Consolidated 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 Group

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STATEMENT OF THE MANAGEMENT BOARD

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

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

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

Signatures of the Members of the Management Board

....
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
Head of the Corporate
Finance Department

Tarnów, 26 April 2017

(all amounts in PLN thousand unless otherwise stated)

Consolidated 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
Continuing operations			
Revenue	1	8 955 690	10 007 896
Cost of sales	2	(6 997 921)	(7 741 978)
Gross profit		**1 957 769**	**2 265 918**
Selling and distribution expenses	2	(669 315)	(630 248)
Administrative expenses	2	(729 629)	(736 546)
Other income	3	47 379	59 808
Other expenses	4	(120 142)	(134 527)
Results from operating activities		**486 062**	**824 405**
Finance income	5	34 227	38 294
Finance costs	6	(44 343)	(47 576)
Net finance costs		**(10 116)**	**(9 282)**
Share of profit of equity-accounted investees		15 170	13 737
Profit before tax		**491 116**	**828 860**
Tax expense	7	(115 964)	(150 641)
Profit for the year		**375 152**	**678 219**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability		(10 333)	(6 987)
Tax on items that will never be reclassified to profit or loss	7.3	1 937	1 309
		(8 396)	**(5 678)**

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

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

(all amounts in PLN thousand unless otherwise stated)

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

	Note	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Items that are or may be reclassified to profit or loss			
Cash flow hedges – effective portion of change in fair value	28.6	(8 852)	65
Foreign currency translation differences – foreign operations		1 203	(526)
Tax on items that are or may be reclassified to profit or loss	7.3	1 682	-
		(5 967)	**(461)**
Other comprehensive income for the year		**(14 363)**	**(6 139)**
Profit or loss and other comprehensive income for the year		**360 789**	**672 080**
Profit attributable to:			
Equity holders of the Parent Company		343 339	604 552
Non-controlling interests	20.5	31 813	73 667
Profit or loss and other comprehensive income attributable to:			
Equity holders of the Parent Company		331 026	599 786
Non-controlling interests		29 763	72 294
Earnings per share:	9		
Basic earnings per share (PLN)		3.46	6.09
Diluted earnings per share (PLN)		3.46	6.09

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

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

(all amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position

	Note	As at 31.12.2016	As at 31.12.2015* restated	As at 01.01.2015* restated
Assets				
Non-current assets				
Property, plant and equipment	10	6 387 823	5 664 447	5 132 078
Perpetual usufruct right	11	485 396	492 061	498 499
Intangible assets	12	530 577	522 442	509 964
Goodwill	12.1	10 057	12 550	12 600
Investment property	13	59 504	52 204	54 968
Investments in subordinated entities	14.1	112 935	111 095	110 842
Available-for-sale financial assets	14.2	12 345	12 370	12 371
Other financial assets	14.4	837	4 347	19 054
Other receivables	17	6 259	7 023	2 932
Deferred tax assets	7.4	45 548	64 124	92 625
Other non-current assets	19	199	-	4 675
Total non-current assets		**7 651 480**	**6 942 663**	**6 450 608**
Current assets				
Inventories	15	858 029	958 769	1 152 673
Property rights	16	214 675	226 931	198 192
Other financial assets	14.4	591 661	498 711	64 611
Derivatives	28.5	8 435	4 174	3 873
Current tax assets		3 750	2 156	6 720
Trade and other receivables	17	1 073 396	1 096 286	1 248 079
Cash and cash equivalents	18	641 711	753 144	558 603
Other current assets	19	8 092	9 117	-
Assets held for sale	10.1	691	3 123	107
Total current assets		**3 400 440**	**3 552 411**	**3 232 858**
Total assets		**11 051 920**	**10 495 074**	**9 683 466**

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

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

(all amounts in PLN thousand unless otherwise stated)

Consolidated statement of financial position (continued)

	Note	As at 31.12.2016	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	-
Translation reserve		2 401	(39)	322
Retained earnings, including:		3 624 334	3 371 422	2 767 534
Profit for the year		*343 339*	*604 552*	
Equity attributable to owners of the Parent Company		**6 533 877**	**6 285 695**	**5 682 103**
Non-controlling interests	20.4	**595 388**	**625 753**	**594 889**
Total equity		**7 129 265**	**6 911 448**	**6 276 992**
Liabilities				
Loans	21	1 372 047	1 047 450	476 932
Other financial liabilities	22	15 102	16 112	20 205
Employee benefits	24	321 209	326 968	312 419
Provisions	25	97 692	100 740	113 106
Trade and other payables	26	1 082	972	1 498
Government grants	27	68 431	47 036	39 993
Deferred tax liabilities	7.4	196 805	188 381	173 991
Total non-current liabilities		**2 072 368**	**1 727 659**	**1 138 144**
Loans	21	52 034	118 880	509 259
Derivatives	28.5	8 213	986	1 163
Other financial liabilities	22	67 485	56 672	78 212
Employee benefits	24	39 917	33 167	30 494
Provisions	25	39 324	45 647	36 689
Current tax liabilities		30 553	18 986	2 934
Trade and other payables	26	1 602 929	1 576 538	1 606 597
Government grants	27	9 832	5 091	2 982
Total current liabilities		**1 850 287**	**1 855 967**	**2 268 330**
Total liabilities		**3 922 655**	**3 583 626**	**3 406 474**
Total equity and liabilities		**11 051 920**	**10 495 074**	**9 683 466**

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

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

(all amounts in PLN thousand unless otherwise stated)

Consolidated statement of changes in equity
For the period ended 31 December 2016

	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Equity attributable to owners of the Parent Company	Non-controlling interests	Total equity
Balance at 1 January 2016 after corrections *	**495 977**	**2 418 270**	**65**	**(39)**	**3 371 422**	**6 285 695**	**625 753**	**6 911 448**
Profit or loss and other comprehensive income for the year								
Profit for the year	-	-	-	-	343 339	343 339	31 813	375 152
Other comprehensive income	-	-	(7 170)	2 440	(7 583)	(12 313)	(2 050)	(14 363)
Total profit or loss and other comprehensive income for the year	**-**	**-**	**(7 170)**	**2 440**	**335 756**	**331 026**	**29 763**	**360 789**
Transactions with owners, recognised directly in equity								
Dividends	-	-	-	-	(83 324)	(83 324)	(13 198)	(96 522)
Contributions by and distributions to owners	-	-	-	-	**(83 324)**	**(83 324)**	**(13 198)**	**(96 522)**
Acquisition of non-controlling interests without a change in control	-	-	-	-	480	480	(39 671)	(39 191)
Reclassification to liabilities	-	-	-	-	-	-	(7 259)	(7 259)
Total transactions with owners	**-**	**-**	**-**	**-**	**(82 844)**	**(82 844)**	**(60 128)**	**(142 972)**
Balance at 31 December 2016	**495 977**	**2 418 270**	**(7 105)**	**2 401**	**3 624 334**	**6 533 877**	**595 388**	**7 129 265**

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

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

(all amounts in PLN thousand unless otherwise stated)

Consolidated statement of changes in equity (continued)

For the period ended 31 December 2015

	Share capital	Share premium	Hedging reserve	Translation reserve	Retained earnings	Equity attributable to owners of the Parent Company	Non-controlling interests	Total equity
Balance at 1 January 2015	**495 977**	**2 418 270**	**-**	**1 403**	**2 843 389**	**5 759 039**	**729 097**	**6 488 136**
Correction of errors	-	-	-	(1 081)	(75 855)	(76 936)	(134 208)	(211 144)
Balance at 1 January 2015 after corrections*	**495 977**	**2 418 270**	**-**	**322**	**2 767 534**	**5 682 103**	**594 889**	**6 276 992**
Profit or loss and other comprehensive income for the year *								
Profit for the year	-	-	-	-	604 552	604 552	73 667	678 219
Other comprehensive income	-	-	65	(361)	(4 470)	(4 766)	(1 373)	(6 139)
Total profit or loss and other comprehensive income for the year *	**-**	**-**	**65**	**(361)**	**600 082**	**599 786**	**72 294**	**672 080**
Transactions with owners, recognised directly in equity								
Dividends	-	-	-	-	-	-	(25 576)	(25 576)
Contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**	**-**	**(25 576)**	**(25 576)**
Acquisition of non-controlling interests without a change in control	-	-	-	-	3 806	3 806	(15 854)	(12 048)
Total transactions with owners	**-**	**-**	**-**	**-**	**3 806**	**3 806**	**(41 430)**	**(37 624)**
Balance at 31 December 2015*	**495 977**	**2 418 270**	**65**	**(39)**	**3 371 422**	**6 285 695**	**625 753**	**6 911 448**

- Financial information restated as presented in point 2.3 of the notes to the consolidated financial statements.

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

(all amounts in PLN thousand unless otherwise stated)

Consolidated statement of cash flows

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Cash flows from operating activities		
Profit before tax	**491 116**	**828 860**
Adjustments for:	*563 373*	*576 798*
Depreciation and amortisation	519 721	484 810
Impairment losses of assets	28 384	71 691
Loss on investing activities	13 428	8 177
Loss/(Profit) on disposal of financial assets	11	(4 691)
Share of profit of equity-accounted investees	(15 170)	(13 737)
Interest, foreign exchange gains or losses	15 756	31 213
Dividends	(1 266)	(187)
Change in fair value of financial assets at fair value through profit or loss	2 509	(478)
Cash generated from operating activities before changes in working capital	***1 054 489***	***1 405 658***
Changes in trade and other receivables	19 156	165 599
Changes in inventories	112 601	142 870
Changes in trade and other payables	69 250	(39 758)
Changes in provisions, prepayments and grants	(64 155)	30 803
Other adjustments	(812)	(925)
Cash generated from operating activities	***11 190 529***	***1 704 247***
Income taxes paid	(74 723)	(74 021)
Net cash from operating activities	**1 115 806**	**1 630 226**

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

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

(all amounts in PLN thousand unless otherwise stated)

Consolidated statement of cash flows (continued)

	For the period 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	4 148	13 029
Acquisition of intangible assets, property, plant and equipment and investment property	(1 241 240)	(1 061 762)
Dividends received	13 716	12 668
Acquisition of financial assets	(1 528 329)	(855 926)
Proceeds from sale of financial assets	1 427 693	389 769
Interest received	17 486	3 840
Government grants received	350	10 928
Loans granted	(352)	(14 367)
Loans repaid	2 618	4 393
Other proceeds/ (disbursements)	720	(5 945)
Net cash used in investing activities	**(1 303 190)**	**(1 503 373)**
Cash flows from financing activities		
Dividends paid	(96 522)	(25 544)
Proceeds from loans and borrowings	268 864	1 105 758
Acquisition of non-controlling interests	(41 345)	(12 048)
Payment of loans and borrowings	(23 486)	(927 651)
Interest paid	(43 963)	(36 955)
Payment of finance lease liabilities	(14 817)	(12 504)
Other proceeds / (disbursements)	25 664	(22 538)
Net cash from financing activities	**74 395**	**68 518**
Net (decrease)/ increase in cash and cash equivalents	**(112 989)**	**195 371**
Cash and cash equivalents at the beginning of the period	**753 144**	**558 603**
Effect of exchange rate fluctuations on cash held	1 556	(830)
Cash and cash equivalents at the end of the period	**641 711**	**753 144**

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

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

Notes to the consolidated financial statements

1. Information about Grupa Azoty Group

1.1. General information about Grupa Azoty Group

As at 31 December 2016, Grupa Azoty S.A. Group ("Azoty Group", the "Group") comprises: Grupa Azoty S.A. and its subsidiaries and associates as presented in the Azoty Group's chart on the next page.

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

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

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

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

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

Chart of the Grupa Azoty Group as at 31 December 2016

Grupa Azoty S.A.

- Grupa Azoty ATT Polymers GmbH (100%)
- Grupa Azoty „Compounding" Sp. z o.o. (100%)
- Grupa Azoty „Folie" Sp. z o.o. (100%)
- Grupa Azoty „Koltar" Sp. z o.o. (100%)
- Grupa Azoty Zakłady Azotowe „Puławy" S.A. (95.98%)
  - „Agrochem Puławy" Sp. z o.o. (100%)
  - Agrochem Sp. z o.o. (100%)
  - Elektrownia Puławy Sp. z o.o. (100%)
  - SCF Natural Sp. z o.o. (99.99%)
  - GZNF „Fosfory" Sp. z o.o. (99.19%)
  - STO-ZAP Sp. z o.o. (96.15%)
  - REMZAP Sp. z o.o. (94.61%)
  - Zakłady Azotowe Chorzów S.A. (94.32%)
  - PROZAP Sp. z o.o. (84.69%)
  - CTL KOLZAP Sp. z o.o. (49%)
  - Bałtycka Baza Masowa Sp. z o.o. (50%)
  - TECHNOCHIMSERWIS SA typu zamkniętego (25%)
- Grupa Azoty Zakłady Azotowe Kędzierzyn S.A. (93.48%)
  - ZAKSA S.A. (91.67%)[2]
  - CTL CHEMKOL Sp. z o.o. (49%)
  - Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. (36.73%)[1)]
- Grupa Azoty KiZCh „Siarkopol" S.A. (98.42%)
- Grupa Azoty Zakłady Chemiczne „Police" S.A. (66%)
  - Grupa Azoty Police Serwis Sp. z o.o. (100%)[6)]
  - „KONCEPT" Sp. z o.o. (100%)
  - „TRANSTECH" Usługi Sprzętowe i Transportowe Sp. z o.o. (100%)
  - „Supra" Agrochemia Sp. z o.o. (100%)
  - Grupa Azoty AFRICA S.A. (99.99%)
  - Zarząd Morskiego Portu Police Sp. z o.o. (99.98%)
  - PDH Polska S.A. (96.09%)[4)]
  - African Investment Group S.A. (54.90%)[5), 6)]
    - AFRIG Trade S.à r.l. (100%)
  - INFRAPARK Police S.A. w likwidacji (54.43%)
  - „Budchem" Sp. z o.o. w upadłości likwidacyjnej (48.96%)
  - „KEMIPOL" Sp. z o.o. (33.99%)
- Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o. (63.27%)[1)]
  - Grupa Azoty Jednostka Ratownictwa Chemicznego Sp. z o.o. (100%)
    - Konsorcjum EKO TECHNOLOGIES (60%)
    - EKOTAR Sp. z o.o. w upadłości likwidacyjnej (12%)[3)]
  - Grupa Azoty PROREM Sp. z o.o. (100%)
    - EKOTAR Sp. z o.o. w upadłości likwidacyjnej (12%)[3)]
  - Grupa Azoty Automatyka Sp. z o.o. (77.86%)

Legend:

- Parent company
- Company / Group consolidated by the parent Company
- Indirectly consolidated subsidiaries
- Not consolidated subsidiaries

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

The following entities were not consolidated due to their insignificance:
- Grupa Azoty „Compounding” Sp. z o.o.,
- STO-ZAP Sp. z o.o.,
- Technochimservice S.A. closed joint-stock company,
- Konsorcjum EKO TECHNOLOGIES,
- EKOTAR Sp. z o.o. w upadłości,
- „Supra” Agrochemia Sp. z o.o.

1.2. Description of changes in the Group

Acquisition of shares in Grupa Azoty SIARKOPOL
In 2016, the Parent Company continued the buy-back of shares held by the employees of Grupa Azoty SIARKOPOL and their inheritors. Under the programme, the Group acquired 562 029 shares at PLN 68.45 per share, i.e. for a total of PLN 38 471 thousand. The acquired shares represent 10.22% of the company's share capital and the Group's interest in its equity increased from 88.20% to 98.42%.
Subsequent to the reporting date, the Parent Company acquired 17 466 shares in Grupa Azoty SIARKOPOL, representing 0.32% of the company's share capital for PLN 1 139 thousand. Therefore, the Group's interest in this entity currently amounts to 98.74%.

Increase in the share capital of PDH Polska S.A.
On 22 November 2016, the Extraordinary General Meeting of PDH Polska S.A. resolved to increase the share capital by issuing 6.8 million new shares with a nominal and issue price of PLN 10 each, i.e. by a total of PLN 68 million. The newly issued shares were subscribed in accordance with the agreement concluded on 5 December 2016 by and between Grupa Azoty POLICE (6.3 million shares) and the Parent Company (0.5 million shares). As a result of the issue, the Group's interest in the company's equity increased from 66.00% to 67.33%. The increase in the share capital was registered in the National Court Register on 2 February 2017.

Acquisition of shares in Zakłady Azotowe Chorzów S.A.
On 14 December 2016, realising an agreement signed with the State Treasury, Grupa Azoty PUŁAWY acquired 116 583 shares in Zakłady Azotowe Chorzów S.A. for PLN 2 531 thousand. The acquired shares represent 1.99% of the company's share capital and the Group's interest in its equity increased from 88.62% to 90.53%.

Increase in the share capital of Automatyka Sp. z o.o.
On 27 January 2016, an increase in the company's share capital to PLN 4 654 thousand, i.e. by PLN 107 thousand, by issuing 214 new shares with a value of PLN 500 each, was registered in the National Court Register. All shares were subscribed by new shareholders (the company's employees). Therefore the Group's interest in the company's equity decreased from 77.78% to 76.0%.

Liquidation of Navitrans Sp. z o.o. in liquidation
On 31 March 2016, the liquidation of Navitrans Sp. z o.o. in liquidation, with its registered office in Gdynia, was completed. On 31 March 2016, the residual value of PLN 35 thousand was paid to the Shareholders. On 30 June 2016, the company was removed from the National Court Register.

Agreement on the sale of shares in Remzap Sp. z o.o.
REMIN Sp. z o.o., with which Grupa Azoty PUŁAWY signed a conditional agreement on the sale of shares in REMZAP Sp. z o.o. on 10 December 2015 (amended by the appendix from 4 February 2016) did not fulfil the conditions precedent within the agreed deadline. Therefore, the agreement is considered no longer valid.

Redemption of shares in Remzap Sp. z o.o.
On 14 March 2016, 156 shares held by other shareholders, i.e. REMZAP Sp. z o.o.'s employees, were redeemed. The Group's interest in the company's equity remained unchanged (90.81%).

1.3. Management and Supervisory Boards of the Parent Company

The Management Board of the Parent Company

As at 31 December 2016, the Management Board of the Parent Company comprised:

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

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 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 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 consolidated 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 Group's financial position and performance. The respective comparatives were restated. Additionally, after the verification of assets' presentation in the 2015 financial statements the corrections of errors were recognised in the 2016 financial statements. The changes in presentation and the correction of errors were presented in point 2.3.

2.1. Statement of compliance

Consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union („IFRS EU") and other applicable regulations. IFRS EU contain all International Accounting Standards (IAS), International Financial

Reporting Standards (IFRS) and related Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) except for the below listed Standards and Interpretations which are awaiting approval of the European Union as well as those Standards and Interpretations which have been approved by the European Union but are not yet effective.

2.2. Changes in International Financial Reporting Standards

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

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

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

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

Under the new standard, financial assets are to be classified on initial recognition into one of three categories:
- financial assets measured at amortised 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 Group does not expect IFRS 9 to have a significant impact on the consolidated financial statements. The classification and measurement of the Group's financial assets are not expected to change under IFRS 9 because of the nature of the Group's operations and the types of financial assets that it holds. 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 Group's financial statements for 2018. The Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Specifically, it replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

Under the new standard, entities will apply a five-step model to determine when to recognize revenue, and at what amount. The model specifies that revenue should be 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 Group started the analysis of the impact of IFRS 15 *Revenue from contracts with customers* on the consolidated 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 Group's financial statements for 2019. IFRS 16 supersedes IAS 17 Leases and related interpretations. The Standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases. Bringing operating leases in balance sheet will result in recognizing a new asset – the right to use the underlying asset – and a new liability – the obligation to make lease payments. The right-of-use asset will be depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when they pay constant annual rentals. Lessor accounting, however, shall remain largely unchanged and the distinction between operating and finance leases will be retained.

The initial application of IFRS 16 will result in recognition in the consolidated financial statements of the lease contracts in which the Group acted as a lessee and which were not classified as finance leases. The Group 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 Group for the year 2017. Pursuant to the amendments, an entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. One way to fulfil the above disclosure requirement in is by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

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

Changes to IFRS 15 *Revenue from Contracts with Customers*, that will be mandatory for the Group'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 licence 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 Group started the analysis of the impact of Changes to IFRS 15 *Revenue from contracts with customers* on the consolidated financial statements. Nothing has been identified so far which would indicate that the changes would have a significant impact on the Group's financial statements. Further analysis is in progress and will be completed in 2017.

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 Group's financial statements.

2.3. Changes in accounting policies and correction of errors

There were no changes in the accounting policies as compared to the policies used for preparation of the 2015 consolidated financial statements except for the changes in presentation.

2.3.1. Changes in presentation

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 Group's financial position and performance. The respective comparatives were restated. The impact of changes was presented in point 2.3.3.

2.3.2. Correction of errors

The adjustments recognised in the financial statements for 2016 as corrections of prior period errors resulted from the verification of the correctness of assets' presentation in the financial statements for 2015, about which the subsidiary Grupa Azoty Zakłady Chemiczne "Police" S.A. informed in its current report No. 27/2016 dated 30 May 2016, and are the consequence of detailed analyses and examinations of Grupa Azoty Zakłady Chemiczne "Police" S.A.'s documentation as well as attempts to obtain the additional materials and information with regard to this matter.

The analyses allowed to determine that the material error concerned the fair value assessment of the mineral deposits, which were presented in the final acquisition accounting of African Investment Group S.A. included in the consolidated financial statements for the year ended 31 December 2014 and their presentation in the financial statements for years 2014-2015. Data and assumptions used in the final acquisition accounting did not take into consideration all information then available and which related to the facts and circumstances existing at the date of the subsidiary's acquisition.

The basic error in the valuations performed for the purposes of the final acquisition accounting concerned the omission to include the necessary construction of the phosphates enrichment installation. Failure to include this parameter resulted in underestimation of the capital and operating expenditures as well as underestimation of time required to bring the project to the stage allowing the first production of phosphates meeting the required commercial parameters. The above changes result from the deteriorated quality parameters of phosphates in Kebemer area deposits. It was initially assumed that the phosphates would contain a high phosphorus' content (as converted to P2O5) and would not require the classic enrichment by flotation but only crushing, sieving and drying in natural conditions. The drilling campaign realised within the Kebemer exploration licence area since December 2013 to June 2014 showed that the deposit's parameters are significantly worse than initially expected (thicker overburden and lower quality phosphates in particular).

(all amounts in PLN thousand unless otherwise stated)

Additionally, the verification of the documents revealed that the quantity of reserves in the second deposit subject to valuation, i.e. Lam Lam was also misstated. The total extraction from Lam Lam deposit, which ended in mid-2014, amounted to 110.7 thousand tons of phosphates compared to 314 thousand tons estimated in the final acquisition accounting.

The above assumptions were corrected in the revised acquisition accounting. The correction of only the wrong assumptions mentioned above which were used in the final acquisition accounting resulted in the change in the fair value of the exploration licences presented as mineral deposits (as at 28 August 2013):

- for Kebemer deposit from PLN 271 031 thousand do PLN 265 thousand,
- for Lam Lam deposit from PLN 13 550 thousand do PLN 2 038 thousand.

The following summarises the recognised amounts of assets acquired and liabilities assumed before and after adjustment of the acquisition accounting:

Fair values of identifiable assets acquired and liabilities assumed

	As at 28.08.2013	As at 28.08.2013 Restated*
Property, plant and equipment	288 187	4 909
- including the value of mineral deposits	*285 581*	*2 303*
Inventories	16 487	16 487
Trade and other receivables	1 827	1 827
Cash and cash equivalents	1 021	1 021
Deferred tax assets	-	4 644
Deferred tax liabilities	(60 612)	-
Trade and other payables	(20 414)	(20 414)
Loans	(10 547)	(10 547)
Other non-financial liabilities	(260)	(260)
Fair value of identifiable net assets acquired	**215 689**	**(2 333)**

* restated as correction of prior period errors

Comparison of the adjusted final acquisition accounting and the final acquisition accounting presented in the consolidated financial statements for year 2014

	Final acquisition accounting	Restated final acquisition accounting*	Difference
Property, plant and equipment (including mineral deposits)	288 187	4 909	(283 278)
Other assets	19 335	19 335	-
Deferred tax assets	-	4 644	4 644
Deferred tax liabilities	(60 612)	-	60 612
Other liabilities	31 221	31 221	-
Impact on fair value of identifiable net assets acquired	**215 689**	**(2 333)**	**(218 022)**
Non-controlling interest	97 061	(1 050)	(98 111)

* restated as correction of prior period errors

(all amounts in PLN thousand unless otherwise stated)

Gain on bargain purchase / Goodwill

	As at 28.08.2013	As at 28.08.2013 Restated*
Consideration transferred	91 858	91 858
Non-controlling interest, based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	97 061	(1 050)
Fair value of identifiable net assets	(215 689)	2 333
Gain on bargain purchase (-) / Goodwill (+)	**(26 770)**	**93 141**

* restated as correction of prior period errors

The correction of fair value of acquired assets (mineral deposits) and related deferred tax liabilities resulted in recognition of goodwill instead of gain on bargain purchase. The goodwill resulting from the corrected acquisition accounting of PLN 93 141 thousand was allocated to the investment in the phosphates mine being a cash generating unit after the acquisition of the majority stake in African Investment Group S.A.

An impairment test was prepared for goodwill recognised as at 31 December 2013. The key assumptions used in the test corresponded with the corrected acquisition accounting as at 28 August 2013, except for the foreign exchange rates and discount rate (WACC) which were adjusted to the levels appropriate as at 31 December 2013.

The key assumptions to the correction of the acquisition accounting as at 28 August 2013 (the final acquisition accounting was presented in the financial statements for year 2014) and to the impairment test for goodwill as at 31 December 2013 comprise:

- capital expenditures include the required outlays for the construction of the phosphates enrichments installation and increased outlays in other categories which resulted inter alia from the geological surveys performed in 2014 and the change of information concerning the deposits' parameters,
- mine extraction expenses include items related to raw material enrichment,
- consideration of the realistic timetable, resulting mainly from the inclusion of previously not included design and construction of enrichment installation – extension of the investment realisation to 3 years (to launch the production of phosphates having the commercial parameters),
- allocation of investment expenditures over 3 years, in consequence of change in the assumptions about the time required to realise much more complex investment as compared to estimates used in the final acquisition accounting,
- assuming the phosphates annual production volume at the level indicated in the assumptions concerning equipment effectiveness and capital expenditures.

The following average foreign exchange rates announced by the National Bank of Poland as at 31 December 2013 were used in the impairment test for goodwill as at 31 December 2013: USD = 3.0120 PLN, EUR = 4.1472 PLN.

The discount rate used in the test as at 31 December 2013, calculated taking into consideration the industry data for the specific types of projects, amounted to 16.24%.

The estimated present value of cash flows, calculated using assumptions based on the data and information available at that time, was negative. Therefore an impairment loss was recognised for the whole goodwill.

The aggregated adjustments for assets concerning African Investment Group S.A. amounting as at 31 December 2015 to XOF 42 313 306 thousand (the equivalent of PLN 273 259 thousand as at 31 December 2015) were recognised in the prior periods and included:

- Kebemer area of XOF 41 993 074 thousand (the equivalent of PLN 271 191 thousand as at 31 December 2015)
- Lam Lam area of XOF 320 232 thousand (the equivalent of PLN 2 068 thousand as at 31 December 2015) which represents the unamortised amount resulting from the valuation (change in the previous recognition of write-off – current report No 49/2016 dated 12 October 2016).

An impairment allowance concerning exploration and evaluation intangible assets in Lam Lam of XOF 1 603 664 thousand (the equivalent of PLN 10 356 thousand as at 31 December 2015) was also recognised in prior period results – change in the previous recognition of the allowance (current report No 49/2016).

Due to the expiration of the mining extraction licence in the Lam Lam area in August 2016 and the definitive completion of the mining activities in that area in 2014 the recognised impairment allowance for Lam Lam exploration and evaluation outlays was fully used in 2016.

Simultaneously, due to the write-offs for the above mentioned assets the deferred tax liabilities of XOF 9 111 602 thousand (the equivalent of PLN 58 842 thousand as at 31 December 2015) were derecognised through prior period results.

The individual items were translated into PLN according to the exchange rates announced by the National Bank of Poland for CFA BCEAO franc (XOF) as at the reporting date:

- the average rate as at 31 December 2015 amounted to: 1 XOF – 0.006458 PLN,
- the average rate as at 31 December 2016 amounted to:1 XOF – 0.006683 PLN.

The translation was performed by multiplying the amounts in XOF by the exchange rate.

(all amounts in PLN thousand unless otherwise stated)

2.3.3. Impact of changes in presentation and the correction of errors

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

	Reported	Restated	Changes in presentation			Correction of errors
	For the period 01.01.2015 - 31.12.2015	For the period 01.01.2015 - 31.12.2015	Change I	Change II	Change III	Change IV
Revenue	10 024 405	10 007 896	(16 509)	-	-	-
Cost of sales	(7 760 211)	(7 741 978)	13 617	4 616	-	-
Gross profit	**2 264 194**	**2 265 918**	**(2 892)**	**4 616**	**-**	**-**
Selling and distribution expenses	(633 314)	(630 248)	-	-	3 066	
Other income	47 664	59 808	16 509	-	(4 365)	
Other expenses	(111 987)	(134 527)	(13 617)	-	1 299	(10 222)
Results from operating activities	**830 011**	**824 405**	**-**	**4 616**	**-**	**(10 222)**
Finance income	42 910	38 294	-	(4 616)	-	
Net finance costs	**(4 666)**	**(9 282)**	**-**	**(4 616)**	**-**	
Profit before tax	**839 082**	**828 860**	**-**	**-**	**-**	**(10 222)**
Tax expense	(147 234)	(150 641)	-	-	-	(3 407)
Profit for the year	**691 848**	**678 219**	**-**	**-**	**-**	**(13 629)**
Profit or loss and other comprehensive income for the year	**685 709**	**672 080**	**-**	**-**	**-**	**(13 629)**
Profit attributable to:						
Equity holders of the Parent Company	609 499	604 552	-	-	-	(4 947)
Non-controlling interests	82 349	73 667	-	-	-	(8 682)
Profit or loss and other comprehensive income attributable to:						
Equity holders of the Parent Company	604 443	599 786	-	-	-	(4 657)
Non-controlling interests	81 266	72 294	-	-	-	(8 972)
Earnings per share:						
Basic earnings per share (PLN)	6.14	6.09	-	-	-	(0.05)
Diluted earnings per share (PLN)	6.14	6.09	-	-	-	(0.05)

- 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,
- IV – correction of errors described in point 2.3.2.

(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	Changes in presentation (I-VIII)								Correction of errors
	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**	**Change IX**
Assets											
Non-current assets											
Property, plant and equipment	6 429 767	5 664 447	(492 061)	-	-	-	-	-	-	-	(273 259)
Perpetual usufruct right	-	492 061	492 061	-	-	-	-	-	-	-	-
Intangible assets	532 798	522 442	-	-	-	-	-	-	-	-	(10 356)
Other receivables	1 797	7 023	-	-	-	5 226	-	-	-	-	-
Deferred tax assets	62 769	64 124	-	-	-	-	-	-	-	-	1 355
Other non-current assets	5 226	-	-	-	-	(5 226)	-	-	-	-	-
Total non-current assets	**7 224 923**	**6 942 663**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(282 260)**
Current assets											-
Inventories	1 180 599	958 769	-	(221 830)	-	-	-	-	-	-	-
Property rights	-	226 931	-	221 830	-	-	-	-	5 101	-	-
Other financial assets	502 885	498 711	-	-	(4 174)	-	-	-	-	-	-
Derivatives	-	4 174	-	-	4 174	-	-	-	-	-	-
Trade and other receivables	1 078 292	1 096 286	-	-	-	22 930	-	-	-	(4 936)	-
Other current assets	32 047	9 117	-	-	-	(22 930)	-	-	-	-	-
Total current assets	**3 552 246**	**3 552 411**	**-**	**-**	**-**	**-**	**-**	**-**	**5 101**	**(4 936)**	**-**
Total assets	**10 777 169**	**10 495 074**	**-**	**-**	**-**	**-**	**-**	**-**	**5 101**	**(4 936)**	**(282 260)**

(all amounts in PLN thousand unless otherwise stated)

	Reported	Restated	Changes in presentation (I-VIII)								Correction of errors
	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**	**Change IX**
Equity and liabilities											
Equity											
Translation reserve	752	(39)	-	-	-	-	-	-	-	-	(791)
Retained earnings, including:	3 452 224	3 371 422	-	-	-	-	-	-	-	-	(80 802)
Profit for the year	609 499	604 552	-	-	-	-	-	-	-	-	(4 947)
Equity attributable to owners of the Parent Company	**6 367 288**	**6 285 695**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(81 593)**
Non-controlling interests	**768 933**	**625 753**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(143 180)**
Total equity	**7 136 221**	**6 911 448**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(224 773)**
Liabilities											
Deferred tax liabilities	245 868	188 381	-	-	-	-	-	-	-	-	(57 487)
Total non-current liabilities	**1 785 146**	**1 727 659**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(57 487)**
Derivatives	-	986	-	-	986	-	-	-	-	-	-
Other financial liabilities	57 658	56 672	-	-	(986)	-	-	-	-	-	-
Provisions	273 447	45 647	-	-	-	-	-	(222 864)	-	(4 936)	-
Trade and other payables	1 347 227	1 576 538	-	-	-	-	1 346	222 864	5 101	-	-
Deferred income	1 346	-	-	-	-	-	(1 346)	-	-	-	-
Total current liabilities	**1 855 802**	**1 855 967**	**-**	**-**	**-**	**-**	**-**	**-**	**5 101**	**(4 936)**	**-**
Total liabilities	**3 640 948**	**3 583 626**	**-**	**-**	**-**	**-**	**-**	**-**	**5 101**	**(4 936)**	**(57 487)**
Total equity and liabilities	**10 777 169**	**10 495 074**	**-**	**-**	**-**	**-**	**-**	**-**	**5 101**	**(4 936)**	**(282 260)**

(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	Changes in presentation (I-VIII)								Correction of errors
	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**	**Change IX**
Assets											
Non-current assets											
Property, plant and equipment	5 905 106	5 132 078	(498 499)	-	-	-	-	-	-	-	(274 529)
Perpetual usufruct right	-	498 499	498 499	-	-	-	-	-	-	-	-
Deferred tax assets	86 941	92 625	-	-	-	-	-	-	-	-	5 684
Total non-current assets	**6 719 453**	**6 449 808**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(268 845)**
Current assets											
Inventories	1 343 513	1 152 673	-	(190 840)	-	-	-	-	-	-	-
Property rights	-	198 192	-	190 840	-	-	-	-	7 352	-	-
Other financial assets	68 484	64 611	-	-	(3 873)	-	-	-	-	-	-
Derivatives	-	3 873	-	-	3 873	-	-	-	-	-	-
Trade and other receivables	1 227 334	1 248 079	-	-	-	24 118	-	-	-	(3 373)	-
Other current assets	24 118	-	-	-	-	(24 118)	-	-	-	-	-
Total current assets	**3 228 879**	**3 232 858**	**-**	**-**	**-**	**-**	**-**	**-**	**7 352**	**(3 373)**	**-**
Total assets	**9 948 332**	**9 683 466**	**-**	**-**	**-**	**-**	**-**	**-**	**7 352**	**(3 373)**	**(268 845)**

(all amounts in PLN thousand unless otherwise stated)

	Reported	Restated	Changes in presentation (I-VIII)								Correction of errors
	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**	**Change IX**
Equity and liabilities											
Equity											
Translation reserve	1 403	322	-	-	-	-	-	-	-	-	(1 081)
Retained earnings	2 843 389	2 767 534	-	-	-	-	-	-	-	-	(75 855)
Equity attributable to owners of the Parent Company	**5 759 039**	**5 682 103**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(76 936)**
Non-controlling interests	**729 097**	**594 889**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(134 208)**
Total equity	**6 488 136**	**6 276 992**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(211 144)**
Liabilities											
Deferred tax liabilities	231 692	173 991	-	-	-	-	-	-	-	-	(57 701)
Total non-current liabilities	**1 195 845**	**1 138 144**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(57 701)**
Derivatives	-	1 163	-	-	1 163	-	-	-	-	-	-
Other financial liabilities	79 375	78 212	-	-	(1 163)	-	-	-	-	-	-
Provisions	211 432	36 689	-	-	-	-		(171 370)	-	(3 373)	-
Trade and other payables	1 425 553	1 606 597	-	-	-	-	2 322	171 370	7 352		
Deferred income	2 322	-	-	-	-	-	(2 322)	-	-	-	-
Total current liabilities	**2 264 351**	**2 268 330**	**-**	**-**	**-**	**-**	**-**	**-**	**7 352**	**(3 373)**	**-**
Total liabilities	**3 460 196**	**3 406 474**	**-**	**-**	**-**	**-**	**-**	**-**	**7 352**	**(3 373)**	**(57 701)**
Total equity and liabilities	**9 948 332**	**9 683 466**	**-**	**-**	**-**	**-**	**-**	**-**	**7 352**	**(3 373)**	**(268 854)**

(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 – provisions for bonuses and discounts were set off with trade receivables,
- IX – correction of errors described in point 2.3.2.

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

	Reported	Restated	Correction of errors
	For the period 01.01.2015 - 31.12.2015	**For the period 01.01.2015 - 31.12.2015**	**Change IX**
Profit before tax	839 082	828 860	(10 222)
Adjustments			
Impairment losses of assets	61 469	71 691	10 222
Cash generated from operating activities before changes in working capital	**1 405 658**	**1 405 658**	-

- IX - correction of errors described in point 2.3.2.

The Group did not adjust the statement of cash flows for the changes in presentation as their impact was not significant.

2.4. Basis of measurement

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

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

2.5. Functional and presentation currency

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

2.6. Use of estimates and judgements

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

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

- estimates and assumptions concerning the possibility of realisation of the deferred tax asset on the tax losses carried-forward are presented in Note 7.4,

- estimates concerning useful lives of property, plant and equipment, 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 recoverable amounts of goodwill and intangible assets with indefinite useful lives are presented in Note 12,
- estimates and assumptions that there have been no impairment indicators for intangible assets concerning exploration and evaluation of mineral resources are presented in Note 12,
- estimates concerning write-downs of inventory to net realisable value are presented in Note 15,
- estimates concerning impairment losses on receivables are presented in Note 17,
- estimates concerning employee benefits are presented in Note 24,
- estimates concerning provisions are presented in Note 25.

2.7. Going concern

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

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

2.8. Basis of consolidation

2.8.1. Subsidiaries

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

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

2.8.2. Investments in associates

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

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

2.8.3. Consolidation procedures

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

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

2.8.4. Business combinations

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

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

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

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

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

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

2.8.5. Acquisition of non-controlling interests

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

2.8.6. Loss of control

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

2.9. Foreign currency

2.9.1. Transaction in Foreign currency

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

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

(all amounts in PLN thousand unless otherwise stated)

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
GBP	5.1445	5.7862

2.9.2. Translation of the financial statements of a foreign operations

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

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

2.10. Property, plants and equipment

2.10.1. Property, plant and equipment owned

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

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

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

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

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

(all amounts in PLN thousand unless otherwise stated)

2.10.2. Leased items of property, plant and equipment

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

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

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

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

2.10.3. Mineral deposit

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

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

2.10.4. Subsequent expenditure

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

2.10.5. Depreciation

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

Type	Depreciation rate	Period
Land	None	-
Mineral deposits	unit of production	6-72 years
Buildings and structures	1% - 33%	3-100 years
Machines and technical devices	2% - 100%	1-50 years
Office equipment	10% - 100%	1-10 years
Vehicles	7% - 100%	1-7 years
Computers	20% - 100%	1-6 years

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

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

2.11. Perpetual usufruct right

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

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

Depreciation is calculated on a straight line basis over the estimated useful life of specific usufruct right. The estimated useful lives is up to 99 years.

2.12. Investment property

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

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

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

2.13. Intangible assets

2.13.1. Research and development

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

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

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

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

2.13.2. REACH costs

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

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

(all amounts in PLN thousand unless otherwise stated)

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

2.13.3. Goodwill

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

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

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

2.13.4. Other intangible assets

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

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

2.13.5. Subsequent expenditures

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.

2.13.6. Amortisation

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

The estimated useful lives are as follows:

Type	Amortisation rate	Period
Trademarks	none	-
Brand name	none	-
Customers portfolio	17% - 100%	1-7 years
Licences	5% - 100%	1-20 years
Software	16% - 100%	1-6 years
Technological licences	2% - 100%	1-50 years
REACH	2% - 100%	1-50 years
Development costs	2% - 100%	1-50 years

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

2.14. Exploration for and evaluation of mineral resources

2.14.1. Measurement and classification of expenditures

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

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

  Expenditure for exploration for and evaluation of mineral resources are classified according to the activities:
- Performed before obtaining exploration and evaluation licences on a specific area.

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

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

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

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

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

2.14.2. Depreciation or amortisation

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

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

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

2.14.3. Impairment

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

Calculation of the impairment loss of evaluation and exploration assets is performed in accordance with the policy described in point 2.20.

2.15. 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 amortised cost, using effective interest rate method, less impairment losses.

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

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

2.16. Presentation of factoring and receivables discounting contracts

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

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

2.17. Inventories

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

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

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

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

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

2.18. Property rights

Property rights include CO2 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 Investments 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 Group has a sufficient amount of rights to cover its liabilities arising from the emission: as a product of the amount of rights required to be redeemed to settle the obligation and the unit cost of rights held by the 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 Group does not have a sufficient amount of rights to cover its liabilities arising from the emission: as a product of the amount of rights held by the 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 CO2 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 Group 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 Group 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.

2.19. Cash and cash equivalents

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

2.20. Impairment of non-financial assets

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

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

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

Impairment losses are recognised in the statement of profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

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

2.21. Equity

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

Share capital, which is the share capital of the Parent Company, is measured in the nominal value of the issued shares.

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

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

2.22. 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.

2.22.1. Defined contribution plans

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

2.22.2. Defined benefit plans

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

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

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

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

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

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

2.22.3. Other long-term employee benefits – jubilee awards

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

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

2.22.4. Short term employee benefits

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

2.23. Provisions

Provisions are recognised if:

- a present obligation (legal or constructive) has arisen as a result of a past events,
- the outflow of economic benefits is probable,

- the amount can be measured reliably.

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

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

2.23.1. Restructuring

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

2.23.2. Site restoration costs

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

2.23.3. Onerous contracts

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

2.23.4. Litigations and claims

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

2.24. Trade liabilities

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

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

2.25. Interest-bearing loans

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

2.26. 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.

2.27. Initial recognition and derecognition of financial assets and liabilities

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

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

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

2.28. 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.

2.28.1. Measurement subsequent to initial recognition

The Group measures:

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

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

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

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

2.28.2. Derivatives

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

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

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

2.28.3. Impairment of financial assets

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

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

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

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

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

2.29. Hedge accounting

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

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

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

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

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

2.29.1. Cash-flow hedge

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

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

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

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

2.30. Revenue

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

2.30.1. Sale of goods and merchandises, rendering of services

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

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

2.30.2. Licence fees

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

2.30.3. Revenue from sale of certificates of origin of energy

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

2.30.4. Rentals

Revenue from rental of property, plant and equipment and investment properties are recognised in the statement of profit or loss on a straight-line basis for the lease period and presented in revenue (property, plant and equipment) or other operating income (investment property).

2.30.5. Finance income

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

2.31. Expenses

2.31.1. 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.

2.31.2. 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).

2.31.3. Administrative expenses

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

2.31.4. 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.

2.31.5. 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.

2.31.6. Finance cost

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

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

2.32. 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 Group expects to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured using tax rates enacted or substantively enacted at the reporting date.

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

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

2.33. Segment reporting

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

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

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

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

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

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

Discontinued operation is a part of the Group’s operations, which represent separate major line of business or a geographical area of operations, which is a part of a single coordinated 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.

Notes to the consolidated financial statements

Segment reporting

Operating segments

The Group realises its business goals through four reportable segments managed separately because they require different management strategies (including production, sales and marketing strategies).

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

- Fertilizers-Agro Segment includes manufacturing and sales of the following products:
  - nitrogenous fertilizers (Pulrea®, Saletrzak 27 Standard, Saletrzak with boron 27+B Standard, Salmag®, Slamag® with boron, ZAKsan® (Kędzierzyn ammonium nitrate), Ammonium nitrate 30 Macro, mocznik.pl®, granulated urea 46%, PULGRAN®, PULAN®, RSM®, PULREA®),
  - nitrogenous fertilizers with sulphur (ammonium sulphate AS21, Saletrosan®30, Saletrosan® 26, POLIFOSKA® 21, Salmag with sulphur®, Pulgran®S, Pulsar®, Pulaska®, RSM®S),
  - compound fertilizers (POLIFOSKA® 4, POLIFOSKA® 5, POLIFOSKA® 6, POLIFOSKA® 8, POLIFOSKA® 12, POLIFOSKA® M, POLIFOSKA® TYTAN, POLIFOSKA® START, POLIFOSKA® Petroplon, POLIMAG® S, POLIFOSKA®PLUS, Amofoska® NPK 5-10-25 +0,1B, Amofoska® NPK 4-16-18, Amofoska® NPK 4-10-28 +2,5Mg+0,1B, Amofoska® NPK 4-12-20, Amofoska® NPKMg 4-12-12+2,5, Amofoska® NPK 4-14-32, Amofoska® Corn NPK 4-10-22 +2,5Mg+0,2Zn),
  - phospho-nitrogenous fertilizers (POLIDAP® TYTAN, POLIDAP®, POLIDAP® light, Super FOS DAR 40™),
  - ammonia,
  - concentrated nitric acid,
  - technical gases;
- Plastics Segment includes manufacturing and sales of the following products:
  - Tarnamid® (PA6) and its modified forms,
  - Tarnoform® (POM) and its modified forms,
  - alphalon™ (PA6),
  - Tarnoprop C i H (PPC, modified PPH),
  - Tarnodur A (modified PBT),
  - Tarnamid® A (modified PA66),
  - caprolactam,
  - Polyamide 11 and 12 tubes, polyethylene tubes, Polyamide 6 tubes,
  - Polyamide Casings FOOD GRADE;
- Chemicals Segment includes manufacturing and sales of the following products:
  - oxo alcohols (2- ethylhexanol, N-butanol, Izobutanol, Octyl alkohol F),
  - plasticizers (Oxoplast® O, Oxoviflex®, Oxoplast Medica, Oxoplast® PH),
  - pigments (Tytanpol®),
  - melamine,
  - Iron (II) sulphate (Fespol®),
  - special solutions based on urea and ammonia, including: water urea solution (NOXy®), 32.5%, 40% and 45% urea solution (PULNOx®), ammonia solution (LIKAM®);
- Energy Segment includes activities that concern production of electricity and heat for the purposes of chemical installations and selling electricity to customers connected to electric network, with whom the contracts were signed;
- Other Activities Segment comprising other activities, such as laboratory services, manufacturing of catalysts (iron-chromium catalysts, copper catalysts, iron catalysts), rental of properties and other activities which cannot be allocated to other segments. None of these activities met the quantitative criteria to be separated as reportable segment in 2016 and 2015.

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.

For each segment the Management Board of the Azoty Group reviews internal management reports on a monthly basis.

For internal purposes, the Azoty Group uses the management accounts focused on the following operating segments:

- Nitrogenous Fertilizers
- Compound Fertilizers
- Plastics
- OXO
- Melamine
- Pigments
- Chemicals
- Mining
- Energy
- Other Activities.

The above structure reflects the business areas managed from the perspective of the key entities forming the Group. The above areas were identified on the basis of the main areas of the core business which allow, by diversifying the product portfolio, to minimize market and business cycle risks and, consequently, maximize the results and cash flows. The division was based on the following parameters:

- target market (segment B2B or B2C), with regards to industries and, finally, customers;
- nature of the product and its final use (consumption or further processing);
- specific nature of production and production lines, including extension of the value chain.

For segment reporting purposes, the Group aggregated its operating segments based on business and for formal reasons.

<u>Business reasons (sales and production)</u>

- Agro-Fertilizers – aggregation of nitrogenous fertilizers and compound fertilizers and mining (phosphates). Reasons:
  - o a common sales policy (prices, marketing) dedicated to the market for products based on the following elements: nitrogen (N), sulphur (S), phosphor (P), potassium chloride (K) and mixes thereof;
  - o managing the production process in the Group from the perspective of using the key semi-finished products (ammonia/urea);
- Plastics - using the full value chain within the Benzene/Phenol - Caprolactam – Polyamide line, realised by the individual Group companies;
- Chemicals – the aggregation of the following areas: Melamine, Chemicals, Pigments, OXO and Mining (sulphur) as semi-finished goods for wide use in the chemical industry to be further processed into final products;
- Energy – similar nature of the production, product and its intended use in individual Group entities.

<u>Formal reasons (IFRS 8 guidance)</u>

- Chemicals – aggregation of the chemical part of the activities, i.e. Melamine, Chemicals, Pigments, OXO, and Mining also due to the fact that the quantitative thresholds specified in the standard are not met by each of the operating segments alone;
- Energy – as a supporting segment with significant quantitative parameters.

<u>Other reasons:</u>

- Other Activities which comprises an element of support for the core businesses and/or focusing on non-core business areas.

(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	Chemicals	Energy	Other Activities	Total
External revenues	5 115 652	1 117 842	2 295 327	239 748	187 121	8 955 690
Inter-segment revenue	1 802 272	314 835	817 784	2 315 050	894 887	6 144 828
Total revenue	6 917 924	1 432 677	3 113 111	2 554 798	1 082 008	15 100 518
Operating expenses, including:(-)	(6 461 125)	(1 513 916)	(2 932 664)	(2 539 577)	(1 094 411)	(14 541 693)
Selling and distribution expenses (-)	*(437 400)*	*(51 762)*	*(174 605)*	*(243)*	*(5 305)*	*(669 315)*
Administrative expenses (-)	*(372 319)*	*(121 439)*	*(164 169)*	*(19 457)*	*(52 245)*	*(729 629)*
Other income	9 399	4 713	5 656	7 612	19 999	47 379
Other expenses(-)	(39 580)	(5 352)	(15 416)	(8 256)	(51 538)	(120 142)
Segment results from operating activities EBIT	**426 618**	**(81 878)**	**170 687**	**14 577**	**(43 942)**	**486 062**
Finance income	-	-	-	-	-	34 227
Finance costs (-)	-	-	-	-	-	(44 343)
Share of profit of equity-accounted investees	-	-	-	-	-	15 170
Profit before tax	**-**	**-**	**-**	**-**	**-**	**491 116**
Tax expense	-	-	-	-	-	(115 964)
Profit for the year	**-**	**-**	**-**	**-**	**-**	**375 152**
EBIT*	426 618	(81 878)	170 687	14 577	(43 942)	486 062
Depreciation and amortisation	173 189	49 345	100 088	80 959	83 624	487 205
Unallocated depreciation and amortisation	-	-	-	-	-	32 516
EBITDA**	**599 807**	**(32 533)**	**270 775**	**95 536**	**39 682**	**1 005 783**

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

(all amounts in PLN thousand unless otherwise stated)

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

	Fertilizers-Agro	Plastics	Chemicals	Energy	Other Activities	Total
External revenues	6 057 906	1 247 971	2 302 233	209 236	190 550	10 007 896
Inter-segment revenue	2 190 855	308 990	992 745	2 712 905	903 264	7 108 759
Total revenue	8 248 761	1 556 961	3 294 978	2 922 141	1 093 814	17 116 655
Operating expenses, including:(-)	(7 407 674)	(1 603 980)	(3 224 385)	(2 924 792)	(1 056 700)	(16 217 531)
Selling and distribution expenses (-)	*(430 162)*	*(52 742)*	*(145 660)*	*(121)*	*(1 563)*	*(630 248)*
Administrative expenses (-)	*(385 839)*	*(114 235)*	*(172 699)*	*(14 137)*	*(49 636)*	*(736 546)*
Other income	21 041	4 677	5 902	9 234	18 954	59 808
Other expenses(-)	(23 565)	(16 475)	(37 313)	(2 996)	(54 178)	(134 527)
Segment results from operating activities EBIT	**838 563**	**(58 817)**	**39 182**	**3 587**	**1 890**	**824 405**
Finance income	-	-	-	-	-	38 294
Finance costs (-)	-	-	-	-	-	(47 576)
Share of profit of equity-accounted investees	-	-	-	-	-	13 737
Profit before tax	**-**	**-**	**-**	**-**	**-**	**828 860**
Tax expense	-	-	-	-	-	(150 641)
Profit for the year	**-**	**-**	**-**	**-**	**-**	**678 219**
EBIT**	838 563	(58 817)	39 182	3 587	1 890	824 405
Depreciation and amortisation	149 275	48 417	95 540	74 307	80 839	448 378
Unallocated depreciation and amortisation	-	-	-	-	-	36 432
EBITDA* **	**987 838**	**(10 400)**	**134 722**	**77 894**	**82 729**	**1 309 215**

* Financial information restated as presented in point 2.3 of the notes to the consolidated financial statements.
** EBIT is calculated as results from operating activities presented in the statement of profit or loss, adjusted for the gain on bargain purchase.
*** EBITDA is calculated as results from operating activities increased by depreciation and amortisation, adjusted for the gain on bargain purchase.

(all amounts in PLN thousand unless otherwise stated)

Assets and liabilities of operating segments as at 31 December 2016

	Fertilizers-Agro	Plastics	Chemicals	Energy	Other Activities	Total
Segment assets	3 130 384	1 147 474	1 615 253	1 649 428	1 205 425	8 747 964
Unallocated assets	-	-	-	-	-	2 193 378
Equity accounted investees	-	-	-	-	-	110 578
Total assets	**3 130 384**	**1 147 474**	**1 615 253**	**1 649 428**	**1 205 425**	**11 051 920**
Segment liabilities	854 968	198 673	224 934	577 329	260 887	2 116 791
Unallocated liabilities	-	-	-	-	-	1 805 864
Total liabilities	**854 968**	**198 673**	**224 934**	**577 329**	**260 887**	**3 922 655**

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

	Fertilizers-Agro	Plastics	Chemicals	Energy	Other Activities	Total
Segment assets	3 122 615	1 052 338	1 618 678	1 476 292	1 169 255	8 439 178
Unallocated assets	-	-	-	-	-	1 948 293
Equity accounted investees	-	-	-	-	-	107 603
Total assets	**3 122 615**	**1 052 338**	**1 618 678**	**1 476 292**	**1 169 255**	**10 495 074**
Segment liabilities	898 036	238 205	237 179	515 746	281 806	2 170 972
Unallocated liabilities	-	-	-	-	-	1 412 654
Total liabilities	**898 036**	**238 205**	**237 179**	**515 746**	**281 806**	**3 583 626**

* Financial information restated as presented in point 2.3 of the notes to the consolidated 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	Chemicals	Energy	Other Activities	Total
Capital expenditure on property, plant and equipment	517 714	172 107	101 049	266 402	143 750	1 201 022
Capital expenditure on investment property	694	-	142	-	419	1 255
Capital expenditure on intangible assets	25 341	400	1 909	204	6 722	34 576
Unallocated capital expenditure	-	-	-	-	-	21 936
Total capital expenditure	**543 749**	**172 507**	**103 100**	**266 606**	**150 891**	**1 258 789**
Segment depreciation and amortisation	173 189	49 345	100 088	80 959	83 624	487 205
Unallocated depreciation and amortisation	-	-	-	-	-	32 516
Total depreciation and amortisation	**173 189**	**49 345**	**100 088**	**80 959**	**83 624**	**519 721**

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

	Fertilizers-Agro	Plastics	Chemicals	Energy	Other Activities	Total
Capital expenditure on property, plant and equipment	390 173	108 561	109 760	274 652	116 559	999 705
Capital expenditure on investment property	-	-	-	-	1 191	1 191
Capital expenditure on intangible assets	28 371	868	457	165	15 834	45 695
Unallocated capital expenditure	-	-	-	-	-	23 285
Total capital expenditure	**418 544**	**109 429**	**110 217**	**274 817**	**133 584**	**1 069 876**
Segment depreciation and amortisation	150 241	48 417	94 574	74 307	80 839	448 378
Unallocated depreciation and amortisation	-	-	-	-	-	36 432
Total depreciation and amortisation	**150 241**	**48 417**	**94 574**	**74 307**	**80 839**	**484 810**

Description of impairment losses recognised by the Group was presented in Note 10, 12 and 17.

(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	5 100 800	5 558 788
Germany	1 017 961	1 152 457
Other European Union countries	1 908 674	2 124 332
Asia countries	363 657	473 683
South America countries	136 311	343 504
Other countries	428 287	355 132
Total	**8 955 690**	**10 007 896**

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

None of the customers accounted for more than 10% of revenue, in both 2016 and 2015.

Non-current assets

	As at 31.12.2016	As at 31.12.2015* restated
Poland	7 462 720	6 733 598
Germany	57 770	74 299
Senegal	66 001	46 901
	7 586 491	**6 854 798**

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

Non-current assets presented exclude financial instruments and deferred tax assets.

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	8 706 641	9 662 466
Construction contracts revenue	15 669	49 066
Sales of merchandises and raw materials	228 925	290 699
Sales of certificates of origin of energy	4 455	3 243
Sales of licences	-	2 398
Other revenue	-	24
	8 955 690	**10 007 896**

* Financial information restated as presented in point 2.3 of the notes to the consolidated 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	516 996	481 345
Raw materials and energy used	4 980 007	5 598 647
External services	1 029 390	1 096 937
Taxes and charges	323 015	365 670
Wages and salaries	1 034 886	999 022
Social security and other employee benefits	271 847	255 914
Other expenses	171 407	148 180
Costs by kind	**8 327 548**	**8 945 715**
Changes in inventories of finished goods and work in progress (+/-)	18 831	142 803
Work performed by the entity and capitalised (-)	(159 277)	(255 758)
Selling and distribution expenses (-)	(669 315)	(630 248)
Administrative expenses (-)	(729 629)	(736 546)
Cost of merchandises and raw materials sold	209 763	276 012
Cost of sales	**6 997 921**	**7 741 978**
Includes excise duty	25 599	32 435

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

Note 2.1 Cost of sales

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Cost of goods and services sold	6 775 328	7 417 562
Cost of construction contracts sold	12 830	46 834
Cost of merchandises and raw materials sold	209 763	276 012
Cost of licences sold	-	1 570
Total cost of sales	**6 997 921**	**7 741 978**

* Financial information restated as presented in point 2.3 of the notes to the consolidated 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* - restated
Wages and salaries paid and due	1 037 566	972 757
Social security contributions	193 724	182 341
Employee benefit fund	35 804	29 499
Trainings	5 481	6 771
Change in defined benefit liabilities	4 736	(2 225)
Change in other long-term employee benefit liabilities	(8 383)	11 388
Change in unused holiday accrual	1 128	2 262
Change in voluntary redundancy provision	35	(347)
Change in annual and motivation bonus accruals	(3 181)	16 627
Change in other employee benefit liabilities	1 948	-
Other	37 875	35 863
	1 306 733	**1 254 936**
Average employment	13 935	13 928

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

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:		
Property, plant and equipment	1 723	-
Other	236	137
	1 959	**137**
Other income:		
Income from lease of investment property	12 456	16 509
Received compensation	5 686	10 632
Reversal of provisions	16 217	17 462
Grants received	9 430	5 217
Other (aggregated items)	1 631	9 851
	45 420	**59 671**
	47 379	**59 808**

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

One of the most significant item of other operating income is the reversal of provisions of PLN 16 217 thousand (2015: PLN 17 462 thousand) which comprises:

- Reversal of provision for environment protection of PLN 8 512 thousand (2015: PLN 11 705 thousand),
- Reversal of provision for properties ordering of PLN 810 thousand (2015: PLN 1 895 thousand),

Income from compensation concerned mainly the compensation received from the insurer for breakdown recovery expenses and amounting to PLN 5 686 thousand (2015: PLN 10 632 thousand).

(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	5 575	5 076
	5 575	**5 076**
Recognised impairment loss on:		
Property, plant and equipment and perpetual usufruct right	25 651	59 402
Investment property	-	14
Intangible assets	1 955	11 327
Goodwill	2 493	-
Other receivables	1 478	-
Other	405	1 220
	31 982	**71 963**
Other expenses:		
Maintenance of investment property	9 278	13 617
Fines and compensations	5 857	6 356
Maintenance of installations not in use	2 752	4 590
Breakdown recovery expenses	8 094	13 863
Provisions recognised	17 720	11 416
Loss on remeasurement of investment property	-	1 035
Inventories and intangible assets written-off	15 979	-
Other (aggregated insignificant items)	22 905	6 611
	82 585	**57 488**
	120 142	**134 527**

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

The most significant item of other operating expenses is the impairment loss on property, plant and equipment impairment of PLN 25 589 thousand (2015: 59 226 thousand). The detailed description was presented in Note 10. As further described in point 2.3 and in Note 12, in 2015, an impairment loss concerning evaluation and exploration of mineral resources Lam Lam of PLN 10 222 thousand was recognised. Inventories and intangible assets written-off comprise the following assets, which have been written-off by the subsidiary African Investment Group S.A.:

- intangible assets concerning exploration and evaluation of Kayar and St Louis deposits of PLN 5 141 thousand,
- phosphates inventories of PLN 10 838 thousand.

The significant item of other expenses are breakdown recovery expenses of PLN 8 094 thousand (2015: PLN 13 863 thousand). Breakdown recovery expenses were partly offset by the compensation received (presented in other income).

Provisions recognised of PLN 17 720 thousand (2015: PLN 11 416 thousand) comprise, inter alia, recognition of provisions for environment protection and for technical advice concerning the phosphates deliveries from Senegal further described in note 25.

Other aggregated items in other operating expenses include 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	15 885	12 504
Cash pooling	1 246	1 383
Loans	580	1 344
Trade receivables	2 202	3 379
Other	166	825
	20 079	**19 435**
Gain on disposal of financial investments:		
Gain on disposal of financial investments	-	4 472
	-	**4 472**
Gain on valuation of financial assets and liabilities:		
Net change in fair value of financial assets at fair value through profit or loss	128	239
Net change in fair value of financial liabilities at fair value through profit or loss	-	110
	128	**349**
Other finance income:		
Foreign exchange gains	10 833	11 887
Dividends received	1 266	187
Other finance income	1 921	1 964
	14 020	**14 038**
	34 227	**38 294**

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

(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 and overdrafts	28 155	28 008
Cash pooling	907	1 290
Loans	1 341	64
Finance leases	1 711	1 696
Factoring	327	241
Receivables discounting	768	1 199
Trade payables	-	1 192
Tax liabilities	727	578
Other	2 683	6 281
	36 619	**40 549**
Loss on disposal of financial investments:		
Loss on disposal of financial investments	11	4
	11	**4**
Loss from valuation of financial assets and liabilities:		
Net change in fair value of financial assets at fair value through profit or loss	6 717	32
	6 717	**32**
Other finance costs:		
Unwind of discount on provisions	996	2 655
Other finance costs	-	4 336
	996	**6 991**
	44 343	**47 576**

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* restated
Current tax expense:		
Current year	86 715	131 280
Adjustment for prior years	(2 019)	(24 056)
	84 696	**107 224**
Deferred tax expense:		
Origination and reversal of temporary differences	31 268	43 417
	31 268	**43 417**
Tax expense recognised in the statement of profit or loss	**115 964**	**150 641**

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

(all amounts in PLN thousand unless otherwise stated)

Note 7.2 Effective tax rate

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Profit before tax	**491 116**	**828 860**
Tax using the Group's domestic tax rate	93 312	157 484
Effect of tax rates in foreign jurisdictions	(4 458)	(243)
Tax exempt income (+/-)	(4 779)	(2 451)
Non-deductible expenses (+/-)	15 023	11 717
Tax effect of previously unrecognised tax losses(+/-)	(604)	(501)
Recognition of investment tax credits (+/-)	(2 119)	(14 129)
Change in recognised deductible temporary differences (+/-)	8 550	4 515
Other(+/-)	11 039	(5 751)
Tax expense in the statement of profit or loss	**115 964**	**150 641**
Effective tax rate	**23.6 %**	**18.2%**

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

The effective tax rate in 2016 of 23.6% results mainly from non-deductible expenses and from not recognising the deferred tax assets on deductible temporary differences and tax losses by certain Group entities, for which the realisation of differences and tax losses is not considered sufficiently probable. The effective tax rate in 2015 of 18.2% results from tax adjustments for prior years and recognition of deferred tax assets on investment tax credit resulting from Grupa Azoty PUŁAWY's activities in the special economic zone.

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* restated
Tax on items that will never be reclassified to profit or loss (+/-)	**(1 937)**	**(1 309)**
Revaluation of liabilities from defined benefit plans	(1 937)	(1 309)
Tax on items that are or may be reclassified to profit or loss (+/-)	**(1 682)**	**-**
Valuation of hedging instruments	(1 682)	-
Tax expense recognised in other comprehensive income	**(3 619)**	**(1 309)**

(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	(110 807)	(83 720)	351 712	347 861
Perpetual usufruct right	(62)	(53)	67 084	46 571
Investment property	(1 099)	(1 056)	8 618	5 811
Intangible assets	(2 029)	(7 213)	79 068	86 588
Financial assets	(14 780)	(12 870)	19 830	21 315
Inventories and property rights	(1 567)	(11 362)	10 489	31 107
Trade and other receivables	(2 583)	(2 663)	1 266	2 986
Trade and other payables	(57 586)	(52 006)	1 525	301
Other assets	(64)	(4 187)	253	89
Employee benefits	(75 436)	(75 063)	18	171
Provisions	(31 491)	(59 296)	222	-
Loans	(62)	-	-	-
Other financial liabilities	(442)	(1 101)	1 289	629
Valuation of hedging instruments	(1 682)	-	-	-
Investment tax credits	(65 314)	(80 502)	-	-
Tax losses carried forward	(31 857)	(29 310)	-	-
Other	(1 748)	(6 067)	8 492	7 297
Deferred tax assets(-)/liabilities(+)	**(398 609)**	**(426 469)**	**549 866**	**550 726**
Offsetting	**353 061**	**362 345**	**(353 061)**	**(362 345)**
Deferred tax assets(-)/liabilities(+) recognised in the statement of financial position	**(45 548)**	**(64 124)**	**196 805**	**188 381**

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

(all amounts in PLN thousand unless otherwise stated)

As at 31 December 2016, the Group presented deferred tax assets of PLN 31 857 thousand (31 December 2015: PLN 29 310 thousand) resulting from tax losses carried forward which were considered probable to be utilised based on the forecast of the future taxable profits. The Group entities will be allowed to settle the losses in the following years:

Loss for the period	Amount	Settlement
2013	11 206	2017 – 2018
2014	16 074	2017 – 2019
2015	2 030	2017 - 2020
2016	2 547	2017 - 2021
	31 857	

The Parent 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 Parent 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 Parent 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).

(all amounts in PLN thousand unless otherwise stated)

Note 7.5 Change in temporary differences

		Movement in deferred tax balances recognised in (+/-)			
	Balance at 01.01.2016* restated	Profit or loss	Other comprehensive income	Foreign currency translation differences recognised in other comprehensive income	Balance at 31.12.2016
Property, plant and equipment	264 141	(22 483)	-	(753)	240 905
Perpetual usufruct right	46 518	20 504	-	-	67 022
Investment property	4 755	2 764	-	-	7 519
Intangible assets	79 375	(2 084)	-	(252)	77 039
Financial assets	8 445	(3 395)	-	-	5 050
Inventories and property rights	19 745	(11 365)	-	542	8 922
Trade and other receivables	323	(1 642)	-	2	(1 317)
Trade and other payables	(51 705)	(4 326)	-	(30)	(56 061)
Other assets	(4 098)	4 287	-	-	189
Employee benefits	(74 892)	1 567	(1 937)	(156)	(75 418)
Provisions	(59 296)	28 027	-	-	(31 269)
Loans	-	(62)	-	-	(62)
Other financial liabilities	(472)	1 319	-	-	847
Valuation of hedging instruments	-	-	(1 682)	-	(1 682)
Investment tax credits	(80 502)	15 188	-	-	(65 314)
Tax losses carried forwards	(29 310)	(2 545)	-	(2)	(31 857)
Other	1 230	5 514	-	-	6 744
Deferred tax assets(-)/liabilities(+)	**124 257**	**31 268**	**(3 619)**	**(649)**	**151 257**

(all amounts in PLN thousand unless otherwise stated)

	Movement in deferred tax balances recognised in (+/-)				
	Balance at 01.01.2015* restated	**Profit or loss**	**Other comprehensive income**	**Foreign currency translation differences recognised in other comprehensive income**	**Balance at 31.12.2015* restated**
Property, plant and equipment	235 832	27 455	-	854	264 141
Perpetual usufruct right	47 672	(1 154)	-	-	46 518
Investment property	6 108	(1 353)	-	-	4 755
Intangible assets	78 332	1 015	-	28	79 375
Financial assets	7 249	1 196	-	-	8 445
Inventories and property rights	(98)	19 849	-	(6)	19 745
Trade and other receivables	(3 584)	3 911	-	(4)	323
Trade and other payables	(55 644)	3 964	-	(25)	(51 705)
Other assets	(4 098)	-	-	-	(4 098)
Employee benefits	(74 569)	1 003	(1 309)	(17)	(74 892)
Provisions	(32 607)	(26 593)	-	(96)	(59 296)
Other financial liabilities	(709)	237	-	-	(472)
Investment tax credits	(91 059)	10 557	-	-	(80 502)
Tax losses carried forward	(30 428)	1 073	-	45	(29 310)
Other	(1 031)	2 257	-	4	1 230
Deferred tax assets(-)/liabilities(+)	**81 366**	**43 417**	**(1 309)**	**783**	**124 257**

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

(all amounts in PLN thousand unless otherwise stated)

Note 7.6 Unrecognised deferred tax assets/liabilities

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

	As at 31.12.2016	As at 31.12.2015
Tax losses	4 350	2 985
Unused tax credits	-	5 500
Temporary differences	6 062	1 471
	10 412	**9 956**

Note 8 Discontinued operations

In 2016 and 2015, the Grupa Azoty Group did not discontinue any operations.

Note 9 Earnings per share

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

	For the period 01.01.2016 - 31.12.2016	For the period 01.01.2015 - 31.12.2015* restated
Net profit attributable to shareholders of the Parent Company	**343 339**	**604 552**
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)	3.46	6.09
Diluted (PLN)	3.46	6.09

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

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	26 297	24 740
Mineral deposits	52 426	55 534
Buildings and structures	1 914 397	1 881 080
Technical devices and machines	2 717 988	2 595 316
Vehicles	123 387	127 669
Other	105 529	109 451
	4 940 024	**4 793 790**
Property, plant and equipment under construction	1 447 799	870 657
	6 387 823	**5 664 447**

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

(all amounts in PLN thousand unless otherwise stated)

Carrying amounts of property, plant and equipment

	Land	Mineral deposits	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Total
Carrying amount as at 01.01.2016*, restated	**24 740**	**55 534**	**1 881 080**	**2 595 316**	**127 669**	**109 451**	**870 657**	**5 664 447**
Additions, including:	***1 862***	***-***	***164 813***	***446 901***	***19 461***	***22 537***	***1 232 682***	***1 888 256***
Additions through purchases, construction, transfer to use	1 790	-	160 020	435 033	13 741	22 299	1 231 785	1 864 668
Additions through finance lease agreements	-	-	-	3 200	4 913	174	799	9 086
Reversal and utilisation of impairment loss	-	-	2 455	1 868	256	21	72	4 672
Reclassification from investment property	-	-	517	-	-	-	-	517
Effect of movements in exchange rates	72	-	429	2 282	33	26	3	2 845
Other additions	-	-	1 392	4 518	518	17	23	6 468
Deductions, including: (-)	***(305)***	***(3 108)***	***(131 496)***	***(324 229)***	***(23 743)***	***(26 459)***	***(655 540)***	***(1 164 880)***
Depreciation	-	(3 108)	(116 201)	(313 786)	(21 683)	(26 271)	-	(481 049)
Disposals	(195)	-	(16)	(451)	(779)	(36)	-	(1 477)
Liquidation	-	-	(4 284)	(2 087)	(857)	(64)	(702)	(7 994)
Transfer to use	-	-	-	-	-	-	(640 067)	(640 067)
Recognised impairment loss	-	-	(5 419)	(6 116)	(48)	(83)	(13 923)	(25 589)
Reclassification to investment property	-	-	(3 553)	(224)	-	-	-	(3 777)
Other deductions	(110)	-	(2 023)	(1 565)	(376)	(5)	(848)	(4 927)
Carrying amount as at 31.12.2016	**26 297**	**52 426**	**1 914 397**	**2 717 988**	**123 387**	**105 529**	**1 447 799**	**6 387 823**

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

(all amounts in PLN thousand unless otherwise stated)

Carrying amounts of property, plant and equipment

	Land	Mineral deposits	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Total
Carrying amount at 01.01.2015* restated	**21 708**	**58 319**	**1 815 832**	**2 444 008**	**133 164**	**105 316**	**553 731**	**5 132 078**
Additions, including:	***3 237***	***-***	***195 499***	***476 239***	***27 029***	***28 520***	***1 013 308***	***1 743 832***
Additions through purchases, construction, transfer to use	3 218	-	190 230	455 596	19 395	28 478	1 010 740	1 707 657
Additions through finance lease agreements	-	-	-	1 124	7 617	39	886	9 666
Reversal and utilisation of impairment loss	-	-	575	2 682	17	3	150	3 427
Reclassification from investment property	-	-	3 054	22	-	-	-	3 076
Other additions	19	-	1 640	16 815	-	-	1 532	20 006
Deductions, including: (-)	***(205)***	***(2 785)***	***(130 251)***	***(324 931)***	***(32 524)***	***(24 385)***	***(696 382)***	***(1 211 463)***
Depreciation	-	(2 785)	(106 234)	(282 771)	(21 523)	(24 062)	-	(437 375)
Disposals	(24)	-	(276)	(1 100)	(287)	(34)	(248)	(1 969)
Liquidation	-	-	(1 500)	(7 380)	(2 019)	(32)	(65)	(10 996)
Transfer to use	-	-	-	-	-	-	(687 096)	(687 096)
Recognised impairment loss	(181)	-	(16 084)	(29 787)	(8 417)	(149)	(4 608)	(59 226)
Reclassification to investment property	-	-	(559)	-	-	-	(1 288)	(1 847)
Effect of movements in exchange rates	-	-	(11)	(85)	(5)	(3)	-	(104)
Other deductions	-	-	(5 587)	(3 808)	(273)	(105)	(3 077)	(12 850)
Carrying amount at 31.12.2015* restated	**24 740**	**55 534**	**1 881 080**	**2 595 316**	**127 669**	**109 451**	**870 657**	**5 664 447**

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

(all amounts in PLN thousand unless otherwise stated)

Gross carrying amount of property, plant and equipment

	Land	Mineral deposits	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Total
Balance as at 31.12.2016								
Gross carrying amount	27 696	60 916	2 867 195	4 973 188	265 243	242 564	1 517 993	9 954 795
Accumulated depreciation (-)	-	(8 490)	(901 459)	(2 143 146)	(97 000)	(136 509)	-	(3 286 604)
Impairment loss (-)	(1 399)	-	(51 339)	(112 054)	(44 856)	(526)	(70 194)	(280 368)
Carrying amount as at 31.12.2016	**26 297**	**52 426**	**1 914 397**	**2 717 988**	**123 387**	**105 529**	**1 447 799**	**6 387 823**
Balance as at 31.12.2015*, restated								
Gross carrying amount	26 139	60 916	2 713 957	4 549 017	255 650	223 629	927 000	8 756 308
Accumulated depreciation (-)	-	(5 382)	(784 502)	(1 845 895)	(82 917)	(113 714)	-	(2 832 410)
Impairment loss (-)	(1 399)	-	(48 375)	(107 806)	(45 064)	(464)	(56 343)	(259 451)
Carrying amount as at 31.12.2015*, restated	**24 740**	**55 534**	**1 881 080**	**2 595 316**	**127 669**	**109 451**	**870 657**	**5 664 447**

* Financial information restated as presented in point 2.3 of the notes to the consolidated 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	**1 399**	**48 375**	**107 806**	**45 064**	**464**	**56 343**	**259 451**
Impairment recognised in the statement of profit or loss	-	5 419	6 116	48	83	13 923	25 589
Reversal/ utilisation of impairment recognised in the statement of profit or loss (-)	-	(2 455)	(1 868)	(256)	(21)	(72)	(4 672)
Impairment loss as at 31.12.2016	**1 399**	**51 339**	**112 054**	**44 856**	**526**	**70 194**	**280 368**
Impairment loss as at 01.01.2015	**1 218**	**32 866**	**80 701**	**36 664**	**318**	**51 885**	**203 652**
Impairment recognised in the statement of profit or loss	181	16 084	29 787	8 417	149	4 608	59 226
Reversal / utilisation of impairment recognised in the statement of profit or loss (-)	-	(575)	(2 682)	(17)	(3)	(150)	(3 427)
Impairment loss as at 31.12.2015*, restated	**1 399**	**48 375**	**107 806**	**45 064**	**464**	**56 343**	**259 451**

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

In 2016, the Group capitalised borrowing costs related to the acquisition of property, plant and equipment of PLN 10 319 thousand (2015: PLN 5 790 thousand).

In the reporting period, the Group recognised impairment loss on property, plant and equipment of PLN 25 589 thousand (2015: PLN 59 226 thousand) presented in other operating expenses. The amount consists of:

- impairment loss for property, plant and equipment related to the fat processing plant (Chemicals Segment) in the total amount of PLN 9 443 thousand, including mainly buildings and structures of PLN 4 379 thousand and technical devices and machines of PLN 5 064 thousand. The impairment loss was recognised mainly due to the negative performance of the plant and the decrease in the forecasted future cash flows resulting from: operating below full capacity, an increase in the main raw material's prices - animal fat and strong competition from the Asian market using palm oil in production. The recoverable amount of the plant amounts to PLN 39 647 thousand (31.12.2015: PLN 52 740 thousand) and was determined as a value in use, with the nominal weighted average cost of capital of 8.03% (31.12.2015: 7.85%) calculated post-tax;
- impairment loss for discontinued investments to property, plant and equipment under construction amounting to PLN 13 923 thousand (Fertilizers-Agro Segment: PLN 6 668 thousand, Plastics Segment: PLN 1 181 thousand, Chemicals Segment: PLN 1 424 thousand, Energy Segment: PLN 229 thousand, Other Activities Segment: PLN 4 421 thousand), for which the recoverable amount was estimated at nil.

In 2015, the impairment losses were recognised for:

- property, plant and equipment related to the carbon disulphide plant, the sodium sulphide plant, tankers and transport containers for carbon disulphide (Chemicals Segment) in the total amount of PLN 13 245 thousand, including mainly buildings and structures of PLN 1 982 thousand, technical devices and machines of PLN 3 110 thousand and vehicles of PLN 8 079 thousand.
- property, plant and equipment and intangible assets of cyclohexanone from benzene plant (Plastics Segment) in the amount of PLN 12 125 thousand including mainly technical devices and machines of PLN 11 535 thousand.
- unused plant of phthalic anhydride (Other Segments) in the amount of PLN 7 876 thousand, including buildings and structures of PLN 3 204 thousand and technical devices and machines of PLN 4 672 thousand.
- property, plant and equipment related to the fat processing plant (Chemicals Segment) in the total amount of PLN 18 405 thousand, including mainly buildings and structures of PLN 7 858 thousand and technical devices and machines of PLN 9 493 thousand.

Other impairment losses concerned property, plant and equipment which are not in use and will be put into liquidation in the foreseeable future or will be physically liquidated. The utilisation of impairment allowances applies to property, plant and equipment that were put into liquidation, were removed or sold and for which impairment had previously been recognised.

There were no indications in the current period that the impairment recognised in prior years for polioxymethylene (POM) installation (Plastics segment) may cease to exist and needs to be reversed.

Property, plant and equipment under construction

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

- Construction of the New Heat and Power Plant in Grupa Azoty ZAK S.A. which is to restore heat and power production capacity using solutions complying with the increasing environmental requirements. As at the 31 December 2016, the capitalised expenditures amounted to PLN 287 162 thousand (31 December 2015: PLN 199 651 thousand),
- Exhaust gas treatment system and modernisation of ECII power plant in Grupa Azoty POLICE which is to adapt the plant to EU IED Directive. As at the 31 December 2016, the capitalised expenditures amounted to PLN 55 676 thousand (31 December 2015: PLN 117 914 thousand),
- Construction of Polyamide Plant II in the Parent Company. As at the 31 December 2016, the capitalised expenditures amounted to PLN 210 010 thousand (31 December 2015: PLN 60 948 thousand),

(all amounts in PLN thousand unless otherwise stated)

- Construction of Granulation Plant II in the Parent Company. As at the 31 December 2016, the capitalised expenditures amounted to PLN 111 988 thousand (31 December 2015: PLN 30 336 thousand),
- Construction of extraction-condensing turbine in the Parent Company. As at the 31 December 2016, the capitalised expenditures amounted to PLN 50 081 thousand (31 December 2015: PLN 29 704 thousand),
- Modernisation of ammonia plant in Grupa Azoty POLICE. As at the 31 December 2016, the capitalised expenditures amounted to PLN 89 031 thousand (31 December 2015: PLN 29 497 thousand),
- Construction of a PDH propylene production unit in PDH Polska S.A. As at the 31 December 2016, the capitalised expenditures amounted to PLN 57 519 thousand (31 December 2015: PLN 21 277 thousand).
- Construction of plant producing granular fertilizers based on ammonium nitrate in Grupa Azoty PUŁAWY. As at the 31 December 2016, the capitalised expenditures amounted to PLN 42 824 thousand (31 December 2015: PLN 8 906 thousand).

Leased assets

	As at 31.12.2016	As at 31.12.2015
Carrying amount of assets leased under finance lease	33 196	21 890

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

Security

As at 31 December 2016, the carrying amount of property, plant and equipment pledged as security for bank loans amounted to PLN 20 726 thousand (31 December 2015: PLN 26 120 thousand).

Liability title / type of security	As at 31.12.2016	As at 31.12.2015
Bank loan/ mortgage	14 138	21 184
Bank loan/ registered pledge	6 588	4 936
	20 726	**26 120**

Note 10.1 Property, plant and equipment held for sale

	As at 31.12.2016	As at 31.12.2015
Land	95	95
Buildings and structures	-	245
Machines and equipment	596	-
Property, plant and equipment under construction	-	2 783
	691	**3 123**

Note 11 Perpetual usufruct right

	As at 31.12.2016	As at 31.12.2015* restated
Perpetual usufruct of land	485 396	492 061

* Financial information restated as presented in point 2.3 of the notes to the consolidated 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	513 847
Accumulated amortisation (-)	(28 389)
Impairment loss (-)	(62)
Carrying amount as at 31.12.2016	**485 396**
Balance as at 31.12.2015*, restated	
Gross carrying amount	515 334
Accumulated amortisation (-)	(23 035)
Impairment loss (-)	(238)
Carrying amount as at 31.12.2015*, restated	**492 061**

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

Note 12 Intangible assets

Carrying amounts

	As at 31.12.2016	As at 31.12.2015* restated
Trademarks	88 788	88 788
Brand name	130 547	130 545
Customers portfolio	71 157	84 729
Patents and licences	96 088	98 169
Computer software	32 864	33 549
Development costs	9 611	7 848
Other intangible assets	8 482	7 375
	437 537	**451 003**
Intangible assets under construction	28 830	27 212
Exploration for and evaluation of mineral resources	64 210	44 227
	530 577	**522 442**

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

As at 31 December 2016, the carrying amount of the trademarks recognised on acquisition of Grupa Azoty POLICE amounted to PLN 55 688 thousand (31 December 2015: PLN 55 688 thousand). As at 31 December 2016, the carrying amount of the trademarks recognised on acquisition of Grupa Azoty PUŁAWY amounted to PLN 33 100 thousand (31 December 2015: PLN 33 100 thousand). Trademarks are not amortised. The Group assumed the indefinite useful life of trademarks due to their long-term existence on the market and lack of plans of their modification or replacement in the future.

As at 31 December 2016, the carrying amount of the brand name “POLICE” was PLN 25 545 thousand (31 December 2015: PLN 25 545 thousand), and of the brand name “PUŁAWY” was PLN 105 000 thousand (31 December 2015: PLN 105 000 thousand). Brand names, similarly as trademarks, are not amortised.

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

As at the 31 December 2016, the value of customers portfolio mainly results from customers of Fertilizers-Agro segment. Customers portfolios were recognised on acquisition of Grupa Azoty POLICE and Grupa Azoty PUŁAWY. As at 31 December 2016, the carrying amount of the customers portfolio recognised on acquisition of Grupa Azoty PUŁAWY amounted to PLN 70 130 thousand (31

December 2015: PLN 83 630 thousand), which are going to be amortised over 3 years. The remaining part of customers portfolio was recognised on acquisition of Grupa Azoty POLICE and amounts to PLN 549 thousand (31 December 2015: PLN 1 099 thousand).

As at 31 December 2016, the most significant licences comprised: licence for OXO alcohols production of PLN 23 188 thousand (31 December 2015: PLN 24 971 thousand), licence for production of nitrous acid of PLN 9 039 thousand (31 December 2015: PLN 9 408 thousand) and SAP licence of PLN 33 950 thousand (31 December 2015: PLN 31 605 thousand).

Exploration for and evaluation of mineral resources includes mainly the expenditures related to the Kebemer exploration licence area (PLN 63 224 thousand as at 31 December 2016 and PLN 38 873 thousand as at 31 December 2015). The uncertainties concerning this asset's valuation result, inter alia, from the specific nature of the mineral deposits' geology. Simultaneously, the Group continues work on the verification of the geological documentation and on the requirement to prepare a feasibility study in accordance with international standards, introduced as part of the implemented Group reporting procedures. It is expected that the work will be completed in the second half of 2017. The appropriate decisions about the realisation of this investment will be made afterwards.

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

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

(all amounts in PLN thousand unless otherwise stated)

Carrying amounts of intangible assets

	Trademarks	Brand name	Customers portfolio	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Exploration for and evaluation of mineral resources	Total
Carrying amount as at 01.01.2016*, restated	**88 788**	**130 545**	**84 729**	**98 169**	**33 549**	**7 848**	**7 375**	**27 212**	**44 227**	**522 442**
Additions, including:	*-*	*2*	*-*	*7 255*	*5 360*	*2 011*	*1 978*	*15 567*	*35 756*	*67 929*
Additions through purchases, construction, transfer to use	-	2	-	7 241	4 977	1 252	790	15 112	23 275	52 649
Additions through lease agreements	-	-	-	-	361	-	-	-	-	361
Utilisation of impairment loss	-	-	-	-	-	-	-	-	10 632	10 632
Effect of movements in exchange rates	-	-	-	-	21	1	41	-	1 849	1 912
Other additions	-	-	-	14	1	758	1 147	455	-	2 375
Deductions, including:(-)	*-*	*-*	*(13 572)*	*(9 336)*	*(6 045)*	*(248)*	*(871)*	*(13 949)*	*(15 773)*	*(59 794)*
Amortisation	-	-	(13 572)	(9 314)	(5 572)	(248)	(850)	-	-	(29 556)
Sales	-	-	-	-	-	-	-	-	-	-
Liquidation	-	-	-	-	(3)	-	-	-	-	(3)
Transfer to use	-	-	-	-	-	-	-	(8 967)	-	(8 967)
Impairment loss	-	-	-	-	(459)	-	-	(1 496)	-	(1 955)
Effect of movements in exchange rates	-	-	-	(22)	-	-	-	-	-	(22)
Other deductions	-	-	-	-	(11)	-	(21)	(3 486)	(15 773)	(19 291)
Carrying amount as at 31.12.2016	**88 788**	**130 547**	**71 157**	**96 088**	**32 864**	**9 611**	**8 482**	**28 830**	**64 210**	**530 577**

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

(all amounts in PLN thousand unless otherwise stated)

	Trademarks	Brand name	Customers portfolio	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Exploration for and evaluation of mineral resources	Total
Carrying amount as at 01.01.2015*, restated	**88 788**	**130 545**	**105 020**	**98 724**	**31 945**	**2 209**	**6 269**	**17 728**	**28 736**	**509 964**
Additions, including:	***-***	***-***	***-***	***8 177***	***7 922***	***5 873***	***2 030***	***26 169***	***25 713***	***75 884***
Additions through purchases, construction, transfer to use	-	-	-	8 171	7 922	2 829	2 030	26 040	25 642	72 634
Effect of movements in exchange rates	-	-	-	-	-	-	-	-	71	71
Other additions	-	-	-	6	-	3 044	-	129	-	3 179
Deductions, including:(-)	***-***	***-***	***(20 291)***	***(8 732)***	***(6 318)***	***(234)***	***(924)***	***(16 685)***	***(10 222)***	***(63 406)***
Amortisation	-	-	(20 291)	(8 691)	(5 420)	(233)	(704)	-	-	(35 339)
Sales	-	-	-	(41)	-	-	-	-	-	(41)
Liquidation	-	-	-	-	(10)	-	-	-	-	(10)
Transfer to use	-	-	-	-	-	-	-	(16 685)	-	(16 685)
Impairment loss	-	-	-	-	(886)	-	(219)	-	(10 222)	(11 327)
Effect of movements in exchange rates					(1)	(1)	(1)			(3)
Other deductions	-	-	-	-	(1)	-	-	-	-	(1)
Carrying amount as at 31.12.2015 *, restated	**88 788**	**130 545**	**84 729**	**98 169**	**33 549**	**7 848**	**7 375**	**27 212**	**44 227**	**522 442**

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

(all amounts in PLN thousand unless otherwise stated)

Carrying amounts of intangible assets

	Trademarks	Brand name	Customers portfolio	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Exploration for and evaluation of mineral resources	Total
Balance as at 31.12.2016										
Gross carrying amount	88 788	130 547	204 748	154 818	62 565	12 469	79 458	30 400	64 210	828 003
Accumulated amortisation (-)	-	-	(133 591)	(52 030)	(28 348)	(2 703)	(70 275)	(4)	-	(286 951)
Impairment loss (-)	-	-	-	(6 700)	(1 353)	(155)	(701)	(1 566)	-	(10 475)
Carrying amount as at 31.12.2016	**88 788**	**130 547**	**71 157**	**96 088**	**32 864**	**9 611**	**8 482**	**28 830**	**64 210**	**530 577**
Balance as at 31.12.2015										
Gross carrying amount	88 788	130 545	204 748	147 569	56 766	10 489	10 876	27 282	54 449	731 512
Accumulated amortisation (-)	-	-	(120 019)	(42 700)	(22 321)	(2 486)	(2 823)	-	-	(190 349)
Impairment loss (-)	-	-	-	(6 700)	(896)	(155)	(678)	(70)	(10 222)	(18 721)
Carrying amount as at 31.12.2015	**88 788**	**130 545**	**84 729**	**98 169**	**33 549**	**7 848**	**7 375**	**27 212**	**44 227**	**522 442**

Impairment losses

	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Exploration for and evaluation of mineral resources	Total
Impairment loss as at 01.01.2016*, restated	**6 700**	**894**	**155**	**701**	**70**	**10 357**	**18 877**
Impairment recognised in profit or loss	-	459	-	-	1 496	-	1 955
Utilisation of impairment recognised in the statement of profit or loss (-)	-	-	-	-	-	(10 357)	(10 357)
Impairment loss as at 31.12.2016	**6 700**	**1 353**	**155**	**701**	**1 566**	**-**	**10 475**
Impairment loss as at 01.01.2015*, restated	**6 700**	**8**	**155**	**482**	**70**	**-**	**7 415**
Impairment recognised in profit or loss	-	886	-	219	-	10 222	11 327
Effect of movements in exchange rates	-	-	-	-	-	135	135
Impairment loss as at 31.12.2015*, restated	**6 700**	**894**	**155**	**701**	**70**	**10 357**	**18 877**

(all amounts in PLN thousand unless otherwise stated)

Significant expenditures on intangible assets under construction

Most significant expenditures on intangible assets under constructions include among others:
- Licence for Installation of Mechanical Granulation II in the Parent Company. As at the 31 December 2016, the capitalised expenditures amounted to PLN 1 000 thousand (31 December 2015: PLN 1 000 thousand),
- Licence OLEFLEX and SHP for PDH propylene production unit in the amount of PLN 11 315 thousand (31 December 2015: PLN 11 315 thousand),
- Licence for fumes desulphurisation technology, the capitalised expenditures amounted to PLN 1 282 thousand (31 December 2015: PLN 1 240 thousand),
- Expenditure for Financial Dashboard (FDB), expenditures amounted to PLN 1 143 thousand.

Intangible assets held under finance lease
The carrying amount of intangible assets held under finance lease amounted to PLN 349 thousand in 2016 (2015: nil)

Note 12.1 Goodwill

	As at 31.12.2016	As at 31.12.2015
Acquisition of Grupa Azoty POLICE	9 124	9 124
Acquisition of ZAKSA S.A.	-	2 493
Acquisition of Unibaltic Agro Sp. z o.o.	933	933
	10 057	**12 550**

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

Grupa Azoty POLICE

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

The total carrying amount of intangible assets with indefinite useful lives and goodwill allocated to the group of CGUs in Grupa Azoty POLICE on 31 December 2016 was PLN 90 357 thousand (31 December 2015: 90 357 thousand).

The recoverable amount was based on value in use, determined at the group of CGUs level, i.e. Fertilizers and Pigments to which goodwill and intangible assets with indefinite useful lives were allocated. Value in use in 2016 was determined in a similar manner as in 2015.

The estimated future cash flows were prepared using the detailed financial forecasts for years 2017-2021. The forecast was limited to the estimate of the results on sales, excluding other income and expenses, finance income and costs and income tax. The forecast was prepared in real terms, i.e. excluding the impact of inflation. The currency exchange rates as of the reporting date were used in the forecast, i.e. for USD 4.1793 and for EUR 4.4240 (2015: for USD 3.9011 and for EUR 4.2615).

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

The discount rate used was a nominal, pre-tax measure reflecting the weighted average cost of capital (WACC) amounting to 7.81% (2015: 7.59%)

The value in use of the CGUs as at the test date, i.e. 31 December 2016 amounted to:
- CGU Fertilizers PLN 1 064 097 thousand (31 December 2015: PLN 879 948 thousand),

(all amounts in PLN thousand unless otherwise stated)

- CGU Pigments PLN 238 418 thousand (31 December 2015: PLN 215 865 thousand),

Total PLN 1 302 514 thousand (31 December 2015: PLN 1 095 813 thousand).

The estimated recoverable amount exceeds the assets carrying amount.

Grupa Azoty PUŁAWY

The intangible assets with indefinite useful lives were allocated to the CGU Fertilizers-Agro in Grupa Azoty PUŁAWY for the purpose of impairment testing. The total carrying amount of intangible assets with indefinite useful lives as at 31 December 2016 amounted to PLN 138 100 thousand (31 December 2015: PLN 138 100 thousand). The recoverable amount was based on value in use.

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

The following significant assumptions were made:
- the business will continue for an indefinite period in the future,
- EBITDA margin in CGU Fertilizers-Agro in the first year of the forecast will amount to 8.4% (2015: 15.5%) and will range from 11.5% to 14.3% in the following years (in 2015 it was estimated in the range from 11.7% to 15.0%),
- the total volume of sales of fertilizers will be comparable to the volume realised in the past,
- the corporate assets of Grupa Azoty PUŁAWY were allocated to the CGUs on an indirect basis. The cost ratios were determined to by the most rational allocation ratios for corporate assets,
- the growth rate in terminal period will amount to 1.6% (in 2015: 1.6%).

The discount rate used was a nominal, post-tax measure reflecting the weighted average cost of capital (WACC) amounting to 8.03% (2015: 7.85%)

The value in use of the CGU Fertilizers-Agro as at 31 December 2016 and 31 December 2015 exceeded the carrying amount of the tested assets.

African Investment Group S.A.
Following the correction of the acquisition accounting of African Investment Group S.A. there was a goodwill recognised which has been tested for impairment as at 31 December 2013. The present value of the future cash flows estimated using the assumptions based on the information available at that time was negative. Therefore an impairment loss was recognised the whole goodwill.
The detailed description has been presented in point 2.3.2 of the consolidated financial statements.

Note 13 Investment property

	As at 31.12.2016	As at 31.12.2015
Carrying amount at the beginning of the period	**52 204**	**54 968**
Additions, including:	***11 845***	***6 373***
Acquisition, construction, subsequent expenditures	7 588	1 024
Reversal of impairment loss	-	14
Reclassification from other groups of assets	3 777	1 847
Other additions	480	3 488
Deductions, including:(-)	***(4 545)***	***(9 137)***
Depreciation (-)	(2 636)	(5 527)
Disposals, liquidation	-	(20)
Reclassification to other groups of assets	(517)	(3 432)
Impairment loss	-	(14)
Other deductions	(1 392)	(144)
Carrying amount at the end of the period	**59 504**	**52 204**

Revenue from lease of investment properties is disclosed in Note 3.

(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 associates	110 578	107 603
Investments in unconsolidated entities	2 357	3 492
	112 935	**111 095**
Thereof:		
Non-current	112 935	111 095
	112 935	**111 095**

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

The Group's share of profit in its equity-accounted investees amounted to PLN 15 170 thousand (2015: PLN 13 737 thousand) and in other comprehensive income to PLN 0 thousand (2015: PLN 0 thousand). In 2016, the Group received dividends from the equity accounted investees of PLN 12 488 thousand (2015: PLN 12 711 thousand).

Note 14.2 Available for sale financial assets

	As at 31.12.2016	As at 31.12.2015
Shares in other entities	12 345	12 370
Thereof:		
Non-current	12 345	12 370

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	**10 490**	**19 321**
Utilisation of impairment loss	-	(8 831)
Recognition of impairment	67	-
Balance at the end of the period	**10 557**	**10 490**

Note 14.4 Other financial assets

	As at 31.12.2016	As at 31.12.2015* restated
Bank deposits for over 3 months	579 066	487 573
Loans	12 598	14 260
Other	834	1 225
	592 498	**503 058**
Thereof:		
Non-current	837	4 347
Current	591 661	498 711
	592 498	**503 058**

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

(all amounts in PLN thousand unless otherwise stated)

Note 15 Inventories

	As at 31.12.2016	As at 31.12.2015* restated
Finished goods	205 433	222 906
Semi-finished products, work in progress	139 164	146 671
Raw materials	500 555	560 811
Merchandises	12 877	28 381
Total inventory, including:	**858 029**	**958 769**
Carrying amount of inventories at net realisable value	*22 783*	*66 611*

* Financial information restated as presented in point 2.3 of the notes to the consolidated 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	28 309	50 357
Write-downs used/reversed in the period	(35 713)	(45 088)
	(7 404)	**5 269**

Amount of inventories recognised as an expense 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	4 980 007	5 598 647
Change in inventories of finished goods and work in progress (+/-)	18 831	142 803
	4 998 838	**5 741 450**

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

	As at 31.12.2016	As at 31.12.2015
Inventories write-downs	43 028	50 432

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

Note 16 Property rights

Property rights total, of which:

	As at 31.12.2016	As at 31.12.2015* restated
CO2 emission allowances	200 935	218 124
Energy certificates	13 420	8 807
Other	320	-
	214 675	**226 931**

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

(all amounts in PLN thousand unless otherwise stated)

Nota 16.1 CO2 emission rights

CO2 emission rights owned (number of units)

	As at 31.12.2016	As at 31.12.2015
Balance at the beginning of the period (units owned)	**7 752 159**	**8 882 174**
Redeemed	(7 895 411)	(7 883 176)
Allocated	5 544 478	4 829 503
Acquired	3 591 821	1 923 658
Balance at the end of the period (units owned)	**8 993 047**	**7 752 159**
Emission in the reporting period	7 550 474	7 892 470

Note 17 Trade and other receivables

	As at 31.12.2016	As at 31.12.2015* restated
Trade receivables - related entities	3	278
Trade receivables - other entities	762 616	719 876
Tax receivables other than current tax assets	194 628	242 305
Construction contracts in progress - other entities	1 797	2 619
Advances paid for property, plant and equipment – other entities	51 186	52 512
Advances paid for the supply of materials, merchandises and services – other entities	17 616	36 426
Prepayments – other entities	29 425	28 156
Other receivables - related entities	935	29
Other receivables - other entities	21 449	21 108
	1 079 655	**1 103 309**
Thereof:		
Non-current	6 259	7 023
Current	1 073 396	1 096 286
	1 079 655	**1 103 309**

* Financial information restated as presented in point 2.3 of the notes to the consolidated 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	**63 479**	**74 324**
Recognised	32 544	8 057
Reversed	(6 962)	(10 117)
Used	(8 556)	(8 785)
Balance at the end of the period	**80 505**	**63 479**
Thereof:		
Non-current	513	1 856
Current	79 992	61 623
	80 505	**63 479**

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).

(all amounts in PLN thousand unless otherwise stated)

A significant item of impairment recognised for receivables is an impairment loss of XOF 3 021 228 thousand (PLN 20 191 thousand as at 31 December 2016) recognised for the overdue receivables concerning sales to the Senegalese customer performed in 2014.

Not impaired trade receivables ageing

	As at 31.12.2016	As at 31.12.2015* restated
Not past due	715 567	639 773
Past due to 60 days	36 485	55 825
Past due 60-180 days	7 424	23 522
Past due 180-360 days	1 432	741
Past due more than 360 days	1 711	293
	762 619	**720 154**

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

Impaired trade and other receivables ageing structure

	As at 31.12.2016	As at 31.12.2015
Not past due	1 502	1 263
Past due to 60 days	676	409
Past due 60-180 days	3 051	1 801
Past due 180-360 days	4 159	1 669
Past due more than 360 days	71 117	58 337
	80 505	**63 479**

Receivables currency structure

	As at 31.12.2016	As at 31.12.2015* restated
PLN	636 071	670 986
EUR translated to PLN	320 145	295 525
USD translated to PLN	114 595	108 193
XOF translated to PLN	8 793	28 605
Other	51	-
	1 079 655	**1 103 309**
Thereof:		
Non-current	6 259	7 023
Current	1 073 396	1 096 286
	1 079 655	**1 103 309**

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

Both trade and tax receivables do not bear interest.

Trade receivables in the amount of PLN 6 712 thousand (31 December 2015: PLN 10 763 thousand) secure the Group's loans.

(all amounts in PLN thousand unless otherwise stated)

Note 17.1 Prepayments

	As at 31.12.2016	As at 31.12.2015
Insurance	17 580	16 424
Subscriptions	808	1 047
Cost of perpetual usufruct right	429	3
Advertising	1 720	1 243
Other	8 888	9 439
	29 425	**28 156**
Thereof:		
Non-current	4 216	5 226
Current	25 209	22 930
	29 425	**28 156**

Note 18 Cash and cash equivalents

	As at 31.12.2016	As at 31.12.2015
Cash in hand	590	543
Cash at bank in PLN	174 054	186 064
Cash at bank in foreign currencies (translated into PLN)	285 440	112 387
Bank deposits - up to 3 months	179 001	452 637
Bank deposit - other	2 588	1 513
Other	38	-
	641 711	**753 144**
Cash and cash equivalents in the statement of financial position	**641 711**	**753 144**
Cash and cash equivalents in the statement of cash flows	**641 711**	**753 144**

As at 31 December 2016, restricted cash amounted to PLN 4 024 thousand (31 December 2015: PLN 5 506 thousand).

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

Note 19 Other assets

	As at 31.12.2016	As at 31.12.2015* restated
Costs of drilling and exploitation	8 092	9 117
Other	199	-
	8 291	**9 117**
Thereof:		
Non-current	199	-
Current	8 092	9 117
	8 291	**9 117**

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

(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 AA 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 of voting rights

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

Note 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.

(all amounts in PLN thousand unless otherwise stated)

Note 20.4 Non-controlling interests

31 December 2016	Grupa Azoty POLICE	Grupa Azoty PUŁAWY	Grupa Azoty KĘDZIERZYN
Non-controlling interest percentage	34.00 %	4.02 %	6.52 %
Non-current assets	1 539 009	2 814 672	1 434 704
Current assets	483 581	1 444 807	476 068
Non-current liabilities	(397 834)	(214 707)	(326 070)
Current liabilities	(565 101)	(547 028)	(353 828)
Net assets	**1 059 655**	**3 497 744**	**1 230 874**
Carrying amount of non-controlling interests	**360 283**	**140 609**	**80 253**
Revenue	2 385 094	2 857 820	1 696 395
Profit	71 343	223 807	100 195
Other comprehensive income	(1 729)	(3 824)	(422)
Total profit or loss and other comprehensive income	**69 614**	**219 983**	**99 773**
Profit allocated to non-controlling interests	**24 257**	**8 997**	**6 533**
Other comprehensive income allocated to non-controlling interests	**(588)**	**(154)**	**(28)**
Cash flows from operating activities	267 453	548 892	219 215
Cash flows from investing activities	(314 416)	(385 065)	(230 282)
Cash flows from financing activities	29 421	(199 382)	5 820
Total net cash flows	**(17 542)**	**(35 555)**	**(5 247)**
Dividends allocated to non-controlling interests	**-**	**8 068**	**4 052**

(all amounts in PLN thousand unless otherwise stated)

31 December 2015 *, restated	Grupa Azoty POLICE	Grupa Azoty PUŁAWY	Grupa Azoty KĘDZIERZYN	Grupa Azoty SIARKOPOL
Non-controlling interest percentage	34.00%	4.02%	6.52%	11.80%
Non-current assets	1 387 066	2 822 899	1 328 809	262 691
Current assets	620 251	1 357 899	484 414	215 958
Non-current liabilities	(322 771)	(206 000)	(277 036)	(37 919)
Current liabilities	(543 945)	(496 330)	(342 941)	(36 542)
Net assets	**1 140 601**	**3 478 468**	**1 193 246**	**404 188**
Carrying amount of non-controlling interests	**387 804**	**139 834**	**77 800**	**47 343**
Revenue	2 719 273	3 448 155	1 815 634	302 621
Profit	100 665	417 868	124 204	18 260
Other comprehensive income	(694)	(2 529)	(627)	(727)
Total profit or loss and other comprehensive income	**99 971**	**415 339**	**123 577**	**17 533**
Profit allocated to non-controlling interests	**34 226**	**16 798**	**8 098**	**2 155**
Other comprehensive income allocated to non-controlling interests	**(236)**	**(102)**	**(41)**	**(86)**
Cash flows from operating activities	364 652	687 787	285 532	58 489
Cash flows from investing activities	(316 818)	(650 064)	(205 511)	(26 223)
Cash flows from financing activities	(22 538)	(136 876)	27 166	(11 342)
Total net cash flows	**25 296**	**-99 153**	**107 187**	**20 924**
Dividends allocated to non-controlling interests	**14 280**	**5 411**	**3 829**	**1 650**

In the 2015 financial statements, the Group presented the information about the non-controlling interest on Grupa Azoty Police, Grupa Azoty Puławy and Grupa Azoty Kędzierzyn sub-groups level. Currently, the information is presented for the separate entities where the non-controlling interest is significant.

(all amounts in PLN thousand unless otherwise stated)

As the Group's share in Grupa Azoty SIARKOPOL exceeded 95%, the Group transferred the non-controlling interest concerning this entity of PLN 7 259 thousand from equity to other liabilities. In accordance with article 418[1] of the Commercial Companies Code, minority shareholders representing no more than 5% of the equity are allowed to request a buyout of their shares by the Parent Entity.

Note 20.5 Acquisition of non-controlling interests

In 2016, the Parent Company continued the shares buyout program in Grupa Azoty SIARKOPOL, acquiring 562 029 shares owned by the company's employees and their successors for PLN 68.45 per share, i.e. for the total amount of PLN 38 471 thousand. The acquired shares represent 10.22% of the company's share capital and the Group's share increased from 88.20% to 98.42%. The Group recognised a decrease in non-controlling interest of PLN 40 253 thousand and increased retained earnings by PLN 1 782 thousand. In total, following this and other transactions described in point 1.2 of the Notes to the consolidated financial statements, the Group recognised a decrease in non-controlling interest by PLN 39 671 thousand and increased retained earnings by PLN 480 thousand.

Subsequent to the reporting date, the Parent Entity acquired for PLN 928 thousand 14 378 shares in Grupa Azoty SIARKOPOL representing 0.22% of the company's share capital. Accordingly, the Parent Company's share in the entity currently amounts to 98.68%.

Note 20.6 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 Parent Company did not pay the dividend.

Note 21 Loans

	As at 31.12.2016	As at 31.12.2015
Bank credits	1 269 300	1 017 375
Loans	154 781	148 955
	1 424 081	**1 166 330**
Thereof:		
Non-current	1 372 047	1 047 450
Current	52 034	118 880
	1 424 081	**1 166 330**

Loans maturities and currency structure
As at 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/fixed	899 911	899 911	52 016	22 875	787 351	37 669
EUR	variable/fixed	118 478	524 170	18	31 600	271 352	221 200
			1 424 081	**52 034**	**54 475**	**1 058 703**	**258 869**

(all amounts in PLN thousand unless otherwise stated)

As at 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	893 368	893 368	63 699	1 641	784 210	43 818
EUR	variable/fixed	64 130	272 962	55 181	-	80 804	136 977
			1 166 330	**118 880**	**1 641**	**865 014**	**180 795**

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

Grupa Azoty has unused available limits resulting from the overdraft agreement linked to the real cash pooling facility and from the multi-purpose credit facility which are used by the Parent Company to manage the changing financing requirements of the respective Group entities. Complementarily, the Group has unused available limits resulting from bilateral and multi-purpose overdrafts held by the Group's entities.

As at 31 December 2016, the total amount of unused available limits resulting from the Group's overdrafts and multi-purpose agreements amounted to PLN 476 million. Additionally, as at 31 December 2016, the Group has unused available credit limits amounting to approximately PLN 1 030 million and unused available investment loans of PLN 4.5 million.

In total, the Group has unused available credit limits of approximately PLN 1 511 million (as at 31 December 2015: PLN 1 934 million).

Security granted on credits and loans

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

- revolving loan agreement in the amount of PLN 1 500 million (total guarantees up to PLN 1 800 million),
- overdraft agreement with PKO BP in the amount of PLN 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 EIB of PLN 550 million (total guarantees up to PLN 660 million),
- loan with EBRD of PLN 150 million (total guarantees up to PLN 180 million).

Additionally, as presented in note 10, certain Group's subsidiaries have mortgages and registered pledges securing their bank credits and loans contracts. Such mortgages and pledges do not violate the covenants included in the above mentioned corporate financing package.

(all amounts in PLN thousand unless otherwise stated)

Note 22 Other financial liabilities

	As at 31.12.2016	As at 31.12.2015* restated
Finance lease liabilities	25 050	27 050
Factoring liabilities	57 531	45 731
Other financial liabilities	6	3
	82 587	**72 784**
Thereof:		
Non-current	15 102	16 112
Current	67 485	56 672
	82 587	**72 784**

* Financial information restated as presented in point 2.3 of the notes to the consolidated 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	11 398	1 479	9 919	12 378	1 440	10 938
1 to 3 years	12 841	1 527	11 314	12 689	1 520	11 169
3 to 5 years	2 579	361	2 218	1 692	352	1 340
Over 5 years	3 344	1 745	1 599	7 799	4 196	3 603
	30 162	**5 112**	**25 050**	**34 558**	**7 508**	**27 050**

Note 23 Operating Leases

Leases as lessor
Future minimum lease payments

	As at 31.12.2016	As at 31.12.2015
Due within 1 year	10 515	15 234
Due between 1 and 5 years	24 034	31 910
Due in more than 5 years	9 760	12 334
	44 309	**59 478**

Leases as lessee
Future minimum lease payments

	As at 31.12.2016	As at 31.12.2015
Due within 1 year	73 536	77 351
Due between 1 and 5 years	166 853	183 400
Due in more than 5 years	373 733	39 796
	614 122	**300 547**

The Group is a party to the agreement on the supply of oxygen and nitrogen from the air separation unit constructed and operated by an external entity. In accordance with IFRIC 4 and IAS 17, the agreement contains an operating lease. Due to the fact that, in 2016, an annex was signed which extended the term of the agreement to 2035, the minimum lease payments increased significantly.

(all amounts in PLN thousand unless otherwise stated)

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	90 899	88 760

Note 24 Employee benefits

	As at 31.12.2016	As at 31.12.2015
Liability for pension benefits	129 650	110 781
Liability for jubilee benefits	194 409	209 311
Liability for Social Fund benefits for pensioners	15 980	14 284
Other liabilities	21 087	25 759
	361 126	**360 135**
Thereof:		
Non-current	321 209	326 968
Current	39 917	33 167
	361 126	**360 135**

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	**150 824**	**143 585**
Current service costs (+)	8 862	6 671
Interest costs (+)	4 308	4 011
Remeasurement of defined benefit plan liabilities, resulting from:	10 333	6 987
- changes in demographic estimates (+/-)	9 715	7 056
- changes in financial assumptions (+/-)	618	(69)
Past service cost(+/-)	2 905	-
Effect of movements in exchange rates (+/-)	36	(1)
Benefits paid (-)	(10 551)	(10 429)
Balance at the end of the period	**166 717**	**150 824**

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	**209 311**	**199 328**
Current service costs (+)	10 934	10 209
Interest costs (+)	5 939	5 655
Actuarial gains or losses recognised in profit or loss for the period (+/-)	15 955	12 888
Past service cost(+/-)	(26 527)	-
Benefits paid (-)	(21 203)	(18 769)
Balance at the end of the period	**194 409**	**209 311**

(all amounts in PLN thousand unless otherwise stated)

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
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%	7 828	3 518	182	899	312
Discount rate x 90%	9 773	5 182	251	1 057	992
Future wage or salary x 110%	9 306	5 034	237	1 022	919

Note 25 Provisions

	As at 31.12.2016	As at 31.12.2015* restated
Provision for legal claims	2 849	4 313
Provision for environment protection, including: site restoration	91 826	99 849
Provision for demolition of mercury electrolysis plant	8 161	7 479
Provision for guaranties, securities	-	3 999
Other provisions, including	34 180	30 747
Provision for property ordering	9 304	12 210
Other	24 876	18 537
	137 016	**146 387**
Thereof:		
Non-current	97 692	100 740
Current	39 324	45 647
	137 016	**146 387**

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

Present value of long-term provisions was calculated using a real, risk free discount rate of 2.2% (2015: 2.0%).

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

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

The present value of the provision on 31 December 2016 amounted to PLN 16 946 thousand (31 December 2015: PLN 16 126 thousand).

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

Grupa Azoty PUŁAWY
Provision for environment protection
The provisions comprise:

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

For the provision for reclamation of landfills it was estimated that further use of the landfill will continue for 21.5-year period and that monitoring of this landfill will continue for 30 years. For the provision for withdrawal from use of products containing asbestos it was assumed that the expenditures will be incurred proportionally over a 15.5-year period. For the provision for emptying the production facilities and resulting waste management it was estimated that the installations will be in further use for 21.5 years.

The obligations for reclamation and monitoring of landfills, removal of the products containing asbestos and emptying the production facilities and resulting waste management are required by law.

The present value of the provisions as at 31 December 2016 amounts to PLN 3 047 thousand (31 December 2015: PLN 3 040 thousand).

Grupa Azoty POLICE
Provision for environment protection
The provision for reclamation was recognised in order to cover the future costs of reclamation, monitoring and protection of surface waters for the landfills of ferrous sulphate and phosphogypsum.
It was assumed that the sediments from the ground settlers located in the sewage treatment plant will be used for the partial rehabilitation of phosphogypsum stacks, which will significantly reduce the costs of rehabilitation of the phosphogypsum stack area once the evacuation of the phosphogypsum is completed. The extraction and transportation costs were estimated on the basis of the valuation of related work. The costs of monitoring and protecting ground water were estimated on the basis of the average costs incurred in the recent years, taking into consideration their reduction resulting from the passage of time. As at 31 December 2016, the value of the provision amounted to PLN 38 247 thousand (31 December 2015: PLN 42 900 thousand). Decrease in the provision resulted from the increase in the discount rate and from the partial reversal due to the change in the estimate of costs to be incurred.

The provision for cleaning the installations from chemical substances was recognised for the activities necessary when the exploitation of particular production facilities is terminated. The provision was estimated separately for each production line based on the cost estimates prepared by the particular plants. As at 31 December 2016, the value of the provision amounted to PLN 3 516 thousand (31 December 2015: PLN 3 318 thousand).

Other provisions
In 2016, a provision of PLN 9 411 thousand was recognised for technical consultancy concerning the deliveries of phosphates from Senegal. The amount of liabilities and justification for realisation of the liabilities are considered doubtful.

Grupa Azoty KĘDZIERZYN

Provision for environment protection

It was identified based on the results of land quality surveys that the acceptable contamination limits were exceeded for certain chemicals. When preparing the estimate of the provision it was assumed that the works would be performed until 2030. The amount of provision for land reclamation is revised based on the works performed in certain locations. As at 31 December 2016, the present value of the provision for land reclamation amounted to PLN 12 551 thousand (31 December 2015: PLN 11 894 thousand). The increase in the provision resulted mainly from the proposed increase in the scope of work as compared to the previous estimates.

In recent years, the entity recognised a provision for reclamation of landfill of sewage sediments. The present value of the provision amounted to PLN 899 thousand (31 December 2015: PLN 4 380 thousand). In 2016, the company incurred the reclamation expense of PLN 3 577 thousand partially using the provision. The remediation works are expected to complete in 2017.

(all amounts in PLN thousand unless otherwise stated)

Changes in provisions

	Provision for legal claims	Provision for environment protection, including site restoration	Provisions for mercury electrolysis demolition	Provisions for guarantees, securities	Other provisions	Total
Balance as at 01.01.2016	**4 313**	**99 849**	**7 479**	**3 999**	**30 747**	**146 387**
Additions, including:	***303***	***4 916***	***1 239***	***88***	***23 748***	***30 294***
Recognised	282	3 973	1 239	-	20 358	25 852
Effect of movements in exchange rates	21	-	-	78	142	241
Other additions	-	943	-	10	3 248	4 201
Deductions, including:(-)	***(1 767)***	***(12 939)***	***(557)***	***(4 087)***	***(20 315)***	***(39 665)***
Used	(287)	(4 427)	(557)	(20)	(8 879)	(14 170)
Reversed	(1 480)	(8 512)	-	(1 078)	(7 725)	(18 795)
Other deductions	-	-	-	(2 989)	(3 711)	(6 700)
Balance as at 31.12.2016	**2 849**	**91 826**	**8 161**	**-**	**34 180**	**137 016**

	Provision for legal claims	Provision for environment protection, including site restoration	Provisions for mercury electrolysis demolition	Provisions for guarantees, securities	Other provisions	Total
Balance as at 01.01.2015*, restated	**4 192**	**109 866**	**7 613**	**1 886**	**26 238**	**149 795**
Additions, including:	***3 602***	***6 366***	***127***	***2 113***	***12 307***	***24 515***
Recognised	3 593	4 903	127	2 113	12 307	23 043
Effect of movements in exchange rates	9	-	-	-	-	9
Unwind of discount	-	1 463	-	-	-	1 463
Deductions, including:(-)	***(3 481)***	***(16 383)***	***(261)***	***-***	***(7 798)***	***(27 923)***
Used	(3 333)	(4 678)	(261)	-	(1 714)	(9 986)
Reversed	(148)	(11 705)	-	-	(6 084)	(17 937)
Balance as at 31.12.2015*, restated	**4 313**	**99 849**	**7 479**	**3 999**	**30 747**	**146 387**

* Financial information restated as presented in point 2.3 of the notes to the consolidated 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 entities	4 746	3 472
Trade payables – other entities	829 271	795 403
Tax payables other than current tax liabilities	144 642	139 360
Payroll liabilities	49 287	45 349
Payables relating to capital expenditure - related entities	-	1
Payables relating to capital expenditure - other entities	132 599	109 250
Advances received - related entities	-	180
Advances received - other entities	7 387	13 177
Other payables - related entities	932	211
Other payables - other entities	53 532	23 949
Accrued expenses - related entities	2 595	-
Accrued expenses - other entities	377 121	445 812
Deferred income	1 899	1 346
	1 604 011	**1 577 510**
Thereof:		
Non-current	1 082	972
Current	1 602 929	1 576 538
	1 604 011	**1 577 510**

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

Trade payables ageing structure

	As at 31.12.2016	As at 31.12.2015
Not past due	816 065	768 985
Past due to 60 days	12 556	29 135
Past due 60-180 days	927	37
Past due 180-360 days	4 299	196
Past due more than 360 days	170	522
	834 017	**798 875**

Payables currency structure

	As at 31.12.2016	As at 31.12.2015* restated
PLN	1 289 530	1 291 813
EUR translated to PLN	234 009	213 147
USD translated to PLN	73 244	44 830
XOF translated to PLN	6 797	26 727
Other	431	993
	1 604 011	**1 577 510**

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

(all amounts in PLN thousand unless otherwise stated)

Note 26.1 Accrued expenses

	As at 31.12.2016	As at 31.12.2015
Annual bonus	71 831	71 035
Unused holiday	35 662	34 409
Motivation bonus	12 329	14 752
Other employee benefits	5475	5 216
Cost of sales of licences	149	1 960
Energy certificates	25 329	9 199
CO_2 emission	167 028	222 864
Uninvoiced expenses	32 174	40 950
Other	29 739	45 427
	379 716	**445 812**
Thereof:		
Non-current	-	-
Current	379 716	445 812
	379 716	**445 812**

Note 27 Government grants

	As at 31.12.2016	As at 31.12.2015
Government grants	19 374	4 483
EU grants	37 099	35 684
Other grants	21 790	11 960
	78 263	**52 127**
Thereof:		
Non-current	68 431	47 036
Current	9 832	5 091
	78 263	**52 127**

In 2016, the Group received PLN 6 760 thousand (in 2015: PLN 1 170 thousand) grant financing investment in the installation of flue gas denitrification. Additionally, the grant for construction of NOx reduction installation was increased by PLN 3 479 thousand.

The Group has also received and settled grants related to the free-of-charge CO_2 emission allowances amounting to PLN 108 502 thousand (in 2015: PLN 140 638 thousand) and received the CO_2 emission allowances for realisation of the capital expenditures included in the NIP of PLN 12 191 thousand.

Note 28 Financial instruments

Note 28.1 Capital management

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

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

The capital structure of the Group consists of liabilities including credits and loans presented in Note 21, other financial liabilities presented in Note 26 and equity presented in Note 18.

(all amounts in PLN thousand unless otherwise stated)

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

Note 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	8 435	4 174
Loans and receivables	1 376 667	1 248 060
Cash and cash equivalents	641 711	753 144
Available-for-sale financial assets	13 179	13 204
	2 039 992	**2 018 582**
Recognised in the statement of financial position as:		
Available-for-sale financial assets	12 345	12 370
Trade and other receivables	785 003	745 837
Cash and cash equivalents	641 711	753 144
Derivatives	8 435	4 174
Other financial assets	592 498	503 057
	2 039 992	**2 018 582**

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

Financial liabilities

	As at 31.12.2016	As at 31.12.2015* restated
At fair value through profit or loss	8 213	986
At amortised cost	2 577 035	2 216 749
	2 585 248	**2 217 735**
Recognised in the statement of financial position as:		
Non-current loans	1 372 047	1 047 450
Current loans	52 034	118 880
Derivatives	8 213	986
Trade and other payables	1 070 367	977 635
Other non-current financial liabilities	15 102	16 112
Other current financial liabilities	67 485	56 672
	2 585 248	**2 217 735**

* Financial information restated as presented in point 2.3 of the notes to the consolidated 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	5 085	396
Loans and receivables	1 476	-
Cash and cash equivalents	656	-
Available-for-sale financial assets	-	4 472
Financial liabilities		
At fair value through profit or loss	(7 387)	78
At amortised cost	(104)	-
	(274)	**4 946**

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

Additionally we inform that:

- there were no financial assets presented in the statement of financial position as at 31 December 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 Group did not recognise 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 Group did not seize any collaterals.

Note 28.3 Financial risk management

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

Note 28.3.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from derivatives, trade receivables, bank deposits and funds on the bank accounts.

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

	As at 31.12.2016	As at 31.12.2015
Assets at fair value through profit or loss	8 435	4 174
Loans and receivables	1 376 667	1 248 060
Cash and cash equivalents	641 711	753 144
	2 026 813	**2 005 378**

The structure of credit risk concerning trade receivables divided into segments is presented in the following table:

(all amounts in PLN thousand unless otherwise stated)

Trade receivables

	As at 31.12.2016	As at 31.12.2015
Fertilisers-Agro Segment	271 062	258 432
Plastics Segment	168 489	188 751
Chemicals Segment	262 516	217 604
Energy Segment	32 286	24 957
Other Activities Segment	28 266	35 346
	762 619	**725 090**

Not impaired overdue trade receivables

	As at 31.12.2016	As at 31.12.2015
Overdue to 60 days	36 485	55 825
Overdue 0 – 180 days	7 424	23 522
Overdue – 0 – 360 days	1 432	741
Overdue more than 360 days	1 711	293
	47 052	**80 381**

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

Over 45% of the Group's trade receivables from third parties are insured under trade credit insurance policies (31 December 2015: 61%). It limits the credit risk exposure to the level of the Group's own contribution (5-10% of the insured receivables value). The insurance policy provides the facility for current monitoring of customer's current financial position and debt recovery when required. Additionally, upon customer's real or legal insolvency, the Group receives the compensation payment amounting to 90-95% of insured receivable value. Additionally, more than 32% (31 December 2015: 11%) of the Group's trade receivables from third parties is secured by letters of credit and guarantees. Such receivables are excluded from the insurance. Further 10% (31 December 2015: 5%) is collateralised by mortgages and pledges.

The Group established a unified credit risk management policy and performs ongoing credit assessment including customer monitoring. For these purposes, the Group reviews business intelligence reports, debtor registers and where appropriate require adequate collateral. The Group grants trade credits up to the market value of the collaterals received which mainly relates to domestic customers in Fertilisers-Agro Segment.

Customers for which the Group does not have a positive history of cooperation or for which sales is made occasionally, and for which is not possible to receive the insured credit limit, perform the purchases on prepayment basis. The credit limit is granted to the customers primarily based on the decision issued by the insurer or additionally based on the positive history of cooperation and creditworthiness determined 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 Group's internal financial staff (individually for each customer) and in case of insured receivables additionally by the external credit risk analysts of the insurers. Taking into account the Group's internal procedures and the diversified customers' portfolio the concentration of credit risk not considered significant.

Approximately 56% (31 December 2015: 53%) of the balance concerns the trade receivables from domestic customers and the remaining 44% (as at 31 December 2015: 47%) relate to foreign customers.

The Group's revenue concentrates in three main segments reflecting the Group's business profile. The most significant portion of the Group's trade receivables relate to Fertilizers-Agro Segment –

36% (31 December 2015: 35.6%), Chemicals Segment - 34% (31 December 2015: 30%) and Plastic Segment – 22% (31 December 2015: 26%). In Plastics and Chemicals Segments the foreign customers prevail, to which sales are made on deferred payment terms, mainly within the insured credit limits or based on the open letters of credit and guarantees. In the Fertilizers-Agro Segment domestic customers are dominant. Sales to these customers is made on prepaid basis and in case of customers with proven credit rating based on trade credit within the insured credit limits.

Cash and bank deposits
Cash and cash equivalents are held in the banks having high ratings and which maintain safe solvency ratios. The excess of domestic cash and cash equivalents is firstly consolidated in the Parent Company's current account with the negative balances in the overdraft accounts held by the Group entities using the real cash pooling facility provided by PKO BP.

Note 28.3.2 Liquidity risk

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

Within the centralised financing model of the Group, the Parent Company holds the corporate financing agreements for the total amount of PLN 2.2 billion further described in Note 21. The agreements ensure long-term financial liquidity, including financing for both the long-term strategy and current operating objectives. Additionally, the Azoty Group has unused available credit limits described in note 21, unused limits within the overdraft linked to the real cash pooling facility and multi-purpose loan in PKO BP, which the Parent Company can manage to respond to the financing needs of the individual Group entities.

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

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

(all amounts in PLN thousand unless otherwise stated)

Liquidity risk

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	8 213	8 213	8 213	-	-
At amortised cost	2 577 035	2 689 789	1 219 995	1 202 303	267 491
loans and credits	1 424 081	1 531 723	81 775	1 185 801	264 147
lease liabilities	25 050	30 162	11 398	15 420	3 344
factoring and receivables discounting	57 531	57 531	57 531	-	-
other financial liabilities	6	6	6	-	-
trade and other liabilities	1 070 367	1 070 367	1 069 285	1 082	-
	2 585 248	**2 698 002**	**1 228 208**	**1 202 303**	**267 491**

31 December 2015

		Contractual cash flows			
	Carrying amount	Total	up to 1 year	1 to 5 years	> 5 years
At fair value through profit or loss	986	986	986	-	-
At amortised cost	2 216 749	2 352 693	1 158 948	997 284	196 461
loans and credits	1 166 330	1 294 766	124 173	981 931	188 662
lease liabilities	27 050	34 558	12 378	14 381	7 799
factoring and receivables discounting	45 731	45 731	45 731	-	-
other financial liabilities	3	3	3	-	-
trade and other liabilities	977 635	977 635	976 663	972	-
	2 217 735	**2 353 679**	**1 159 934**	**997 284**	**196 461**

(all amounts in PLN thousand unless otherwise stated)

Note 28.3.3 Market risk

Interest rate risk
The Group exposure to changes in interest rates applies mainly to credits and loans, factoring and lease liabilities based on WIBOR + margin or respectively EURIBOR + margin in case of bank loans 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 following table presents the risk profile (maximum exposure) of the Group to the interest rate risk, divided by instruments with fixed and variable interest rates:

Interest rate risk

	Carrying amount as at 31.12.2016	Carrying amount as at 31.12.2015
Fixed rate instruments		
Financial assets	680 192	646 962
Financial liabilities(-)	(446 971)	(218 957)
	233 221	**428 005**
Variable rate instruments		
Financial assets	554 017	608 014
Financial liabilities(-)	(1 059 697)	(974 700)
	(505 680)	**(366 686)**

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

Other activities aimed to reduce the interest rate risk include ongoing monitoring of the financial situation in the money market. The Group'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 Group has analysed the sensitivity of the variable interest-bearing financial instruments to the changes in the market interest rates. The following table presents the impact a change in the interest rates by 100 basis points would have on profit or loss and equity. This analysis assumes that all other variables, in particular foreign exchange rates, remain constant.

Sensitivity analysis:(+/-)

	Profit or loss		Other comprehensive income	
	increase 100bp	decrease 100bp	increase 100bp	decrease 100bp
31 December 2016	(5 057)	5 057	-	-
31 December 2015	(3 667)	3 667	-	-

Currency risk
The Group is exposed to the currency risk on foreign currency transactions including more than the half of revenue and approximately one third of expenses. Exchange rate fluctuations affect the revenue and costs of raw materials. The appreciation of the domestic currency has a negative impact on the profitability of export and domestic sales denominated in foreign currencies. The depreciation of the domestic currency positively impacts the profitability. Changes in the value of export revenues and domestic revenues measured in foreign currencies resulting from the exchange

rate fluctuations are partially offset by the changes in costs of imported raw materials which significantly reduces the Group’s exposure to the currency risk.

The Group considers the current and planned net currency exposure and reduces the existing currency risk resulting from the net currency exposure by using selected hedging instruments and activities. The Group used primarily in the reporting period the natural hedging, factoring of receivables denominated in foreign currencies and additionally currency forwards and currency corridor. In 2016, the Group had the net currency exposure in EUR, which represented 77% (2015: 71%) of the total currency exposure, and the remaining 23% exposure in USD (2015: 29%). The exposure was partially hedged (up to 80% of the expected net exposure).

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

Exposure to currency risk

31 December 2016	EUR	USD	GBP	XOF
Trade and other receivables	91 912	24 332	3	-
Cash and cash equivalents in foreign currencies	61 767	9 722	1	-
Trade and other payables (-)	(52 111)	(16 254)	(73)	(99 000)
Loans and borrowings (-)	(101 104)	-	-	-
Derivatives	(108 982)	(34 447)	-	-
Lease, factoring and discounting liabilities (-)	(13 393)	-	-	-
Total in currency	**(121 911)**	**(16 647)**	**(69)**	**(99 000)**
The impact of foreign currency increase by 5% on profit or loss (in thousand PLN)	(4 847)	(3 479)	(18)	(33)
The impact of foreign currency decrease by 5% on profit or loss (in thousand PLN)	4 847	3 479	18	33
The impact of foreign currency increase by 5% on other comprehensive income (in thousand PLN)	(22 120)	-	-	-
The impact of foreign currency decrease by 5% on other comprehensive income (in thousand PLN)	22 120	-	-	-

31 December 2015	EUR	USD	GBP
Trade and other receivables	75 567	27 734	-
Cash and cash equivalents in foreign currencies	26 105	17 331	1
Trade and other payables (-)	(51 354)	(11 492)	(177)
Loans and borrowings (-)	(64 130)	-	-
Derivatives	(98 661)	(12 374)	-
Lease, factoring and discounting liabilities (-)	(10 731)	-	-
Total in currency	**(123 204)**	**21 199**	**(176)**
The impact of foreign currency increase by 5% on profit or loss (in thousand PLN)	(15 598)	4 135	(51)
The impact of foreign currency decrease by 5% on profit or loss (in thousand PLN)	15 598	(4 135)	51
The impact of foreign currency increase by 5% on other comprehensive income (in thousand PLN)	(10 654)	-	-
The impact of foreign currency decrease by 5% on other comprehensive income (in thousand PLN)	10 654	-	-

(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	(8 377)	8 377	(22 120)	22 120
31 December 2015	(11 514)	11 514	(10 654)	10 654

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

Note 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 441 957 thousand and their fair value to PLN 444 874 thousand (categorised as a Level 2 fair value).
- foreign exchange derivatives, interest rate. The carrying value of these instruments is equal to their fair value,
- available-for-sale financial assets. The carrying amount of such instruments is equal to their fair value.

There were no financial instruments recognised by the Group in 2016 and in 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 fair value of the Group's financial instruments measured at fair value by level of classification as follows:

31 December 2016

Classification level	**Level I**	**Level II**	**Level III**
Financial assets at fair value, including:			
available-for-sale shares	-	-	13 182
currency derivatives	-	1 010	-
Futures contracts on emission allowances CO_2	-	7 425	-
	-	**8 435**	**13 182**
Financial assets at fair value, including:			
currency derivatives	-	(7 130)	-
Futures contracts on emission allowances CO_2	-	(1 083)	-
	-	**(8 213)**	**-**

(all amounts in PLN thousand unless otherwise stated)

31 December 2015

Classification level	Level I	Level II	Level III
Financial assets at fair value:			
available-for-sale shares	-	-	13 204
currency derivatives	-	1 283	-
Futures contracts on emission allowances CO_2	-	2 891	-
	-	**4 174**	**13 204**
Financial assets at fair value:			
currency derivatives	-	(927)	-
interest rate derivatives	-	(59)	-
	-	**(986)**	**-**

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

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

The Group has investments of PLN 13 182 thousand (31 December 2015: PLN 13 204 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

Currency derivatives
As at 31 December 2016, the nominal value of short positions in open currency derivatives (forward contracts) amounted to EUR 110.4 million (with maturity in 2017: January – EUR 7.9 million, February – EUR 9.4 million, March – EUR 9.9 million, April – EUR 11.3 million, May– EUR 12.8 million, June – EUR 12.4 million, July – EUR 11.3 million, August – EUR 9.7 million, September – EUR 9.7 million, EUR October– 8.1 million, November – EUR 7.4 million, December – EUR 0.5 million) and USD 34.4 million (with maturity in 2017: January– USD 3.6 million, February– USD 5.9 million, March – USD 4.5 million, April – USD 6.3 million, May– USD 3.8 million, June – USD 3.4 million, July – USD 0.6 million, August – USD 0.8 million, September – USD 1.3 million, October – USD 1.9 million, November – USD 2.3 million). As at 31 December 2015, the nominal value of open derivatives to sell currencies amounted to EUR 99.3 million and USD 12.4 million.
Transactions are entered only with reliable banks and are based on framework agreements. All derivative transactions reflect the real transactions affecting the currency cash flows. Currency derivatives are entered in accordance with the net currency exposure of the Group and are aimed to reduce the impact of exchange rate fluctuations on profit or loss.

Derivatives for emission rights
As at 31 December 2016, the nominal value of open positions in forwards and futures for emission allowances (amounting to 1 190 thousand EUA units) amounted to EUR 6.86 million (with maturities in December 2017 - 863 thousand units with a nominal value of EUR 4.93 million, in March 2018 - 10 thousand units with a nominal value of EUR 0.05 million and in December 2018 - 317 thousand units with a nominal value of EUR 1.88 million). As at 31 December 2015, the Group had open futures contracts for the purchase of emission allowances in the amount of 848 thousand of EUA units.

(all amounts in PLN thousand unless otherwise stated)

All the transactions reflect the physical transactions resulting from the actual greenhouse gases emission. Futures contracts are entered in accordance with the Group's exposure resulting from shortage of emission rights (EUA) and are aimed to reduce the impact of emission allowances prices fluctuations on profit or loss.

Note 28.6 Hedge accounting

The Group 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 Group 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 Group 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 assets

	As at 31.12.2016	As at 31.12.2015
Contingent assets	27 033	22 149

Contingent liabilities, sureties and guarantees

	As at 31.12.2016	As at 31.12.2015
Guarantees	366	987
Other	27 344	26 381
	27 710	**27 368**

As at 31 December 2016, contingent assets relate mainly to a claim to Ciech S.A. to pay PLN 18 864 thousand for violating by Ciech S.A. the provision of GZNF "Fosfory" S.A. (subsidiary of Grupa Azoty PUŁAWY) shares

Other contingent liabilities as at 31 December 2016 concern mainly a claim submitted by Ciech S.A. on 12 February 2013 to the District Court in Gdańsk to adjudge from GZNF "Fosfory" Sp. z o.o. PLN 18 864 thousand, penalty interest calculated since the claim submission date to the payment date and legal costs, including legal representation, to compensate Ciech S.A. for the loss resulting from the false statements concerning the legal and financial position of the defendant and its subsidiaries. The estimated amount of liability as at the reporting date amounts to PLN 26 323 thousand.

(all amounts in PLN thousand unless otherwise stated)

Note 30 Related party transactions

Trade transactions with subordinated entities
Trade transactions

	Revenue	Receivables	Purchases	Liabilities
Balance at 31 December 2016				
Related parties of Grupa Azoty KĘDZIERZYN	1 527	416	19 934	2 711
Related parties of Grupa Azoty PKCh Sp. z o.o.	305	17	12	-
Related parties of Grupa Azoty POLICE	5 769	-	10 950	1 726
Related parties of Grupa Azoty PUŁAWY	4 415	505	39 931	3 800
	12 016	**938**	**70 827**	**8 273**

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

Other transactions

	Other income	Other expenses	Finance income	Finance costs
Balance at 31 December 2016				
Related parties of Grupa Azoty KĘDZIERZYN	2 258	-	640	-
Related parties of Grupa Azoty PKCh Sp. z o.o.	70	-	-	-
Related parties of Grupa Azoty POLICE	-	-	23	-
Related parties of Grupa Azoty PUŁAWY	351	-	74	-
	2 679	**-**	**737**	**-**

(all amounts in PLN thousand unless otherwise stated)

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

Loans granted to related parties

The Group granted the following loans to related parties:

	As at 31.12.2016	As at 31.12.2015
Associates	1 336	4 000
Other related parties	11 262	10 260
	12 598	**14 260**

Remuneration of the Parent Company's Members 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	9 113
Post-employment benefits	(6)	7
Termination benefits	2 178	-
Other long-term benefits	-	5
	7 412	**9 125**

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 Management Board were approved by the Supervisory Board on 13 February 2014.

(all amounts in PLN thousand unless otherwise stated)

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

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

	For period 01.01.2016 - 31.12.2016	For period 01.01.2015 - 31.12.2015
Short-term benefits	2 012	1 440

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

	For period 01.01.2016 - 31.12.2016	For period 01.01.2015 - 31.12.2015
Short-term benefits	11 203	11 064
Post-employment benefits	192	18
Termination benefits	6 983	356
Other long-term benefits	105	155
	18 483	**11 593**

*** - Grupa Azoty PUŁAWY, Grupa Azoty POLICE, Grupa Azoty KĘDZIERZYN, Grupa Azoty SIARKOPOL, Grupa Azoty ATT Polymers**

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

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

(all amounts in PLN thousand unless otherwise stated)

Transactions with the State Treasury related entities
As at 31 December 2016

Name of entity	Value	Purpose of transaction
PGNiG	1 008 315	Purchase of natural gas
PKN Orlen	252 970	Purchase of raw materials
PKP Cargo	124 936	purchase of transport services
PGE	111 241	purchase of energy
Enea S.A.	100 490	purchase of energy
Tauron	58 365	purchase of energy
PSE S.A.	56 550	purchase of transmission of energy
Polska Grupa Górnicza	49 199	purchase of coal
Katowicki Holding Węglowy	41 015	purchase of coal
Kompania Węglowa S.A.	30 685	purchase of coal
LOTOS	26 559	purchase of raw materials
PZU S.A.	19 829	insurance
KGHM Polska Miedź S.A.	15 251	purchase of raw materials
PKO BP	7 482	repayment of interest and commissions
Polska Fundacja Narodowa	7 000	payment to the initial fund
BGK	6 387	repayment of loan
PZU Życie	604	repayment of loan
	1 916 878	

As at 31 December 2015

Name of entity	Value	Purpose of transaction
PGNiG	1 346 188	purchase of natural gas
PKO BP	455 109	loan taken
PKN Orlen	260 685	purchase of raw materials
PZU Życie	239 429	loan taken
BGK	219 271	loan taken
Kompania Węglowa	117 965	purchase of coal
PKP Cargo	106 249	purchase of transport services
PGE	72 506	purchase and sale of energy
Tauron	64 972	purchase and sale of energy
PSE S.A.	54 589	purchase of transmission of energy
LOTOS	23 353	purchase of raw materials
PZU S.A.	20 410	insurance
KGHM Polska Miedź S.A.	17 029	purchase of raw materials
Enea	13 614	purchase and sale of energy
	3 011 369	

Note 31 Capital commitments

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

The most significant contracted investment liabilities include:

(all amounts in PLN thousand unless otherwise stated)

	As at 31.12.2016	As at 31.12.2015
Construction of Polyamide Plant II	66 980	74 128
Construction of a new heat and power plant	59 824	138 870
Exhaust gas treatment system and modernisation	49 485	2 232
Raw gas compressor	17 246	-
Modernisation of a turbine and its auxiliary equipment	12 710	-

In total, the Group is committed to incur capital expenditure of PLN 366 394 thousand as at 31 December 2016 (31 December 2015: PLN 581 773 thousand).

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

The translated consolidated financial statements of Grupa Azoty Group for the 12-month period ended 31 December 2016 contain 111 pages.