



Separate financial statements for the 12 month period  
ended 31 December 2013 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.

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## STATEMENT OF THE MANAGEMENT BOARD

The Management Board of Grupa Azoty S.A. presents separate financial statements for the 12 month period ended 31 December 2013, which consist of:

- Separate statement of profit or loss and other comprehensive income for the period from 01.01.2013 to 31.12.2013,
- Separate statement of financial position as at 31.12.2013,
- Separate statement of changes in equity for the period from 01.01.2013 to 31.12.2013,
- Separate statement of cash flows for the period from 01.01.2013 to 31.12.2013,
- Notes to the separate financial statements.

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

### Signatures of the Members of the Management Board

.....  
Paweł Jarczewski  
*President of the Management Board*

.....  
Andrzej Skolmowski  
*Vice-President of the Management Board*

.....  
Witold Szczypiński  
*Vice-President of the Management Board*

.....  
Marek Kaptucha  
*Vice-President of the Management Board*

.....  
Marian Rybak  
*Vice-President of the Management Board*

.....  
Krzysztof Jałosiński  
*Vice-President of the Management Board*

.....  
Artur Kopec  
*Member of the Management Board*

### Person entrusted with maintaining accounting records

.....  
Ewa Gładysz  
*Chief Accountant*

Tarnów, 12 March 2014

## Separate statement of profit or loss and other comprehensive income

	Note	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
<b>Profit or loss</b>			
Revenue	1	1 846 127	1 996 173
Cost of sales	2	(1 654 524)	(1 634 916)
<b>Gross profit</b>		<b>191 603</b>	<b>361 257</b>
Selling and distribution expenses	2	(60 583)	(63 989)
Administrative expenses	2	(149 122)	(147 731)
Other income	3	5 841	9 817
Other expenses	4	(66 725)	(25 837)
<b>Results from operating activities</b>		<b>(78 986)</b>	<b>133 517</b>
Finance income	5	134 548	161 402
Finance costs	6	(30 788)	(18 776)
<b>Net finance income</b>		<b>103 760</b>	<b>142 626</b>
<b>Profit before tax</b>		<b>24 774</b>	<b>276 143</b>
Tax expense	7	19 343	(25 451)
<b>Profit for the year</b>		<b>44 117</b>	<b>250 692</b>
<b>Other comprehensive income</b>			
<b>Items that will never be reclassified to profit or loss</b>			
Remeasurements of defined benefit liability		(2 888)	-
Tax on items that will never be reclassified to profit or loss		549	-
		<b>(2 339)</b>	<b>-</b>
<b>Items that are or may be reclassified to profit or loss</b>			
Effective portion of changes in fair value of cash flow hedges		-	423
Net change in fair value of cash flow hedges reclassified to profit or loss		-	1 594
Net change in fair value of available-for-sale financial assets		(18 696)	45 952
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	5	(27 256)	-
Tax on items that are or may be reclassified to profit or loss		8 731	(9 114)
		<b>(37 221)</b>	<b>38 855</b>
<b>Other comprehensive income for the year, net of tax</b>		<b>(39 560)</b>	<b>38 855</b>
<b>Profit or loss and other comprehensive income for the year</b>		<b>4 557</b>	<b>289 547</b>
<b>Earnings per share:</b>			
Basic earnings per share (PLN)	9	0.45	3.91
Diluted earnings per share (PLN)		0.45	3.91

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

## Separate statement of financial position

	Note	As at 31.12.2013	As at 31.12.2012* restated
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	1 000 610	998 260
Investment property	11	15 154	14 444
Intangible assets	12	40 370	40 087
Investments in subordinated entities	13.1	3 814 983	993 757
Available-for-sale financial assets	13.2	12 134	282 815
Other financial assets	13.3	-	4 940
Other non-current assets	14	690	690
<b>Total non-current assets</b>		<b>4 883 941</b>	<b>2 334 993</b>
<b>Current assets</b>			
Inventories	15	236 749	263 906
Other financial assets	13.3	5 649	23 850
Current tax assets		10 268	2 755
Trade and other receivables	16	227 114	220 012
Cash and cash equivalents	17	6 349	66 992
Other current assets	14	5 611	13 026
Assets held for sale	10.1	125	347
<b>Total current assets</b>		<b>491 865</b>	<b>590 888</b>
<b>Total assets</b>		<b>5 375 806</b>	<b>2 925 881</b>

\* Financial information restated for changes in CO<sub>2</sub> emission rights accounting as presented in point 2.3 of the notes to the separate financial statements.

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

## Separate statement of financial position (continued)

	Note	As at 31.12.2013	As at 31.12.2012* restated
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	18.1	495 977	320 577
Share premium	18.2	2 418 270	680 688
Fair value reserve	18.3	-	37 221
Retained earnings, including:		1 069 634	1 176 649
<i>Profit for the year</i>		44 117	250 692
<b>Total equity</b>		<b>3 983 881</b>	<b>2 215 135</b>
<b>Liabilities</b>			
Loans	19	513 827	172 473
Employee benefits	20	41 873	38 409
Provisions	21	22 781	22 324
Government grants	22	3 463	3 614
Deferred tax liabilities	7.4	33 381	61 740
Other financial liabilities	24	1 842	1 314
<b>Total non-current liabilities</b>		<b>617 167</b>	<b>299 874</b>
Loans	19	402 883	43 742
Employee benefits	20	2 369	2 528
Trade and other payables	23	257 177	255 417
Provisions	21	40 145	34 631
Government grants	22	533	16 384
Deferred income	25	3 669	-
Other financial liabilities	24	67 982	58 170
<b>Total current liabilities</b>		<b>774 758</b>	<b>410 872</b>
<b>Total liabilities</b>		<b>1 391 925</b>	<b>710 746</b>
<b>Total equity and liabilities</b>		<b>5 375 806</b>	<b>2 925 881</b>

\* Financial information restated for changes in CO<sub>2</sub> emission rights accounting as presented in point 2.3 of the notes to the separate financial statements.

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

## Separate statement of changes in equity

	Share capital	Share premium	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2013	320 577	680 688	37 221	1 176 649	2 215 135
<i>Profit or loss and other comprehensive income for the year</i>					-
Profit for the year	-	-	-	44 117	44 117
Other comprehensive income	-	-	(37 221)	(2 339)	(39 560)
<b>Total profit or loss and other comprehensive income for the year</b>	-	-	<b>(37 221)</b>	<b>41 778</b>	<b>4 557</b>
<i>Transactions with owners of the Company, recognised directly in equity</i>					-
Share issue	175 400	1 737 582	-	-	1 912 982
Dividends	-	-	-	(148 793)	(148 793)
<b>Total transactions with owners of the Company</b>	<b>175 400</b>	<b>1 737 582</b>	<b>-</b>	<b>(148 793)</b>	<b>1 764 189</b>
<b>Balance at 31 December 2013</b>	<b>495 977</b>	<b>2 418 270</b>	<b>-</b>	<b>1 069 634</b>	<b>3 983 881</b>

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

## Separate statement of changes in equity (continued)

	Share capital	Share premium	Hedging reserve	Fair value reserve	Retained earnings	Total equity
Balance at 1 January 2012	320 577	680 688	(1 634)	-	925 958	1 925 589
<i>Profit or loss and other comprehensive income for the year</i>						
Profit for the year	-	-	-	-	250 692	250 692
Other comprehensive income	-	-	1 634	37 221	-	38 855
<b>Total profit or loss and other comprehensive income for the year</b>	-	-	<b>1 634</b>	<b>37 221</b>	<b>250 692</b>	<b>289 547</b>
Other	-	-	-	-	(1)	(1)
Balance at 31 December 2012	320 577	680 688	-	37 221	1 176 649	2 215 135

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

## Separate statement of cash flows

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012* restated
<b>Cash flows from operating activities</b>		
Profit before tax	24 774	276 143
<i>Adjustments for:</i>	31 069	(57 242)
Depreciation and amortisation	89 283	74 698
(Reversal of)/impairment losses of assets	48 547	(5 058)
(Profit)/loss from investing activities	(23 076)	9 669
Loss on disposal of financial assets	11	-
Interest, foreign exchange gains or losses	25 850	9 409
Dividends	(99 754)	(149 830)
Change in fair value of financial assets at fair value through profit or loss	(9 792)	3 870
<b><i>Cash generated from operating activities before changes in working capital</i></b>	<b>55 843</b>	<b>218 901</b>
Changes in trade and other receivables	(7 087)	2 819
Changes in inventories	27 158	(77 274)
Changes in trade and other payables	14 437	38 839
Changes in provisions, prepayments and grants	(1 926)	(29 192)
Other adjustments	-	(1 620)
<b><i>Cash generated from operating activities</i></b>	<b>88 425</b>	<b>210 857</b>
Income taxes paid	(7 250)	(27 530)
<b>Net cash from operating activities</b>	<b>81 175</b>	<b>183 327</b>

\* Financial information restated for changes in CO<sub>2</sub> emission rights accounting as presented in point 2.3 of the notes to the separate financial statements.

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

## Separate statement of cash flows (continued)

	For the period from 01.01.2013 to 31.12.2013	For the period from 01.01.2012 to 31.12.2012* restated
<b>Cash flows from investing activities</b>		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	2 457	2 863
Acquisition of property, plant and equipment, intangible assets and investment property	(148 296)	(186 667)
Dividends received	118 254	131 330
Acquisition of financial assets	(645 150)	(224 659)
Proceeds from sale of financial assets	39	1 300
Grants received	-	2 857
Loans	4 731	6 099
Other proceeds/disbursements	(6 386)	(6 042)
<b>Net cash used in investing activities</b>	<b>(674 351)</b>	<b>(272 919)</b>
<b>Cash flows from financing activities</b>		
Net disbursements from issue of share capital	(11 159)	-
Dividends paid	(148 802)	-
Proceeds from loans and borrowings	819 501	414 042
Payment of loans and borrowings	(118 836)	(318 022)
Interest paid	(26 021)	(12 347)
Payment of finance lease liabilities	(2 137)	(2 988)
Other proceeds/disbursements	19 987	(10 390)
<b>Net cash from financing activities</b>	<b>532 533</b>	<b>70 295</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(60 643)</b>	<b>(19 297)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>66 992</b>	<b>86 289</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>6 349</b>	<b>66 992</b>

\* Financial information restated for changes in CO<sub>2</sub> emission rights accounting as presented in point 2.3 of the notes to the separate financial statements.

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

## Notes to the separate financial statements

### 1. Information about the Company

#### 1.1. General information about the Company

The Company Grupa Azoty Spółka Akcyjna (previously Zakłady Azotowe w Tarnowie-Mościcach S.A., (“the Company”)) with its registered office in Tarnow was established on 21 February 1991 on the basis of the notary deed A Nr 910/91. The Company operates in Poland under the regulations of the Commercial Companies Code. The Company is registered in commercial register of the District Court in Cracow, XII Commercial Department of the National Court Register, under no. 0000075450. The Company’s REGON number for public statistics purposes is 850002268. The Company was established for an indefinite period.

Since 22 April 2013, after registering the changes in the Company’s Statute, the Company operates under the name Grupa Azoty Spółka Akcyjna (short version: Grupa Azoty S.A.).

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

The Company’s scope of business activities includes the following:

- production of basic chemicals,
- production of fertilizers and nitrogen compounds,
- production of synthetic materials and synthetic rubber in primary forms,
- production of plastics.

The separate financial statements were authorised for issue by the Company’s Management Board on 12 March 2014.

#### 1.2. The Company’s Management and Supervisory Boards

##### The Management Board

As at 31 December 2013, the Management Board of the Company comprised:

- Paweł Jarczewski - President of the Management Board,
- Andrzej Skolmowski - Vice-President of the Management Board, responsible for finance and IT in Grupa Azoty,
- Witold Szczypiński - Vice-President of the Management Board, responsible for integration of production, plastics and organic synthesis in Grupa Azoty,
- Marek Kapłucha - Vice-President of the Management Board, responsible for supply chain management in Grupa Azoty,
- Marian Rybak - Vice-President of the Management Board, responsible for investments in Grupa Azoty,
- Krzysztof Jałosiński - Vice-President of the Management Board, responsible for strategy and development in Grupa Azoty,
- Artur Kopeć - Member of the Management Board, responsible for social dialogue, technical safety and environment protection in Grupa Azoty.

The following changes in the Management Board took place in the reporting period:

On 29 April 2013, the Supervisory Board of Grupa Azoty S.A.:

- adopted the Resolution No. 15/IX/2013 to recall Mr. Jerzy Marciniak from the function of the President of the Management Board,

- adopted the Resolution No. 16/IX/2013 to appoint Mr. Paweł Jarczewski for to the function of President of the Management Board effective from 6 May 2013.

On 4 July 2013, the Supervisory Board of Grupa Azoty S.A.:

- adopted the Resolution No. 22/IX/2013 to appoint Mr. Marek Kapłucha for the function of Vice-President of the Management Board,
- adopted the Resolution No. 23/IX/2013 to appoint Mr. Marian Rybak for the function of Vice-President of the Management Board.

As at 12 March 2014, the Management Board's composition remained unchanged.

### The Supervisory Board

As at 31 December 2013, the Supervisory Board of the Company comprised:

- Monika Kacprzyk-Wojdyga - Chairman of the Supervisory Board,
- Jacek Obłəkowski - Vice-Chairman of the Supervisory Board,
- Ewa Lis - Secretary of the Supervisory Board,
- Robert Kapka - Member of the Supervisory Board,
- Tomasz Klikowicz - Member of the Supervisory Board,
- Artur Kucharski - Member of the Supervisory Board,
- Marek Mroczkowski - Member of the Supervisory Board,
- Zbigniew Paprocki - Member of the Supervisory Board,
- Ryszard Trepczyński - Member of the Supervisory Board.

Considering that 2012 was the last full year of the eight tenure of the Supervisory Board's office, the following changes were made to the Supervisory Board composition in the reporting period:

- on 16 April 2013, based on the State Treasury's authority, Mrs. Ewa Lis was appointed to the Supervisory Board,
- on 17 April 2013, based on the Resolution No. 24 of the General Meeting, Mrs. Monika Kacprzyk-Wojdyga was appointed to the Supervisory Board, for the position of the Chairman of the Supervisory Board,
- on 17 April 2013, based on the Resolution No. 25 of the General Meeting, Mr. Jacek Obłəkowski was appointed to the Supervisory Board,
- on 17 April 2013, based on the Resolution No. 26 of the General Meeting, Mr. Artur Kucharski was appointed to the Supervisory Board,
- on 17 April 2013, based on the Resolution No. 27 of the General Meeting, Mr. Marek Mroczkowski was appointed to the Supervisory Board,
- on 17 April 2013, based on the Resolution No. 28 of the General Meeting, Mr. Ryszard Trepczyński was appointed to the Supervisory Board,
- on 3 June 2013, based on the Resolution No. 3 of the General Meeting, Mr. Tomasz Klikowicz was appointed to the Supervisory Board,
- on 3 June 2013, based on the Resolution No. 4 of the General Meeting, Mr. Zbigniew Paprocki was appointed to the Supervisory Board,
- on 3 June 2013, based on the Resolution No. 5 of the General Meeting, Mr. Robert Kapka was appointed to the Supervisory Board.

As at 12 March 2014, the Supervisory Board's composition remained unchanged.

## 2. Significant accounting policies

Except for the changes presented in the point 2.3, the accounting policies set out below have been applied consistently to all periods presented in these separate financial statements.

### 2.1. Statement of compliance

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

### 2.2. Changes in International Financial Reporting Standards

New Standards, amendments to Standards and Interpretations which are or will be mandatorily effective for annual periods starting on or after 1 January 2014 have not been applied in preparing these separate financial statements.

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

#### 2.2.1. Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2013

- Amendments to IAS 36 Impairment of assets that will be mandatory for the Company’s separate financial statements for 2014:

The amendments clarify that the recoverable amount should be disclosed only for the individual assets (including goodwill) or cash-generating units for which the impairment loss was recognised or reversed during the period. The amendments also introduce a requirement to include additional disclosures in case when the loss due to impairment of the assets (including goodwill) or cash-generating unit was recognised or reversed during the period and the recoverable amount was determined based on the fair value less costs of disposal. It is expected that at the time of the initial application, the changes will impact the disclosures in the financial statements.

#### 2.2.2. Standards and interpretations not yet endorsed by the EU as at 31 December 2013

- IFRS 9 Financial Instruments with amendments, for which the effective date has not yet been determined. The Company does not expect to early adopt this Standard and is currently analyzing the impact of the application of the new Standard on the separate financial statements. Application of the Standard could potentially impact the classification and measurement of financial assets;
- Interpretation IFRIC 21 Levies that will be mandatory for the Company’s separate financial statements for 2014. The Company does not expect to early adopt this Interpretation and is currently analyzing the impact of the application of the new Interpretation on the separate financial statements;
- Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions that will be mandatory for the Company’s separate financial statements for 2015.

The Company does not expect to early adopt this Standard and is currently analyzing the impact of the application of the new Standard on the separate financial statements;

- Amendments to the International Financial Reporting Standards 2010-2012, that will be mandatory for the Company's separate financial statements for 2015. The Company does not expect to early adopt this Standard and is currently analyzing the impact of the application of the new Standard on the separate financial statements;
- Amendments to the International Financial Reporting Standards 2011-2013, that will be mandatory for the Company's separate financial statements for 2015. The Company does not expect to early adopt this Standard and is currently analyzing the impact of the application of the new Standard on the separate financial statements.

## 2.3. Changes in accounting policies and in the presentation of financial statements

### 2.3.1. Changes in accounting policies

On 1 January 2013, the Company adopted the following new standards or amendments to the standards as well as made the following changes in the accounting policies:

- new accounting policy concerning recognition of emission rights received free of charge, measurement of acquired emission rights and the presentation of emission rights in the statement of financial position. In accordance with the previously applicable accounting policy, grants in the form of emission rights received free of charge were recognised in the statement of financial position at cost, i.e. at zero values. Purchased emission rights were measured at revalued amounts and presented as intangible assets. Since 2013, the Company changed the accounting policy and presents the acquired and free of charge emission rights as inventories in the statement of financial position, rights received free of charge are recognised at fair value on the date of registration and presented as government grants in liabilities. At the reporting date, the emission rights are not written down below cost to their recoverable amount, if it is expected that the finished products in which they will be incorporated are expected to be sold at or above cost. The government grants are recognised in profit or loss as a reduction to cost of sales in the proportion of CO<sub>2</sub> emission realised in the reporting period to the estimated annual emissions. In the financial statements for the period ended 31 December 2013, due to lack of the final allocation of the free of charge emission rights for 2013 and lack of registration of such emission rights in the register, the Company recognised as other receivables the government grant concerning free of charge CO<sub>2</sub> emission rights being the product of the expected amount of rights for 2013 and the fair value of CO<sub>2</sub> emission rights at the reporting date. When received and registered, the free of charge emission rights will be reclassified to inventories.

The financial information as at 31 December 2012 was restated for the abovementioned change.

The following table summarises the impact of the changes in CO<sub>2</sub> emission rights accounting on the separate statement of financial position as at 31 December 2012:

	Previously reported	Restated	
	As at 31.12.2012	As at 31.12.2012	Impact of changes
<b>Assets</b>			
<b>Non-current assets</b>	2 334 204	2 334 993	(9 211)
<b>Current assets, including:</b>	<b>543 440</b>	<b>590 888</b>	<b>47 448</b>
Inventories	216 458	263 906	47 448
<b>Total assets</b>	<b>2 887 644</b>	<b>2 925 881</b>	<b>38 237</b>

	Previously reported	Restated	
	As at	As at	Impact
	31.12.2012	31.12.2012	of changes
<b>Equity and liabilities</b>			
<b>Equity</b>	<b>2 215 135</b>	<b>2 215 135</b>	-
<b>Non-current liabilities</b>	<b>299 874</b>	<b>299 874</b>	-
<b>Current liabilities, including:</b>	<b>372 635</b>	<b>410 872</b>	<b>38 237</b>
Provisions	12 615	34 631	22 016
Government grants	163	16 384	16 221
<b>Total equity and liabilities</b>	<b>2 887 644</b>	<b>2 925 881</b>	<b>38 237</b>

The following table summarises the impact of the changes in CO<sub>2</sub> emission rights accounting on the separate statement of cash flows as at 31 December 2012:

	Previously reported	Restated	
	As at	As at	Impact
	31.12.2012	31.12.2012	of changes
<b>Cash flows from operating activities</b>			
Changes in inventories	(39 037)	(77 274)	(38 237)
Changes in provisions, prepayments and grants	(9 045)	29 192	38 237
<b>Cash generated from operating activities</b>	<b>210 857</b>	<b>210 857</b>	-
<b>Net cash from operating activities</b>	<b>183 327</b>	<b>183 327</b>	-

- exchange rates used to retranslate monetary assets and liabilities denominated in foreign currencies into Polish zloty at the reporting date. 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. Previously, such positions were retranslated into Polish zloty at the appropriate exchange rate (spot rate), i.e. at the rate announced by the leading bank in the first listing at the reporting date. The change did not have a significant impact on the Company's results in 2013 and the comparatives,
- IAS 19 „Employee Benefits” (2011) for recognition of actuarial gains and losses on defined benefit plans. Previously, the actuarial gains and losses on defined benefit plans were recognised in profit or loss for the period. Currently, actuarial gains and losses related to the post-employment defined benefit plans are recognised in other comprehensive income. This change had no significant impact on the Company's results in 2013 and the comparatives,
- IFRS 13 Fair Value Measurement. The Company adopted IFRS 13 that establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and extends the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7. As a result, the Company has included additional disclosures in this regard (see note 26).

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively and has not provided comparative information for new

disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

### **2.3.2. Changes in the presentation of the financial statements**

The presentation of the financial statements was changed in the reporting period by changing the name of the Statement of comprehensive income to the Statement of profit or loss and other comprehensive income. Additionally, the items of other comprehensive income are grouped into those that may be reclassified to profit or loss and those that will never be reclassified to profit or loss.

### **2.4. Basis of measurement**

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

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

### **2.5. Functional and presentation currency**

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

### **2.6. Use of estimates and judgements**

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

Significant judgements made by the Management in applying IFRS EU that have significant impact on the separate financial statements, concerned recognition of the free of charge CO<sub>2</sub> emission rights presented in Notes 15 and 16 and in point 2.3.1 of the notes.

Estimates that have a significant risk adjustment in the following years were presented in Note 29. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the period in which the estimates are revised or in current and any future periods affected. Main accounting estimates and assumptions are also additionally presented in the relevant notes to the separate financial statements:

- estimates concerning useful lives of property, plant and equipment, investment property and intangible assets are presented in Notes 10, 11, 12,
- estimates concerning impairment losses on property, plant and equipment are presented in Note 10,
- estimates concerning write-downs of inventory are presented in Note 15,
- estimates concerning impairment losses on receivables are presented in Note 16,
- estimates concerning employee benefits are presented in Note 20,
- estimates concerning provisions are presented in Note 21.

## 2.7. Going concern

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

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

## 2.8. Foreign currency

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

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

For valuation purposes the following exchange rates were used:

	31.12.2013	31.12.2012
EUR	4.1472	4.0882
USD	3.0120	3.0996

## 2.9. Property, plant and equipment

### 2.9.1. Property, plant and equipment owned

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

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

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

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

Prepayments for property, plant and equipment are presented as property, plant and equipment.

### 2.9.2. Leased items of property, plant and equipment

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

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

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

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

### 2.9.3. Perpetual usufruct right

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

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

### 2.9.4. Subsequent expenditure

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

### 2.9.5. Depreciation

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

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

Depreciation commences in the month in which an asset was brought into use. Depreciation ends no later than when accumulated depreciation equals the cost of the asset or an asset is derecognised. The depreciable amount is determined after deducting its residual value.

Assets under construction are not depreciated.

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

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

## **2.10. Investment property**

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

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

## **2.11. Intangible assets**

### **2.11.1. Research and development**

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

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

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

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

### **2.11.2. REACH costs**

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

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

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

### 2.11.3. Other intangible assets

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

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 as an expense when incurred.

### 2.11.4. Subsequent expenditure

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

### 2.11.5. Amortisation

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

The estimated useful lives are as follows:

Type	Amortisation rate	Period
Trademarks	None	None
Licences	5%-50%	2-20 years
Software	16% - 50%	2-6 years
Technological licences	2% - 100%	1-50 years
REACH	2% - 100%	1-50 years
Development costs	2% - 100%	1-50 years

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

## 2.12. Investments in subordinated entities

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

## 2.13. Current and non-current trade and other receivables

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

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

Impairment losses are calculated when the full recovery of the receivable is no longer probable. If there is an objective evidence that receivables carried at amortised cost are impaired, the

impairment loss is determined as the difference between the carrying amount of the asset and the present value of future cash flows discounted at the asset's original effective interest rate. Losses are recognised as expense in the statement of profit or loss.

## 2.14. Presentation of factoring and receivables discounting contracts

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

## 2.15. Inventories

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

Inventories are measured at the lower of cost and net realisable value as at the reporting date. The cost of inventories is 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".

### 2.15.1. CO<sub>2</sub> emission rights

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

If the emission rights for a given period are not registered, the Company recognises the expected receivable of the free of charge CO<sub>2</sub> emission rights as other receivables with a corresponding entry in deferred income. The receivable is estimated as a product of the expected amount of rights for the period and the fair value of CO<sub>2</sub> emission rights at the reporting date.

Acquired emission rights are recognised at cost.

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

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

The government grants are recognised in the statement profit or loss as a reduction to cost of sales in the proportion of CO<sub>2</sub> emission realised in the reporting period to the estimated annual emissions.

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

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

## 2.16. Cash and cash equivalents

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

## 2.17. Impairment of non-financial assets

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

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

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

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

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

## **2.18. Equity**

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

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

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

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

## **2.19. Employee benefits**

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

### **2.19.1. Defined contribution plans**

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

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

## **2.19.2. Defined benefit plans**

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

### **2.19.2.1. Defined benefit plans - retirement and death-in-service benefits**

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

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

### **2.19.2.2. Defined benefit plans - provisions for Social Fund benefits for pensioners**

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

## **2.19.3. Other long-term employee benefits - jubilee awards**

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

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

## **2.19.4. Short term employee benefits**

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

## 2.20. Provisions

Provisions are recognised if:

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

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

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

### 2.20.1. Restructuring

A provision for restructuring is recognised when the Company 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.

### 2.20.2. Site restoration costs

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

### 2.20.3. Onerous contracts

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

### 2.20.4. 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).

### 2.20.5. Provision for emission rights

The accounting policies concerning provisions for CO<sub>2</sub> emission rights are presented in point 2.15.1.

## 2.21. Trade and other liabilities

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

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

## 2.22. Interest-bearing loans

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

## 2.23. Financial instruments

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

Financial instruments are classified into the following categories:

- financial assets or liabilities at fair value through profit or loss - including derivatives and financial assets or liabilities acquired or held for the purpose of selling or repurchasing in the near term or designated on initial recognition as identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking,
- held-to-maturity investments - are non-derivative financial assets with fixed or determinable payments that an entity intends and is able to hold to maturity,
- loans and receivables - are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market,
- available-for-sale financial assets - are non-derivative financial assets designated on initial recognition as available-for-sale or other instruments that are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.
- other financial liabilities.

### 2.23.1. Initial recognition and derecognition of financial assets and liabilities

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

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

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

### 2.23.2. Initial measurement of financial instruments

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

### 2.23.3. Measurement subsequent to initial recognition

The Company measures:

- at amortised cost using the effective interest method: loans and receivables, held-to-maturity investments 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 and loss in the statement of profit or loss.

### 2.23.4. Derivatives

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

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

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

### 2.23.5. Impairment of financial assets

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

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

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

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

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

## 2.24. Hedge accounting

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

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

### 2.24.1. Fair value hedges

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment that could affect profit or loss and is attributable to a particular risk.

Gains or losses from the hedging instrument fair value measurement are recognised at the reporting date as finance income or expense in the statement of profit or loss.

The hedged item is remeasured to fair value in respect of the hedged risk at the reporting date. Any resulting adjustment to the carrying amount of the hedged item related to the hedged risk is recognised in profit or loss.

### 2.24.2. Cash flow hedges

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

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

When the hedged item is a non-financial asset or liability, the Company includes the amount accumulated in equity in the initial carrying amount of that asset or liability. In other cases, the amount accumulated in equity is reclassified to the statement of profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria

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

## **2.25. Revenue**

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

### **2.25.1. Sale of goods and merchandises, rendering of services**

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

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

### **2.25.2. Sale of emission rights including ERU**

Revenue from the sale of emission rights generated in the period, including ERU, are recognised, when it is probable that the Company will receive economic benefits from such transaction, i.e. when there is a valid contract signed with the buyer of the rights and the selling price is determined. When the Company does not have the contract, self-generated emission rights, including ERU, are not recognised.

### **2.25.3. Licence fees**

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

### **2.25.4. Revenue from sale of certificates of origin of energy**

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

### **2.25.5. Rentals**

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

### **2.25.6. Loyalty programmes**

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

### **2.25.7. Finance income**

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

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

## **2.26. Expenses**

### **2.26.1. Cost of sales**

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

### **2.26.2. Selling and distribution expenses**

Selling and distribution expenses comprise:

- cost of packaging,
- transport, loading and unloading costs,
- customs duties and agents' commissions,
- other costs, including carriage insurance cost.

### **2.26.3. Administrative expenses**

Administrative expenses comprise:

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

### **2.26.4. Operating lease payments**

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

### **2.26.5. Finance lease payments**

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

### **2.26.6. Finance costs**

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

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

## 2.27. Income tax

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable is calculated based on the tax result (tax base) for the period. Tax result differs from the profit 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 that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future, 3) temporary differences arising on the initial recognition of goodwill.

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

Deferred tax assets are recognised only to the extent that it is expected that the related amount will be used to reduce taxable profits in the future. 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 sufficient taxable income will be available.

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

## 2.28. Segment reporting

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

The Company identifies the following operating segments:

- Fertilizers-Agro Segment (previously Fertilizers),
- Plastics Segment,
- Energy Segment,
- Other Activities Segment comprising other operations, such as laboratory services, rental of properties and other activities that cannot be allocated to other segments.

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

The Company identifies the following geographical areas:

- Poland,
- Germany,
- Other European Union countries,
- Asia countries,
- South America countries,
- Other.

## **2.29. Discontinued operations and non-current assets held for sale**

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

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

### 3. Notes to the separate financial statements

#### Segment reporting

##### Operating segments

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

In 2013, there was a change in presentation of operating segments. The Energy Segment, which until now was presented under Other Activities Segment, was separated.

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

- Fertilizers-Agro Segment includes manufacturing and sales of the following products: ammonium sulphate, saletrzak, saletrosan;
- Plastics Segment includes manufacturing and sales of the following products: poliamid 6 (Tarnamid), poliacetal (Tarnoform), caprolactam.
- Energy Segment includes activities that concern production of electricity and heat for the purposes of chemical installations and selling electricity to customers connected to electric network, with whom the contracts were signed;
- Other Activities Segment containing other activities, including laboratory services, rental of properties and other activities which cannot be allocated to other segments. None of these activities met the quantitative criteria to be separated as reportable segment in 2013 and 2012.

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.

##### Geographical information

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

## Operating segments

### Revenue, expenses and financial result of operating segments for the 12 month period ended 31 December 2013

	Fertilizers-Agro*	Plastics	Energy	Other Activities	Total
External revenues	805 085	957 867	53 857	29 318	1 846 127
Inter-segment revenue	247 372	264 246	489 147	30 509	1 031 274
<b>Total revenue</b>	<b>1 052 457</b>	<b>1 222 113</b>	<b>543 004</b>	<b>59 827</b>	<b>2 877 401</b>
Operating expenses, including:(-)	(1 022 697)	(1 280 099)	(536 087)	(56 620)	(2 895 503)
<i>Selling and distribution expenses (-)</i>	(44 633)	(15 356)	(194)	(400)	(60 583)
<i>Administrative expenses (-)</i>	(67 594)	(78 304)	(1 814)	(1 410)	(149 122)
Other income	1 479	1 084	721	2 557	5 841
Other expenses(-)	(1 513)	(51 788)	(4 566)	(8 858)	(66 725)
<b>Segment result from operating activities EBIT</b>	<b>29 726</b>	<b>(108 690)</b>	<b>3 072</b>	<b>(3 094)</b>	<b>(78 986)</b>
Finance income	-	-	-	-	134 548
Finance costs (-)	-	-	-	-	(30 788)
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24 774</b>
Tax expense	-	-	-	-	19 343
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>44 117</b>
EBIT**	29 726	(108 690)	3 072	(3 094)	(78 986)
Depreciation and amortisation	32 055	31 109	12 515	7 840	83 519
Unallocated depreciation and amortisation	-	-	-	-	5 764
<b>EBITDA***</b>	<b>61 781</b>	<b>(77 581)</b>	<b>15 587</b>	<b>4 746</b>	<b>10 297</b>

\* Previous name: Fertilizers

\*\* EBIT is calculated as results from operating activities presented in the statement of profit or loss.

\*\*\* EBITDA is calculated as results from operating activities increased by depreciation and amortisation.

Revenue, expenses and financial result of operating segments for the 12 month period ended 31 December 2012

	Fertilizers-Agro*	Plastics	Energy**	Other Activities**	Total
External revenues	888 638	1 056 547	16 166	34 822	1 996 173
Inter-segment revenue	250 596	282 892	502 419	30 557	1 066 464
<b>Total revenue</b>	<b>1 139 234</b>	<b>1 339 439</b>	<b>518 585</b>	<b>65 379</b>	<b>3 062 637</b>
Operating expenses, including:(-)	(1 034 513)	(1 294 687)	(523 166)	(60 734)	(2 913 100)
<i>Selling and distribution expenses (-)</i>	(43 984)	(18 938)	(115)	(952)	(63 989)
<i>Administrative expenses (-)</i>	(67 765)	(76 980)	(1 524)	(1 462)	(147 731)
Other income	947	1 294	232	7 344	9 817
Other expenses(-)	(5 022)	(3 888)	(4 701)	(12 226)	(25 837)
<b>Segment result from operating activities EBIT</b>	<b>100 646</b>	<b>42 158</b>	<b>(9 050)</b>	<b>(237)</b>	<b>133 517</b>
Finance income	-	-	-	-	161 402
Finance costs (-)	-	-	-	-	(18 776)
<b>Profit before tax</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>276 143</b>
<b>Result from discontinued operation</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Tax expense	-	-	-	-	(25 451)
<b>Profit for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>250 692</b>
EBIT***	100 646	42 158	(9 050)	(237)	133 517
Depreciation and amortisation	26 134	25 973	11 795	2 170	66 072
Unallocated depreciation and amortisation	-	-	-	-	8 626
<b>EBITDA****</b>	<b>126 780</b>	<b>68 131</b>	<b>2 745</b>	<b>1 933</b>	<b>208 215</b>

\* Previous name: Fertilizers

\*\* Restated

\*\*\* EBIT is calculated as results from operating activities presented in the statement of profit or loss.

\*\*\*\* EBITDA is calculated as results from operating activities increased by depreciation and amortisation.

**Assets and liabilities of operating segments as at 31 December 2013**

	<b>Fertilizers-Agro*</b>	<b>Plastics</b>	<b>Energy</b>	<b>Other Activities</b>	<b>Total</b>
Reportable segment assets	468 415	616 360	189 840	127 907	1 402 522
Unallocated assets	-	-	-	-	3 973 284
<b>Total assets</b>	<b>468 415</b>	<b>616 360</b>	<b>189 840</b>	<b>127 907</b>	<b>5 375 806</b>
Reportable segment liabilities	108 569	208 927	62 256	35 872	415 624
Unallocated liabilities	-	-	-	-	976 301
<b>Total liabilities</b>	<b>108 569</b>	<b>208 927</b>	<b>62 256</b>	<b>35 872</b>	<b>1 391 925</b>

**Assets and liabilities of operating segments as at 31 December 2012**

	<b>Fertilizers-Agro*</b>	<b>Plastics</b>	<b>Energy**</b>	<b>Other Activities**</b>	<b>Total</b>
Reportable segment assets	475 802	613 142	188 219	68 977	1 346 140
Unallocated assets	-	-	-	-	1 579 741
<b>Total assets</b>	<b>475 802</b>	<b>613 142</b>	<b>188 219</b>	<b>68 977</b>	<b>2 925 881</b>
Reportable segment liabilities	88 967	155 066	101 847	209 200	555 080
Unallocated liabilities	-	-	-	-	155 666
<b>Total liabilities</b>	<b>88 967</b>	<b>155 066</b>	<b>101 847</b>	<b>209 200</b>	<b>710 746</b>

\* Previous name: Fertilizers

\*\* Restated

Other information related to operating segments for the year ended 31 December 2013

	Fertilizers-Agro*	Plastics	Energy	Other Activities	Total
Capital expenditure on property, plant and equipment	87 327	32 567	6 025	7 179	133 098
Capital expenditure on intangible assets	679	677	(46)	206	1 516
Other unallocated capital expenditure	-	-	-	-	14 113
<b>Total capital expenditure</b>	<b>88 006</b>	<b>33 244</b>	<b>5 979</b>	<b>7 385</b>	<b>148 727</b>
Reportable segment depreciation and amortisation	32 055	31 109	12 515	7 840	83 519
Unallocated depreciation and amortisation	-	-	-	-	5 764
<b>Total depreciation and amortisation</b>	<b>32 055</b>	<b>31 109</b>	<b>12 515</b>	<b>7 840</b>	<b>89 283</b>

As described in Note 4, based on the results of impairment test performed for the Plastics segment, an impairment loss of PLN 38 925 thousand was recognised for property, plant and equipment and of PLN 7 144 thousand for intangible assets.

Other information related to operating segments for the year ended 31 December 2012

	Fertilizers-Agro*	Plastics	Energy**	Other Activities**	Total
Capital expenditure on property, plant and equipment	61 583	70 233	8 523	8 395	148 734
Capital expenditure on intangible assets	-	495	54	9	558
Other unallocated capital expenditure	-	-	-	-	14 363
<b>Total capital expenditure</b>	<b>61 583</b>	<b>70 728</b>	<b>8 577</b>	<b>8 404</b>	<b>163 655</b>
Reportable segment depreciation and amortisation	26 134	25 973	11 795	2 170	66 072
Unallocated depreciation and amortisation	-	-	-	-	8 626
<b>Total depreciation and amortisation</b>	<b>26 134</b>	<b>25 973</b>	<b>11 795</b>	<b>2 170</b>	<b>74 698</b>

\* Previous name: Fertilizers

\*\* Restated

## Geographical information

### Geographical information for the 12 month period ended 31 December 2013

	Revenue	Expenses
Poland	755 696	716 994
Germany	652 517	689 040
Other European Union countries	325 361	341 748
Asia countries	7 433	7 310
South America countries	52 829	56 476
Other countries	52 291	52 661
<b>Total</b>	<b>1 846 127</b>	<b>1 864 229</b>

### Geographical information for the 12 month period ended 31 December 2012

	Revenue	Expenses
Poland	767 947	723 002
Germany	691 887	653 303
Other European Union countries	349 534	323 581
Asia countries	68 947	43 092
South America countries	70 779	63 161
Other countries	47 079	40 497
<b>Total</b>	<b>1 996 173</b>	<b>1 846 636</b>

### Non-current assets

All the Company's assets are located in Poland.

### Significant customers

Revenue from the subsidiary Grupa Azoty ATT Polymers GmbH of the Plastics segment amounted to PLN 350 555 thousand (2012: PLN 349 885 thousand).

## Note 1 Revenue

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
Sales of goods and services	1 782 841	1 907 144
Sales of merchandises and raw materials	31 198	68 109
Sales of emission rights, including ERUs emission rights	198	24 039
Sales of licenses	-	983
Sales of rights	31 890	(5 191)
Other revenue	-	1 089
	<b>1 846 127</b>	<b>1 996 173</b>

## Note 2 Operating expenses

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
Depreciation and amortisation	89 283	74 698
Raw materials and consumables used	1 235 466	1 252 878
External services	280 990	281 436
Taxes and charges	42 513	38 978
Wages and salaries	129 714	126 005
Social security and other employee benefits	33 314	29 358
Other expenses	27 054	28 148
Costs by kind	<b>1 838 334</b>	<b>1 831 501</b>
Changes in inventories of finished goods and work in progress (+/-)	(4 264)	(46 205)
Work performed by the entity and capitalised (-)	(3 786)	(4 177)
Selling and distribution expenses (-)	(60 583)	(63 989)
Administrative expenses (-)	(149 122)	(147 731)
Cost of merchandises and raw materials sold	33 945	65 517
<b>Cost of sales</b>	<b>1 654 524</b>	<b>1 634 916</b>
Includes excise duty	9 292	9 742

### Note 2.1 Cost of sales

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
Cost of goods and services sold	1 594 343	1 568 591
Cost of merchandises and raw materials sold	33 945	65 517
Cost of licences sold	59	798
Cost of rights sold	26 177	-
Cost of other sales	-	10
	<b>1 654 524</b>	<b>1 634 916</b>

## Note 2.2 Employee benefit expenses

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
Wages and salaries paid and due	132 565	123 380
Social security contributions	24 239	22 996
Employee benefit fund	4 571	2 520
Trainings	1 081	969
Change in defined benefit plan liabilities	(248)	1 872
Change in other long-term employee benefit liabilities	(1 016)	27
Change in unused holiday accrual	(525)	1 034
Change in annual and motivation bonus accruals	(2 392)	(576)
Other	4 753	3 141
	<b>163 028</b>	<b>155 363</b>
<b>Average employment</b>	<b>2 076</b>	<b>2 065</b>

## Note 3 Other income

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
Reversed impairment losses on:		
Trade receivables	287	369
	<b>287</b>	<b>369</b>
Other operating income:		
Received compensation	1 176	2 136
Sales of social services	442	366
Reversal of provisions	1 644	5 312
Grants received	984	816
Fixed assets restored to use	711	-
Other (aggregated insignificant items), including:	597	818
court fees refunded	20	16
other	577	802
	<b>5 554</b>	<b>9 448</b>
	<b>5 841</b>	<b>9 817</b>

The most significant item in other income is the reversal of provision for properties ordering of PLN 1 644 thousand.

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

Other aggregated insignificant items include: reimbursements of cost of legal claims, timely advance payments relating to employees' income tax and social security contributions and other income.

## Note 4 Other expenses

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
Loss on disposal of assets		
Loss on disposal of property, plant and equipment	1 523	6 627
	<b>1 523</b>	<b>6 627</b>
Recognised impairment loss on:		
Property, plant and equipment	42 306	771
Intangible assets	7 144	-
Trade receivables	216	167
	<b>49 666</b>	<b>938</b>
Other expenses:		
Fines and compensations	32	11
Plant outages	1 893	2 666
Cost of social services sold	655	600
Breakdown recovery expenses	10 071	10 220
Provisions recognised	2 181	2 930
Revaluation of CO2 emission rights	-	1 188
Other (aggregated insignificant items), including:	704	657
court fees paid	16	19
donations	159	152
debt collection expenses	4	22
utilisation costs	8	14
other	517	450
	<b>15 536</b>	<b>18 272</b>
	<b>66 725</b>	<b>25 837</b>

The significant item of other expenses is the recognition of impairment loss. The Company, after identifying impairment indicators, performed the impairment test. Based on the test results, the impairment loss was recognised for property, plant and equipment of PLN 38 925 thousand and for intangible assets of PLN 7 144 thousand. Further information was presented in Notes 10 and 12.

Other significant item of other expenses are breakdown recovery expenses of PLN 10 071 thousand. Breakdown recovery expenses were partly offset by the compensation received (presented in other income).

The amount of PLN 2 181 thousand concerns in particular:

- remeasurement of provision for environmental protection,
- remeasurement of provision for properties ordering.

## Note 5 Finance income

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
Interest income on:		
Bank deposits	797	4 746
Loans	390	684
Trade receivables	411	455
Cash pooling	120	1 767
Other	(161)	376
	<b>1 557</b>	<b>8 028</b>
Gain on valuation of financial assets and liabilities:		
Remeasurement to fair value of pre-existing interest in acquiree at the acquisition date	27 256	-
Net change in fair value of financial assets at fair value through profit or loss	91	-
Net change in fair value of financial liabilities at fair value through profit or loss	365	-
	<b>27 712</b>	<b>-</b>
Other finance income:		
Net foreign exchange gains	5 112	3 034
Dividends received	99 754	149 830
Other finance income	413	510
	<b>105 279</b>	<b>153 374</b>
	<b>134 548</b>	<b>161 402</b>

Remeasurement to fair value of 10.30% of shares in Grupa Azoty PUŁAWY held before 18 January 2013 resulted in the recognition of a PLN 27 256 thousand gain (calculated as the difference between PLN 251 915 thousand representing the fair value of 10.30% shares in Grupa Azoty PUŁAWY based on the listed share price on the Warsaw Stock Exchange at 18 January 2013 and the acquisition cost of PLN 224 659 thousand).

Dividend income in 2013 relates to the dividends received from subsidiaries of PLN 99 730 thousand and, in the remaining amount, from an associate.

Interest capitalised to the cost of property, plant and equipment and intangible assets in 2013 amounted to PLN 1 215 thousand (2012: PLN 715 thousand).

Net foreign exchange gains of PLN 5 112 thousand include:

- unrealised foreign exchange gains on foreign currency receivables and liabilities of PLN 4 867 thousand,
- realised foreign exchange losses of PLN (279) thousand,
- foreign exchange gains from realised currency hedge transactions of PLN 621 thousand,
- other of PLN (97) thousand.

## Note 6 Finance costs

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
Interest expense on:		
Bank loans and overdrafts	25 353	9 265
Loans	413	2 714
Finance leases	254	348
Trade payables	4	3
Tax liabilities	122	32
Cash pooling	712	52
Other	2 968	1 149
	<b>29 826</b>	<b>13 563</b>
Loss on disposal of financial investments:		
Loss on disposal of financial investments	11	-
	<b>11</b>	<b>-</b>
Loss from valuation of financial assets and liabilities:		
Net change in fair value of financial assets at fair value through profit or loss	-	(1 221)
Net change in fair value of financial liabilities at fair value through profit or loss	-	5 091
Net change in fair value on hedge accounting reclassified from other comprehensive income	-	16
	<b>-</b>	<b>3 886</b>
Other finance costs:	-	
Unwind of discount on provisions and loans	89	19
Other finance costs, including:	862	1 308
factoring commissions	130	226
receivables discount commissions	494	613
other	238	469
	<b>951</b>	<b>1 327</b>
	<b>30 788</b>	<b>18 776</b>

## Note 7 Income tax expense

### Note 7.1 Tax recognised in the statement of profit or loss

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
Current tax expense:		
Current year	-	26 851
Adjustment for prior years	(264)	377
	<b>(264)</b>	<b>27 228</b>
Deferred tax expense:		
Origination and reversal of temporary differences	(19 079)	(1 777)
	<b>(19 079)</b>	<b>(1 777)</b>
<b>Tax expense recognised in the statement of profit or loss</b>	<b>(19 343)</b>	<b>25 451</b>

### Note 7.2 Effective tax rate

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
Profit before tax	24 774	276 143
Tax using the Company's domestic tax rate	4 707	52 467
Tax exempt income (+/-)	(25 166)	(31 400)
Non deductible expenses (+/-)	1 550	4 190
Other(+/-)	(434)	194
<b>Tax expense in the statement of profit or loss</b>	<b>(19 343)</b>	<b>25 451</b>
<b>Effective tax rate</b>	<b>(78.1%)</b>	<b>9.2%</b>

The effective tax rate in 2013 of (78.1%) results from realisation of the finance income in the form of dividends received and remeasurement of Grupa Azoty PUŁAWY shares to fair value that are not taxable. The effective tax rate in 2012 of 9.2% resulted from realisation of the finance income in the form of dividends.

### Nota 7.3 Income tax recognised in other comprehensive income

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
<b>Tax on items that will never be reclassified to profit or loss (+/-)</b>		
Revaluation of net liabilities/assets from defined benefit plans	(549)	-
<b>Tax on items that are or may be reclassified to profit or loss (+/-)</b>	<b>(8 731)</b>	<b>9 114</b>
Effective cash flow hedges valuation	-	383
Change in fair value of available-for-sale financial assets	(8 731)	8 731
<b>Tax expense recognised in other comprehensive income</b>	<b>(9 280)</b>	<b>9 114</b>

## Note 7.4 Deferred tax assets and liabilities

	Deferred tax assets (-)		Deferred tax liabilities (+)	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Property, plant and equipment	(9 901)	(2 207)	75 684	74 926
Intangible assets	(1 357)	(226)	4 709	3 217
Financial assets	(2 895)	(2 895)	105	8 836
Inventories	(1 996)	(983)	2 575	2 471
Trade and other receivables	(220)	(214)	2 569	-
Trade and other payables	(1 221)	(1 173)	-	-
Employee benefits	(12 954)	(12 303)	-	-
Provisions	(12 673)	(6 390)	-	-
Interest	-	(1)	-	-
Foreign exchange gain/losses	(129)	(1 242)	84	758
Financial assets at fair value through profit or loss	-	(440)	95	78
Tax losses carried forward	(8 605)	-	-	-
Other	(516)	(502)	27	30
<b>Deferred tax assets(-)/liabilities(+)</b>	<b>(52 467)</b>	<b>(28 576)</b>	<b>85 848</b>	<b>90 316</b>
<b>Offsetting</b>	<b>52 467</b>	<b>28 576</b>	<b>(52 467)</b>	<b>(28 576)</b>
<b>Deferred tax liabilities(+)</b>	<b>-</b>	<b>-</b>	<b>33 381</b>	<b>61 740</b>

As at 31 December 2013, the Company presented deferred tax assets of PLN 8 605 thousand (31 December 2012: PLN 0 thousand) resulting from tax losses carried forward which were considered probable to use based on the forecasts of the future taxable profits. The Company will be entitled to use the tax losses in years 2014-2018.

**Note 7.5 Change in temporary differences**

	Movement in deferred tax balances recognised in (+/-)			Balance at 31.12.2013
	Balance at 01.01.2013	Profit or loss	Other comprehensive income	
Property, plant and equipment	72 719	(6 936)	-	65 783
Intangible assets	2 991	361	-	3 352
Financial assets	5 941	-	(8 731)	(2 790)
Inventories	1 488	(909)	-	579
Trade and other receivables	(214)	2 563	-	2 349
Trade and other payables	(1 173)	(48)	-	(1 221)
Employee benefits	(12 303)	(102)	(549)	(12 954)
Provisions	(6 390)	(6 283)	-	(12 673)
Interest	(1)	1	-	-
Foreign exchange gain/losses	(484)	439	-	(45)
Financial assets at fair value through profit or loss	(362)	457	-	95
Tax losses carried forward	-	(8 605)	-	(8 605)
Other	(472)	(17)	-	(489)
<b>Deferred tax assets(-)/liabilities(+)</b>	<b>61 740</b>	<b>(19 079)</b>	<b>(9 280)</b>	<b>33 381</b>

	Movement in deferred tax balances recognised in (+/-)			
	Balance at 01.01.2012	Profit or loss	Other comprehensive income	Balance at 31.12.2012
Property, plant and equipment	71 370	1 349	-	72 719
Intangible assets	3 150	(159)	-	2 991
Financial assets	(2 787)	(3)	8 731	5 941
Inventories	4 769	(3 281)	-	1 488
Trade and other receivables	(278)	64	-	(214)
Trade and other payables	-	(1 173)	-	(1 173)
Employee benefits	(11 054)	(1 249)	-	(12 303)
Provisions	(8 491)	2 101	-	(6 390)
Interest	(4)	3	-	(1)
Foreign exchange gain/losses	(1 167)	683	-	(484)
Financial assets at fair value through profit or loss	(154)	(208)	-	(362)
Hedge accounting	(383)	-	383	-
Other	(568)	96	-	(472)
<b>Deferred tax assets(-)/liabilities(+)</b>	<b>54 403</b>	<b>(1 777)</b>	<b>9 114</b>	<b>61 740</b>

## Note 7.6 Unrecognised deferred tax liabilities

As at 31 December 2013, the Company did not recognise a deferred tax liability of PLN 337 439 thousand resulting from the difference in tax and carrying amounts of shares in Grupa Azoty PUŁAWY.

## Note 8 Discontinued operations

In 2013, the Company has not discontinued any operations.

## Note 9 Earnings per share

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

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
Net profit for the period	44 117	250 692
Issued ordinary shares at the beginning of the period	64 115 444	64 115 444
Effect of shares issued (series D)	35 080 040	-
Issued ordinary shares at the end of the period	99 195 484	64 115 444
Weighted average number of ordinary shares in the period	97 753 839	64 115 444
Earnings per share:		
Basic (PLN)	0.45	3.91
Diluted (PLN)	0.45	3.91

## Diluted earnings per share

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

## Issue of shares

On 16 January 2013, the Company issued 35 080 040 shares of series D in relation with the acquisition of Grupa Azoty PUŁAWY. Further information about the issue was presented in note 18.

## Note 10 Property, plant and equipment

### Carrying amounts

	As at 31.12.2013	As at 31.12.2012
Land	649	572
Buildings and structures	262 432	250 302
Technical devices and machines	631 652	542 398
Vehicles	4 680	5 486
Other	14 962	13 083
	<b>914 375</b>	<b>811 841</b>
Property, plant and equipment under construction	82 079	172 024
Advances for property, plant and equipment	4 156	14 395
	<b>1 000 610</b>	<b>998 260</b>

Carrying amounts of property, plant and equipment

	Land	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Advances paid for property, plant and equipment	Total
<b>Carrying amount at 01.01.2013</b>	<b>572</b>	<b>250 302</b>	<b>542 398</b>	<b>5 486</b>	<b>13 083</b>	<b>172 024</b>	<b>14 395</b>	<b>998 260</b>
<b>Additions, including:</b>	<b>77</b>	<b>37 783</b>	<b>189 357</b>	<b>745</b>	<b>5 670</b>	<b>137 552</b>	<b>4 820</b>	<b>376 004</b>
Additions through purchases, construction, transfer to use	77	35 084	188 038	194	5 657	136 559	4 820	370 429
Additions through lease agreements	-	-	-	551	-	-	-	551
Reversal of impairment loss	-	654	1 319	-	13	-	-	1 986
Other additions	-	2 045	-	-	-	993	-	3 038
<b>Deductions, including: (-)</b>	<b>-</b>	<b>(25 653)</b>	<b>(100 103)</b>	<b>(1 551)</b>	<b>(3 791)</b>	<b>(228 599)</b>	<b>(15 059)</b>	<b>(374 756)</b>
Depreciation	-	(19 052)	(60 998)	(1 551)	(3 700)	-	-	(85 301)
Disposals	-	-	(8)	-	(35)	-	-	(43)
Liquidation	-	(195)	(1 142)	-	(13)	-	-	(1 350)
Transfer to use	-	-	-	-	-	(228 599)	(15 059)	(243 658)
Recognised impairment loss	-	(4 769)	(37 469)	-	(43)	-	-	(42 281)
Other deductions	-	(1 637)	(486)	-	-	-	-	(2 123)
<b>Carrying amount at 31.12.2013</b>	<b>649</b>	<b>262 432</b>	<b>631 652</b>	<b>4 680</b>	<b>14 962</b>	<b>82 079</b>	<b>4 156</b>	<b>1 000 610</b>

	Land	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Advances paid for property, plant and equipment	Total
<b>Carrying amount at 01.01.2012</b>	<b>572</b>	<b>234 922</b>	<b>500 048</b>	<b>3 927</b>	<b>10 479</b>	<b>154 325</b>	<b>12 639</b>	<b>916 912</b>
<b>Additions, including:</b>	<b>-</b>	<b>39 313</b>	<b>94 896</b>	<b>3 125</b>	<b>5 423</b>	<b>149 342</b>	<b>18 572</b>	<b>310 671</b>
Additions through purchases, construction, transfer to use	-	34 535	92 524	597	5 422	149 342	18 572	300 992
Additions through lease agreements	-	-	1 407	2 524	-	-	-	3 931
Reversal of impairment loss	-	4 778	965	-	1	-	-	5 744
Other additions	-	-	-	4	-	-	-	4
<b>Deductions, including: (-)</b>	<b>-</b>	<b>(23 933)</b>	<b>(52 546)</b>	<b>(1 566)</b>	<b>(2 819)</b>	<b>(131 643)</b>	<b>(16 816)</b>	<b>(229 323)</b>
Depreciation	-	(17 948)	(49 637)	(1 411)	(2 814)	-	-	(71 810)
Disposals	-	(22)	(4)	(24)	-	-	-	(50)
Liquidation	-	(2 976)	(2 036)	(131)	(5)	-	-	(5 148)
Transfer to use	-	-	-	-	-	(131 643)	(16 816)	(148 459)
Recognised impairment loss	-	(162)	(648)	-	-	-	-	(810)
Other deductions	-	(2 825)	(221)	-	-	-	-	(3 046)
<b>Carrying amount at 31.12.2012</b>	<b>572</b>	<b>250 302</b>	<b>542 398</b>	<b>5 486</b>	<b>13 083</b>	<b>172 024</b>	<b>14 395</b>	<b>998 260</b>

**Gross carrying amount of property, plant and equipment**

	Land	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Advances paid for property, plant and equipment	Total
<b>Balance at 31.12.2013</b>								
Gross carrying amount	649	682 410	1 629 835	13 942	45 551	131 909	4 156	2 508 452
Accumulated depreciation (-)	-	(412 282)	(951 829)	(9 261)	(30 559)	-	-	(1 403 931)
Impairment loss (-)	-	(7 696)	(46 354)	(1)	(30)	(49 830)	-	(103 911)
<b>Carrying amount at 31.12.2013</b>	<b>649</b>	<b>262 432</b>	<b>631 652</b>	<b>4 680</b>	<b>14 962</b>	<b>82 079</b>	<b>4 156</b>	<b>1 000 610</b>
<b>Balance at 31.12.2012</b>								
Gross carrying amount	572	649 646	1 447 261	13 375	40 570	221 854	14 395	2 387 673
Accumulated depreciation (-)	-	(395 763)	(894 659)	(7 888)	(27 487)	-	-	(1 325 797)
Impairment loss (-)	-	(3 581)	(10 204)	(1)	-	(49 830)	-	(63 616)
<b>Carrying amount at 31.12.2012</b>	<b>572</b>	<b>250 302</b>	<b>542 398</b>	<b>5 486</b>	<b>13 083</b>	<b>172 024</b>	<b>14 395</b>	<b>998 260</b>

**Impairment losses**

	Land	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Advances paid for property, plant and equipment	Total
<b>Impairment loss at 01.01.2013</b>	-	3 581	10 204	1	-	49 830	-	63 616
Impairment recognised in the statement of profit or loss	-	4 769	37 469	-	43	-	-	42 281
Reversal of impairment recognised in the statement of profit or loss (-)	-	(654)	(1 319)	-	(13)	-	-	(1 986)
<b>Impairment loss at 31.12.2013</b>	-	7 696	46 354	1	30	49 830	-	103 911
<b>Impairment loss at 01.01.2012</b>	-	8 197	10 521	1	1	49 830	-	68 550
Impairment recognised in the statement of profit or loss	-	162	648	-	-	-	-	810
Reversal of impairment recognised in the statement of profit or loss (-)	-	(4 778)	(965)	-	(1)	-	-	(5 744)
<b>Impairment loss at 31.12.2012</b>	-	3 581	10 204	1	-	49 830	-	63 616

In the reporting period, the Company recognised impairment loss on property, plant and equipment of PLN 42 281 thousand (2012: PLN 810 thousand) presented in other operating expenses. The amount consists of impairment loss for property, plant and equipment for Polyoxymethylene Installation (POM) of PLN 38 925 thousand and for other unused property, plant and equipment that will be put into liquidation or physically liquidated in the near future of PLN 3 356 thousand.

Use of impairment loss of property, plant and equipment of PLN 1 986 thousand relates to liquidated or disposed property, plant and equipment for which the impairment loss has been previously recognised.

### Impairment test of the Polyoxymethylene Installation (POM)

The increase in import of POM from the Far East at very low prices and the aggressive pricing policy of the European producers, as well as the increase in manufacturing costs resulting from the increase in prices of basic raw materials used in POM's production (including methanol) resulted in the decrease in margins realised by CGU POM in Plastics Segment. Deteriorating results from operating activities were the indications of impairment.

The POM CGU comprises production line used to manufacture products sold under a common trade name Tarnoform®. POM belongs to high-quality engineering thermoplastics in the form of granules, used in production of articles by injection moulding or extrusion. It is used in the industries such as: automotive, durable goods, electrical engineering, construction, furniture, machines' parts, sports equipment and clothing accessories.

The total impairment loss of PLN 46 069 thousand was allocated to property, plant and equipment in the amount of PLN 38 925 thousand (including buildings and structures of PLN 3 630 thousand, technical devices and machines of PLN 35 265 thousand and other assets of PLN 20 thousand) and to intangible assets (mostly licences) in the amount of PLN 7 144 thousand.

The recoverable amount of the CGU POM was estimated based on its value in use and was determined using the discount rate reflecting real, pre-tax weighted average cost of capital (WACC) of 7.6%.

### Property, plant and equipment under construction

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

	As at 31.12.2013	As at 31.12.2012
Purchase and assembly of new circulating hydrogen compressor for the phenol hydrogenation plant on the PD catalyst	11 550	-
Upgrade of the interior of ammonia synthesis reactors	9 544	-
Adaptation of liquid sulfur unloading station to TDT requirements	4 859	3 471
Adaptation of liquid ammonia loading/unloading stations to TDT requirements	4 483	-
Method for Beckmann rearrangement with reaction heat	4 493	-
Adaptation of caprolactam loading equipment to TDT requirements	4 355	-
Assembly of computerised control system and upgrade of I&C systems at hydroxylamine sulfate plant	3 837	-
Upgrade of control and I&C systems at 5th methane decomposition plant, stage IIIB	3 126	-
Upgrade of fresh steam collector - stages I, II and IIIa	1 936	-
Adaptation of concentrated technical-grade nitric acid loading to TDT requirements	1 857	-
Renovation of building F32	1 785	-
Adaptation of sulfuric acid and oleum handling equipment to TDT requirements	1 653	-
Underwater pelletizing system EUP1500	1 631	-
Replacement of RS-3 system with new DCS-class system at Plinke plant	1 572	-
Upgrade of cells Nos. 4 and 5 in K-11A cooling unit	1 400	-
Intensification of Neutralisation Plant	1 129	-
Revamp of Sulfuric acid plant	-	20 008
Upgrade of DK525 steam turbine	-	18 090

Upgrade of power supply to main feed points	-	16 964
Reconstruction of cargo gate	-	14 006
Adaptation of phenol unloading station	-	6 475
Replacement of Laktam computer control system	-	6 399
Supply of gaseous CO <sub>2</sub> to CO <sub>2</sub> purification and liquefaction plant	-	6 397
Replacement of computer control system at ammonium nitrate plant	-	4 940
Adaptation of cyklohexanol, cyklohexanone, cyklohexane handling equipment	-	4 465
Adaptation of liquid ammonia loading/unloading stations to TDT requirements	-	4 367
Revamp of cooling unit No. 6	-	4 311
Adaptation of loading/unloading station for concentrated technical-grade nitric acid and mixed acids to TDT requirements	-	1 857
Modernisation of oleum storage tank at mixed acids plant	-	1 711
Hydrogen plant	-	120
	<b>59 210</b>	<b>113 581</b>

### Leased assets

	As at 31.12.2013	As at 31.12.2012
Carrying amount of assets leased under finance lease	3 822	5 719
Carrying amount of assets leased under operating lease	52 652	52 652
	<b>56 474</b>	<b>58 371</b>

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

Property, plant and equipment under operating lease relates to the perpetual usufruct right of land that is recognised off-balance sheet.

### Security

As at 31 December 2013, the carrying amount of property, plant and equipment pledged as security for bank loans amounted to PLN 193 376 thousand (31 December 2012: PLN 160 774 thousand).

Liability title / type of security	As at 31.12.2013	As at 31.12.2012
Bank loan/ mortgage	30 542	34 088
Bank loan/ registered pledge	162 834	126 686
	<b>193 376</b>	<b>160 774</b>

### Property, plant and equipment (ownership structure)

	As at 31.12.2013	As at 31.12.2012
Own property, plant and equipment	910 553	806 122
Property, plant and equipment used under lease contracts, including finance leases	3 822	5 719
	<b>914 375</b>	<b>811 841</b>

## Note 10.1 Property, plant and equipment held for sale

	As at 31.12.2013	As at 31.12.2012
Land	125	125
Technical devices and machines	-	222
	<b>125</b>	<b>347</b>

## Note 11 Investment property

	As at 31.12.2013	As at 31.12.2012
Carrying amount at the beginning of the period	14 444	12 622
<b>Additions, including:</b>	<b>2 859</b>	<b>2 963</b>
Acquisition, construction	909	-
Reversal of impairment loss	292	138
Other additions	1 658	2 825
<b>Deductions, including:(-)</b>	<b>(2 149)</b>	<b>(1 141)</b>
Depreciation (-)	(916)	(864)
Disposals, liquidation	(25)	(28)
Impairment loss	(27)	(249)
Other deductions	(1 181)	-
Carrying amount at the end of the period	<b>15 154</b>	<b>14 444</b>

Income from lease of investment properties in 2013 amounted to PLN 4 050 thousand (2012: PLN 3 386 thousand).

## Note 12 Intangible assets

### Carrying amounts

	As at 31.12.2013	As at 31.12.2012* restated
Patents and licences	28 471	22 013
Computer software	5 315	5 815
Development costs	306	329
Other intangible assets	1 732	1 438
	<b>35 824</b>	<b>29 595</b>
Intangible assets under construction	4 546	10 492
	<b>40 370</b>	<b>40 087</b>

\* Financial information restated for changes in CO<sub>2</sub> emission rights accounting as presented in point 2.3 of the notes to the separate financial statements.

As at 31 December 2013, intangible assets mainly comprised licences, including SAP licence of PLN 20 068 thousand (31 December 2012: PLN 10 327 thousand).

The Company does not own any intangible assets with indefinite useful life. Amortisation of intangible assets is generally allocated to administrative expenses. There are no intangible assets for which legal title is restricted or which are used as collateral.

## Carrying amount of intangible assets

	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
Carrying amount at 01.01.2013	22 013	5 815	329	1 438	10 492	40 087
<b>Additions, including:</b>	<b>15 566</b>	<b>22</b>	<b>-</b>	<b>851</b>	<b>10 624</b>	<b>27 063</b>
Additions through purchases, construction, transfer to use	15 566	22	-	851	10 624	27 063
<b>Deductions, including:(-)</b>	<b>(9 108)</b>	<b>(522)</b>	<b>(23)</b>	<b>(557)</b>	<b>(16 570)</b>	<b>(26 780)</b>
Amortisation	(2 408)	(522)	(23)	(113)	-	(3 066)
Transfer to use	-	-	-	-	(15 577)	(15 577)
Impairment loss	(6 700)	-	-	(444)	-	(7 144)
Other deductions	-	-	-	-	(993)	(993)
Carrying amount at 31.12.2013	28 471	5 315	306	1 732	4 546	40 370

	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
Carrying amount at 01.01.2012	14 457	6 321	-	1 545	5 072	27 395
<b>Additions, including:</b>	<b>8 947</b>	<b>13</b>	<b>336</b>	<b>-</b>	<b>14 313</b>	<b>23 609</b>
Additions through purchases, construction, transfer to use	8 947	13	336	-	14 313	23 609
<b>Deductions, including:(-)</b>	<b>(1 391)</b>	<b>(519)</b>	<b>(7)</b>	<b>(107)</b>	<b>(8 893)</b>	<b>(10 917)</b>
Amortisation	(1 391)	(519)	(7)	(107)	-	(2 024)
Transfer to use	-	-	-	-	(8 893)	(8 893)
Carrying amount at 31.12.2012* restated	22 013	5 815	329	1 438	10 492	40 087

\* Financial information restated for changes in CO<sub>2</sub> emission rights accounting as presented in point 2.3 of the notes to the separate financial statements.

### Gross carrying amounts of intangible assets

	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
<b>Balance at 31.12.2013</b>						
Gross carrying amount	50 494	9 421	979	2 501	4 546	67 941
Accumulated amortisation (-)	(15 323)	(4 106)	(673)	(325)	-	(20 427)
Impairment loss (-)	(6 700)	-	-	(444)	-	(7 144)
<b>Carrying amount at 31.12.2013</b>	<b>28 471</b>	<b>5 315</b>	<b>306</b>	<b>1 732</b>	<b>4 546</b>	<b>40 370</b>
<b>Balance at 31.12.2012</b>						
Gross carrying amount	34 928	9 433	1 167	1 652	10 492	57 672
Accumulated amortisation (-)	(12 915)	(3 618)	(838)	(214)	-	(17 585)
<b>Carrying amount at 31.12.2012*</b> restated	<b>22 013</b>	<b>5 815</b>	<b>329</b>	<b>1 438</b>	<b>10 492</b>	<b>40 087</b>

\* Financial information restated for changes in CO<sub>2</sub> emission rights accounting as presented in point 2.3 of the notes to the separate financial statements.

### Impairment losses

	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
<b>Impairment loss at 01.01.2013</b>						
Impairment recognised in the statement of profit or loss	6 700	-	-	444	-	7 144
<b>Impairment loss at 31.12.2013</b>	<b>6 700</b>	<b>-</b>	<b>-</b>	<b>444</b>	<b>-</b>	<b>7 144</b>

The Company recognised impairment loss on intangible assets of PLN 7 144 thousand concerning mainly the impairment of licences used in the POM's production. The details concerning the impairment are presented in Note 10.

## Note 13 Financial assets

### Note 13.1. Investments in subordinated entities

	As at 31.12.2013	As at 31.12.2012
Investments in subsidiaries	3 814 963	993 757
Investments in associates	20	-
	<b>3 814 983</b>	<b>993 757</b>
Thereof:		
Non-current	3 814 983	993 757
	<b>3 814 983</b>	<b>993 757</b>

### Movement in subordinated entities

	As at 31.12.2013	As at 31.12.2012
Carrying amount at the beginning of the period	993 757	993 757
<b>Additions, including:</b>	<b>2 821 226</b>	<b>-</b>
Purchases	2 821 206	-
Reclassifications	20	-
Carrying amount at the end of the period	<b>3 814 983</b>	<b>993 757</b>

Changes in ownership of shares in subordinated entities are related to the acquisition of shares in: Grupa Azoty PUŁAWY and Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki "Siarkopol" S.A. (previously Kopalnie i Zakłady Chemiczne Siarki "Siarkopol" S.A.).

As at 31 December 2013, the carrying amount of investments in subordinated entities pledged as security for loans amounted to PLN 3 065 923 thousand (31 December 2012: PLN 569 250 thousand) and concerned shares in Grupa Azoty PUŁAWY and Grupa Azoty Zakłady Chemiczne "Police" S.A.

## Shares in subordinated entities

Name of the subsidiary	Ownership interest	Country	Carrying amount of shares
<b>31 December 2013</b>			
Grupa Azoty ATT Polymers GmbH	100.00%	Germany	16 057
Grupa Azoty Koltar Sp. z o.o.	100.00%	Poland	31 722
Grupa Azoty Zakłady Azotowe "Puławy" S.A.	95.98%	Poland	2 496 673
Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.	93.48%	Poland	350 090
Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki "Siarkopol" S.A.	85.00%	Poland	324 533
Grupa Azoty Zakłady Chemiczne "Police" S.A.	66.00%	Poland	569 250
Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o.	63.27%	Poland	26 638
			<b>3 814 963</b>
<b>31 December 2012</b>			
Grupa Azoty ATT Polymers GmbH	100.00%	Germany	16 057
Grupa Azoty Koltar Sp. z o.o.	100.00%	Poland	31 722
Grupa Azoty Zakłady Azotowe Kędzierzyn S.A.	93.48%	Poland	350 090
Grupa Azoty Zakłady Chemiczne "Police" S.A.	66.00%	Poland	569 250
Grupa Azoty Polskie Konsorcjum Chemiczne Sp. z o.o.	63.27%	Poland	26 638
			<b>993 757</b>

### Note 13.2 Available-for-sale financial assets

	As at 31.12.2013	As at 31.12.2012
Shares in equity-accounted investees	-	20
Shares in other entities	12 134	282 795
	<b>12 134</b>	<b>282 815</b>
Thereof:		
Non-current	12 134	282 815
	<b>12 134</b>	<b>282 815</b>

### Movement in available-for-sale financial assets

	As at 31.12.2013	As at 31.12.2012
Carrying amount at the beginning of the period	282 815	12 204
<b>Additions, including:</b>	<b>-</b>	<b>270 621</b>
Purchases	-	224 659
Reversal of impairment loss	-	10
Fair value adjustments	-	45 952
<b>Deductions, including: (-)</b>	<b>(270 681)</b>	<b>(10)</b>
Disposal, liquidation	(50)	(10)
Fair value measurement	(18 696)	-
Reclassification to subsidiaries	(251 915)	-
Reclassification to associates	(20)	-
Carrying amount at the end of the period	<b>12 134</b>	<b>282 815</b>

As at 31 December 2013, available-for-sale investments of PLN 0 thousand are subject to the pledge to secure the Company's bank loans (as at 31 December 2012: PLN 270 611 thousand, related to Grupa Azoty PUŁAWY).

### Impairment of investments

	As at 31.12.2013	As at 31.12.2012
Balance at the beginning of the period	16 275	16 285
<b>Reversal of impairment loss, including: (-)</b>	<b>-</b>	<b>(10)</b>
Reversal of impairment loss in other entities	-	(10)
<b>Recognition of impairment loss</b>	<b>-</b>	<b>-</b>
Balance at the end of the period	<b>16 275</b>	<b>16 275</b>

### Note 13.3 Other financial assets

	As at 31.12.2013	As at 31.12.2012
Financial instruments at fair value through profit or loss	501	410
Loans	5 148	9 880
Other	-	18 500
	<b>5 649</b>	<b>28 790</b>
Thereof:		
Non-current	-	4 940
Current	5 649	23 850
	<b>5 649</b>	<b>28 790</b>

The amount of PLN 5 148 thousand (31 December 2012: PLN 9 880 thousand) concerns the loan granted to ATT Polymers on 7 January 2010 in the amount of EUR 6 million (PLN 24 086 thousand), which is repaid monthly in the amount of EUR 103 thousand, with the final instalment on 31 December 2014.

### Note 14 Other assets

	As at 31.12.2013	As at 31.12.2012
Insurance	3 944	6 191
Subscriptions	162	126
Share issue related costs	-	1 916
Development costs	1 180	-
Advertising	153	2
Other, including:	862	5 481
Equity investments	-	4 343
Other	862	1 138
	<b>6 301</b>	<b>13 716</b>
Thereof:		
Non-current	690	690
Current	5 611	13 026
	<b>6 301</b>	<b>13 716</b>

## Note 15 Inventories

	As at 31.12.2013	As at 31.12.2012* restated
Finished goods	99 957	101 482
Semi-finished products, work in progress	25 243	14 833
Raw materials	82 651	84 870
Emission units, including ERU	27	12 051
Certificates of origin of energy	111	956
CO <sub>2</sub> emission rights	27 401	47 448
Advances paid	1 359	2 266
<b>Total inventory, including:</b>	<b>236 749</b>	<b>263 906</b>
<i>Carrying amount of inventories at net realisable value</i>	<i>15 811</i>	<i>27 968</i>
<i>Carrying amount of inventories securing liabilities</i>	<i>95 768</i>	<i>104 135</i>

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012* restated
Raw materials and energy used	1 235 466	1 252 878
Change in inventories of finished goods and work in progress (+/-)	(4 264)	(46 205)
<b>Amount of inventories included in cost of sales in the period</b>	<b>1 231 202</b>	<b>1 206 673</b>

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012* restated
Write-downs recognised as an expense in the period	14 551	9 109
Write-downs used/reversed in the period	(10 413)	(7 531)
	<b>4 138</b>	<b>1 578</b>

  

	As at 31.12.2013	As at 31.12.2012* restated
Inventories write-downs	10 465	6 328

\* Information restated for changes in CO<sub>2</sub> emission rights accounting as presented in point 2.3 of the notes to the separate financial statements.

Inventories write downs recognised in 2013 relate to finished goods, semi-finished products and raw materials for with cost exceeds net realisable value or which are held on stock more than one year. Changes in write downs resulted from sale, use or liquidation of particular items and are included in the statement of profit or loss as cost of sales.

## Nota 15.1 CO<sub>2</sub> emission rights

CO <sub>2</sub> emission rights owned	2013	2012
<b>Balance at the beginning of the period (units owned)</b>	<b>1 522 861</b>	<b>1 198 697</b>
Redeemed	(706 609)	(689 031)
Allocated	-	853 195
Acquired	143 256	160 000
<b>Balance at the end of the period (units owned)</b>	<b>959 508</b>	<b>1 522 861</b>
Recognised as receivable	659 374	-
<b>Balance at the end of the period (units owned and recognised as receivable)</b>	<b>1 618 882</b>	<b>1 522 861</b>
Emission in the reporting period	1 340 309	706 609

Until the date of preparation of the financial statements, the Company and other companies in Poland did not receive the allocation of free-of-charge CO<sub>2</sub> emission rights for 2013. The Company expects to receive 659 374 free-of-charge emission rights based on the already published allocation projects. In accordance with the accounting policy, the Company recognised the respective receivable as at 31 December 2013 of PLN 13 521 thousand (31 December 2012: PLN 0 thousand) which was presented in other receivables.

## Note 16 Trade and other receivables

	As at 31.12.2013	As at 31.12.2012
Trade receivables - related parties	79 174	60 767
Trade receivables - other parties	70 837	88 579
Tax receivables other than current tax assets	62 655	70 293
Advances paid - related parties	-	71
Advances paid - other parties	646	91
Other receivables - other parties	13 802	211
	<b>227 114</b>	<b>220 012</b>
Thereof:		
Non-current	-	-
Current	227 114	220 012
	<b>227 114</b>	<b>220 012</b>

Due to lack of the final allocation of the free of charge emission rights for 2013 and lack of registration of such emission rights in the register, the Company recognised as other receivables a government grant concerning free of charge CO<sub>2</sub> emission rights of PLN 13 521 thousand.

## Impairment losses

	As at 31.12.2013	As at 31.12.2012
Balance at the beginning of the period	6 480	6 846
<b>Additions, including:</b>	<b>454</b>	<b>635</b>
Impairment loss on trade receivables - other parties	454	635
<b>Deductions, including: (-)</b>	<b>(1 162)</b>	<b>(1 001)</b>
Trade receivables written off - other parties	(466)	(122)
Trade receivables impairment loss reversed - other parties	(696)	(879)
<b>Balance at the end of the period</b>	<b>5 772</b>	<b>6 480</b>
Thereof:		
Non-current	-	-
Current	5 772	6 480
	<b>5 772</b>	<b>6 480</b>

## Trade receivables ageing structure

	As at 31.12.2013	As at 31.12.2012
Not past due	141 776	133 211
Past due to 60 days	8 030	15 855
Past due 60-180 days	173	186
Past due 180-360 days	32	39
Past due more than 360 days	-	55
	<b>150 011</b>	<b>149 346</b>

## Impaired trade receivables ageing structure

	As at 31.12.2013	As at 31.12.2012
Not past due	114	418
Past due to 60 days	38	57
Past due 60-180 days	135	89
Past due 180-360 days	103	231
Past due more than 360 days	5 382	5 685
	<b>5 772</b>	<b>6 480</b>

## Receivables currency structure

	As at 31.12.2013	As at 31.12.2012
PLN	113 062	118 058
EUR translated to PLN	107 444	94 053
USD translated to PLN	6 608	7 901
	<b>227 114</b>	<b>220 012</b>
Thereof:		
Non-current	-	-
Current	227 114	220 012
	<b>227 114</b>	<b>220 012</b>

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

Both trade and tax receivables do not bear interest.

As at 31 December 2013, receivables of PLN 65 965 thousand (31 December 2012: PLN 45 977 thousand) secured the Company's receivables discounting.

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

## Note 17 Cash and cash equivalents

	As at 31.12.2013	As at 31.12.2012
Cash in hand	8	11
Bank balances in PLN	2 556	8 122
Bank balances in foreign currencies (recalculated to PLN)	3 386	30 049
Bank deposits - up to 3 months	399	28 810
	<b>6 349</b>	<b>66 992</b>
<b>Cash and cash equivalents in the statement of financial position</b>	<b>6 349</b>	<b>66 992</b>
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>6 349</b>	<b>66 992</b>

As at 31 December 2013 and 31 December 2012 there was no restricted cash.

The Company established financial and registered pledge on certain bank accounts in PKO BP SA and Dom Maklerski PKO BP SA to secure bank loans. As at 31 December 2013, the total value of cash in these accounts amounted to PLN 13 thousand (31 December 2012: PLN 18 553).

## Note 18 Capital and reserves

### Note 18.1 Share capital

#### Value of share capital

	As at 31.12.2013	As at 31.12.2012
Value of share capital	120 000	120 000
Nominal value of series B shares	75 582	75 582
Nominal value of series C shares	124 995	124 995
Nominal value of series D shares	175 400	-
	<b>495 977</b>	<b>320 577</b>

#### Number of shares

	As at 31.12.2013	As at 31.12.2012
Number of shares at the beginning of the period	64 115 444	64 115 444
Share issue	35 080 040	-
Number of shares at the end of the period	<b>99 195 484</b>	<b>64 115 444</b>
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.

#### Issue of shares

On 16 January 2013, the Company issued 35 080 040 of series D shares with a nominal value PLN 5 per share due to the acquisition of Grupa Azoty PUŁAWY. The shares were issued to the existing shareholders of Grupa Azoty PUŁAWY, who subscribed for the Company shares by 11 January 2013. As a result of the share issue, the Company's share capital increased by PLN 175 400 thousand to PLN 495 977 thousand.

The share issue was registered in the National Court Register on 22 January 2013.

#### Limitation in voting rights

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

## Share capital structure

Shareholder	Number of shares	% of share capital	Number of votes	% of votes
<b>31 December 2013</b>				
State Treasury	32 734 509	33.00%	32 734 509	33.00%
ING Pension Fund	9 883 323	9.96%	9 883 323	9.96%
Aviva Pension Fund, Aviva BZ WBK	7 800 000	7.86%	7 800 000	7.86%
Norica Holding S.à.r.l. with Cliffstone Holdings Limited	15 216 094	15.34%	15 216 094	15.34%
European Bank for Reconstruction and Development	5 700 000	5.75%	5 700 000	5.75%
Towarzystwo Funduszy Inwestycyjnych PZU S.A.	8 689 591	8.76%	8 689 591	8.76%
Other	19 171 967	19.33%	19 171 967	19.33%
	<b>99 195 484</b>	<b>100.00%</b>	<b>99 195 484</b>	<b>100.00%</b>
<b>31 December 2012</b>				
State Treasury	20 549 000	32.05%	20 549 000	32.05%
ING Pension Fund	9 250 000	14.43%	9 250 000	14.43%
Norcia Holding S.a.f.l with Agroberry Ventures Limited	8 481 287	13.23%	8 481 287	13.23%
Aviva Pension Fund, AVIVA BZ WBK	6 397 643	9.98%	6 397 643	9.98%
PZU "Złota Jesień" Pension Fund	3 270 585	5.10%	3 270 585	5.10%
Other	16 166 929	25.21%	16 166 929	25.21%
	<b>64 115 444</b>	<b>100.00%</b>	<b>64 115 444</b>	<b>100.00%</b>
<b>12 March 2014</b>				
State Treasury	32 734 509	33.00%	32 734 509	33.00%
ING Pension Fund	9 883 323	9.96%	9 883 323	9.96%
Aviva Pension Fund, Aviva BZ WBK	7 800 000	7.86%	7 800 000	7.86%
Norica Holding S.à.r.l. with Cliffstone Holdings Limited	15 216 094	15.34%	15 216 094	15.34%
European Bank for Reconstruction and Development	5 700 000	5.75%	5 700 000	5.75%
Towarzystwo Funduszy Inwestycyjnych PZU S.A.	8 689 591	8.76%	8 689 591	8.76%
Other	19 171 967	19.33%	19 171 967	19.33%
	<b>99 195 484</b>	<b>100.00%</b>	<b>99 195 484</b>	<b>100.00%</b>

## Note 18.2 Share premium

	As at 31.12.2013	As at 31.12.2012
Share issue	2 445 409	696 669
Share issue costs (-)	(30 713)	(19 555)
Tax	3 574	3 574
	<b>2 418 270</b>	<b>680 688</b>

As a result of the issue of series D shares presented in Note 18.1, the share premium increased by PLN 1 737 582 thousand (after share issue costs). The share issue costs amounted to PLN 11 158 thousand.

### Note 18.3 Fair value reserve

	As at 31.12.2013	As at 31.12.2012
Revaluation of available-for-sale financial assets	-	45 952
Income tax (-/+)	-	(8 731)
<b>Balance at the end of the period</b>	<b>-</b>	<b>37 221</b>

Fair value reserve as at 31 December 2012 related to the fair value adjustment on 10.3% of shares in Grupa Azoty PUŁAWY.

### Nota 18.4 Dividends

In 2013, the Company paid a dividend of PLN 148 793 thousand, i.e. PLN 1.50 per share. In 2012, the Company did not pay dividends.

### Note 19 Loans

	As at 31.12.2013	As at 31.12.2012
Bank credits	520 107	135 749
Loans	396 603	80 466
	<b>916 710</b>	<b>216 215</b>
Thereof:		
Non-current	513 827	172 473
Current	402 883	43 742
	<b>916 710</b>	<b>216 215</b>

Increase in loans in 2013 resulted directly from the financing of consolidation and acquisition processes, including the acquisition of shares in Grupa Azoty PUŁAWY and Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki „Siarkopol” S.A. within the tranches of Joint Financing Agreement signed with PKO BP and PZU Życie (the resulting debt as at 31 December 2013 amounted to PLN 615 646 thousand and as at 31 December 2012 amounted to PLN 162 366 thousand) and additionally from the renewable loans drawn from other Grupa Azoty companies (details presented in Note 28).

### Loans maturities

#### 31 December 2013

Currency	Reference rate	Value at the reporting date		Less than 1 year	1-2 year(s)	2-5 years
		in original currency	in PLN			
PLN	variable	886 661	886 661	391 450	161 867	333 344
EUR	variable	2 839	11 755	6 795	1 651	3 309
USD	variable	6 090	18 294	4 638	4 644	9 012
			<b>916 710</b>	<b>402 883</b>	<b>168 162</b>	<b>345 665</b>

### 31 December 2012

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	173 461	173 461	31 969	33 936	104 418	3 138
EUR	variable	4 466	18 681	6 865	6 802	5 014	-
USD	variable	7 600	24 073	4 908	4 752	14 413	-
			<b>216 215</b>	<b>43 742</b>	<b>45 490</b>	<b>123 845</b>	<b>3 138</b>

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

### Security granted on credits and loans

The security granted on credits and loans is presented in Note 10 (Property, plant and equipment), 13.1 (Investments in subordinated entities), 13.2 (Available-for-sale investments), 15 (Inventories) and 17 (Cash).

### Note 20 Employee benefits

	As at 31.12.2013	As at 31.12.2012
Liability for pension benefits	13 762	11 004
Liability for jubilee benefits	23 289	23 422
Liability for Social Fund benefits for pensioners	3 008	2 823
Other liabilities	4 183	3 688
	<b>44 242</b>	<b>40 937</b>
Thereof:		
Non-current	41 873	38 409
Current	2 369	2 528
	<b>44 242</b>	<b>40 937</b>

### Changes in defined benefit obligation

	As at 31.12.2013	As at 31.12.2012
<b>Balance at the beginning of the period</b>	<b>17 515</b>	<b>14 236</b>
Current service costs (+)	549	430
Interest costs (+)	699	683
Remeasurement of defined benefit plan liabilities, resulting from:		
- changes in demographic estimates (+/-)	2 888	2 591
- changes in financial assumptions (+/-)	992	2 086
- changes in financial assumptions (+/-)	1 896	505
Benefits paid (-)	(698)	(425)
<b>Balance at the end of the period</b>	<b>20 953</b>	<b>17 515</b>

### Changes in other long-term benefit obligation

	As at 31.12.2013	As at 31.12.2012
<b>Balance at the beginning of the period</b>	<b>23 422</b>	<b>21 115</b>
Current service costs (+)	827	779
Interest costs (+)	883	1 143
Actuarial gains or losses recognised in profit or loss for the period (+/-)	276	2 279
Benefits paid (-)	(2 119)	(1 895)
<b>Balance at the end of the period</b>	<b>23 289</b>	<b>23 422</b>

### Actuarial assumptions

	As at 31.12.2013	As at 31.12.2012
Discount rate %	4.5%	4.12%
Future minimum wage increases	4.0%	2.5%
Future average salary increases	3.0%	2.5%
Inflation	2.5%	2.5%

### Note 21 Provisions

	As at 31.12.2013	As at 31.12.2012* restated
Provision for legal claims	398	198
Provision for environment protection, including site restoration	16 913	15 786
Provision for mercury electrolysis demolition	6 870	7 523
Provision for bonuses, discounts	-	2 060
Provision for CO <sub>2</sub> emission rights	33 014	22 016
Other provisions, including:	5 731	9 372
Provision for property ordering	5 206	6 070
Provision for demolition	525	3 302
	<b>62 926</b>	<b>56 955</b>
Thereof:		
Non-current	22 781	22 324
Current	40 145	34 631
	<b>62 926</b>	<b>56 955</b>

\* Financial information restated for changes in CO<sub>2</sub> emission rights accounting as presented in point 2.3 of the notes to the separate financial statements.

### Restoration of chemically contaminated land

Due to the contamination of the Company's land with chemicals (mainly by mercury), which was identified based on the examination performed, the Company recognised a provision for site restoration.

When preparing the estimate of the provision for restoration of chemically contaminated land it was assumed that the works would be performed in years 2014-2028.

Present value of the provision was calculated using a real, risk-free discount rate of 2.5% (2012: 2.5%). The present value of the provision as at 31 December 2013 amounted to PLN 12 889 thousand (31 December 2012: PLN 11 685 thousand).

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.

In 2013, the Company made no spending related to the restoration of contaminated land.

#### **Treatment of buildings contaminated by mercury**

Due to the contamination of two buildings within the electrolysis plant by mercury, which was identified based on the examination performed, the Company recognised a provision for costs of reducing the content of mercury in the buildings walls.

When preparing the estimate of the provision for treatment of the buildings contaminated by mercury it was assumed that the works would be performed in years 2014-2022. Present value of the provision was calculated using the real, risk-free discount rate of 2.5% (2012: 2.5%). Present value of the provision as at 31 December 2013 amounted to PLN 2 481 thousand and remained unchanged comparing to the prior reporting period.

The value of provision 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.

In 2013, the Company made no spending related to the restoration of the contaminated buildings.

#### **Removal of materials containing asbestos**

According to the Regulation of the Minister of Economy, Labour and Social Policy, the Company is required to remove and neutralise any materials containing asbestos before 31 December 2032. Due to the obligation, the Company estimated the value of the provision for demolition costs concerning objects containing asbestos and costs of transfer of all waste from demolition to the landfill. The present value of the provision amounted to PLN 1 543 thousand as at 31 December 2013 (31 December 2012: PLN 1 620 thousand). Present value of the provision was calculated using a real, risk-free discount rate of 2.5% (2012: 2.5%). The provision was estimated taking into consideration the number of objects built with the use of materials containing asbestos and the difficulty involved in disassembling the objects.

In 2013, the Company changed its previous estimates regarding the expected period of removing the materials containing asbestos. Following the change in estimates, the value of provision decreased by PLN 77 thousand.

In 2013, spending related to liquidation of asbestos amounted to PLN 194 thousand.

#### **Provision for liquidation of Mercury Electrolysis Plant**

In connection with the decision to liquidate building of Mercury Electrolysis Plant the provision for liquidation costs was recognised.

The provision for costs of liquidation of Mercury Electrolysis Plant was estimated based on the assumption that restoration will be completed to year 2026.

As at 31 December 2013, the value of provision, discounted using a real, risk-free rate of 2.5%, amounted to PLN 6 870 thousand (as at 31 December 2012: PLN 7 523 thousand).

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

In 2013, spending related to abovementioned liquidation amounted to PLN 667 thousand.

#### **Provision for bonuses and discounts**

The change in provision in 2013 resulted from:

- decrease of provision in the amount of PLN 13 112 thousand, including use of provision of PLN 11 117 thousand and reversal of PLN 1 995 thousand,
- increase (recognition) of provision in the amount of PLN 11 052 thousand.

Both the increase and the decrease of provision are presented in the statement of profit or loss as "Revenue".

Due to the changes in the sales contracts concerning discounts, since 2013 the Company recognises the discounts as deferred revenue and presents them as deferred income.

#### **Provision for CO<sub>2</sub> emission rights**

The provision is recognised for the obligation arising from the emission of pollutants and is measured as a product of the amount of rights required to be redeemed to settle the obligation and the unit cost of rights held by the Company and recognised as receivable at the reporting date. The unit cost of rights required to settle the estimated emission is determined based on the weighted average principle. The information about the number of emission rights owned or recognised as receivable is presented in Note 15.1. The Company is obliged to redeem the appropriate amount of emission rights by the end of April of the subsequent year.

There is a risk that the Company will not receive the allocation of the free-of-charge CO<sub>2</sub> emission rights before 30 April 2014 when the deadline for redemption of rights for 2013 passes. In that case the Company will have to additionally acquire and redeem approximately 380 thousand of emission rights of PLN 7.4 million at the reporting date. The emission rights allocated free-of-charge for 2013 would then be used to redeem for subsequent years emissions.

#### **Other provisions**

##### **Provision for demolition other than Mercury Electrolysis Plant**

In December 2010, the Company prepared a plan for demolition of buildings, structures and installations which are not used in business operation. The plan covers the years 2011-2015. The provision at the reporting date amounts to PLN 525 thousand (31 December 2012: PLN 3 302 thousand).

In 2013, the Company incurred expenses concerning the demolition of properties other than liquidated building of Mercury Electrolysis Plant in the amount of PLN 3 265 thousand.

## Changes in provisions

	Provision for legal claims	Provision for environment protection, including site restoration	Provisions for mercury electrolysis demolition	Provisions for bonuses, discounts	Provision for CO <sub>2</sub> emission rights	Other provisions	Total
Balance at 01.01.2013 (restated)	198	15 786	7 523	2 060	22 016	9 372	56 955
<b>Additions, including:</b>	<b>200</b>	<b>1 127</b>	<b>-</b>	<b>11 052</b>	<b>10 998</b>	<b>937</b>	<b>24 314</b>
Recognised	200	1 127	-	11 052	10 998	937	24 314
<b>Deductions, including: (-)</b>	<b>-</b>	<b>-</b>	<b>(653)</b>	<b>(13 112)</b>	<b>-</b>	<b>(4 578)</b>	<b>(18 343)</b>
Used	-	-	(653)	(11 117)	-	(2 934)	(14 704)
Reversed	-	-	-	(1 995)	-	(1 644)	(3 639)
<b>Balance at 31.12.2013</b>	<b>398</b>	<b>16 913</b>	<b>6 870</b>	<b>-</b>	<b>33 014</b>	<b>5 731</b>	<b>62 926</b>

	Provision for legal claims	Provision for environment protection, including site restoration	Provisions for mercury electrolysis demolition	Provisions for bonuses, discounts	Provision for CO <sub>2</sub> emission rights	Other provisions	Total
Balance at 01.01.2012 (restated)	198	14 250	7 820	311	20 999	18 901	62 479
<b>Additions, including:</b>	<b>-</b>	<b>1 766</b>	<b>1 159</b>	<b>4 914</b>	<b>22 016</b>	<b>1 542</b>	<b>31 397</b>
Recognised	-	1 766	1 159	4 914	22 016	1 542	31 397
<b>Deductions, including: (-)</b>	<b>-</b>	<b>(230)</b>	<b>(1 456)</b>	<b>(3 165)</b>	<b>(20 999)</b>	<b>(11 071)</b>	<b>(36 921)</b>
Used	-	(230)	(1 456)	(3 165)	(20 999)	(8 494)	(13 345)
Reversed	-	-	-	-	-	(2 577)	(2 577)
<b>Balance at 31.12.2012 (restated)</b>	<b>198</b>	<b>15 786</b>	<b>7 523</b>	<b>2 060</b>	<b>22 016</b>	<b>9 372</b>	<b>56 955</b>

## Note 22 Grants

	As at 31.12.2013	As at 31.12.2012* restated
Government grants	3 614	3 765
EU grants	19	12
Other grants	363	16 221
	<b>3 996</b>	<b>19 998</b>
Thereof:		
Non-current	3 463	3 614
Current	533	16 384
	<b>3 996</b>	<b>19 998</b>

\* Financial information restated for changes in CO2 emission rights accounting as presented in point 2.3 of the notes to the separate financial statements.

In 2012, the Company completed the project “The economic use of ashes in Zakłady Azotowe w Tarnowie-Mościcach S.A.”, in the Activity 4.2., Priority IV of the Operational Program Infrastructure and Environment 2007-2013. The purpose of the contract is financing, from the European funds, of the abovementioned project for which the maximum amount of qualified investment expenditures amounts to PLN 15 294 thousand. The total amount of the financing received amounted to PLN 3 854 thousand and is settled over the useful life of the corresponding assets. In 2013, the Company received PLN 358 thousand as a co-financing of modernisation of cold water pump station at the Ammonia Department, aimed at improving energy efficiency.

As at 31 December 2012, the Company presented grants relating to the free-of-charge CO2 emission rights received in the preceding years of PLN 16 221 thousand. The grant was settled in 2013 because the rights received will be redeemed to cover 2013 emission.

## Note 23 Trade and other payables

	As at 31.12.2013	As at 31.12.2012
Trade payables - related parties	65 968	36 005
Trade payables - other parties	110 591	122 219
Tax payables other than current tax liabilities	24 912	23 908
Payroll liabilities	6 149	5 895
Payables relating to capital expenditure - related parties	12 328	13 183
Payables relating to capital expenditure - other parties	8 511	16 924
Advances received - related parties	93	1 836
Advances received - other parties	266	3 404
Accrual for annual bonus	10 461	14 826
Accrual for unused holiday	3 645	4 170
Accrual for motivation bonus	897	897
Accrual for cost of sales of licences	2 036	2 076
Accrual for renewable energy	99	282
Accrual for uninvoiced expenses	520	2 621
Accrual for other employee costs	1 973	-
Accrual for other expenses	1 844	-
Other payables - related parties	1 420	-
Other payables - other parties	5 464	7 171
	<b>257 177</b>	<b>255 417</b>
Thereof:		
Non-current		-
Current	257 177	255 417
	<b>257 177</b>	<b>255 417</b>

### Trade payables ageing structure

	As at 31.12.2013	As at 31.12.2012
Not past due	164 548	156 177
Past due to 60 days	12 005	2 021
Past due 60-180 days	2	6
Past due 180-360 days	1	3
Past due more than 360 days	3	17
	<b>176 559</b>	<b>158 224</b>

### Payables currency structure

	As at 31.12.2013	As at 31.12.2012
PLN	190 808	203 029
EUR translated to PLN	65 601	46 713
USD translated to PLN	454	4 054
Other	314	1 621
	<b>257 177</b>	<b>255 417</b>

## Note 24 Other financial liabilities

	As at 31.12.2013	As at 31.12.2012
Finance lease liabilities	2 220	3 806
Financial instruments at fair value through profit or loss	-	9 701
Factoring liabilities	65 965	45 977
Other financial liabilities	1 639	-
	<b>69 824</b>	<b>59 484</b>
Thereof:		
Non-current	1 842	1 314
Current	67 982	58 170
	<b>69 824</b>	<b>59 484</b>

### Finance lease liabilities repayment schedule

	Future minimum lease payments	Interest	Principal
<i>31 December 2013</i>			
Up to 1 year	2 177	161	2 016
1 to 3 years	220	16	204
3 to 5 years	-	-	-
Over 5 years	-	-	-
	<b>2 397</b>	<b>177</b>	<b>2 220</b>

	Future minimum lease payments	Interest	Principal
<i>31 December 2012</i>			
Up to 1 year	2 725	233	2 492
1 to 3 years	1 361	97	1 264
3 to 5 years	51	1	50
Over 5 years	1	1	-
	<b>4 138</b>	<b>332</b>	<b>3 806</b>

## Note 25 Deferred income

	As at 31.12.2013	As at 31.12.2012
Discounts awarded	3 662	-
Other	7	-
	<b>3 669</b>	<b>-</b>
Thereof:		
Current	3 669	-
	<b>3 669</b>	<b>-</b>

The discounts awarded concern price discounts granted to customers for meeting the target purchase volumes, to be redeemed in the first and the second quarters of 2014. The estimate was made for customers who met the programme conditions, based on the expected sales volume of fertilizers to those customers and rebate rates resulting from the trade contracts.

Both the recognition and the use of “discounts awarded” is presented in the statement of profit or loss as “Revenue”.

## Note 26 Financial instruments

### Note 26.1 Capital management

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

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

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

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

## Note 26.2 Categories of financial instruments

### Classification of financial instruments

#### Financial assets

	As at 31.12.2013	As at 31.12.2012
At fair value through profit or loss	501	410
Loans and receivables	155 440	159 437
Cash and cash equivalents	6 349	66 992
Available-for-sale financial assets	12 134	301 315
	<b>174 424</b>	<b>528 154</b>
<b>Recognised in the statement of financial position as:</b>		
Available-for-sale financial assets	12 134	282 815
Trade and other receivables	150 292	149 557
Cash and cash equivalents	6 349	66 992
Other financial assets	5 649	28 790
	<b>174 424</b>	<b>528 154</b>

#### Financial liabilities

	As at 31.12.2013	As at 31.12.2012
At fair value through profit or loss	-	9 701
At amortised cost	1 196 965	467 395
	<b>1 196 965</b>	<b>477 096</b>
<b>Recognised in the statement of financial position as:</b>		
Non-current loans	513 827	172 473
Current loans	402 883	43 742
Trade and other payables	210 431	201 397
Other financial liabilities	69 824	59 484
	<b>1 196 965</b>	<b>477 096</b>

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

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
<b>Financial assets</b>		
At fair value through profit or loss	91	1 221
Loans and receivables	171	40
Available-for-sale financial assets	13	18 537
<b>Financial liabilities</b>		
At fair value through profit or loss	365	-
At amortised cost	(89)	(5 126)
	<b>551</b>	<b>14 672</b>

The table above does not present gains or losses on interest and foreign exchange differences.

Additionally we inform that:

- there were no financial assets presented in the statement of financial position as at 31 December 2013 and 31 December 2012 for which the terms and conditions were renegotiated,
- except for the impairment losses on receivables presented in Note 16, the Company did not recognise other impairment losses,
- no reclassifications of financial assets resulting from their maturities at the reporting dates occurred in 2013 and 2012,
- no instruments containing both a liability and an equity component as well as containing embedded derivatives were issued in 2013 and 2012,
- in 2013 and 2012 the Company did not seize any collaterals.

## Note 26.3 Financial risk management

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

### Note 26.3.1 Credit risk

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

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

	As at 31.12.2013	As at 31.12.2012
Assets at fair value through profit or loss	501	410
Loans and receivables	150 440	159 437
Cash and cash equivalents	6 349	66 992
Available-for-sale financial assets	-	18 500
	<b>162 290</b>	<b>245 339</b>

#### Trade receivables

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

	As at 31.12.2013	As at 31.12.2012
Fertilisers-Agro Segment	31 427	34 609
Plastics Segment	113 244	108 124
Energy Segment	3 202	3 692
Other Activities Segment	2 138	2 921
	<b>150 011</b>	<b>149 346</b>

47.2% of trade receivables are trade receivables from third parties. 83.7% of the trade receivables from third parties are insured under trade credit insurance policies issued by Korporacja Ubezpieczeń Kredytów Eksportowych S.A. It limits the credit risk exposure to the level of the Company's own contribution (5-10% 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 Company receives the

compensation payment amounting to 90-95% of insured receivable value. Additionally, 5.1% of trade receivables from third parties are secured by guarantees, letters of credit or sureties.

Trade receivables from related parties, accounting for 41% of total trade receivables, are not insured.

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

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

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

Approximately 73.6% (31 December 2012: 65.9%) of the balance concerns the receivables from foreign customers, the remaining 26.4% (31 December 2012: 34.1%) relates to the domestic customers. The Company's revenue concentrates in two main segments reflecting the Company's business profile. The most significant portion of the Company's trade receivables relate to Plastics Segment - 75.5% (31 December 2012: 72.4%) of total trade receivables. In this Segment the foreign customers prevail, to which sales are made on deferred payment terms within insured credit limits. Another significant group of the Company's trade receivables relate to Fertilizers-Agro Segment - 20.9% (31 December 2012: 23.2%) of total trade receivables. In this Segment domestic customers are dominant. Sales to these customers is made on prepaid basis and in case of customers with sufficient credit rating based on trade credit within the insured credit limits.

#### Not impaired overdue trade receivables

	As at 31.12.2013	As at 31.12.2012
Overdue to 60 days	8 030	15 855
Overdue 60 - 180 days	173	186
Overdue 180 - 360 days	32	39
Overdue more than 360 days	-	55
	<b>8 235</b>	<b>16 135</b>

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

#### Cash and bank deposits

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

### Note 26.3.2 Liquidity risk

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

The Company incurred loans and credits that contain loan covenants. A future breach of these covenants may require the Company to repay the loans and credits earlier than indicated in the table below. In 2013 and 2012, 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.

**31 December 2013**

	<b>Contractual cash flows</b>			
	<b>Carrying amount</b>	<b>Total</b>	<b>up to 1 year</b>	<b>1 to 5 years</b>
At amortised cost, including:	1 196 965	1 263 980	709 515	554 465
loans and credits	916 710	983 548	430 942*	552 606
finance lease	2 220	2 397	2 177	220
factoring and receivables discounting	65 965	65 965	65 965	-
other financial liabilities	1 639	1 639	-	1 639
other liabilities	210 431	210 431	210 431	-
	<b>1 196 965</b>	<b>1 263 980</b>	<b>709 515</b>	<b>554 465</b>

\* - the amount of PLN 430 942 thousand includes bank overdrafts of PLN 115 707 thousand and renewable loans of PLN 90 000 thousand, for which the final repayment date is in 2014-2017. These balances were classified as current as the Company expects that these liabilities will be settled in the normal operating cycle.

**31 December 2012**

	<b>Contractual cash flows</b>			
	<b>Carrying amount</b>	<b>Total</b>	<b>up to 1 year</b>	<b>1 to 5 years</b>
At fair value through profit or loss	9 701	9 701	9 701	-
At amortised cost, including:	467 395	505 153	308 125	197 028
loans and credits	216 215	253 641	58 026	195 615
finance lease	3 806	4 138	2 725	1 413
factoring and receivables discounting	45 977	45 977	45 977	-
other liabilities	201 397	201 397	201 397	-
	<b>477 096</b>	<b>514 854</b>	<b>317 826</b>	<b>197 028</b>

### Note 26.3.3 Market risk

#### Interest rate risk

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

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

	Carrying amount as at 31.12.2013	Carrying amount as at 31.12.2012
<b>Variable rate instruments</b>		
Financial assets	11 489	76 861
Financial liabilities(-)	(986 534)	(265 998)
	<b>(975 045)</b>	<b>(189 137)</b>

The activities aimed to reduce the interest rate risk include ongoing monitoring of the financial situation in the money market. The Company's cash surpluses in 2013 were mostly used in the virtual cash-pooling facility, with the interest rate of 1M WIBOR, and the remaining part was 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 previously expected decrease in domestic market interest rates (WIBID and WIBOR) was observed in the first half of 2013, followed by the stabilisation in the second half of 2013, after the cycle of interest rate reductions announced by the Monetary Policy Council was ended. It positively impacted the interest rates on the Company's credits and loans in 2013, reducing the increase in interest costs which would result from the overall increase of financial liabilities.

The interest received on bank deposits proportionally reflected the average variable interest rates on financial liabilities.

The Company has analysed the sensitivity of the variable interest-bearing financial instruments to the changes in the market interest rates. The following table presents the impact a change in the interest rates by 100 basis points would have on profit or loss and equity. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

#### Sensitivity analysis: (+/-)

	Profit or loss		Other comprehensive income	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2013	(9 750)	9 750	-	-
31 December 2012	(1 891)	1 891	-	-

#### Currency risk

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

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

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

**Exposure to currency risk:**

<b>31 December 2013</b>	<b>EUR</b>	<b>USD</b>	<b>CHF</b>	<b>GBP</b>
Trade and other receivables	26 144	2 162	-	-
Cash and cash equivalents in foreign currencies	809	142	-	-
Trade and other payables (-)	(15 809)	(150)	(74)	(13)
Loans and borrowings (-)	(2 839)	(6 090)	-	-
Lease, factoring and discounting liabilities (-)	(15 906)	-	-	-
Forward contracts (-)	(5 500)	-	-	-
<b>Total in currency</b>	<b>(13 101)</b>	<b>(3 936)</b>	<b>(74)</b>	<b>(13)</b>
The impact of foreign currency increase by 5% on profit or loss (in PLN thousand)	(2 717)	(593)	(13)	(3)
The impact of foreign currency decrease by 5% on profit or loss (in PLN thousand)	2 717	593	13	3
The impact of foreign currency increase by 5% on other comprehensive income (in PLN thousand)	-	-	-	-
The impact of foreign currency decrease by 5% on other comprehensive income (in PLN thousand)	-	-	-	-
<b>31 December 2012</b>	<b>EUR</b>	<b>USD</b>	<b>CHF</b>	<b>GBP</b>
Trade and other receivables	23 328	2 618	-	-
Cash and cash equivalents in foreign currencies	6 374	5 565	-	-
Trade and other payables (-)	(11 207)	(1 318)	(460)	(4)
Loans and borrowings (-)	(4 480)	(7 637)	-	-
Lease, factoring and discounting liabilities (-)	(11 246)	-	-	-
Forward contracts (-)	(4 000)	-	-	-
<b>Total in currency</b>	<b>(1 231)</b>	<b>(772)</b>	<b>(460)</b>	<b>(4)</b>
The impact of foreign currency increase by 5% on profit or loss (in PLN thousand)	(252)	(120)	(78)	(1)
The impact of foreign currency decrease by 5% on profit or loss (in PLN thousand)	252	120	78	1
The impact of foreign currency increase by 5% on other comprehensive income (in PLN thousand)	-	-	-	-
The impact of foreign currency decrease by 5% on other comprehensive income (in PLN thousand)	-	-	-	-

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

	Profit or loss		Other comprehensive income	
	5% increase	5% decrease	5% increase	5% decrease
31 December 2013	(3 326)	3 326	-	-
31 December 2012	(451)	451	-	-

### Risk of changes in prices of raw materials, products and services

In order to reduce the risk, the Company undertakes activities to include such provisions in sales contracts which are symmetric to the provisions included in its supply contracts (e.g. references to ICIS-LOR quotations).

### Note 26.4 Fair value of financial instruments

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

- cash and cash equivalents, short-term bank deposits and short-term bank loans. The carrying amount of such instruments approximates their fair value because of the short maturities of such instruments,
- trade receivables, other receivables, trade payables. The carrying amount of such instruments approximates their fair value because of their short maturities,
- long-term bank credits and loans. The carrying amount of such instruments approximates their fair value due to the variable interest,
- currency derivatives. The carrying amount of such instruments is equal to their fair value,
- available-for-sale financial assets. The carrying amount of such instruments is equal to their fair value.

There were no financial instruments recognised by the Company in 2013 for which the initial value resulting from the transaction would differ from their fair value as at the date of transaction, determined using the appropriate valuation technique.

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

#### 31 December 2013

Classification level	Level I	Level II	Level III
Financial assets at fair value:			
available-for-sale shares	-	-	12 134
currency forward	-	501	-
	-	501	12 134

#### 31 December 2012

Classification level	Level I	Level II	Level III
Financial assets at fair value:			
available-for-sale shares	270 611	-	12 204
currency forward	-	410	-
	270 611	410	12 204

#### Financial liabilities at fair value

EUA/CER swaps	-	9 701	-
	-	9 701	-

The fair value hierarchy presented in the table above is as follows:

Level 1 - price quoted in the active market for the same assets or liabilities,

Level 2 - the value determined based on inputs other than quoted prices included in level 1 that are directly or indirectly observable or ascertainable based on the market information,

Level 3 - the value determined on the basis of data inputs that are not based on observable market inputs.

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

The Company has investments of PLN 12 134 thousand (31 December 2012: PLN 12 204 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 26.5 Derivatives and hedge accounting**

### **Currency derivatives**

As at 31 December 2013, the nominal value of open currency derivatives (forward contracts) amounted to EUR 5.5 million (EUR 2.5 million with maturity in January 2014, EUR 1 million with maturities in February and in March 2014 each, EUR 0.5 million with maturities in April and May 2014 each). At the end of 2013 the Company did not have any open derivatives in USD. As at 31 December 2012, the nominal value of open derivatives to sell currencies amounted to EUR 4 million.

The Company measures the fair value of derivatives based on the valuations provided by banks it cooperates with and using the information provided by electronic information services. Transactions are entered only with reliable banks and are based on framework agreements. All derivative transactions reflect the real transactions affecting the currency cash flows. Currency derivatives are entered in accordance with the net currency exposure of the Company and are aimed to reduce the impact of exchange rate fluctuations on profit or loss.

### **Fair value of derivatives**

The fair value of open currency forwards as at 31 December 2013 amounted to PLN 501 thousand and was recognised as other financial assets (31 December 2012: PLN 410 thousand). No hedging relationships were established for these transactions.

### **Hedge accounting**

In 2012, the Company used hedge accounting in cash flow hedges concerning highly probable forecast sales transactions with currency risk exposure. Currency loans were used as the hedging instruments. The net change in fair value of cash flow hedges reclassified from hedge reserve to profit or loss amounted to PLN 1 594 thousand and was accounted as the decrease in the revenue.

In 2013 the Company did not use hedge accounting.

## Note 27 Contingent liabilities, contingent assets and guarantees

### Contingent assets

There were no contingent assets.

### Contingent liabilities and guarantees

	As at 31.12.2013	As at 31.12.2012
Guarantees	8 125	8 179
Other	-	1 600
	<b>8 125</b>	<b>9 779</b>

As at 31 December 2013, the guarantees concern the security for payments of liabilities by subsidiaries.

#### Claim of ISARIOS Industriekapital AG concerning ATT Polymers

The proceeding against the Company concerning the return of shares in Grupa Azoty ATT Polymers GmbH is still in progress.

On 30 November 2012, the Company received a claim delivered by the Court of Arbitration by the International Chamber of Commerce in Paris from ISARIOS Industriekapital AG. The claim includes the request to transfer the ATT Polymers shares or alternatively pay EUR 400,000 by releasing this amount from an escrow account as well as the request to compensate ISARIOS Industriekapital AG for the lost benefits. The value of the claim was determined by the plaintiff in the amount of EUR 1,000,000. The above mentioned amount was determined for the purposes of the arbitration proceeding costs calculation. The final amount of the potential loss, which may be potentially incurred by the Company, may exceed this value. The arbitration proceeding has been officially started since the claim was brought to the court, i.e. since 16 November 2012.

On 30 January 2013, the Company's legal advisors submitted the response for the claim, demanding the dismissal of the claim in its entirety and reimbursement of the costs of arbitration. Additionally, on 12 June 2013, the Company filed a formal complaint concerning the value of the dispute which should be increased to the real fair value of the entity. This complaint was accepted by the arbitration court, which in September 2013 increased the value of the dispute to EUR 10 200 thousand, calling the sides to pay the additional arbitration fee. The fees of USD 140 thousand concerning the Company have been paid.

ISARIOS Industriekapital AG submitted also the motion to the general court to register a warning challenging the Company's right of ownership of shares. On 11 July 2013, the court dismissed the motion, ruling that there are no indicators allowing to claim the right of ownership on the date of judgment.

The sides agreed the schedule of the arbitration proceeding with a detailed list of its essential elements. The judgment shall be made by the end of April 2014.

At the reporting day, the Company's Management Board, based on the opinions of its legal advisors, defends its previous position on the validity of the contract for sale of ATT Polymers shares and lack of circumstances supporting the return of shares to any party. However, there is still a risk, that due the actions of ISARIOS Industriekapital AG or other parties concerning the ownership of ATT Polymers, the acquisition of shares in Grupa Azoty ATT Polymers by the Company will be considered invalid which may negatively impact the operations, financial situation and results of Grupa Azoty.

## Note 28 Related party transactions

### Transactions with subordinated entities

#### Trade transactions with subordinated entities

#### Balance at 31 December 2013

Related parties of Grupa Azoty, including:

*Grupa Azoty ATT Polymers*

*Grupa Azoty ZAK S.A.*

*Grupa Azoty POLICE S.A.*

*Grupa Azoty PUŁAWY S.A.*

*Other*

Related parties of Grupa Azoty ZAK S.A.

Related parties of Grupa Azoty POLICE

Related parties of Grupa Azoty PUŁAWY

Related parties of Grupa Azoty PKCh

Other related parties

	Revenue	Receivables	Purchase of merchandise, products, services, property, plant and equipment	Liabilities
	368 304	78 670	339 555	62 418
<i>Grupa Azoty ATT Polymers</i>	350 555	76 600	38 783	4 590
<i>Grupa Azoty ZAK S.A.</i>	5 523	902	52 884	12 141
<i>Grupa Azoty POLICE S.A.</i>	5 097	605	135 134	22 319
<i>Grupa Azoty PUŁAWY S.A.</i>	3 992	308	16 155	23
<i>Other</i>	3 137	255	96 599	23 345
Related parties of Grupa Azoty ZAK S.A.	-	-	1	-
Related parties of Grupa Azoty POLICE	-	-	1	-
Related parties of Grupa Azoty PUŁAWY	1 370	112	123	50
Related parties of Grupa Azoty PKCh	4 974	385	81 585	17 087
Other related parties	68	7	331	254
	<b>374 716</b>	<b>79 174</b>	<b>421 596</b>	<b>79 809</b>

#### Balance at 31 December 2012

Related parties of Grupa Azoty

*Grupa Azoty ATT Polymers*

*Grupa Azoty ZAK S.A.*

*Grupa Azoty POLICE S.A.*

*Other*

Related parties of Grupa Azoty ZAK S.A.

Related parties of Grupa Azoty PKCh Sp. z o.o.

Other related parties

	Revenue	Receivables	Purchase of merchandise, products, services, property, plant and equipment	Liabilities
	369 115	60 326	245 888	31 028
<i>Grupa Azoty ATT Polymers</i>	349 885	59 071	24 161	5 843
<i>Grupa Azoty ZAK S.A.</i>	8 081	541	66 959	17 208
<i>Grupa Azoty POLICE S.A.</i>	8 184	442	102 251	6
<i>Other</i>	2 965	272	52 517	7 971
Related parties of Grupa Azoty ZAK S.A.	-	-	603	17
Related parties of Grupa Azoty PKCh Sp. z o.o.	5 391	506	118 541	19 895
Other related parties	67	6	1 009	84
	<b>374 573</b>	<b>60 838</b>	<b>366 041</b>	<b>51 024</b>

Other transactions with subordinated entities

	Other income	Other expenses	Finance income	Finance costs
<b>Balance at 31 December 2013</b>				
Related parties of Grupa Azoty	75	93	100 124	413
<i>Grupa Azoty ATT Polymers</i>	-	-	822	-
<i>Grupa Azoty ZAK S.A.</i>	17	-	59 156	410
<i>Grupa Azoty POLICE S.A.</i>	14	-	33 165	-
<i>Grupa Azoty PUŁAWY S.A.</i>	-	-	-	-
<i>Other</i>	44	93	6 981	3
Related parties of Grupa Azoty PKCh Sp. z o.o.	82	6 990	-	-
Other related parties	3	-	24	-
	<b>160</b>	<b>7 083</b>	<b>100 148</b>	<b>413</b>

	Other income	Other expenses	Finance income	Finance costs
<b>Balance at 31 December 2012</b>				
Related parties of Grupa Azoty	32	760	131 982	2 716
<i>Grupa Azoty ATT Polymers</i>	-	-	19 424	-
<i>Grupa Azoty ZAK S.A.</i>	3	-	111 916	2 716
<i>Grupa Azoty POLICE S.A.</i>	-	-	-	-
<i>Other</i>	29	760	642	-
Related parties of Grupa Azoty PKCh Sp. z o.o.	572	7 883	-	-
Other related parties	-	-	37	-
	<b>604</b>	<b>8 643</b>	<b>132 019</b>	<b>2 716</b>

### Loans granted to related parties

In 2013, no loans were granted to related parties.

As far as the EUR 6 000 thousand loan granted by the Company in 2010 to Grupa Azoty ATT Polymers GmbH is concerned, in the period from January to December 2013 the borrower timely repaid further 12 monthly instalments. As at 31 December 2013, the carrying amount of the outstanding loan is EUR 1 241 thousand, being the equivalent of PLN 5 148 thousand (31 December 2012: PLN 9 880 thousand).

### Loans received from related parties

On 14 November 2013, the Company received the PLN 70 000 thousand loan from Grupa Azoty ZAK S.A. based on the revolving loan agreement signed on 14 June 2011, with further amendments. The maturity date was set at 31 March 2014. It is expected that appendix no 2 to the contract will be signed which will change the maturity date to 31 December 2014. The balance of the loan did not change to 31 December 2013.

On 23 December 2013, the Company signed the revolving loan agreement for up to PLN 50 000 thousand with Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki „Siarkopol” S.A. for the period ending on 31 December 2017. The loan bears the interest of 1M WIBOR + margin. At 31 December 2013, the balance of the loan (including interest) amounted to PLN 20 000 thousand.

### Remuneration for the function and for the period in the Management Board

	For period 01.01.2013 - 31.12.2013	For period 01.01.2012 - 31.12.2012
Benefits paid	3 363	3 868
Benefits payable	2 126	1 826
Termination benefits	720	-
	<b>6 209</b>	<b>5 694</b>

### Remuneration for the function and for the period in the Supervisory Board

	For period 01.01.2013 - 31.12.2013	For period 01.01.2012 - 31.12.2012
Benefits paid	1 821	1 747
	<b>1 821</b>	<b>1 747</b>

### 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”.

A special bonus is granted at the discretion of the Supervisory Board for the outstanding achievements of the Management Board members in the reporting period. It is granted on a customary basis, without defined criteria, if there are no regulations concerning the annual bonus. If the regulations concerning the annual bonus have been introduced, the bonus shall be paid based on the following two types of criteria:

- realisation of performance indicators, the same for all member of the Management Board,
- individual goals, i.e. tasks set for the financial year, individually for each member of the Management Board.

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

## Loans

In 2013 and 2012, the Company did not grant any loans to the members of the Management or the Supervisory Board.

### Transactions with owners

Due to the acquisition of shares in Grupa Azoty PUŁAWY, on 16 January 2013 the Company issued 35 080 040 series D shares with a nominal value PLN 5 per share. 24 215 620 of series D shares were acquired by the State Treasury in exchange for 9 686 248 shares in Grupa Azoty PUŁAWY, representing 50.67% of that company's share capital.

On 25 September 2013, the Company and the State Treasury entered into the conditional agreement to sell 4 675 000 shares, representing 85% of share capital in Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki „Siarkopol” S.A. seated in Grzybów. The condition precedent was to obtain the approval from the President of the Office of Competition and Consumer Protection for the concentration resulting in obtaining the control over the acquiree, which took place on 30 October 2013. The value of the transaction amounted to PLN 320 004 thousand.

### Transactions with the State Treasury related entities

#### Balance at 31 December 2013

Name of entity	Value	Purpose of transaction
PGNiG	238 471	purchase of natural gas
Kompania Węglowa S.A.	49 577	purchase of coal
PKP Cargo	30 266	purchase of transport services
PKN Orlen	131 736	purchase of raw materials
Tauron	22 790	purchase and sale of energy
PKO BP/ PZU Życie	548 625	loan
	<b>1 021 465</b>	

#### Balance at 31 December 2012

Name of entity	Value	Purpose of transaction
PGNiG	238 278	purchase of natural gas
Kompania Węglowa S.A.	66 589	purchase of coal
Kompania Węglowa S.A.	216 489	acquisition of shares in ZA "Puławy" S.A.
PKP Cargo	31 357	purchase of transport services
PKN Orlen	166 842	purchase of raw materials
Tauron	47 938	purchase and sale of energy
PKO BP/ PZU Życie	162 367	loan
	<b>929 860</b>	

## Note 29 Accounting estimates and assumptions

### Changes in provisions and employee benefits (without deferred tax liability) - Note 20 and 21

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
<b>At the beginning of the period</b>	<b>97 892</b>	<b>76 831</b>
Recognised	30 579	36 983
Reversed (-)	(3 639)	(2 577)
Used (-)	(17 664)	(13 345)
<b>At the end of the period</b>	<b>107 168</b>	<b>97 892</b>

### Changes in impairment loss of property, plant and equipment - Note 10

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
<b>At the beginning of the period</b>	<b>63 616</b>	<b>68 550</b>
Recognised	42 281	810
Reversed (-)	(636)	-
Used (-)	(1 350)	(5 744)
<b>At the end of the period</b>	<b>103 911</b>	<b>63 616</b>

### Changes in inventories write-downs - Note 15

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
<b>At the beginning of the period</b>	<b>6 327</b>	<b>4 749</b>
Recognised	14 551	9 109
Used (-)	(10 413)	(7 531)
<b>At the end of the period</b>	<b>10 465</b>	<b>6 327</b>

### Changes in impairment loss on receivables - Note 16

	For the period 01.01.2013 - 31.12.2013	For the period 01.01.2012 - 31.12.2012
<b>At the beginning of the period</b>	<b>6 480</b>	<b>6 846</b>
Recognised	454	635
Reversed (-)	(696)	(879)
Used (-)	(466)	(122)
<b>At the end of the period</b>	<b>5 772</b>	<b>6 480</b>

## Note 30 Operating leases

### Leases as lessor

	As at 31.12.2013	As at 31.12.2012
Due within 1 year	807	2 634
Due between 1 and 5 years	1 597	933
Due in more than 5 years	986	1 051
	<b>3 390</b>	<b>4 618</b>

### Leases as lessee

	As at 31.12.2013	As at 31.12.2012
Due within 1 year	9 271	10 076
Due between 1 and 5 years	4 055	8 230
Due in more than 5 years	-	94
	<b>13 326</b>	<b>18 400</b>

## Note 31 Capital commitments

In the period ended 31 December 2013, the Company signed contracts concerning the continuation of previously launched investment projects. The contracts for realisation of the investment projects comprise construction, mechanical, electric, design and supervision services.

The Company is committed to incur capital expenditure of PLN 10 647 thousand (31 December 2012: PLN 27 303 thousand).

## Note 32 Construction contracts

The Company performed no construction contracts both as at 31 December 2013 and 31 December 2012.

## Note 33 Subsequent events

### Dividend from the subsidiary

On 29 November 2013, the General Meeting of Grupa Azoty PUŁAWY resolved to pay the dividend for the year 2012/2013.

The dividend per share was PLN 10.38. The dividend record date was set on 3 January 2014 and the dividend payment date on 17 January 2014. The Company, being the owner of 95.98 % of shares, received the dividend of PLN 190 428 thousand which was recognised as finance income in 2014.