 39 on the classification and measurement of financial liabilities and on derecognition of financial assets and financial liabilities.

In respect of the financial assets impairment requirements, IFRS 9 replaces the "incurred loss" impairment model in IAS 39 with an "expected credit loss" model. Under the new approach, which aims to address concerns about "too little, too late" provisioning for impairment losses, it will no longer be necessary for a loss event to occur before an impairment allowance is recognised.

In short, the expected credit loss model uses a dual measurement approach, under which the loss allowance is measured as either:

- • 12-month expected credit losses, or
- • lifetime expected credit losses.

The measurement basis generally depends on whether there has been a significant increase in credit risk since initial recognition. If the credit risk of a financial asset has not increased significantly since initial recognition, the financial asset will attract a loss allowance equal to 12-month expected credit loss. If, however, its credit risk has increased significantly, it will attract an allowance equal to lifetime expected credit losses, thereby increasing the amount of impairment recognised. The standard contains a rebuttable presumption that the condition for recognizing lifetime expected credit losses is met when payments are more than 30 days past due.

After the preliminary analysis the Company does not expect IFRS 9 to have a significant impact on the separate financial statements. The classification and measurement of the Company's financial assets are not expected to change under IFRS 9 because of the nature of the Company's operations and the types of financial assets that it holds. However, the analysis is in progress and will be completed in 2017.

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

Due to the specificity of Company's operations and the type of financial assets held and policies on classification add valuation of financial assets - should not by affected by application of these IFRS. However, the analysis are still in progress and will be finished in year 2017.

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 recognised 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 recognised:

- 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 Company started the analysis of the impact of IFRS 15 on the separate financial statements. No significant impact has been identified to date. Based on the preliminary analysis performed there may be a change in the presentation of marketing bonuses which are currently presented in selling and distribution expenses and after initial adoption of IFRS 15 may decrease the revenues. The analysis is in progress and will be completed in 2017.

2.2.2. Standards and interpretations not yet endorsed by the EU as at 31 December 2016

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

The initial application of IFRS 16 will result in recognition in the separate financial statements of the lease contracts in which the Company acted as a lessee and which were not classified as finance leases. The Company expects to complete the analysis of the initial application of the standard no later than in 2018.

Disclosure initiative (Amendments to IAS 7 *Statement of Cash Flows*), that will be mandatory for financial statements of the Company for the year 2017. Pursuant to the amendments, an entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

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

Changes to IFRS 15 *Revenue from Contracts with Customers*, that will be mandatory for the Company's financial statements for 2018. The amendments to IFRS 15 clarify some of the Standard's requirements and provide additional transitional relief for companies that are implementing the new Standard. The amendments clarify how to:

- identify a performance obligation (the promise to transfer a good or a service to a customer) in a contract;
- determine whether an entity is a principal (the provider of a good or service) or an agent (responsible for arranging for the good or service to be provided); and
- determine whether the revenue from granting a license should be recognised at a point in time or over time.

In addition to the clarifications, the amendments include two additional reliefs to reduce cost and complexity for an entity when it first applies the new Standard.

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

Other Standards and Interpretations not yet endorsed by the EU as at 31 December 2016, i.e. IFRS 14 *Regulatory Deferral Accounts,* Amendments to IFRS 10 *Consolidated Financial Statements* and IAS 28 *Investments in Associates*, Amendments to IAS 12 *Income Taxes,* Amendments to IFRS 2 *Share-based Payments, Amendments to IFRS 4 Insurance contracts*, Improvements to IFRS (2014-2016), IFRIC 22 *Transactions in foreign currency and Advances* and the Amendments to IAS 40 *Investment Property* will not have a significant impact on the Company's financial statements.

2.3. Changes in accounting policies

There were no changes in the accounting policies as compared to the policies used for preparation of the 2015 separate financial statements except for the presentation changes which are presented below.
There were changes in the presentation of the financial statements in the reporting period which aimed at the enhanced presentation of impact of certain types of transactions on the Company's financial position and performance. The respective comparatives were restated.

(all amounts in PLN thousand unless otherwise stated)

The table below presents the impact of the changes on the statement of profit or loss and other comprehensive income:

	Reported	Restated			
	For the period 01.01.2015 - 31.12.2015	**For the period 01.01.2015 - 31.12.2015**	**Change I**	**Change II**	**Change III**
Revenue	1 776 651	1 768 984	(7 667)	-	-
Cost of sales	(1 487 619)	(1 482 315)	5 147	157	-
Gross profit	**289 032**	**286 669**	**(2 520)**	**157**	**-**
Selling and distribution expenses	(93 886)	(94 088)	-	-	(202)
Other income	3 994	11 653	7 667	-	(8)
Other expenses	(34 798)	(39 735)	(5 147)	-	210
Results from operating activities	**4 198**	**4 355**	**-**	**157**	**-**
Finance income	237 782	237 625	-	(157)	-
Net finance income	**204 738**	**204 581**	**-**	**(157)**	**-**

- I – Income and expense concerning investment property leases were reclassified from revenue and cost of sales to other income and other expenses respectively,
- II – valuation of financial instruments regarding CO_2 emission allowances was reclassified from finance income or costs to selling and distribution expenses,
- III – impairment losses on trade receivables and their reversal were reclassified from other expenses or income to selling and distribution expenses.

(all amounts in PLN thousand unless otherwise stated)

The table below presents the impact of the changes on the statement of financial position as at 31 December 2015:

	Reported	Restated								
	As at 31.12.2015	**As at 31.12.2015**	**Change I**	**Change II**	**Change III**	**Change IV**	**Change V**	**Change VI**	**Change VII**	**Change VIII**
Assets										
Non-current assets										
Property, plant and equipment	1 114 240	1 106 972	(377)	-	-	-	-	-	-	(6 891)
Perpetual usufruct right	-	377	377	-	-	-	-	-	-	-
Investment property	12 863	19 754	-	-	-	-	-	-	-	6 891
Current assets										
Inventories	220 437	188 843	-	(31 594)	-	-	-	-	-	-
Property rights	-	32 272	-	31 594	-	-	-	-	678	-
Derivatives	-	986	-	-	986	-	-	-	-	-
Other financial assets	30 172	29 186	-	-	(986)	-	-	-	-	-
Trade and other receivables	246 894	252 726	-	-	-	5 832	-	-	-	-
Other current assets	5 832	-	-	-	-	(5 832)	-	-	-	-
Total current assets	**615 617**	**616 295**	**-**	**-**	**-**	**-**	**-**	**-**	**678**	**-**
Total assets	**5 855 947**	**5 856 625**	**-**	**-**	**-**	**-**	**-**	**-**	**678**	**-**
Equity and liabilities										
Liabilities										
Derivatives	-	499	-	-	499	-	-	-	-	-
Other financial instruments	46 554	46 055	-	-	(499)	-	-	-	-	-
Trade and other payables	286 630	324 464	-	-	-	-	5	37 151	678	-
Provisions	42 165	5 014	-	-	-	-	-	(37 151)	-	-
Deferred income	5	-	-	-	-	-	(5)	-	-	-
Total current liabilities	**429 324**	**430 002**	**-**	**-**	**-**	**-**	**-**	**-**	**678**	**-**
Total liabilities	**1 473 176**	**1 473 854**	**-**	**-**	**-**	**-**	**-**	**-**	**678**	**-**
Total equity and liabilities	**5 855 947**	**5 856 625**	**-**	**-**	**-**	**-**	**-**	**-**	**678**	**-**

(all amounts in PLN thousand unless otherwise stated)

The table below presents the impact of the changes on the statement of financial position as at 1 January 2015:

	Reported	Restated								
	As at 01.01.2015	**As at 01.01.2015**	**Change I**	**Change II**	**Change III**	**Change IV**	**Change V**	**Change VI**	**Change VII**	**Change VIII**
Assets										
Non-current assets										
Property, plant and equipment	981 306	973 836	(76)	-	-	-	-	-	-	(7 394)
Perpetual usufruct right	-	76	76	-	-	-	-	-	-	-
Investment property	13 407	20 801	-	-	-	-	-	-	-	7 394
Total non-current assets	**4 865 264**	**4 865 264**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Current assets										
Inventories	237 672	208 250	-	(29 422)	-	-	-	-	-	-
Property rights	-	30 299	-	29 422	-	-	-	-	877	-
Derivatives	-	829	-	-	829	-	-	-	-	-
Other financial assets	829	-	-	-	(829)	-	-	-	-	-
Trade and other receivables	258 824	264 082	-	-	-	5 258	-	-	-	-
Other current assets	8 302	3 044	-	-	-	(5 285)	-	-	-	-
Total current assets	**535 298**	**536 175**	**-**	**-**	**-**	**-**	**-**	**-**	**877**	**-**
Total assets	**5 400 562**	**5 401 439**	**-**	**-**	**-**	**-**	**-**	**-**	**877**	**-**
Equity and liabilities										
Liabilities										
Derivatives	-	738	-	-	738	-	-	-	-	-
Other financial instruments	70 328	69 590	-	-	(738)	-	-	-	-	-
Trade and other payables	225 052	256 372	-	-	-	-	20	30 423	877	-
Provisions	36 203	5 780	-	-	-	-	-	(30 423)	-	-
Deferred income	20	-	-	-	-	-	(20)	-	-	-
Total current liabilities	**778 053**	**778 930**	**-**	**-**	**-**	**-**	**-**	**-**	**877**	**-**
Total liabilities	**1 226 221**	**1 227 098**	**-**	**-**	**-**	**-**	**-**	**-**	**877**	**-**
Total equity and liabilities	**5 400 562**	**5 401 439**	**-**	**-**	**-**	**-**	**-**	**-**	**877**	**-**

(all amounts in PLN thousand unless otherwise stated)

- I, II and III – perpetual usufruct right, property rights and derivatives were recognised as separate categories of assets,
- IV – prepayments were reclassified from other assets to trade and other receivables,
- V – deferred income was included in trade and other payables,
- VI – provisions for emission allowances were reclassified from provisions to trade and other payables,
- VII – settlements related to energy certificates were not offset and were presented as property rights and trade and other payables,
- VIII – the investment properties leased to related parties were reclassified from property, plant and equipment to investment property.

The table below presents the impact of changes on the cash flow statement:

	Reported	Restated	
	For the period 01.01.2015 - 31.12.2015	**For the period 01.01.2015 - 31.12.2015**	**Change VII**
Cash flows from operating activities			
Changes in inventories	17 235	17 434	(199)
Changes in provisions, prepayments and grants	11 113	10 914	199
Cash generated from operating activities	**203 849**	**203 849**	**-**

Settlements related to the energy certificates were not offset and were presented as property rights and trade and other payables .

2.4. Basis of measurement

The separate financial statements have been prepared on the historical cost basis except for assets and liabilities that are measured at fair value, i.e.:
- derivatives,
- financial instruments at fair value through profit or loss,
- available-for-sale financial assets.

2.5. Functional and presentation currency

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

2.6. Use of estimates and judgements

The preparation of the financial statements in conformity with IFRS EU requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and underlying assumptions are based on historical experience and other factors reasonable in the circumstances and are the basis for determining the carrying amount of assets and liabilities that do not result directly from other sources. Actual results may differ from these estimates.
Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the period in which the estimates are revised or in current and any future periods affected. Main accounting estimates and assumptions are also additionally presented in the relevant notes to the separate financial statements:

- estimates and assumptions concerning the possibility of realisation of the deferred tax asset on the tax losses carried-forward are presented in Note 7.4,
- estimates concerning useful lives of property, plant and equipment, perpetual usufruct right, intangible assets and investment property are presented in Notes 10, 11, 12, 13,
- estimates concerning impairment losses on property, plant and equipment are presented in Note 10,
- estimates concerning write-downs of inventory to net realizable value are presented in Note 15,

(all amounts in PLN thousand unless otherwise stated)

- estimates concerning impairment losses on receivables are presented in Note 17,
- estimates concerning employee benefits are presented in Note 23-24,
- estimates concerning provisions are presented in Note 24-25.

2.7. Going concern

The separate financial statements were prepared under the assumption that the Company will continue to operate as a going concern for the foreseeable future.
There are no circumstances indicating that the Company may be unable to continue its activities as a going concern.

2.8. Foreign currency

Transactions in foreign currencies are translated into Polish zloty at the dates of the transactions.
At the reporting date, monetary assets and liabilities denominated in foreign currencies are retranslated into Polish zloty at the average exchange rate on that date, as published by the National Bank of Poland. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary items that are measured at fair value in a foreign currency are retranslated at the exchange rate at the date that the fair value was determined.
Foreign currency differences arising on retranslation are recognised in the statement of profit or loss as financial income or expense, except for differences arising on retranslation of available-for-sale equity instruments and qualifying cash flow hedges, which are recognised as other comprehensive income.

For valuation purposes the following exchange rates were used:

	31.12.2016	**31.12.2015**
EUR	4.4240	4.2615
USD	4.1793	3.9011

2.9. Property, plant and equipment

2.9.1. Property, plant and equipment owned

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

An item of property, plant and equipment may be derecognised upon its disposal or when no economic benefits are expected from further use of the asset. Gains or losses arising from the derecognition of property, plant and equipment are determined as the difference between the net proceeds from disposal and the carrying amount of the item and are recognised as other operating income or other operating expenses in the statement of profit or loss.
Assets under construction are recognised at cost less any accumulated impairment losses. Assets under construction are not depreciated until construction is completed and assets are available for use.
Advance payments for property, plant and equipment are presented under trade and other receivables.

(all amounts in PLN thousand unless otherwise stated)

2.9.2. Leased items of property, plant and equipment

Assets held by the Company under leases that transfer to the Company substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments.
Lease payments are apportioned between the finance expense and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability.
Subsequent to initial recognition, the leased assets are measured at cost less accumulated depreciation and any accumulated impairment losses in accordance with the accounting policy applicable to the Company's own assets. If it is unlikely that the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the lease term and its useful life.
Leases where lessor retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Lease payments under operating leases are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

2.9.3. Subsequent expenditure

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

2.9.4. Depreciation

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

Type	Depreciation rate	Period
Land	none	-
Buildings and structures	1% - 33%	3 - 100 years
Machines and technical devices	2% - 100%	1 - 50 years
Office equipment	10% - 100%	1 - 10 years
Vehicles	7% - 100%	1 - 7 years
Computers	20% - 100%	1 - 5 years

Depreciation commences when asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation ends no later than when accumulated depreciation equals the cost of the asset or an asset is derecognised. The depreciable amount is determined after deducting its residual value.
Assets under construction are not depreciated.
The Company allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant components (if the component's value is significant compared to the total cost of the asset) and depreciates separately each such part over its useful life.
Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively if appropriate.

2.10. Perpetual usufruct right

The perpetual usufruct right received by the Company free of charge on the basis of an administrative decision is a form of an operating lease. The right is excluded from the Company's assets and is carried off-balance sheet. The perpetual usufruct right acquired by the Company is measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated on a straight line basis over the estimated useful live of specific usufruct right. The estimated useful lives range from 3 to 99 years.

2.11. Investment property

Investment property is land, structures and buildings held by the Company for capital appreciation or other benefits, e.g. to earn rental income.
The investment property is measured in accordance with policy applicable to property, plant and equipment.

Income from leases of investment properties is presented in other income and related expenses are presented in other expenses.

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 Company has sufficient technical, financial and other resources to complete development.
Expenditure on development activities is measured at cost less accumulated amortisation and any accumulated impairment losses. Completed development expenditures are amortized 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 Company capitalises costs resulting from obtaining appropriate permissions under REACH system. When registering a product in the REACH system the Company obtains the right to manufacture and sell products that bring economic benefits. Additionally, an asset resulting from registration cannot be separated from the entity but arises from legal right. An asset has non-monetary character and has no physical substance.
The Company capitalises costs that are directly attributable to the specific registration. Such costs include: registration fees, testing, information about potential utilisation, costs incurred for another registrant for the right to acquire the tests results. REACH costs are recognised as other intangible assets and are amortized 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. Other intangible assets

Other intangible assets acquired in a separate transaction are recognised in the statement of financial position at cost. After initial recognition, intangible assets with finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets with indefinite useful lives are measured at cost less any accumulated impairment losses.
Except for the development costs, internally generated intangible assets are not recognised in the statement of financial position and are recognised in the statement of profit or loss as an expense when incurred.

2.12.4. 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.

2.12.5. Amortisation

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

(all amounts in PLN thousand unless otherwise stated)

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

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

2.13. Investments in subordinated entities

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

2.14. Trade receivables

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 amortized cost, using effective interest rate method, less impairment losses.
Trade and other receivables due within 12 months, when the difference between the amortized 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 amortized 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 selling and distribution expenses in the statement of profit or loss.

2.15. Presentation of factoring and receivables discounting contracts

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

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

2.17. Property rights

Property rights include CO_2 emission allowances and the energy certificates.
The emission allowances received free of charge and the allowances received for realisation of investments included in the National Investment Plan (NIP) are initially recognised as the property rights with a corresponding entry in deferred income (government grants in accordance with IAS 20), at fair value at the date of registration.
Acquired emission allowances are recognised at cost.
The liabilities arising from the emission of pollutants are presented within other payables and are recognised as cost of sales (taxes and charges) and measured as follows:

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

The government grants concerning allowances received free of charge are recognised in the statement of profit or loss as a reduction to cost of sales (taxes and charges) in the proportion of CO_2 emission realised in the reporting period to the estimated annual emissions. The grants concerning allowances received for realisation of investments included in the NIP are recognised as other income on a systematic basis over the useful life of the assets acquired in realisation of NIP.
Emission allowances are redeemed against the corresponding liability when the redemption of the adequate amount of rights required to cover the emission for the previous reporting period is registered. The quantities of the emission allowances received for realisation of investments included in the NIP may be used for redemption of allowances for a given period.

The energy certificates for electricity production in cogeneration are recognised systematically when they become receivable as property rights and as a decrease in electricity production cost.
Acquired energy certificates are recognised at cost.
The liabilities to redeem the certificates arising from sales of electricity, presented within other liabilities, are recognised as cost of sales (taxes and charges) and measured based on the unit cost of certificates held by the Company or with reference to the respective substitution fee.
The certificates are redeemed against the corresponding liability upon submission of the application to redeem the certificates to the Energy Regulatory Office.

If the Company receives the energy certificates for realisation of investment expenditures the same accounting policy is used as for the CO_2 emission allowances received for realisation of investments included in the NIP.

2.18. Cash and cash equivalents

Cash and cash equivalents comprise cash balances, deposits on demand with original maturities less than three months and funds transferred to other Group entities under the cash pooling facility.

Cash and cash equivalents included in the statement of cash flows include the above mentioned items.

2.19. Impairment of non-financial assets

The carrying amounts of the Company's assets, other than inventories, deferred tax assets and financial instruments, measured under different principles, are reviewed at each reporting date to determine whether there is any indication of impairment losses. If any such indication exists, the Company estimates the assets' or cash-generating units' (CGUs) recoverable amount. CGUs containing goodwill and indefinite-lived or not completed intangible assets are tested for impairment annually at the reporting date.
Impairment losses are recognised when the carrying amount of an asset or its related CGU exceeds the recoverable amount.
The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. The Company's corporate assets do not generate separate cash inflows and are used by more than one CGU. Corporate assets are allocated to the CGU based on consistent and reasonable basis and are tested for impairment as part of the CGU.
Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.
An impairment loss in respect of goodwill is not reversed. For other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that impairment loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.20. Equity

The equity is divided by type according to the applicable laws and the Company's Deed.
Share capital is measured in the nominal value of the issued shares.
Transaction costs incurred on incorporation of the entity or associated with the issue of equity securities reduce share premium.
Capital reserves from previous years, accumulated results from previous years and result for the period are presented in the financial statements as retained earnings.

2.21. 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.

2.21.1. Defined contribution plans

Under current regulations the Company has an obligation to withhold and pay contributions concerning social security of the employees. These benefits, in accordance with IAS 19, constitute government programme and are treated as a defined contribution plan. Obligations for contributions are estimated based on the amounts payable for the year and are recognised as an employee benefit expenses in the period during which related services are rendered by employees.
Additionally, based on the agreement with employees, the Company pays fixed contributions into a separate entity and has no other legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

2.21.2. Defined benefit plans

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

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

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

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

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

2.21.3. Other long-term employee benefits - jubilee awards

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

2.21.4. Short term employee benefits

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

2.22. Provisions

Provisions are recognised if:

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

The amount of a provision is the best estimate of the expenditure to be incurred which is required to settle the obligation at the reporting date. The estimates are based on the management's judgment, supported by the experience resulting from similar past events and independent experts' opinions, if required.
If the Company expects to be reimbursed for the expenditures required to settle a provision, e.g. by the insurer, the reimbursement is recognised as a separate asset if it is virtually certain that the reimbursement will be received.

2.22.1. Site restoration costs

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

2.22.2. Litigations and claims

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

2.23. Trade liabilities

Trade liabilities are initially recognised at fair value. Subsequently such liabilities are measured at amortized cost using the effective interest rate method.
Liabilities due up to 12 months, when the difference between the amortized cost and amount due is not significant, are measured at amounts due.

2.24. 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 amortized cost using the effective interest rate method.

2.25. 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.

2.26. Initial recognition and derecognition of financial assets and liabilities

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

asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred and the Company does not retain control over the asset.
A financial liability is derecognised from the statement of financial position when it is extinguished, i.e., when the obligations specified in the contract are discharged, cancelled or expired.

2.27. Initial measurement of financial instruments

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

2.27.1. Measurement subsequent to initial recognition

The Company measures:

- at amortized 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.

2.27.2. Derivatives

The Company uses derivatives in order to manage its currency risk exposure resulting from operating, financial and investment activities. According to the Company's treasury policy, the Company does not use or issue derivatives held for trading.
Initially, the financial assets and liabilities are recognised at fair value.
Subsequent valuation of derivatives not designated for hedge accounting is recognised as profit or loss in the statement of profit or loss.

2.27.3. 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 amortized 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 amortized 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.

2.28. Hedge accounting

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

- hedge documentation is prepared at the inception of the hedge and includes at least the following: the entity's risk management objectives and strategy for undertaking the hedge, identification of the hedging instrument, identification of the hedged position being an asset, liability or the probable future transaction, the nature of the risk being hedged, timing and how the entity measures the hedge effectiveness,
- hedge is considered highly effective in offsetting the changes in the fair value or cash flows. The hedge effectiveness is measured by comparing the changes in the fair value of the hedging item with the change in the fair value of the hedged item or the relating cash flows. The hedge is considered highly effective if changes in the fair value or cash flows of the hedged item are offset by the change in the fair value or cash flows of the hedging item and actual results of each hedge are within a range of 80-125%,
- hedge effectiveness can be reliably measured by the reliable estimate of fair value of the hedged position or its related cash flows and fair value of hedging instrument. Hedge effectiveness is assessed retrospectively (ex-post) and prospectively both at the inception of the hedge relationship as well as on an ongoing basis, to determine whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk,
- for a cash flow hedge of a forecast transaction, the transaction is highly probable to occur.

2.28.1. Cash-flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk associated with recognised asset or liability, an unrecognised firm commitment or highly probable forecast transaction.
The portion of gains or losses on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and presented as hedging reserve in equity. Any ineffective portion of changes in the fair value of the hedging instrument is recognised immediately in the statement of profit or loss.
When the hedged item is a non-financial asset or liability, the Company includes the amount accumulated in equity in the initial carrying amount of that asset or liability. In other cases, the amount accumulated in equity is reclassified to the statement of profit or loss in the same period that the hedged item affects profit or loss.
If the forecast transaction is no longer highly probable to occur, hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to the statement of profit or loss.

2.29. Revenue

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

2.29.1. Sales 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.

2.29.2. Revenue from the sale of licenses

Revenue from the sale of licenses is recognised, when it is probable the economic benefits from sale will flow to the Company and the amount of revenue and the related costs can be reliably measured based on the contracts signed.
Sale of licenses previously recognised as intangible assets is presented as sale of assets in other operating activities.

2.29.3. Revenue from sale of certificates of origin of energy

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

2.29.4. Rentals

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

2.29.5. Finance income

Finance income comprises the interest on funds invested by the Company, loans and other interest-bearing instruments, dividends receivable, 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 derivatives (except for the contracts for CO_2 emission allowances) which are recognised in the statement of profit or loss.
Interest income is recognised as it accrues in the statement of profit or loss, using the effective interest rate method. Dividend income is recognised in the statement of profit or loss on the date that the Company's right to receive payment is established.

2.30. Expenses

2.30.1. 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.

2.30.2. Selling and distribution expenses

Selling and distribution expenses comprise:
- cost of packaging,
- transport, loading and unloading costs,
- customs duties and agents' commissions,
- carriage insurance cost,
- recognition/reversal of write-offs for trade receivables except for write-offs for receivables related to leases of investment property (presented in other income or costs) and except for interest on receivables (presented in finance income or costs).

2.30.3. Administrative expenses

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

2.30.4. 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.

2.30.5. 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.

2.30.6. Finance costs

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions, foreign exchange losses, fair value losses on financial instruments through profit or loss and impairment losses recognised on financial assets. Interest is recognised in profit or loss using the effective interest rate method.
Borrowing costs that are directly attributable to acquisition or construction of a qualifying asset are capitalised. Other borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss as incurred.

2.31. 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 realised 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 Company expects to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured using tax rates enacted or substantively enacted at the reporting date.
Deferred tax assets are recognised only to the extent that it is expected that taxable profits will be available in the future against which the deductible difference would be utilized. Deferred tax assets are not recognised to the extent it is not probable that taxable income will be available to realize 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.

2.32. Segment reporting

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

The Company identifies the following operating segments:
- Fertilizers-Agro Segment,
- Plastics Segment,
- Energy Segment,

- Other Activities Segment comprising other operations, such as laboratory services, rental of properties and other activities that cannot be allocated to other segments.

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

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

2.33. Discontinued operations and non-current assets held for sale

Non-current assets are classified as held for sale when their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale, the Company's management must actively seek the buyer and sale must be highly probable within a year from classification as held for sale. The assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.
Discontinued operation is a part of the Company's operations, which represent separate major line of business or a geographical area of operations, which is a part of a single co-ordinated plan to sold or dispose, or is a subsidiary acquired exclusively with a view to re-sale. Classification as a discontinued operation occurs on disposal or when the operation meets the criteria to be classified as held-for-sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss is re-presented as if the operation had been discontinued from the start of the comparative year.

3. Notes to the separate financial statements

Segment reporting

Operating segments

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

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

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

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

(all amounts in PLN thousand unless otherwise stated)

Revenue, expenses and financial result of operating segments for the 12 month period ended 31 December 2016

	Fertilizers-Agro	Plastics	Energy	Other Activities	Total
External revenues	694 659	808 824	24 784	24 065	1 552 332
Inter-segment revenue	239 968	244 267	415 354	29 632	929 221
Total revenue	934 627	1 053 091	440 138	53 697	2 481 553
Operating expenses, including:(-)	(918 424)	(1 079 832)	(436 534)	(54 284)	(2 489 074)
Selling and distribution expenses (-)	*(76 482)*	*(15 291)*	*(158)*	*(563)*	*(92 494)*
Administrative expenses (-)	*(74 340)*	*(84 546)*	*(1 460)*	*(2 000)*	*(162 346)*
Other income	691	536	439	8 514	10 180
Other expenses (-)	(4 049)	(5 257)	(3 224)	(19 308)	(31 838)
Segment results from operating activities EBIT	**12 845**	**(31 462)**	**819**	**(11 381)**	**(29 179)**
Finance income	-	-	-	-	287 228
Finance costs (-)	-	-	-	-	(38 142)
Profit before tax	**-**	**-**	**-**	**-**	**219 907**
Tax expense	-	-	-	-	4 868
Profit for the year	**-**	**-**	**-**	**-**	**224 775**
EBIT*	12 845	(31 462)	819	(11 381)	(29 179)
Depreciation and amortisation	33 253	32 925	10 565	9 701	86 444
Unallocated depreciation and amortisation	-	-	-	-	7 593
EBITDA**	**46 098**	**1 463**	**11 384**	**(1 680)**	**64 858**

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

(all amounts in PLN thousand unless otherwise stated)

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

	Fertilizers-Agro	Plastics	Energy	Other Activities	Total
External revenues	834 936	883 113	25 665	25 270	1 768 984
Inter-segment revenue	224 967	246 238	450 914	41 673	963 792
Total revenue	1 059 903	1 129 351	476 579	66 943	2 732 776
Operating expenses, including:(-)	(1 024 242)	(1 129 921)	(476 027)	(70 149)	(2 700 339)
Selling and distribution expenses (-)	*(76 505)*	*(16 571)*	*(142)*	*(870)*	*(94 088)*
Administrative expenses (-)	*(77 820)*	*(78 511)*	*(1 400)*	*(2 413)*	*(160 144)*
Other income	584	623	463	9 983	11 653
Other expenses(-)	(4 493)	(17 825)	(2 817)	(14 600)	(39 735)
Segment results from operating activities EBIT	**31 752**	**(17 772)**	**(1 802)**	**(7 823)**	**4 355**
Finance income	-	-	-	-	237 625
Finance costs (-)	-	-	-	-	(33 044)
Profit before tax	**-**	**-**	**-**	**-**	**208 936**
Tax expense	-	-	-	-	119
Profit for the year	**-**	**-**	**-**	**-**	**209 055**
EBIT*	31 752	(17 772)	(1 802)	(7 823)	4 355
Depreciation and amortisation	31 198	32 439	10 696	9 894	84 227
Unallocated depreciation and amortisation	-	-	-	-	6 914
EBITDA**	**62 950**	**14 667**	**8 894**	**2 071**	**95 496**

* Financial information restated as presented in point 2.3 of the notes to the separate financial statements.
** EBIT is calculated as results from operating activities presented in the statement of profit or loss.
*** EBITDA is calculated as results from operating activities increased by depreciation and amortisation.

(all amounts in PLN thousand unless otherwise stated)

Assets and liabilities of operating segments as at 31 December 2016

	Fertilizers-Agro	Plastics	Energy	Other Activities	Total
Segment assets	608 144	791 272	288 061	166 517	1 853 994
Unallocated assets	-	-	-	-	4 589 262
Total assets	**608 144**	**791 272**	**288 061**	**166 517**	**6 443 256**
Segment liabilities	81 427	169 707	86 306	52 577	390 017
Unallocated liabilities	-	-	-	-	1 536 102
Total liabilities	**81 427**	**169 707**	**86 306**	**52 577**	**1 926 119**

Assets and liabilities of operating segments as at 31 December 2015*, restated

	Fertilizers-Agro	Plastics	Energy	Other Activities	Total
Segment assets	519 565	654 623	253 619	144 992	1 572 799
Unallocated assets	-	-	-	-	4 283 826
Total assets	**519 565**	**654 623**	**253 619**	**144 992**	**5 856 625**
Segment liabilities	96 408	151 839	112 001	31 881	392 129
Unallocated liabilities	-	-	-	-	1 081 725
Total liabilities	**96 408**	**151 839**	**112 001**	**31 881**	**1 473 854**

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

(all amounts in PLN thousand unless otherwise stated)

Other information related to operating segments for the year ended 31 December 2016

	Fertilizers-Agro	Plastics	Energy	Other Activities	Total
Capital expenditure on property, plant and equipment	145 681	160 558	71 490	29 887	407 616
Capital expenditure on intangible assets	-	43	-	250	293
Other unallocated capital expenditure	-	-	-	-	10 203
Total capital expenditure	**145 681**	**160 601**	**71 490**	**30 137**	**418 112**
Segment depreciation and amortisation	33 253	32 925	10 565	9 701	86 444
Unallocated depreciation and amortisation	-	-	-	-	7 593
Total depreciation and amortisation	**33 253**	**32 925**	**10 565**	**9 701**	**94 037**

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

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

(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 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Poland	640 618	738 979
Germany	600 906	646 873
Other European Union countries	207 896	272 157
Asia countries	935	3 264
South America countries	42 621	57 448
Other countries	59 356	50 263
Total	**1 552 332**	**1 768 984**

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

Non-current assets

All non-current assets are located in Poland.

Significant customers

Revenue from the subsidiary Grupa Azoty ATT Polymers GmbH of the Plastics segment amounted to PLN 315 906 thousand (2015: PLN 347 855 thousand).

Note 1 Revenue

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Sales of goods and services	1 541 510	1 743 152
Sales of merchandises and raw materials	8 276	23 824
Sales of certificates of origin of energy	2 546	2 008
	1 552 332	**1 768 984**

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

(all amounts in PLN thousand unless otherwise stated)

Note 2 Operating expenses

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Depreciation and amortisation	92 530	89 109
Raw materials and energy used	908 697	1 034 121
External services	297 230	302 567
Taxes and charges	41 729	53 441
Wages and salaries	147 945	149 191
Social security and other employee benefits	37 377	38 546
Other expenses	25 102	22 993
Costs by kind	**1 550 610**	**1 689 968**
Changes in inventories of finished goods and work in progress (+/-)	3 510	25 236
Work performed by the entity and capitalised (-)	(2 409)	(3 871)
Selling and distribution expenses (-)	(92 494)	(94 088)
Administrative expenses (-)	(162 346)	(160 144)
Cost of merchandise and raw materials sold	8 142	25 214
Cost of sales	**1 305 013**	**1 482 315**
Includes excise duty	5 268	9 197

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

Note 2.1 Cost of sales

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Cost of goods and services sold	1 296 475	1 457 101
Cost of merchandise and raw materials sold	8 142	25 214
Cost of property rights sold	396	-
Total operating costs	**1 305 013**	**1 482 315**

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

(all amounts in PLN thousand unless otherwise stated)

Note 2.2 Employee benefit expenses

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015
Wages and salaries paid and due	154 281	143 425
Social security contributions	27 598	26 160
Employee benefit fund	4 978	4 988
Trainings	664	1 137
Change in defined benefit liabilities	(518)	(509)
Change in other long-term employee benefit liabilities	(4 491)	(1 140)
Change in unused holiday accrual	(119)	927
Change in annual and motivation bonus accruals	(2 480)	7 905
Change in other employee benefit liabilities	714	-
Other	4 695	4 844
	185 322	**187 737**
Average employment	**2 087**	**2 090**

Note 3 Other income

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Reversed impairment losses on:		
Other receivables	38	22
	38	**22**
Other operating income:		
Income from lease of investment property	7 451	7 667
Received compensation	1 690	1 558
Reversal of provisions	-	1 374
Grants received	151	157
Other (aggregated items)	850	875
	10 142	**11 631**
	10 180	**11 653**

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

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

(all amounts in PLN thousand unless otherwise stated)

Note 4 Other expenses

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Loss on disposal of assets		
Loss on disposal of property, plant and equipment	4 997	3 629
	4 997	**3 629**
Recognised impairment loss on:		
Property, plant and equipment	1 824	14 949
Investment property	-	14
Intangible assets	-	30
Other receivables	-	142
Non-current assets held for sale	245	1 073
	2 069	**16 208**
Other expenses:		
Maintenance of investment property	5 250	5 147
Fines and compensations	161	22
Maintenance of installations not in use	431	724
Breakdown recovery expenses	9 822	11 630
Provisions recognised	1 319	1 182
Other (aggregated items)	7 789	1 193
	24 772	**19 898**
	31 838	**39 735**

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

The significant item of other expenses are breakdown recovery expenses of PLN 9 822 thousand (2015: PLN 11 630 thousand). Breakdown recovery expenses were partly offset by the compensation received (presented in other income).

The provisions recognised of PLN 1 319 thousand (2015: PLN 1 182 thousand) concern in particular remeasurement of provision for environmental protection.

Other aggregated items in other operating expenses comprise PLN 7 000 thousand relating to payment made to Polish National Foundation’s initial fund.

(all amounts in PLN thousand unless otherwise stated)

Note 5 Finance income

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Interest income on:		
Bank deposits	104	500
Cash pooling	644	14
Loans	7 729	1 808
Trade receivables	221	-
Other	-	367
	8 698	**2 689**
Gain on valuation of financial assets and liabilities:		
Net change in fair value of financial assets at fair value through profit or loss	-	239
	-	**239**
Other finance income:		
Foreign exchange gains	-	1 867
Dividends received	275 091	230 680
Other finance income	3 439	2 150
	278 530	**234 697**
	287 228	**237 625**

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

The main item of other finance income is the commitment fee from related parties in the amount of PLN 3 229 thousand (in 2015: PLN 1 862 thousand).

(all amounts in PLN thousand unless otherwise stated)

Note 6 Finance costs

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015
Interest expense on:		
Bank loans	22 306	24 572
Cash pooling	1 246	826
Loans	1 064	1 788
Finance leases	28	32
Factoring commissions	319	231
Receivables discounting	768	1 199
Other	1 607	1 541
	27 338	**30 189**
Loss on disposal of financial investments:		
Loss on disposal of financial investments	11	-
	11	**-**
Loss from valuation of financial assets and liabilities:		
Net change in fair value of financial assets at fair value through profit or loss	365	-
Impairment of investments in subordinated entities	4 400	
	4 765	**-**
Other finance costs:		
Foreign exchange loss	2 178	-
Unwind of discount on provisions and loans	-	99
Other finance costs	3 850	2 756
	6 028	**2 855**
	38 142	**33 044**

The main item of other financial expenses is the fee for the received sureties in the amount of PLN 3 444 thousand (in 2015: PLN 2 477 thousand).
Interest capitalised to the cost of property, plant and equipment and intangible assets in 2016 amounted to PLN 3 273 thousand (in 2015: PLN 457 thousand).

(all amounts in PLN thousand unless otherwise stated)

Note 7 Income tax expense

Note 7.1 Tax recognised in the statement of profit or loss

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015
Current tax expense:		
Adjustment for prior years	-	(7 688)
	-	**(7 688)**
Deferred tax expense:		
Origination and reversal of temporary differences	(4 868)	7 569
	(4 868)	**7 569**
Tax expense recognised in the statement of profit or loss	**(4 868)**	**(119)**

Note 7.2 Effective tax rate

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015
Profit before tax	**219 907**	**208 936**
Tax using the Company's domestic tax rate	41 782	39 698
Tax exempt income (+/-)	(52 267)	(43 950)
Non-deductible expenses (+/-)	2 373	1 642
Change in recognised deductible temporary differences (+)	2 477	1 108
Other(+/-)	767	1 383
Tax expense in the statement of profit or loss	**(4 868)**	**(119)**
Effective tax rate	**(2.2 %)**	**(0.1 %)**

The effective tax rate in 2016 of (2.2%) and in 2015 of (0.1%) results mainly from realisation of the finance income in the form of dividends received that are not taxable.

Note 7.3 Income tax recognised in other comprehensive income

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015
Tax on items that will never be reclassified to profit or loss (+/-)	**21**	**(162)**
Revaluation of net liabilities/assets from defined benefit plans	21	(162)
Tax on items that will not be reclassified to profit or loss (+/-)	**(1 682)**	**-**
Valuation of hedging instruments	(1 682)	-
Tax expense recognised in other comprehensive income	**(1 661)**	**(162)**

(all amounts in PLN thousand unless otherwise stated)

Note 7.4 Deferred tax assets and liabilities

	Deferred tax assets (-)		Deferred tax liabilities (+)	
	31.12.2016	31.12.2015* restated	31.12.2016	31.12.2015* restated
Property, plant and equipment	(9 593)	(12 070)	84 285	95 653
Investment property	-	-	2 541	1 888
Intangible assets	(1 357)	(1 357)	7 212	7 157
Financial assets	(2 815)	(1 782)	105	105
Inventories and property rights	(1 143)	(1 469)	4 954	4 248
Trade and other receivables	(140)	(699)	20	336
Trade and other payables	(6 941)	(9 726)	418	222
Employee benefits	(13 797)	(14 789)	-	-
Provisions	(5 353)	(8 838)	222	-
Loans	(62)	-	-	-
Other financial liabilities	-	(95)	-	-
Valuation of hedging instruments	(1 682)	-	-	-
Tax losses carried forward	(31 065)	(28 479)	-	-
Other	(2 570)	(630)	2	95
Deferred tax assets(-)/liabilities(+)	**(76 518)**	**(79 934)**	**99 759**	**109 704**
Offsetting	**76 518**	**79 934**	**(76 518)**	**(79 934)**
Liabilities(+) recognised in the statement of financial position	**-**	**-**	**23 241**	**29 770**

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

(all amounts in PLN thousand unless otherwise stated)

As at 31 December 2016, the Company presented deferred tax assets of PLN 31 065 thousand (31 December 2015: PLN 28 479 thousand) resulting from tax losses carried forward which were considered probable to be utilised based on the forecasts of the future taxable profits. The Company will be allowed to settle the losses in the following years:

Loss for the period	Amount	Settlement
2013	10 815	2017 - 2018
2014	15 839	2017 - 2019
2015	1 927	2017 - 2020
2016	2 484	2017 - 2021
	31 065	

The Company obtained the permission to perform the activities in the Special Economic Zone Krakowski Park Technologiczny for the investment in the Polyamide Plant II. The Company has not recognised the deferred tax asset for the investment tax credit resulting from the operations in the Special Economic Zone as not all conditions precedent were met at the reporting date. The qualified investment expenditures incurred by the Company as at 31 December 2016 amounted to PLN 197 834 thousand which shall allow to realise the investment tax credit of approximately PLN 99 million (without the impact of discounting).

Note 7.5 Change in temporary differences

	Balance as at 01.01.2016* restated	Movement in deferred tax balances recognised in (+/-)		Balance as at 31.12.2016
		Profit or loss	Other comprehensive income	
Property, plant and equipment	83 583	(8 891)	-	74 692
Investment property	1 888	653	-	2 541
Intangible assets	5 800	55	-	5 855
Financial assets	(1 677)	(1 033)	-	(2 710)
Inventories and property rights	2 779	1 032	-	3 811
Trade and other receivables	(363)	243	-	(120)
Trade and other payables	(9 504)	2 981	-	(6 523)
Employee benefits	(14 789)	971	21	(13 797)
Provisions	(8 838)	3 707	-	(5 131)
Bank borrowings	-	(62)	-	(62)
Other financial liabilities	(95)	95	-	-
Hedge accounting	-	-	(1 682)	(1 682)
Tax losses carried forward	(28 479)	(2 586)	-	(31 065)
Other	(535)	(2 033)	-	(2 568)
Deferred tax assets(-) /liabilities(+)	**29 770**	**(4 868)**	**(1 661)**	**23 241**

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

(all amounts in PLN thousand unless otherwise stated)

	Movement in deferred tax balances recognised in (+/-)			
	Balance as at 01.01.2015* restated	Profit or loss	Other comprehensive income	Balance as at 31.12.2015
Property, plant and equipment	67 963	15 620	-	83 583
Investment property	1 990	(102)	-	1 888
Intangible assets	4 977	823	-	5 800
Financial assets	(2 786)	1 109	-	(1 677)
Inventories and property rights	1 424	1 355	-	2 779
Trade and other receivables	(294)	(69)	-	(363)
Trade and other payables	(8 872)	(632)	-	(9 504)
Employee benefits	(13 118)	(1 509)	(162)	(14 789)
Provisions	(5 675)	(3 163)	-	(8 838)
Other financial liabilities	(140)	45	-	(95)
Tax losses	(22 550)	(5 929)	-	(28 479)
Other	(556)	21	-	(535)
Deferred tax assets(-) /liabilities(+)	**22 363**	**7 569**	**(162)**	**29 770**

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

Note 7.6 Unrecognised deferred tax assets/liabilities

Both as at 31 December 2016 and 31 December 2015, the Company did not recognize a deferred tax liability resulting from the difference in tax and carrying amounts of shares in Grupa Azoty PUŁAWY. The amount of temporary differences was PLN 1 775 995 thousand as at 31 December 2016 and 31 December 2015.

(all amounts in PLN thousand unless otherwise stated)

Note 8 Discontinued operations
In 2016 and 2015, the Company did not discontinue any operations.

Note 9 Earnings per share
The calculation of basic earnings per share was based on the net profit and a weighted average number of ordinary shares outstanding at the reporting date and was calculated as follows:

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015
Net profit for the period	**224 775**	**209 055**
Issued ordinary shares at the beginning of the period	99 195 484	99 195 484
Issued ordinary shares at the end of the period	99 195 484	99 195 484
Weighted average number of ordinary shares in the period	**99 195 484**	**99 195 484**
Earnings per share:		
Basic (PLN)	2.27	2.11
Diluted (PLN)	2.27	2.11

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

Note 10 Property, plant and equipment

Carrying amounts

	As at 31.12.2016	As at 31.12.2015* restated
Land	572	572
Buildings and structures	258 386	239 353
Technical devices and machines	623 613	639 320
Vehicles	4 391	2 857
Other	16 207	16 411
	903 169	**898 513**
Property, plant and equipment under construction	532 352	208 459
	1 435 521	**1 106 972**

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

(all amounts in PLN thousand unless otherwise stated)

Carrying amounts of property, plant and equipment

	Land	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Total
Carrying amount as at 01.01.2016*, restated	**572**	**239 353**	**639 320**	**2 857**	**16 411**	**208 459**	**1 106 972**
Additions, including:	***-***	***39 202***	***50 246***	***2 724***	***3 695***	***414 071***	***509 938***
Additions through purchases, construction, transfer to use	-	37 571	49 241	2 601	3 674	414 071	507 158
Reversal of impairment loss	-	239	1 005	-	21	-	1 265
Reclassification from investment property	-	1 392	-	-	-	-	1 392
Other additions	-	-	-	123	-	-	123
Deductions, including: (-)	***-***	***(20 169)***	***(65 953)***	***(1 190)***	***(3 899)***	***(90 178)***	***(181 389)***
Depreciation	-	(19 322)	(63 933)	(1 176)	(3 820)	-	(88 251)
Disposals	-	-	(13)	(14)	(36)	-	(63)
Liquidation	-	(229)	(345)	-	(21)	-	(595)
Transfer to use	-	-	-	-	-	(88 840)	(88 840)
Recognised impairment loss	-	(152)	(452)	-	(16)	(1 204)	(1 824)
Reclassification to investment property	-	(432)	(71)	-	(4)	-	(507)
Reclassification to assets held for sale	-	-	(351)	-	-	-	(351)
Other deductions	-	(34)	(788)	-	(2)	(134)	(958)
Carrying amount as at 31.12.2016	**572**	**258 386**	**623 613**	**4 391**	**16 207**	**532 352**	**1 435 521**

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

(all amounts in PLN thousand unless otherwise stated)

	Land	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Total
Carrying amount as at 01.01.2015*, restated	**572**	**254 747**	**626 386**	**3 658**	**16 286**	**72 187**	**973 836**
Additions, including:	***-***	***4 279***	***91 148***	***450***	***3 906***	***231 326***	***331 109***
Additions through purchases, construction, transfer to use	-	4 064	90 351	63	3 906	231 326	329 710
Additions through lease agreements	-	-	-	387	-	-	387
Reversal of impairment loss	-	85	797	-	-	-	882
Reclassification from investment property	-	130	-	-	-	-	130
Deductions, including: (-)	***-***	***(19 673)***	***(78 214)***	***(1 251)***	***(3 781)***	***(95 054)***	***(197 973)***
Depreciation	-	(18 684)	(62 100)	(1 232)	(3 773)	-	(85 789)
Disposals	-	-	-	(19)	-	-	(19)
Liquidation	-	(78)	(797)	-	-	-	(875)
Transfer to use	-	-	-	-	-	(92 395)	(92 395)
Recognised impairment loss	-	(600)	(11 682)	-	(8)	(2 659)	(14 949)
Reclassification to investment property	-	(311)	-	-	-	-	(311)
Reclassification to assets held for sale	-	-	-	-	-	-	-
Other deductions	-	-	(3 635)	-	-	-	(3 635)
Carrying amount as at 31.12.2015*, restated	**572**	**239 353**	**639 320**	**2 857**	**16 411**	**208 459**	**1 106 972**

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

(all amounts in PLN thousand unless otherwise stated)

Gross carrying amount of property, plant and equipment

	Land	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Total
Balance as at 31.12.2016							
Gross carrying amount	572	722 948	1 789 639	16 521	56 496	586 045	3 172 221
Accumulated depreciation (-)	-	(456 540)	(1 108 660)	(12 129)	(40 256)	-	(1 617 585)
Impairment loss (-)	-	(8 022)	(57 366)	(1)	(33)	(53 693)	(119 115)
Carrying amount as at 31.12.2016	**572**	**258 386**	**623 613**	**4 391**	**16 207**	**532 352**	**1 435 521**
Balance as at 31.12.2015*, restated							
Gross carrying amount	572	685 275	1 753 322	13 903	54 437	260 948	2 768 457
Accumulated depreciation (-)	-	(437 813)	(1 056 083)	(11 045)	(37 988)	-	(1 542 929)
Impairment loss (-)	-	(8 109)	(57 919)	(1)	(38)	(52 489)	(118 556)
Carrying amount as at 31.12.2015*, restated	**572**	**239 353**	**639 320**	**2 857**	**16 411**	**208 459**	**1 106 972**

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

Impairment losses

	Land	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Total
Impairment loss as at 01.01.2016	**-**	**8 109**	**57 919**	**1**	**38**	**52 489**	**118 556**
Impairment recognised in the statement of profit or loss	-	152	452	-	16	1 204	1 824
Reversal/utilisation of impairment recognised in the statement of profit or loss (-)	-	(239)	(1 005)	-	(21)	-	(1 265)
Impairment loss as at 31.12.2016	**-**	**8 022**	**57 366**	**1**	**33**	**53 693**	**119 115**
Impairment loss as at 01.01.2015	**-**	**7 594**	**47 034**	**1**	**30**	**49 830**	**104 489**
Impairment recognised in the statement of profit or loss	-	600	11 682	-	8	2 659	14 949
Reversal of impairment recognised in the statement of profit or loss (-)	-	(85)	(797)	-	-	-	(882)
Impairment loss as at 31.12.2015	**-**	**8 109**	**57 919**	**1**	**38**	**52 489**	**118 556**

(all amounts in PLN thousand unless otherwise stated)

In the reporting period, the Company recognised impairment losses for property, plant and equipment of PLN 1 824 thousand (in 2015: PLN 14 949 thousand), which were presented in other operating expenses. The amount comprises primarily the impairment loss for discontinued property, plant and equipment under construction in the amount of PLN 1 204 thousand.

The use 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 recognised in prior years for polioxymethylene (POM) installation may cease to exist and needs to be reversed.

Significant expenditures on property, plant and equipment under construction
In 2016, the Company continued its two major investment projects launched in 2014, i.e. construction of Polyamide Plant II for which the investment expenditures amount to PLN 210 010 thousand as at 31 December 2016 (31 December 2015: PLN 60 948 thousand) and Mechanical Granulation Plant II for which the investment expenditures amount to PLN 111 988 thousand as at 31 December 2016 (31 December 2015: PLN 30 336 thousand).

The remaining capital expenditures comprising fixed assets under construction as at 31 December 2016 include: construction of extraction-condensing turbine set of PLN 50 081 thousand (31 December 2015: PLN 29 704 thousand), installation of flue gas denitrification of PLN 38 510 thousand (31 December 2015: PLN 13 543 thousand), intensification of production capacity of ammonia of PLN 31 178 thousand (31 December 2015: PLN 3 904 thousand), installation of flue gas desulphurisation of PLN 30 635 thousand (31 December 2015: PLN 8 282 thousand), new plant producing iron-chromium catalyst of PLN 27 418 thousand (31 December 2015: PLN 2 853 thousand), construction of a new storage facilities for technical nitric acid of PLN 8 567 thousand (31 December 2015: PLN 268 thousand) and other less significant expenditures.

Security
As at 31 December 2016 and 31 December 2015, the property, plant and equipment is not pledged as security for liabilities.

Property, plant and equipment under financial lease

	As at 31.12.2016	As at 31.12.2015
The carrying amount of property, plant and equipment under financial lease	2 895	777

Note 10.1 Property, plant and equipment held for sale

	As at 31.12.2016	As at 31.12.2015
Land	95	95
Machines and equipment	596	245
	691	**340**

Note 11 Perpetual usufruct right

	As at 31.12.2016	As at 31.12.2015* restated
Perpetual usufruct right	373	377

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

(all amounts in PLN thousand unless otherwise stated)

Gross carrying amount of perpetual usufruct right

	Perpetual usufruct right
Balance as at 31.12.2016	
Gross carrying amount	380
Accumulated amortisation (-)	(7)
Carrying amount as at 31.12.2016	**373**
Balance as at 31.12.2015*, restated	
Gross carrying amount	380
Accumulated amortisation (-)	(3)
Carrying amount as at 31.12.2015*, restated	**377**

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

Note 12 Intangible assets

Carrying amount

	As at 31.12.2016	As at 31.12.2015
Patents and licenses	32 463	33 838
Computer software	6 187	5 713
Development costs	6 511	5 787
Other intangible assets	2 147	2 359
	47 308	**47 697**
Intangible assets under construction	3 556	2 745
	50 864	**50 442**

Intangible assets comprise mainly licenses, including SAP license of PLN 25 388 thousand (31 December 2015: PLN 25 830 thousand). The Company does not hold any intangible assets with indefinite useful lives.
Amortisation of intangible assets is generally allocated to administrative expenses. There are no intangible assets for which legal title is restricted or which are used as collateral.

(all amounts in PLN thousand unless otherwise stated)

Carrying amounts of intangible assets

	Patents and licenses	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
Carrying amount as at 01.01.2016	33 838	5 713	5 787	2 359	2 745	50 442
Additions, including:	*2 270*	*962*	*758*	*-*	*4 041*	*8 031*
Additions through purchases, construction, transfer to use	2 270	962	-	-	4 041	7 273
Other additions	-	-	758	-	-	758
Deductions, including:(-)	*(3 645)*	*(488)*	*(34)*	*(212)*	*(3 230)*	*(7 609)*
Amortisation	(3 645)	(488)	(34)	(212)		(4 379)
Transfer to use	-	-	-	-	(3 230)	(3 230)
Carrying amount as at 31.12.2016	32 463	6 187	6 511	2 147	3 556	50 864

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

(all amounts in PLN thousand unless otherwise stated)

Gross carrying amounts of intangible assets

	Patents and licenses	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
Carrying amount as at 01.01.2016						
Gross carrying amount	64 005	11 694	6 853	3 518	3 556	89 626
Accumulated amortisation (-)	(24 842)	(5 507)	(342)	(897)	-	(31 588)
Impairment loss (-)	(6 700)	-	-	(474)	-	(7 174)
Carrying amount as at 31.12.2016	**32 463**	**6 187**	**6 511**	**2 147**	**3 556**	**50 864**
Gross carrying amount as at 01.01.2015	61 736	10 735	6 096	3 518	2 745	84 830
Accumulated amortisation (-)	(21 198)	(5 022)	(309)	(685)	-	(27 214)
Impairment loss (-)	(6 700)	-	-	(474)	-	(7 174)
Carrying amount as at 31.12.2015	**33 838**	**5 713**	**5 787**	**2 359**	**2 745**	**50 442**

Impairment losses

	Patents and licenses	Other intangible assets	Total
Impairment loss as at 01.01.2016	**6 700**	**474**	**7 174**
Impairment loss as at 31.12.2016	**6 700**	**474**	**7 174**
Impairment loss as at 31.12.2015	**6 700**	**444**	**7 144**
Impairment recognised in the statement of profit or loss	-	30	30
Impairment loss as at 31.12.2015	**6 700**	**474**	**7 174**

(all amounts in PLN thousand unless otherwise stated)

Significant expenditures on intangible assets under construction
Most significant expenditures on intangible assets under construction include: purchase of license for Mechanical Granulation Plant II of PLN 1 000 thousand (31 December 2015: PLN 1 000 thousand), purchase of license for Polyamide Plant II of PLN 831 thousand (31 December 2015: PLN 788 thousand), rollout of CMMS system of PLN 984 thousand (31 December 2015: PLN 867 thousand) and other less significant projects.

Note 13 Investment property

	As at 31.12.2016	As at 31.12.2015* restated
Carrying amount as at the beginning of the period	**19 754**	**20 801**
Additions, including:	***745***	***486***
Acquisition, construction, subsequent expenditures	238	161
Reversal of impairment loss	-	14
Reclassification from other category of assets	507	311
Deductions, including:(-)	***(2 799)***	***(1 533)***
Depreciation (-)	(1 407)	(1 377)
Disposals, liquidation	-	(14)
Impairment loss	-	(14)
Reclassification to other category of assets	(1 392)	(128)
Carrying amount at the end of the period	**17 700**	**19 754**

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

Income from lease of investment property in 2016 amounted to PLN 7 451 thousand (in 2015: PLN 7 667 thousand).

(all amounts in PLN thousand unless otherwise stated)

Note 14 Financial assets

Note 14.1 Investments in subordinated entities

	As at 31.12.2016	As at 31.12.2015
Investments in subsidiaries	3 871 587	3 832 516
Investments in associates	-	20
	3 871 587	**3 832 536**
Thereof:		
Non-current	3 871 587	3 832 536
	3 871 587	**3 832 536**

Movements in subordinated entities

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015
Carrying amount at the beginning of the period	**3 832 536**	**3 814 993**
Additions, including:	*43 471*	*17 543*
Purchases	43 471	17 543
Deductions, including:(-)	***(4 420)***	**-**
Disposal, liquidation	(20)	-
Impairment loss	(4 400)	-
Carrying amount at the end of the period	**3 871 587**	**3 832 536**

Purchases are related to the acquisition of the shares in Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki "Siarkopol" S.A. in the amount of PLN 38 471 thousand and the acquisition of shares in PDH „Polska" S.A. in the amount of PLN 5 000 thousand.
Deductions relate mainly to the impairment loss on shares in Grupa Azoty "Folie" Sp. z o.o. of PLN 4 400 thousand.

Shares in subordinated entities

Name of entity	Ownership interest	Country	Carrying amount of shares
31 December 2016			
Grupa Azoty ATT Polymers GmbH*	100.00%	Germany	16 057
Grupa Azoty „Compounding" Sp. z o.o.	100.00%	Poland	5
Grupa Azoty „Folie" Sp. z o.o.*	100.00%	Poland	1 100
Grupa Azoty „Koltar" Sp. z o.o.*	100.00%	Poland	31 722
Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki „Siarkopol" S.A.*	98.42%	Poland	375 052
Grupa Azoty Zakłady Azotowe „Puławy" S.A.*	95.98%	Poland	2 496 673
Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.*	93.48%	Poland	350 090
Grupa Azoty Zakłady Chemiczne „Police" S.A.*	66.00%	Poland	569 250
Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o.*	63.27%	Poland	26 638
PDH Polska S.A.*	3.91%	Poland	5 000
			3 871 587

(all amounts in PLN thousand unless otherwise stated)

Name of entity	Ownership interest	Country	Carrying amount of shares
31 December 2015			
Grupa Azoty ATT Polymers GmbH*	100.00%	Germany	16 057
Grupa Azoty „Compounding” Sp. z o.o.	100.00%	Poland	5
Grupa Azoty „Folie” Sp. z o.o.*	100.00%	Poland	5 500
Grupa Azoty „Koltar” Sp. z o.o.*	100.00%	Poland	31 722
Grupa Azoty Zakłady Azotowe „Puławy” S.A.*	95.98%	Poland	2 496 673
Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.*	93.48%	Poland	350 090
Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki „Siarkopol” S.A.*	88.20%	Poland	336 581
Grupa Azoty Zakłady Chemiczne „Police” S.A.*	66.00%	Poland	569 250
Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o.*	63.27%	Poland	26 638
Navitrans Sp. z o.o.	26.45%	Poland	20
			3 832 536

*subsidiaries fully consolidated.

Note 14.2 Available-for-sale financial assets

	As at 31.12.2016	As at 31.12.2015
Shares in other entities	12 134	12 134
	12 134	**12 134**
Thereof:		
Non-current	12 134	12 134
	12 134	**12 134**

Note 14.3 Impairment of investments

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015
Balance at the beginning of the period	**10 416**	**16 253**
Use of impairment loss, including: (-)	***-***	***(5 837)***
Use of impairment loss in other entities	-	(5 837)
Impairment losses, including:	***4 400***	***-***
Impairment losses of assets in subordinated entities	4 400	-
Balance at the end of the period	**14 816**	**10 416**

(all amounts in PLN thousand unless otherwise stated)

Note 14.4 Other financial assets

	As at 31.12.2016	As at 31.12.2015* restated
Loans	297 830	247 301
Other	334	-
	298 164	**247 301**
Thereof:		
Non-current	244 220	218 115
Current	53 944	29 186
	298 164	**247 301**

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

Details concerning granted loans were presented in note 29.

Note 15 Inventories

	As at 31.12.2016	As at 31.12.2015* restated
Finished goods	78 808	82 058
Semi-finished products, work in progress	15 283	18 516
Raw materials	77 165	88 269
Total inventory, including:	**171 256**	**188 843**
Carrying amount of inventories at net realisable value	*6 526*	*24 519*

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

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015
Write-downs recognised as an expense in the period	4 221	3 749
Write-downs used/reversed in the period	(5 940)	(4 453)
	(1 719)	**(704)**

Amount of inventories included in cost of sales in the period

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Raw materials and energy used	908 697	1 034 121
Change in inventories of finished goods and work in progress (+/-)	3 510	25 236
	912 207	**1 059 357**

	As at 31.12.2016	As at 31.12.2015
The amount of write-downs	6 001	7 719

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

(all amounts in PLN thousand unless otherwise stated)

Inventories write downs recognised in 2016 relate to inventories for which cost exceeds net realisable value or which are held on stock more than one year. Changes in write downs resulted from sale, use or liquidation of particular items. Recognition and reversals of write downs are included in the statement of profit or loss as cost of sales.

Note 16 Property rights

	As at 31.12.2016	As at 31.12.2015* restated
CO_2 emission allowances	28 021	29 550
Energy certificates	3 402	2 722
	31 423	**32 272**

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

Note 16.1 CO_2 emission allowances

CO_2 emission allowances owned (number of units)

	2016	2015
Balance at the beginning of the period (units owned)	**1 018 634**	**1 189 653**
Redeemed	(1 235 534)	(1 302 484)
Allocated	959 211	649 001
Acquired	501 238	482 464
Balance at the end of the period (units owned)	**1 243 549**	**1 018 634**
Emission in the reporting period	997 829	1 235 534

In 2017, the Company will additionally receive 348 460 of CO_2 emission allowances due to the realisation of capital expenditures in years 2015-2016. As at 31 December 2016, the rights have not yet been registered in the Company's account. In 2016, the Company received 333 298 of additional CO_2 emission allowances for the realisation of capital expenditures in years 2014 – 2015.

(all amounts in PLN thousand unless otherwise stated)

Note 17 Trade and other receivables

	As at 31.12.2016	As at 31.12.2015* restated
Trade receivables - related parties	76 058	64 507
Trade receivables - other entities	66 173	75 069
Tax receivables other than current tax assets	52 559	52 801
Advances paid for property, plant and equipment – related parties	450	8 242
Advances paid for property, plant and equipment - other entities	17 671	41 931
Advances paid for the supply of materials, merchandises and services - other entities	3 414	4 315
Prepayments – related parties	279	288
Prepayments - other entities	6 217	5 544
Other receivables - related parties	2 350	-
Other receivables - other parties	1 507	29
	226 678	**252 726**
Thereof:		
Current	226 678	252 726
	226 678	**252 726**

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

Impairment losses

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015
Balance at the beginning of the period	**8 047**	**7 733**
Recognised	-	661
Reversed	(277)	(312)
Used	(5 056)	(35)
Balance at the end of the period	**2 714**	**8 047**
Thereof:		
Current	2 714	8 047
	2 714	**8 047**

Ageing structure of trade receivables that were not impaired

	As at 31.12.2016	As at 31.12.2015
Not past due	138 349	133 907
Past due to 60 days	3 841	5 629
Past due 61-180 days	41	39
Past due 181-360 days	-	1
	142 231	**139 576**

(all amounts in PLN thousand unless otherwise stated)

Ageing structure of impaired trade and other receivables

	As at 31.12.2016	As at 31.12.2015
Not past due	29	345
Past due to 60 days	37	39
Past due 61-180 days	23	93
Past due 181-360 days	33	112
Past due more than 360 days	2 592	7 458
	2 714	**8 047**

Receivables currency structure

	As at 31.12.2016	As at 31.12.2015* restated
PLN	112 532	127 128
EUR translated to PLN	113 435	124 615
USD translated to PLN	660	983
Other	51	-
	226 678	**252 726**
Thereof:		
Current	226 678	252 726
	226 678	**252 726**

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

Impairment losses on receivables were recognised as it was probable they would not be collectible. Changes to impairment losses on trade receivables (recognition, reversals) are recognised in the statement of profit or loss as selling expenses and other costs by kind. Changes to impairment losses on other receivables and from leases 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, other and tax receivables do not bear interest.

The average collection period of trade receivables under normal sales conditions is 29 days.

As at 31 December 2016, receivables of PLN 57 530 thousand (31 December 2015: PLN 45 731 thousand) secured the Company's receivables discounting.

The Company has an agreement concerning receivables discounting with recourse with related party. The value of discounted receivables and factoring liabilities is presented in the table below:

	As at 31.12.2016	As at 31.12.2015
Discounted receivables	57 530	45 731
Factoring liabilities	57 530	45 731

(all amounts in PLN thousand unless otherwise stated)

Note 17.1 Prepayments

	As at 31.12.2016	As at 31.12.2015
Insurance	3 710	3 353
Subscription	441	536
Advertising	460	863
Other	1 885	1 080
	6 496	**5 832**
Thereof:		
Current	6 496	5 832
	6 496	**5 832**

Note 18 Cash and cash equivalents

	As at 31.12.2016	As at 31.12.2015
Cash in hand	17	16
Cash at bank in PLN	132 486	1 885
Cash at bank (foreign currencies translated into PLN)	121 649	50 087
Bank deposits - up to 3 months	1 389	59 954
Cash and cash equivalents in cash pooling	70 490	-
	326 031	**111 942**
Cash and cash equivalents in the statement of financial position	**326 031**	**111 942**
Cash and cash equivalents in the statement of cash flows	**326 031**	**111 942**

As at 31 December 2016 and 31 December 2015 there was no restricted cash.

The balances with other Group entities participating in the real cash pooling are presented as cash and cash equivalents (positive balances) or as the current loans (negative balances).

On 20 September 2016, the Company and other entities of Grupa Azoty Group entered into the real cash pooling facility agreement with PKO BP, which replaced the virtual cash pooling facility agreement with PKO BP terminated on 1 October 2016. The purpose of the real cash pooling is to optimise cash flows by enabling the effective management of the global liquidity limit and its flexible allocation within the Group. Simultaneously, it provides financial security for the Group's entities and optimises interest income and expenses within the Group. The Company operates as the cash pooling agent and coordinates the cash pooling within the Group, i.e. the Group entities settle their positions with the Company and afterwards the Company settles with PKO BP. The Company presents funds transferred to the Group entities in cash pooling as the cash equivalents, whereas funds received by the Company from the Group entities are presented as current loans (see note 21 and note 30).

Note 19 Other assets

In 2016, the Company did not hold other assets.

(all amounts in PLN thousand unless otherwise stated)

Note 20 Capital and reserves

Note 20.1 Share capital

Value of share capital

	As at 31.12.2016	As at 31.12.2015
Nominal value of series A shares	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 31.12.2016	As at 31.12.2015
Number of shares at the beginning of the period	**99 195 484**	**99 195 484**
Number of shares at the end of the period	**99 195 484**	**99 195 484**
Nominal value of 1 share (PLN/share)	5	5

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

Limitation in voting rights

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

Note 20.2 Share premium

	As at 31.12.2016	As at 31.12.2015
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 20.3 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments, i.e. bank loan drawn in EUR, used in cash flow hedges pending subsequent recognition in the statement of profit or loss as the hedged cash flows affect profit or loss.

Note 20.4 Dividends

On 6 June 2016, the Ordinary General Meeting resolved to pay the dividend from the 2015 profit in the amount of PLN 83 324 thousand, i.e. PLN 0.84 per share. The dividend date was on 20 June 2016, whereas the dividend payment date was on 11 July 2016. In 2015, the Company did not pay the dividend.

(all amounts in PLN thousand unless otherwise stated)

Note 21 Loans

	As at 31.12.2016	As at 31.12.2015
Bank credits	1 165 271	934 512
Loans	308 394	50 000
	1 473 665	**984 512**
Thereof:		
Non-current	1 166 290	935 550
Current	307 375	48 962
	1 473 665	**984 512**

Within the centralised financing model, the Company signed in 2015 the syndicated Revolving Loan Agreement with PKO BP S.A., BGK, BZ WBK and ING for the amount of PLN 1 500 million, for a period of 5 years. The loan was used to refinance the selected other financing agreements and, in the remaining portion, to finance the investment program and other objectives set out in the long-term Strategy of Grupa Azoty.

The Company also has the long-term loan agreements for the total amount of PLN 700 million, including PLN 550 million with the EIB and PLN 150 million with the EBRD, concluded in 2015 for a period of 10 years, which supplement the corporate financing package up to PLN 2 200 million.

On 20 September 2016, the Company with Grupa Azoty Puławy S.A., Grupa Azoty Police S.A., Grupa Azoty ZAK S.A. and Grupa Azoty ATT Polymers GmbH signed with PKO BP the amendment to the Multi-Purpose Credit Limit Contract in the amount of PLN 240 million and, together with the remaining selected subsidiaries, the amendment to the Overdraft Facility in the amount of PLN 310 million. Based on the amendments, the financing was extended by 3 years, i.e. to 30 September 2019.

The relevant covenants, terms and conditions and pledges of the contracts with the EIB and the EBRD, Multi-Purpose Credit Limit Contract and Overdraft Facility are harmonized with the previously concluded syndicated Revolving Loan Agreement.

Further information concerning covenants was presented in Note 28.3.2.
As at 31 December 2016, the Company has unused available credit limits resulting from the above-mentioned agreements in the total amount of approximately PLN 1 105 million.
The information concerning loans received was presented in note 29.

Loans maturities and currency structure

31 December 2016

Currency	Reference rate	Value at the reporting date		Less than 1 year	1-2 year(s)	2-5 years	>5 years
		in original currency	in PLN				
PLN	variable	1 026 948	1 026 948	307 375	-	714 260	5 313
EUR	variable	1 104	4 862	-	-	4 862	-
EUR	fixed	100 000	441 855	-	30 365	190 384	221 106
			1 473 665	**307 375**	**30 365**	**909 506**	**226 419**

(all amounts in PLN thousand unless otherwise stated)

31 December 2015

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

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

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

- syndicated Revolving Loan Agreement in the amount of PLN 1 500 million (total guarantees up to PLN 1 800 million),
- Overdraft Agreement with PKO BP in the amount of PLN 310 million (total guarantees up to PLN 372 million),
- Multi-Purpose Credit Limit with PKO BP in the amount of PLN 240 million (total guarantees up to PLN 288 million),
- Loan with the EIB of PLN 550 million (total guarantees up to PLN 660 million),
- Loan with the EBRD of PLN 150 million (total guarantees up to PLN 180 million).

Note 22 Other financial liabilities

	As at 31.12.2016	As at 31.12.2015* restated
Finance lease liabilities	2 140	568
Factoring liabilities	57 530	45 731
	59 670	**46 299**
Thereof:		
Non-current	1 539	244
Current	58 131	46 055
	59 670	**46 299**

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

Finance lease liabilities repayment schedule

	Future minimum lease payments	Interest	Principal	Future minimum lease payments	Interest	Principal
	31 December 2016			*31 December 2015*		
Up to 1 year	635	34	601	335	11	324
1 to 3 years	1 003	50	953	249	5	244
3 to 5 years	593	7	586	-	-	-
	2 231	**91**	**2 140**	**584**	**16**	**568**

(all amounts in PLN thousand unless otherwise stated)

Note 23 Operating leases

Leases as lessor

	As at 31.12.2016	As at 31.12.2015
Due within 1 year	1 400	1 244
Due between 1 and 5 years	4 228	4 213
Due in more than 5 years	4 797	5 712
	10 425	**11 169**

Leases as lessee

	As at 31.12.2016	As at 31.12.2015
Due within 1 year	10 779	10 850
Due between 1 and 5 years	4 278	5 019
	15 057	**15 869**

Lease payments recognised as expense

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 -31.12.2015
Lease payments recognised as expense	15 532	18 649

Note 24 Employee benefits

	As at 31.12.2016	As at 31.12.2015
Liability for pension benefits	19 626	18 979
Liability for jubilee benefits	21 591	25 322
Liability for Social Fund benefits for pensioners	4 216	4 010
Other liabilities	3 697	5 062
	49 130	**53 373**
Thereof:		
Non-current	46 136	50 679
Current	2 994	2 694
	49 130	**53 373**

Changes in defined benefit obligation

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015
Balance at the beginning of the period	**28 051**	**26 733**
Current service costs (+)	894	850
Interest costs (+)	841	803
Remeasurement of defined benefit plan net liabilities/assets, resulting from:	(106)	852
- changes in demographic estimates (+/-)	1 194	852
- changes in financial assumptions (+/-)	(1 300)	-
Past service cost(+/-)	(747)	-
Benefits paid (-)	(1 394)	(1 187)
Balance at the end of the period	**27 539**	**28 051**

(all amounts in PLN thousand unless otherwise stated)

Changes in other long-term benefit obligation

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015
Balance at the beginning of the period	**25 322**	**25 691**
Current service costs (+)	894	920
Interest costs (+)	760	771
Actuarial gains or losses recognised in profit or loss for the period (+/-)	129	(61)
Past service cost(+/-)	(3 283)	-
Benefits paid (-)	(2 231)	(1 999)
Balance at the end of the period	**21 591**	**25 322**

Actuarial assumptions

	As at 31.12.2016	As at 31.12.2015
Discount rate %	3.6%	3.0%
Future minimum wage increases	4.0%	4.0%
Future average salary increases	3.5%	3.0%

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

As at 31 December 2016

	Liability for jubilee benefits	Liability for retirement benefits	Liability for pension benefits	Liability for death-in service benefits	Liability for Social Fund benefits for pensioners
Employee turnover x 90%	497	500	9	89	122
Discount rate x 90%	518	692	12	104	333
Future wage or salary x 110%	497	769	11	104	325

As at 31 December 2015

	Liability for jubilee benefits	Liability for retirement benefits	Liability for pension benefits	Liability for death-in service benefits	Liability for Social Fund benefits for pensioners
Employee turnover x 90%	633	535	14	127	120
Discount rate x 90%	582	582	15	137	265
Future wage or salary x 110%	582	977	15	132	265

(all amounts in PLN thousand unless otherwise stated)

Note 25 Provisions

	As at 31.12.2016	As at 31.12.2015* restated
Provision for legal claims	65	74
Provision for environment protection, including: site restoration	18 166	17 483
Provision for demolition of mercury electrolysis plant	8 161	7 479
Other provisions	1 955	4 424
	28 347	**29 460**
Thereof:		
Non-current	25 992	24 446
Current	2 355	5 014
	28 347	**29 460**

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

Provision for environment protection
Due to the contamination of the Company's land and two buildings of the electrolysis plant with chemicals (mainly by mercury), which was identified based on the examinations performed, the Company recognised a provision for site restoration and for costs of reducing the content of mercury in the buildings walls.

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

The present value of the provision as at 31 December 2016 amounted to PLN 16 946 thousand (31 December 2015: PLN 16 126 thousand). Present value of long-term provisions was calculated using a real, risk free discount rate of 2.2% (2015: 2.0%).

In 2016, the Company incurred reclamation related expenses of PLN 203 thousand (in 2015: PLN 218 thousand).

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

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

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

In 2016, spending related to abovementioned liquidation amounted to PLN 557 thousand (in 2015: PLN 260 thousand).

(all amounts in PLN thousand unless otherwise stated)

Changes in provisions

	Provision for legal claims	Provision for environment protection, including site restoration	Provision for demolition of mercury electrolysis plant	Other provisions	Total
Balance as at 01.01.2016	**74**	**17 483**	**7 479**	**4 424**	**29 460**
Additions, including:	***-***	***886***	***1 239***	***411***	***2 536***
Recognised	-	886	1 239	411	2 536
Deductions, including:(-)	***(9)***	***(203)***	***(557)***	***(2 880)***	***(3 649)***
Used	(9)	(203)	(557)	(2 327)	(3 096)
Reversed	-	-	-	(553)	(553)
Balance as at 31.12.2016	**65**	**18 166**	**8 161**	**1 955**	**28 347**

	Provision for legal claims	Provision for environment protection, including site restoration	Provision for demolition of mercury electrolysis plant	Other provisions	Total
Balance as at 01.01.2015*, restated	**83**	**17 431**	**7 613**	**5 027**	**30 154**
Additions, including:	***-***	***284***	***127***	***771***	***1 182***
Recognised	-	284	127	771	1 182
Deductions, including:(-)	***(9)***	***(232)***	***(261)***	***(1 374)***	***(1 876)***
Used	(9)	(219)	(261)	-	(489)
Reversed	-	(13)	-	(1 374)	(1 387)
Balance as at 31.12.2015*, restated	**74**	**17 483**	**7 479**	**4 424**	**29 460**

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

(all amounts in PLN thousand unless otherwise stated)

Note 26 Trade and other payables

	As at 31.12.2016	As at 31.12.2015* restated
Trade payables - related parties	30 506	56 755
Trade payables – other entities	106 849	109 614
Tax payables other than current tax liabilities	22 658	23 938
Payroll liabilities	7 717	6 657
Payables relating to capital expenditure – related parties	15 624	23 766
Payables relating to capital expenditure – other entities	28 819	30 809
Advances received - related parties	11	-
Advances received - other entities	702	1 348
Other payables - other entities	5 166	2 056
Accrued expenses - related parties	809	35
Accrued expenses - other entities	51 005	69 481
Deferred income	23	5
	269 889	**324 464**
Thereof:		
Current	269 889	324 464
	269 889	**324 464**

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

Note 26.1 Accrued expenses

	As at 31.12.2016	As at 31.12.2015* restated
Annual bonus	11 034	12 613
Unused holiday	4 598	4 717
Motivation bonus	995	1 896
Accrual for other employee benefits	2 154	690
Cost of sales of licenses	149	1 955
Energy certificates	3 444	1 740
CO_2 emission	22 565	37 151
Uninvoiced expenses	464	2 080
Marketing services	3 760	4 147
Other	2 651	2 527
	51 814	**69 516**
Thereof:		
Current	51 814	69 516
	51 814	**69 516**

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

(all amounts in PLN thousand unless otherwise stated)

Trade payables ageing structure

	As at 31.12.2016	As at 31.12.2015
Not past due	136 681	144 745
Past due to 60 days	668	21 473
Past due 61-180 days	4	37
Past due 181-360 days	2	52
Past due more than 360 days	-	62
	137 355	**166 369**

Payables currency structure

	As at 31.12.2016	As at 31.12.2015* restated
PLN	214 800	263 995
EUR translated to PLN	54 594	60 145
USD translated to PLN	393	215
Other	102	109
	269 889	**324 464**

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

Note 27 Government grants

	As at 31.12.2016	As at 31.12.2015
Government grants	19 374	4 483
Other grants	1 695	994
	21 069	**5 477**
Thereof:		
Non-current	19 222	3 163
Current	1 847	2 314
	21 069	**5 477**

In 2016, the Company received PLN 6 760 thousand (in 2015: PLN 1 170 thousand) grant financing the investment in the installation of flue gas denitrification.
The Company has also received and settled grants related to the free-of-charge CO2 emission allowances amounting to PLN 13 092 thousand (in 2015: PLN 18 551 thousand). In 2016, the Company received the CO_2 emission allowances for realisation of the capital expenditures included in the NIP of PLN 8 281 thousand.

Note 28 Financial instruments

Note 28.1 Capital management

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

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

The capital structure of the Company consists of liabilities including credits and loans presented in Note 21, other financial liabilities presented in Note 22 and equity presented in Note 20.

(all amounts in PLN thousand unless otherwise stated)

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

Note 28.2 Categories of financial instruments

Classification of financial instruments

Financial assets

	As at 31.12.2016	As at 31.12.2015* restated
At fair value through profit or loss	834	986
Loans and receivables	444 252	386 906
Cash and cash equivalents	326 031	111 942
Available-for-sale financial assets	12 134	12 134
	783 251	**511 968**
Recognised in the statement of financial position as:		
Available-for-sale financial assets	12 134	12 134
Trade and other receivables	146 088	139 605
Cash and cash equivalents	326 031	111 942
Derivatives	834	986
Other financial assets	298 164	247 301
	783 251	**511 968**

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

Financial liabilities

	As at 31.12.2016	As at 31.12.2015* restated
At fair value through profit or loss	1 108	499
At amortized cost	1 727 931	1 260 359
	1 729 039	**1 260 858**
Recognised in the statement of financial position as:		
Non-current loans	1 166 290	935 550
Current loans	307 375	48 962
Derivatives	1 108	499
Trade and other payables	194 596	229 548
Other non-current financial liabilities	1 539	244
Other current financial liabilities	58 131	46 055
	1 729 039	**1 260 858**

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

(all amounts in PLN thousand unless otherwise stated)

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

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015
Financial assets		
At fair value through profit or loss	-	157
Loans and receivables	(8)	(27)
Financial liabilities		
At fair value through profit or loss	(761)	239
At amortized cost	-	(99)
	(769)	**270**

The table above does not include gains or losses on interest or foreign exchange gains or losses.

Additionally we inform that:

- there were no financial assets presented in the statement of financial position as at 31 December 2016 and 31 December 2015 for which the terms and conditions were renegotiated,
- except for the impairment losses on receivables presented in Note 17, the Company did not recognize other impairment losses concerning financial instruments,
- no reclassifications of financial assets resulting from their maturities at the reporting dates occurred in 2016 and 2015,
- no instruments containing both a liability and an equity component as well as containing embedded derivatives were issued in 2016 and 2015,
- In 2016 and 2015 the Company did not seize any collaterals.

Note 28.3 Financial risk management

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

Note 28.3.1 Credit risk

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

	As at 31.12.2016	As at 31.12.2015
Assets at fair value through profit or loss	834	986
Loans and receivables	444 252	386 906
Cash and cash equivalents	326 031	111 942
	771 117	**499 834**

(all amounts in PLN thousand unless otherwise stated)

Trade receivables

	As at 31.12.2016	As at 31.12.2015
Fertilizers-Agro Segment	17 340	25 468
Plastics Segment	114 119	98 457
Energy Segment	3 408	3 058
Other Activities Segment	7 364	12 593
	142 231	**139 576**

46.5% of trade receivables are trade receivables from third parties (31 December 2015: 53.8%). 92.6% (31 December 2015: 87.8%) of the trade receivables from third parties are insured under trade credit insurance policies issued by Korporacja Ubezpieczeń Kredytów Eksportowych S.A. It limits the credit risk exposure to the level of the Company's own contribution (5-8% of the insured receivables value). The insurance policy provides the facility for current monitoring of customer's current financial position and debt recovery when required. Additionally, upon customer's real or legal insolvency, the Company receives the compensation payment amounting to 92-95% of insured receivable value.

Trade receivables from related parties, accounting for 53.5% (31 December 2015: 46.2%) of total trade receivables, are not insured.

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

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

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

Approximately 66.1% (31 December 2015: 60.0%) of the balance concerns the receivables from foreign customers and the remaining 33.9% (31 December 2015: 40.0%) relates to the domestic customers. The Company's revenue concentrates in two main segments reflecting the Company's business profile. The most significant portion of the Company's trade receivables relate to Plastics Segment - 80.2% (31 December 2015: 70.5%) of total trade receivables. In this Segment ATT Polymers GmbH and other foreign customers prevail, to which sales are made on deferred payment terms within insured credit limits. Another significant group of the Company's trade receivables relate to Fertilizers-Agro Segment – 12.2 % (31 December 2015: 18.2%) of total trade receivables. In this Segment domestic customers are dominant. Sales to these customers is made partially on prepaid basis and in case of customers with proven credit rating based on trade credit within the insured credit limits.

(all amounts in PLN thousand unless otherwise stated)

Not impaired overdue trade receivables

	As at 31.12.2016	As at 31.12.2015
Overdue to 60 days	3 841	5 629
Overdue 61 - 180 days	41	39
Overdue 181 – 360 days	-	1
	3 882	**5 669**

Changes in trade receivables impairment losses are presented in Note 17.

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

Note 28.3.2 Liquidity risk

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

The Company drew loans and credits that contain in the contracts unified and harmonized loan covenants. A future breach of these covenants may require the Company to repay the loans and credits earlier than indicated in the table below. In 2016 and 2015, 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.

Within the centralised financing model implemented in 2015 (as further described in note 21) the Company holds the corporate financing agreements for the total amount of PLN 2.2 billion. The agreements secure the long-term financial liquidity, including financing for both the long-term strategy and the current operating objectives.

(all amounts in PLN thousand unless otherwise stated)

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

31 December 2016

		Contractual cash flows			
	Carrying amount	Total	Up to 1 year	1 to 5 years	>5 years
At fair value through profit or loss	1 108	1 108	1 108	-	-
At amortized cost, including:	1 727 931	1 817 472	584 291	1 002 236	230 945
loans and credits	1 473 665	1 563 115	331 530*	1 000 640	230 945
finance lease	2 140	2 231	635	1 596	-
factoring and receivables discounting	57 530	57 530	57 530	-	-
trade and other liabilities	194 596	194 596	194 596	-	-
	1 729 039	**1 818 580**	**585 399**	**1 002 236**	**230 945**

31 December 2015

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

* The amount of PLN 331 530 thousand as at 31 December 2016 and PLN 71 331 thousand as at 31 December 2015 include renewable loans of PLN 50 000 thousand, for which the final repayment date is 31 December 2017. Those balances were classified as current since the Company expects that these liabilities will be settled in the normal operating cycle.

(all amounts in PLN thousand unless otherwise stated)

Note 28.3.3 Market risk

Interest rate risk

The Company's exposure to changes in interest rates applies mainly to variable interest-bearing bank credits, loans and lease liabilities based on WIBOR + margin or respectively EURIBOR + margin for bank credits and factoring, and additionally cash and cash equivalents and financial assets for which interest payments are determined based on the of abovementioned market rates. The Company does not hedge the interest rate risk.
The following table presents the risk profile (maximum exposure) of the Company to the interest rate risk, divided by instruments with fixed and variable interest rates:

	Carrying amount as at 31.12.2016	Carrying amount as at 31.12.2015
Fixed rate instruments		
Financial liabilities(-)	(442 417)	(212 406)
	(442 417)	**(212 406)**
Variable rate instruments		
Financial assets	623 844	359 227
Financial liabilities(-)	(1 090 918)	(818 405)
	(467 074)	**(459 178)**

The Company does not hedge against the interest rate risk. However, in order to diversify the impact of the interest rate risk, part of the bank loans drawn in 2015 and 2016 have fixed interest rates.

Other activities aimed to reduce the interest rate risk include ongoing monitoring of the financial situation in the money market. The Company's cash surpluses in 2016 were mostly used in the virtual cash-pooling facility to the end of September 2016 and real cash pooling since the beginning of October 2016 and were bearing interest rate based on 1M WIBOR. The remaining cash surpluses were 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 Company has analysed the sensitivity of the variable interest-bearing financial instruments to the changes in the market interest rates. The following table presents the impact a change in the interest rates by 100 basis points would have on profit or loss and equity. The analysis assumes that all other variables, e.g. foreign exchange rates, remain constant.

Sensitivity analysis :(+/-)

	Profit or loss		Other comprehensive income	
	increase 100bp	decrease 100bp	increase 100bp	decrease 100bp
31 December 2016	(4 671)	4 671	-	-
31 December 2015	(4 592)	4 592	-	-

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

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

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

Exposure to currency risk:

31 December 2016	**EUR**	**USD**	**CHF**	**GBP**
Trade and other receivables	25 762	163	9	3
Cash and cash equivalents in foreign currencies	27 354	152	-	-
Trade and other payables (-)	(12 358)	(94)	-	(20)
Loans and borrowings (-)	(101 104)	-	-	-
Currency forwards (+/-)	(32 811)	-	-	-
Lease, factoring and discounting liabilities (-)	(13 004)	-	-	-
Other financial liabilities (-)	-	-	-	-
Total in currency	**(106 161)**	**221**	**9**	**(17)**
The impact of foreign currency increase by 5% on profit or loss (in PLN thousand)	(1 363)	46	2	(4)
The impact of foreign currency decrease by 5% on profit or loss (in PLN thousand)	1 363	(46)	(2)	4
The impact of foreign currency increase by 5% on other comprehensive income (in PLN thousand)	(22 120)	-	-	-
The impact of foreign currency decrease by 5% on other comprehensive income (in PLN thousand)	22 120	-	-	-

31 December 2015	**EUR**	**USD**	**CHF**	**GBP**
Trade and other receivables	29 303	252	-	-
Cash and cash equivalents in foreign currencies	10 785	1 093	-	-
Trade and other payables (-)	(14 084)	(55)	-	(19)
Loans and borrowings (-)	(51 104)	-	-	-
Currency forwards (+/-)	(42 269)	-	-	-
Lease, factoring and discounting liabilities (-)	(10 731)	-	-	-
Other financial liabilities (-)	-	-	-	-
Total in currency	**(78 100)**	**1 290**	**-**	**(19)**
The impact of foreign currency increase by 5% on profit or loss (in PLN thousand)	(5 987)	252	-	(5)
The impact of foreign currency decrease by 5% on profit or loss (in PLN thousand)	5 987	(252)	-	5
The impact of foreign currency increase by 5% on other comprehensive income (in PLN thousand)	(10 654)	-	-	-
The impact of foreign currency decrease by 5% on other comprehensive income (in PLN thousand)	10 654	-	-	-

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

(all amounts in PLN thousand unless otherwise stated)

Sensitivity analysis :(+/-)

	Profit or loss		Other comprehensive income	
	5% increase	5% decrease	5% increase	5% decrease
31 December 2016	(1 319)	1 319	(22 120)	22 120
31 December 2015	(5 741)	5 741	(10 654)	10 654

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

Note 28.4 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 441 855 thousand and their fair value to PLN 444 874 thousand (categorized as a Level 2 fair value),
- currency derivatives. The carrying amount of such instruments is equal to their fair value,
- available-for-sale financial assets. The carrying amount of such instruments is equal to their fair value.

There were no financial instruments recognised by the Company in 2016 and 2015 for which the initial value resulting from the transaction would differ from their fair value as at the date of transaction, determined using the appropriate valuation technique.

The table below analyses financial instruments carried at fair value, by the levels in the fair value hierarchy as at 31 December 2016:

31 December 2016

Classification level	**Level II**	**Level III**
Financial assets at fair value, including:		
available-for-sale shares	-	12 134
futures contracts on emission allowances CO_2	834	-
	834	**12 134**
Financial liabilities at fair value, including:		
currency forwards	1 108	-
	1 108	**-**

(all amounts in PLN thousand unless otherwise stated)

31 December 2015

Classification level	Level II	Level III
Financial assets at fair value, including:		
available-for-sale shares	-	12 134
futures contracts on emission allowances CO_2	986	-
	986	**12 134**
Financial liabilities at fair value, including:		
currency forwards	499	-
	499	**-**

The fair value hierarchy presented in the table above is as follows:
Level I – price quoted in the active market for the same assets or liabilities,
Level II – 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 III – the value determined on the basis of data inputs that are not based on observable market inputs.

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

The Company has investments of PLN 12 134 thousand (31 December 2015: 12 134 thousand) in shares that were qualified to Level III because the shares are not quoted in an active market and there were no transactions performed on the shares. The fair value of the shares was estimated by an expert using valuation techniques containing significant unobservable inputs, i.e. the expected cash flows and discount rates.

Note 28.5 Derivatives and hedge accounting

Currency derivatives
As at 31 December 2016 the nominal value of open currency derivatives (forward contracts) amounted to EUR 33 million (with maturities: from January to June 2017: EUR 3.5 million monthly, from July to September 2017: EUR 3.0 million monthly, October 2017 – EUR 2.0 million and November 2017 – EUR 1.0 million). As at 31 December 2015, the nominal value of open derivatives to sell currencies amounted to EUR 42.5 million.

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

Futures contracts on emission allowances
As at 31 December 2016, the nominal value of open positions in futures for emission allowances (137 thousand EUA units) amounted to EUR 676.5 thousand (with maturity in December 2017 and December 2018).
As at 31 December 2015, the nominal value of open positions in futures for emission allowances (250 137 thousand EUA units) amounted to EUR 1.825 thousand (with maturity in March 2016).

Transactions are entered only with reliable banks and are based on framework agreements. All the transactions reflect the physical transactions resulting from the actual greenhouse gases emission in 2016. Futures contracts are entered in accordance with the Company's exposure resulting from shortage of emission allowances (EUA) and are aimed to reduce the impact of emission allowances prices fluctuations on profit or loss.

(all amounts in PLN thousand unless otherwise stated)

	Nominal amount	Financial assets	Financial liabilities	Nominal amount	Financial assets	Financial liabilities
	31 December 2016			*31 December 2015*		
Currency forwards	145 992	-	1 108	181 114	-	499
Futures contracts on emission allowances	2 995	834	-	7 777	986	-
Total derivatives, including:	**148 987**	**834**	**1 108**	**188 891**	**986**	**499**
Current	148 987	834	1 108	188 891	986	499

Note 28.6 Hedge accounting

The Company applies cash flow hedges. The hedged item are future, highly probable inflows from sales in EUR that will be recognised 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 100 million as at 31 December 2016, (31 December 2015: EUR 50 million), which will be repaid in the period from December 2018 to June 2025 in 14 equal, semi-annual instalments of EUR 7 143 thousand each. The loan's fair value as at 31 December 2016 amounts to PLN 444 874 thousand (31 December 2015: PLN 213 394 thousand). The Company recognised in 2016 PLN (8 788) thousand (in 2015: PLN 65 thousand) being an effective portion of hedge in the hedging reserve. In 2016 and 2015, the Company did not reclassify any amounts relating to hedge accounting from other comprehensive income to the statement of profit or loss.

Note 29 Contingent liabilities, contingent assets and guarantees

Contingent liabilities and guarantees

	As at 31.12.2016	As at 31.12.2015
Guarantees	-	6 165

The intercompany guarantees presented as at 31 December 2015 expired. As at 31 December 2016, the Company did not sign new contracts resulting in contingent liabilities, guarantees or sureties.

Note 30 Related party transactions

Trade transactions with subordinated entities
Trade transactions

	Revenue	Receivables	Purchases	Liabilities
Balance as at 31 December 2016				
Related parties of Grupa Azoty	347 852	77 694	367 762	35 882
Related parties of Grupa Azoty ZAK S.A.	-	-	208	-
Related parties of Grupa Azoty ZCh POLICE S.A.	84	33	179	61
Related parties of Grupa Azoty ZA PUŁAWY S.A.	30 435	1 028	12 719	732
Related parties of Grupa Azoty PKCh Sp. z o.o.	3 214	382	80 265	10 275
	381 585	**79 137**	**461 133**	**46 950**

(all amounts in PLN thousand unless otherwise stated)

	Revenue	Receivables	Purchases	Liabilities
Balance as at 31 December 2015*				
Related parties of Grupa Azoty	385 034	70 043	400 930	70 727
Related parties of Grupa Azoty ZAK S.A.	10	-	200	-
Related parties of Grupa Azoty ZCh POLICE S.A.	49	15	257	67
Related parties of Grupa Azoty ZA PUŁAWY S.A.	26 436	892	4 768	99
Related parties of Grupa Azoty PKCh Sp. z o.o.	4 741	2 087	60 761	9 621
Other related parties	-	-	419	42
	416 270	**73 037**	**467 335**	**80 556**

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

Other transactions

	Other income	Other expenses	Finance income	Finance costs
Balance as at 31 December 2016				
Related parties of Grupa Azoty	1 644	792	286 352	4 877
Related parties of Grupa Azoty ZCh POLICE S.A.	-	-	-	207
Related parties of Grupa Azoty ZA PUŁAWY S.A.	8	-	45	71
Related parties of Grupa Azoty PKCh Sp. z o.o.	1 391	3 923	-	114
	3 043	**4 715**	**286 397**	**5 269**

	Other income	Other expenses	Finance income	Finance costs
Balance as at 31 December 2015				
Related parties of Grupa Azoty	88	1 396	234 314	4 237
Related parties of Grupa Azoty ZAK S.A.	6	-	-	-
Related parties of Grupa Azoty ZA PUŁAWY S.A.	11	165	-	-
Related parties of Grupa Azoty PKCh Sp. z o.o.	62	5 274	-	-
Other related parties	13	-	42	-
	180	**6 835**	**234 356**	**4 237**

Loans granted to related parties
In 2016, the Company granted loans in the total amount of PLN 80 722 thousand to Grupa Azoty ZAK S.A. (in 2015: PLN 249 893 thousand, to Grupa Azoty ZAK S.A. and Grupa Azoty Zakłady Chemiczne Police S.A.).

Credits, loans granted to the Company by related parties
As at 31 December 2016 and 31 December 2015, the Company has an outstanding loan from Grupy Azoty Kopalnie i Zakłady Chemiczne Siarki "Siarkopol" S.A. of PLN 50 000 thousand.

(all amounts in PLN thousand unless otherwise stated)

Cash pooling
As at the 31 December 2016, the Company presents the funds transferred to the Group entities in the cash pooling as cash equivalents in the amount of PLN 70 490 thousand and the funds received by the Company from the Group entities are presented as short-term loans and amount to PLN 258 394 thousand.

Remuneration of the Management Board

	For period 01.01.2016 - 31.12.2016	For period 01.01.2015 - 31.12.2015
Short-term benefits	5 240	6 013
Termination benefits	2 178	2
Other short-term benefits	(6)	2
	7 412	**6 017**

Management Board's remuneration scheme.
The Members of the Management Board's remuneration consists of:
- a fixed monthly salary,
- a variable performance-based salary, in accordance with the regulations approved by the Supervisory Board,
- additional employment related benefits, subject to approval by the Supervisory Board.

The fixed monthly salaries comprise all components and elements of remuneration paid monthly, including the remuneration for the position of member of the management board or member of the supervisory board in Grupa Azoty Group subsidiaries.

Bonuses for the Management Board members
In accordance with the resolution of the Supervisory Board dated 20 October 2011 on remuneration rules and amounts for members of the Management Board of the Company, the members of the Management Board may receive the so-called "profit-based variable part of remuneration" (annual bonus) or a "special bonus".
Annual bonus is calculated individually for each Member of the Management Board, based on the evaluation of realisation of performance targets. The Supervisory Board may grant a special bonus, notwithstanding the criteria presented in the annual bonus regulations, based on the detailed analysis of realisation of performance targets realisation. The regulations concerning the annual bonus for the Management Board were approved by the Supervisory Board on 13 February 2014.

On 6 February 2017, the Management Board's remuneration scheme was changed. The total Management Board Members' remuneration comprises fixed portion being the basic monthly salary (fixed salary) and variable complementary salary for the financial year. The fixed salary is calculated as three times the average monthly salary in enterprise sector excluding payments from profits in the fourth quarter of the preceding year as announced by the President of the Central Statistical Office. The fixed salary is automatically adjusted since the month following the announcement of the average salary by the President of the Central Statistical Office.
The fixed salary is decreased by the amount relating proportionally to the period in which Member of the Management Board did not perform services.
The complementary variable salary is performance related in accordance with the regulations determined in the General Meeting's Resolution no. 8 dated 2 December 2016 and in the act dated 9 June 2016 on rules concerning remuneration of persons managing certain companies (Official Journal from 2016, item 1202).
The variable salary is vested upon:
- approval of the Management report on the Company's activities and the financial statements for the preceding financial year,
- granting a discharge for performance in the financial year to the Member of the Management Board by the General Meeting,
- submitting by the Member of the Management Board a report on meeting the performance targets,
- approval of the performance targets realisation for the financial year by the Supervisory Board,

(all amounts in PLN thousand unless otherwise stated)

- resolution by the Supervisory Board on meeting the performance targets and the determination of the variable salary's amount.

Remuneration of the Supervisory Board

	For period 01.01.2016 - 31.12.2016	For period 01.01.2015 - 31.12.2015
Short-term benefits	2 102	1 440

Loans
In 2016 and 2015, the Company did not grant any loans to the members of the Management Board or the Supervisory Board.

Transactions with owners
As at 31 December 2016 and 2015, the Company had a loan drawn from the EBRD amounting to PLN 10 018 thousand.

Transactions with the State Treasury related entities
Balance as at 31 December 2016

Name of entity	Value	Purpose of transaction
PGNiG	97 968	purchase of natural gas
Kompania Węglowa	5 794	purchase of coal
Polska Grupa Górnicza	13 419	purchase of coal
PKP Cargo	27 259	purchase of transport services
PKN Orlen	101 012	purchase of raw materials
Tauron	16 894	purchase of energy
PGE	32 473	purchase of energy
PKO BP	6 980	repayment of interest and commissions
PZU S.A.	6 374	insurance
BGK	6 387	repayment of interest and commissions
Katowicki Holding Węglowy	11 788	purchase of coal
Polska Fundacja Narodowa	7 000	payment to the initial fund
	333 348	

Balance as at 31 December 2015

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

(all amounts in PLN thousand unless otherwise stated)

Note 31 Capital commitments

In the period ended 31 December 2016, the Company signed contracts concerning the continuation of previously launched and new investment projects. The contracts for realisation of the investment projects comprise construction, mechanical, electric, design and supervision services. The most significant are:

- Construction of Polyamide Plant II – capital commitments as at 31 December 2016 amounted to PLN 66 980 thousand (31 December 2015: PLN 74 128 thousand),
- Construction of Mechanical Granulation Plant II - capital commitments as at 31 December 2016 amounted to PLN 8 969 thousand (31 December 2015: PLN 49 626 thousand),
- Construction of the flue gas desulphurisation installation – capital commitments as at 31 December 2016 amounted to PLN 7 582 thousand (31 December 2015: PLN 29 689 thousand).

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

In total, as at 31 December 2016 the Company is committed to incur capital expenditure of PLN 104 951 thousand (31 December 2015: PLN 276 860 thousand).

Note 32 Explanatory notes to the statement of cash flows

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Change in trade and other receivables	26 048	11 566
Change in advances for property, plant and equipment	(32 052)	33 531
Change in prepayments	661	363
Changes in trade and other receivables in the statement of cash flows	**(5 343)**	**45 460**
Change in trade and other payables	(54 575)	68 092
Change in payables relating to capital expenditure	10 133	(42 617)
Change in accruals	17 683	(11 779)
Changes in trade and other payables in the statement of cash flows	**(26 759)**	**13 696**
Change in provisions, employee benefits and government grants	10 236	1 628
Change in prepayments and accruals	(18 344)	11 416
Change in grants	(7 057)	(1 311)
Other changes	103	(819)
Changes in provisions, prepayments and grants in the statement of cash flows resulting from the statement of cash flows	**(15 062)**	**10 914**

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

Note 33 Regulatory financial information by type of activity, in accordance with Article 44 of the Energy Law Act

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

Description of presented types of activities

The Company operates in the following areas that require separate reporting pursuant to the provisions set out in Article 44 of the Energy Law Act:

- Distribution of electricity – concession No. PEE/65/711/U/OT-7/98/MK, issued on 1 December 1998 and valid until 15 December 2025,
- Trading in gaseous fuels – concession No. OPG/273/711/W/DRG/2014/KL, issued for a period from 20 September 2014 to 20 September 2024,
- Other activities.

Within other activities, the Company presents its core business activities in this financial information, i.e. in particular:

- the production of basic chemicals,
- the production of fertilizers and nitrogenous compounds,
- the production of plastics and plastic products.

Basis for preparation

Description of accounting policies

The regulatory financial information was prepared based on accounting principles described in point 2 of the notes to the separate financial statements as well as based on the principles of allocation of revenues and expenses as well as assets and liabilities presented below.
Only the part of revenues, expenses, assets and liabilities concerning the Company's external sales is subject to allocation, using appropriate allocation rates, to revenues, expenses, assets and liabilities of the activities requiring separate reporting pursuant to the provisions set out in Article 44 of the Energy Law Act. The remaining part of revenues, expenses, assets and liabilities of the activities related to the supply of energy that pertains to the internal transfers for the Company's core businesses purposes is presented as a component of other activities.

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

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

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

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

Cost of sales, selling costs of individual types of activities were allocated directly.

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

Other operating expenses (that can be identified and allocated directly to the activity related to the supply of energy) related to the respective types of activities were allocated directly and other operating expenses were divided according to the cost centres structure and then allocated to the individual types of activities using appropriate allocation ratios calculated as the power used in the regulated activity in relation to the total power available.

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

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

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

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

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

Trade receivables were allocated directly, based on the customers' allocation to the individual types of activities. Prepayments relating to the insurance were allocated to the distribution of the electricity activity based on the cost centres structure.

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

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

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

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

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

Perpetual usufruct right, investment properties, inventories, non-current assets held for sale and other liabilities are related to the Company's other activities.

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

(all amounts in PLN thousand unless otherwise stated)

Statement of profit or loss by types of activity for the year ended 31 December 2016

	Distribution of electricity	Trading in gaseous fuels	Other activities	Unallocated items	Total
Revenue	4 983	31	1 547 318	-	1 552 332
Cost of sales	(4 334)	(26)	(1 300 653)	-	(1 305 013)
Gross profit	**649**	**5**	**246 665**	**-**	**247 319**
Selling and distribution expenses	(37)	-	(92 457)	-	(92 494)
Administrative expenses	(581)	(2)	(161 763)	-	(162 346)
Other income	-	-	10 180	-	10 180
Other expenses	-	-	(31 838)	-	(31 838)
Results from operating activities	**31**	**3**	**(29 213)**	**-**	**(29 179)**
Finance income	-	-	-	287 228	287 228
Finance costs	-	-	-	(38 142)	(38 142)
Net finance income	**-**	**-**	**-**	**249 086**	**249 086**
Profit before tax	**31**	**3**	**(29 213)**	**249 086**	**219 907**
Tax expense	-	-	-	4 868	4 868
Profit for the year	**31**	**3**	**(29 213)**	**253 954**	**224 775**

(all amounts in PLN thousand unless otherwise stated)

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

	Distribution of electricity	Trading in gaseous fuels	Other activities	Unallocated items	Total
Revenue	4 825	177	1 763 982	-	1 768 984
Cost of sales	(4 058)	(161)	(1 478 096)	-	(1 482 315)
Gross profit	**767**	**16**	**285 886**	**-**	**286 669**
Selling and distribution expenses	(41)	(4)	(94 043)	-	(94 088)
Administrative expenses	(588)	(3)	(159 553)	-	(160 144)
Other income	10	-	11 643	-	11 653
Other expenses	(3)	-	(39 732)	-	(39 735)
Results from operating activities	**145**	**9**	**4 201**	**-**	**4 355**
Finance income	-	-	-	237 625	237 625
Finance costs	-	-	-	(33 044)	(33 044)
Net finance income	**-**	**-**	**-**	**204 581**	**204 581**
Profit before tax	**145**	**9**	**4 201**	**204 581**	**208 936**
Tax expense	-	-	-	119	119
Profit for the year	**145**	**9**	**4 201**	**204 700**	**209 055**

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

(all amounts in PLN thousand unless otherwise stated)

Statement of financial position by types of activity as at 31 December 2016

	Distribution of electricity	Trading in gaseous fuels	Other activities	Unallocated items	Total
Assets					
Non-current assets					
Property, plant and equipment	2 596	-	1 407 208	25 717	1 435 521
Perpetual usufruct right	-	-	373	-	373
Intangible assets	86	-	9 234	41 544	50 864
Investment property	-	-	17 700	-	17 700
Investments in subordinated entities	-	-	-	3 871 587	3 871 587
Available-for-sale financial assets	-	-	-	12 134	12 134
Other financial assets	-	-	-	244 220	244 220
Total non-current assets	**2 682**	**-**	**1 434 515**	**4 195 202**	**5 632 399**
Current assets					
Inventories	-	-	171 256	-	171 256
Property rights	-	-	31 423	-	31 423
Derivatives	-	-	834	-	834
Other financial assets	-	-	-	53 944	53 944
Trade and other receivables	498	3	212 092	14 085	226 678
Cash and cash equivalents	-	-	-	326 031	326 031
Assets held for sale	-	-	691	-	691
Total current assets	**498**	**3**	**416 296**	**394 060**	**810 857**
Total assets	**3 180**	**3**	**1 850 811**	**4 589 262**	**6 443 256**

(all amounts in PLN thousand unless otherwise stated)

Statement of financial position by types of activity as at 31 December 2016 (continued)

	Distribution of electricity	Trading in gaseous fuels	Other activities	Unallocated items	Total
Equity and liabilities					
Equity	**-**	**-**	**-**	**4 517 137**	**4 517 137**
Liabilities					
Loans	-	-	-	1 166 290	1 166 290
Other financial assets	-	-	68	1 471	1 539
Employee benefits	268	-	35 705	10 163	46 136
Provisions	-	-	25 927	65	25 992
Grants	-	-	19 222	-	19 222
Deferred tax liabilities	-	-	-	23 241	23 241
Total non-current liabilities	**268**	**-**	**80 922**	**1 201 230**	**1 282 420**
Loans	-	-	-	307 375	307 375
Derivatives	-	-	-	1 108	1 108
Other financial assets	-	-	57 624	507	58 131
Employee benefits	2	-	2 366	626	2 994
Provisions	-	-	925	1 430	2 355
Trade and other payables	229	2	245 832	23 826	269 889
Grants	-	-	1 847	-	1 847
Total current liabilities	**231**	**2**	**308 594**	**334 872**	**643 699**
Total liabilities	**499**	**2**	**389 516**	**1 536 102**	**1 926 119**
Total equity and liabilities	**499**	**2**	**389 516**	**6 053 239**	**6 443 256**

(all amounts in PLN thousand unless otherwise stated)

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

	Distribution of electricity	Trading in gaseous fuels	Other activities	Unallocated items	Total
Assets					
Non-current assets					
Property, plant and equipment	2 725	-	1 080 836	23 411	1 106 972
Perpetual usufruct right	-	-	377	-	377
Intangible assets	99	-	9 804	40 539	50 442
Investment property	-	-	19 754	-	19 754
Investments in subordinated entities	-	-	-	3 832 536	3 832 536
Available-for-sale financial assets	-	-	-	12 134	12 134
Other financial assets	-	-	-	218 115	218 115
Total non-current assets	**2 824**	**-**	**1 110 771**	**4 126 735**	**5 240 330**
Current assets					
Inventories	-	-	188 843	-	188 843
Property rights	-	-	32 272	-	32 272
Derivatives	-	-	-	986	986
Other financial assets	-	-	-	29 186	29 186
Trade and other receivables	521	4	237 052	15 149	252 726
Cash and cash equivalents	-	-	-	111 942	111 942
Assets held for sale	-	-	340	-	340
Total current assets	**521**	**4**	**458 507**	**157 263**	**616 295**
Total assets	**3 345**	**4**	**1 569 278**	**4 283 998**	**5 856 625**

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

(all amounts in PLN thousand unless otherwise stated)

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

	Distribution of electricity	Trading in gaseous fuels	Other activities	Unallocated items	Total
Equity and liabilities					
Equity	**-**	**-**	**-**	**4 382 771**	**4 382 771**
Liabilities					
Loans	-	-	-	935 550	935 550
Other financial liabilities	-	-	148	96	244
Employee benefits	257	-	39 644	10 778	50 679
Provisions	-	-	1 716	22 730	24 446
Grants	-	-	3 163	-	3 163
Deferred tax liabilities	-	-	-	29 770	29 770
Total non-current liabilities	**257**	**-**	**44 671**	**998 924**	**1 043 852**
Loans	-	-	-	48 962	48 962
Derivatives	-	-	-	499	499
Other financial liabilities	-	-	45 846	209	46 055
Employee benefits	36	-	2 175	483	2 694
Provisions	-	-	-	5 014	5 014
Trade and other payables	284	2	294 294	29 884	324 464
Government grants	-	-	2 314	-	2 314
Total current liabilities	**320**	**2**	**344 629**	**85 051**	**430 002**
Total liabilities	**577**	**2**	**389 300**	**1 083 975**	**1 473 854**
Total equity and liabilities	**577**	**2**	**389 300**	**5 466 746**	**5 856 625**

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

The translation of the financial statements of Grupa Azoty S.A. for the 12 month period ended 31 December 2016 contains 94 pages.