Separate financial statements for the 12 month period ended 31 December 2014 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 2014, which consist of:

- Separate statement of profit or loss and other comprehensive income for the period from 01.01.2014 to 31.12.2014,
- Separate statement of financial position as at 31.12.2014,
- Separate statement of changes in equity for the period from 01.01.2014 to 31.12.2014,
- Separate statement of cash flows for the period from 01.01.2014 to 31.12.2014,
- 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, General Director

....
Marek Kapłucha
Vice-President of the Management Board

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

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

....
Artur Kopeć
Member of the Management Board

Person entrusted with maintaining accounting records

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

Tarnów, 10 March 2015

(all amounts in PLN thousand unless otherwise stated)

Separate statement of profit or loss and other comprehensive income

	Note	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Revenue	1	1 847 250	1 846 127
Cost of sales	2	(1 625 949)	(1 654 524)
Gross profit		**221 301**	**191 603**
Selling and distribution expenses	2	(82 348)	(60 583)
Administrative expenses	2	(154 189)	(149 122)
Other income	3	5 164	5 841
Other expenses	4	(19 171)	(66 725)
Results from operating activities		**(29 243)**	**(78 986)**
Finance income	5	270 738	134 548
Finance costs	6	(37 554)	(30 788)
Net finance income		**233 184**	**103 760**
Profit before tax		**203 941**	**24 774**
Tax expense	7	10 692	19 343
Profit for the year		**214 633**	**44 117**
Other comprehensive income			
Items that will never be reclassified to profit or loss			
Remeasurements of defined benefit liability	20	(5 350)	(2 888)
Tax on items that will never be reclassified to profit or loss	7.3	1 016	549
		(4 334)	**(2 339)**
Items that are or may be reclassified to profit or loss			
Net change in fair value of available-for-sale financial assets		-	(18 696)
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	7.3	-	8 731
		-	**(37 221)**
Other comprehensive income for the year		**(4 334)**	**(39 560)**
Profit or loss and other comprehensive income for the year		**210 299**	**4 557**
Earnings per share:	9		
Basic earnings per share (PLN)		2.16	0.45
Diluted earnings per share (PLN)		2.16	0.45

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

(all amounts in PLN thousand unless otherwise stated)

Separate statement of financial position

	Note	As at 31.12.2014	As at 31.12.2013
Assets			
Non-current assets			
Property, plant and equipment	10	997 948	1 000 610
Investment property	11	13 407	15 154
Intangible assets	12	43 214	40 370
Investments in subordinated entities	13.1	3 814 993	3 814 983
Available-for-sale financial assets	13.2	12 134	12 134
Other non-current assets	14	210	690
Total non-current assets		**4 881 906**	**4 883 941**
Current assets			
Inventories	15	238 378	236 749
Other financial assets	13.3	829	5 649
Current tax assets		2 133	10 268
Trade and other receivables	16	241 476	227 114
Cash and cash equivalents	17	27 431	6 349
Other current assets	14	8 302	5 611
Assets held for sale	10.1	107	125
Total current assets		**518 656**	**491 865**
Total assets		**5 400 562**	**5 375 806**

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

(all amounts in PLN thousand unless otherwise stated)

Separate statement of financial position (continued)

	Note	As at 31.12.2014	As at 31.12.2013
Equity and liabilities			
Equity			
Share capital	18.1	495 977	495 977
Share premium	18.2	2 418 270	2 418 270
Retained earnings, including:		1 260 094	1 069 634
Profit for the year		*214 633*	*44 117*
Total equity		**4 174 341**	**3 983 881**
Liabilities			
Loans	19	347 263	513 827
Employee benefits	20	49 741	41 873
Provisions	21	24 374	22 781
Government grants	22	3 313	3 463
Deferred tax liabilities	7.4	22 363	33 381
Other financial liabilities	24	1 114	1 842
Total non-current liabilities		**448 168**	**617 167**
Loans	19	442 976	402 883
Employee benefits	20	2 683	2 369
Trade and other payables	23	225 052	257 177
Provisions	21	36 203	40 145
Government grants	22	791	533
Deferred income	25	20	3 669
Other financial liabilities	24	70 328	67 982
Total current liabilities		**778 053**	**774 758**
Total liabilities		**1 226 221**	**1 391 925**
Total equity and liabilities		**5 400 562**	**5 375 806**

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

(all amounts in PLN thousand unless otherwise stated)

Separate statement of changes in equity

For the period ended 31 December 2014

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

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

(all amounts in PLN thousand unless otherwise stated)

Separate statement of changes in equity (continued)

For the period ended 31 December 2014

	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**
Profit or loss and other comprehensive income for the year					-
Profit for the year	-	-	-	44 117	44 117
Other comprehensive income	-	-	(37 221)	(2 339)	(39 560)
Total profit or loss and other comprehensive income for the year	**-**	**-**	**(37 221)**	**41 778**	**4 557**
Transactions with owners of the Company, recognised directly in equity					
Share issue	175 400	1 737 582	-	-	1 912 982
Dividends	-	-	-	(148 793)	(148 793)
Total transactions with owners of the Company	**175 400**	**1 737 582**	**-**	**(148 793)**	**1 764 189**
Balance at 31 December 2013	**495 977**	**2 418 270**	**-**	**1 069 634**	**3 983 881**

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

(all amounts in PLN thousand unless otherwise stated)

Separate statement of cash flows

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Cash flows from operating activities		
Profit before tax	**203 941**	**24 774**
Adjustments for:	*(136 429)*	*31 069*
Depreciation and amortisation	91 753	89 283
Impairment losses of assets	655	48 547
Loss/(profit) from investing activities	4 158	(23 076)
Loss on disposal of financial assets	-	11
Interest, foreign exchange gains or losses	36 532	25 850
Dividends	(269 938)	(99 754)
Change in fair value of financial assets at fair value through profit or loss	411	(9 792)
Cash generated from operating activities before changes in working capital	***67 512***	***55 843***
Changes in trade and other receivables	(14 377)	(7 087)
Changes in inventories	(1 630)	27 158
Changes in trade and other payables	(28 188)	14 437
Changes in provisions, prepayments and grants	(359)	(1 926)
Cash generated from operating activities	***22 958***	***88 425***
Income taxes returned/(paid)	8 827	(7 250)
Net cash from operating activities	**31 785**	**81 175**

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

(all amounts in PLN thousand unless otherwise stated)

Separate statement of cash flows (continued)

	For the period from 01.01.2014 to 31.12.2014	For the period from 01.01.2013 to 31.12.2013
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment, intangible assets and investment property	2 953	2 457
Acquisition of property, plant and equipment, intangible assets and investment property	(100 225)	(148 296)
Dividends received	269 938	118 254
Acquisition of financial assets	(10)	(645 150)
Proceeds from sale of financial assets	-	39
Interest received	138	-
Loans	5 148	4 731
Other disbursements	(7 048)	(6 386)
Net cash used in investing activities	**170 894**	**(674 351)**
Cash flows from financing activities		
Net disbursements from issue of share capital	-	(11 159)
Dividends paid	(19 839)	(148 802)
Proceeds from loans and borrowings	206 269	819 501
Payment of loans and borrowings	(336 310)	(118 836)
Interest paid	(33 099)	(26 021)
Payment of finance lease liabilities	(1 592)	(2 137)
Other proceeds	2 974	19 987
Net cash from financing activities	**(181 597)**	**532 533**
Net decrease in cash and cash equivalents	**21 082**	**(60 643)**
Cash and cash equivalents at the beginning of the period	**6 349**	**66 992**
Cash and cash equivalents at the end of the period	**27 431**	**6 349**

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

Notes to the separate financial statements

1. Information about the Company

1.1. General information about the Company

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

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

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

The separate financial statements were authorised for issue by the Company's Management Board on 10 March 2015.

1.2. The Company's Management and Supervisory Boards

The Management Board
In 2014, there were no changes in the Management Board. As at 31 December 2014, the Management Board of the Company comprised:

- Paweł Jarczewski - President of the Management Board, responsible for management, HR, corporate governance, supervision of Fertilizers Business Unit, public relations, risk management and coordination of internal audit in Grupa Azoty,
- Andrzej Skolmowski - Vice-President of the Management Board, responsible for finance and IT in Grupa Azoty,
- Witold Szczypiński - Vice-President of the Management Board, General Director of the Company, 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 and purchases of strategic raw materials 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.

Witold Szczypiński, Vice-President of the Management Board, was appointed as a General Director of the Company since the beginning of April 2014. The General Director's responsibilities include initiation and coordination of activities relating to the operational management of the Company in cooperation with other Vice-Presidents and the Managing Director. In accordance with the Management Board Members segregation of duties scheme, he also responsible for managing and coordination of production processes, planning of maintenance and production breaks, as well as initiation of development and investment projects. He is also responsible for managing the core business areas and business support activities and supervises the operations of Plastics Segment and other business units. He supervises and coordinates restructuring processes, approves reports, documents and protocols in the supervised areas.

Subsequent to the reporting date
Year 2014 was the last full-year of the Management Board's IX tenure. On 9 January 2015, the Company's Supervisory Board adopted the resolutions to appoint the Management Board for its next tenure. The Management Board of the X tenure comprises:

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

The resolutions were effective as of 20 February 2015.

The mandate of Artur Kopeć, Member of the Management Board elected by employees, expired since the beginning of the Management Board's X tenure. Therefore the Supervisory Board decided to to launch the procedure to appoint the Member of the Management Board elected by employees for the new tenure. The elections took place from 27 January to 11 February (1st round) and from 13 to 23 February 2015 (2nd round). Based on the elections results, Artur Kopeć was nominated a candidate for Member of the Management Board elected by employees. On 26 February 2015, the Supervisory Board resolved to appoint Artur Kopeć for the function of Member of the Management Board.

The Supervisory Board
In 2014, there were no changes in the Supervisory Board. As at 31 December 2014, the Supervisory Board of the Company comprised:

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

As at 10 March 2015, the Supervisory Board's composition remained unchanged.

2. Significant accounting policies

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 ending on or after 31 December 2014 have not been applied in preparing these separate financial statements. The entity intends to apply them to the first legally required periods.

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

2.2.1. Standards, Interpretations and amendments to published Standards as adopted by the EU that are not yet effective for annual periods ending on 31 December 2014

- Improvements to IFRS 2010-2012, that will be mandatory for the Company's separate financial statements for 2015. The Improvements to IFRSs (2010-2012) contain 8 amendments to 7 standards, with consequential amendments to other standards and interpretations. The main changes which would have an impact on the financial statements:

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

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

2.2.2. Standards and interpretations not yet endorsed by the EU as at 31 December 2014

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

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

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

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

- IFRS 15 *Revenue from Contracts with Customers*, that will be mandatory for the Company's financial statements for 2017. The Standard provides a framework that replaces existing revenue recognition guidance in IFRS. Specifically, it replaces IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

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

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

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

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

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

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

- Improvements to IFRSs 2011-2013, that will be mandatory for the Company's separate financial statements for 2015. The Company does not expect to early adopt the Improvements and is currently analysing the impact of their application on the financial statements.

- Improvements to IFRSs 2012-2014, will be compulsory for the Company's financial statements for 2016. The Company does not expect to early adopt the Improvements and is currently analysing the impact of their application on the financial statements.

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

  - An emphasis on materiality. Specific single disclosures that are not material do not have to be presented – even if they are a minimum requirement of a standard.
  - The order of notes to the financial statements is not prescribed. Instead, companies can chose their own order, and can also combine, for example, accounting policies with notes on related subjects.
  - It had been made explicit that companies:
    - should disaggregate line items in the statement of financial position and in the statement of profit or loss and other comprehensive income (OCI) if this provides helpful information to users; and
    - can aggregate line items in the statement of financial position if the line items specified by IAS 1 are individually immaterial.
  - Specific criteria are provided for presenting subtotals in the statement of financial position and in the statement of profit or loss and OCI, with additional reconciliation requirements for the

statement of profit or loss and OCI.
• The presentation in the statement of OCI of items of OCI arising from joint ventures and associates accounted for using the equity method should follow IAS1 approach of grouping items into those that may, or that will never, be reclassified to profit or loss.

The Company does not expect to early adopt the change and is in the process of analysing its impact on the financial statements.

2.3. 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.

2.4. 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.

2.5. Use of estimates and judgements

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

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

2.6. 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.

(all amounts in PLN thousand unless otherwise stated)

2.7. 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:

	31.12.2014	**31.12.2013**
EUR	4.2623	4.1472
USD	3.5072	3.0120

2.8. Property, plant and equipment

2.8.1. 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.

2.8.2. Leased items of property, plant and equipment

(all amounts in PLN thousand unless otherwise stated)

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.

2.8.3. 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.

2.8.4. 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.

2.8.5. Depreciation

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

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

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

Assets under construction are not depreciated.

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

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

2.9. 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.

2.10. Intangible assets

2.10.1. 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.

2.10.2. REACH costs

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

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

2.10.3. Other intangible assets

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

(all amounts in PLN thousand unless otherwise stated)

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

2.10.4. 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.

2.10.5. 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
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.

2.11. 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.

2.12. Current and non-current trade and other receivables

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

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

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

2.13. 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).

2.14. Inventories

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

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

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

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

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

2.14.1. CO_2 emission rights

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

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

Acquired emission rights are recognised at cost.

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

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

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

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

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

2.15. Cash and cash equivalents

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

2.16. Impairment of non-financial assets

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

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

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

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

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

2.17. 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.

2.18. 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.

2.18.1. 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.

2.18.2. 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.

2.18.2.1. Defined benefit plans - retirement and death-in-service benefits

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

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

2.18.2.2. 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.

2.18.3. 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.

2.18.4. 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.

2.19. 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.

2.19.1. Site restoration costs

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

2.19.2. Litigations and claims

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

2.19.3. Provision for emission rights

The accounting policies concerning provisions for CO_2 emission rights are presented in point 2.14.1.

2.20. 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.

2.21. 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.

2.22. Financial instruments

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

Financial instruments are classified into the following categories:

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

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

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

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

- other financial liabilities.

2.22.1. 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.

2.22.2. 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.

2.22.3. Measurement subsequent to initial recognition

The Company measures:

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

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

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

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

2.22.4. 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.

2.22.5. 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.

2.23. Revenue

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

2.23.1. Sale of goods and merchandises, rendering of services

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

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

2.23.2. Revenue from sale of certificates of origin of energy

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

2.23.3. Rentals

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

2.23.4. Loyalty programmes

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

2.23.5. Finance income

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

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

2.24. Expenses

2.24.1. 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.

2.24.2. 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.

2.24.3. 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).

2.24.4. 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.

2.24.5. 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.

2.24.6. Finance costs

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

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

2.25. Income tax

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

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

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

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

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

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

2.26. Segment reporting

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

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

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

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

2.27. 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.

2.28. Other matters

The financial statements do not include financial information required by the Art. 44, paragraph 2 of the Energy Act dated 10 April 1997 (Official Journal 2012, item 1059 with amendments). In order to comply with the requirements, the Company will prepare separate regulatory financial statements at a later date, which will be audited by certified auditor in accordance with Art. 44, paragraph 3 of the Energy Act.

3. Notes to the separate financial statements

Segment reporting

Operating segments

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

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

- Fertilizers-Agro Segment includes manufacturing and sales of saletrzak and saletrosan and sales of ammonium sulphate;
- 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 2014 and 2013.

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 reported based on the geographical location of customers and assets are reported based on their geographical location.

(all amounts in PLN thousand unless otherwise stated)

Operating segments

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

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

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

(all amounts in PLN thousand unless otherwise stated)

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
Total revenue	1 052 457	1 222 113	543 004	59 827	2 877 401
Operating expenses, including:(-)	(1 022 697)	(1 280 099)	(536 087)	(56 620)	(2 895 503)
Selling and distribution expenses (-)	*(44 633)*	*(15 356)*	*(194)*	*(400)*	*(60 583)*
Administrative expenses (-)	*(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)
Segment results from operating activities EBIT	**29 726**	**(108 690)**	**3 072**	**(3 094)**	**(78 986)**
Finance income	-	-	-	-	134 548
Finance costs (-)	-	-	-	-	(30 788)
Profit before tax	**-**	**-**	**-**	**-**	**24 774**
Tax expense	-	-	-	-	19 343
Profit for the year	**-**	**-**	**-**	**-**	**44 117**
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
EBITDA**	**61 781**	**(77 581)**	**15 587**	**4 746**	**10 297**

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

(all amounts in PLN thousand unless otherwise stated)

Assets and liabilities of operating segments as at 31 December 2014

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

Assets and liabilities of operating segments as at 31 December 2013

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

(all amounts in PLN thousand unless otherwise stated)

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

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

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
Total capital expenditure	**88 006**	**33 244**	**5 979**	**7 385**	**148 727**
Segment depreciation and amortisation	32 055	31 109	12 515	7 840	83 519
Unallocated depreciation and amortisation	-	-		-	5 764
Total depreciation and amortisation	**32 055**	**31 109**	**12 515**	**7 840**	**89 283**

In 2013, 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.

(all amounts in PLN thousand unless otherwise stated)

Geographical information

Revenue

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Poland	730 843	755 696
Germany	690 573	652 517
Other European Union countries	298 692	325 361
Asia countries	23 051	7 433
South America countries	54 623	52 829
Other countries	49 468	52 291
Total	**1 847 250**	**1 846 127**

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 372 031 thousand (2013: PLN 350 555 thousand).

Note 1 Revenue

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Sales of goods and services	1 813 868	1 782 841
Sales of merchandises and raw materials	32 276	31 198
Sales of emission rights	1 106	32 088
	1 847 250	**1 846 127**

(all amounts in PLN thousand unless otherwise stated)

Note 2 Operating expenses

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Depreciation and amortisation	91 753	89 283
Raw materials and energy used	1 218 751	1 235 466
External services	287 667	280 990
Taxes and charges	42 321	42 513
Wages and salaries	137 137	129 714
Social security and other employee benefits	34 537	33 314
Other expenses	21 506	27 054
Costs by kind	**1 833 672**	**1 838 334**
Changes in inventories of finished goods and work in progress (+/-)	(982)	(4 264)
Work performed by the entity and capitalised (-)	(3 678)	(3 786)
Selling and distribution expenses (-)	(82 348)	(60 583)
Administrative expenses (-)	(154 189)	(149 122)
Cost of merchandises and raw materials sold	33 474	33 945
Cost of sales	**1 625 949**	**1 654 524**
Includes excise duty	9 325	9 292

Note 2.1 Cost of sales

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Cost of goods and services sold	1 592 475	1 594 343
Cost of merchandises and raw materials sold	33 474	33 945
Cost of licences sold	-	59
Cost of rights sold	-	26 177
	1 625 949	**1 654 524**

(all amounts in PLN thousand unless otherwise stated)

Note 2.2 Employee benefit expenses

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Wages and salaries paid and due	139 256	132 565
Social security contributions	25 330	24 239
Employee benefit fund	4 642	4 571
Trainings	899	1 081
Change in defined benefit liabilities	(618)	(248)
Change in other long-term employee benefit liabilities	1 354	(1 016)
Change in unused holiday accrual	145	(525)
Change in annual and motivation bonus accruals	(4 064)	(2 392)
Other	4 730	4 753
	171 674	**163 028**
Average employment	**2 086**	**2 076**

Note 3 Other income

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Reversed impairment losses on:		
Trade receivables	51	287
	51	**287**
Other operating income:		
Received compensation	2 309	1 176
Sales of social services	359	442
Reversal of provisions	1 549	1 644
Grants received	156	984
Fixed assets restored to use	193	711
Other (aggregated insignificant items), including:	547	597
court fees refunded	6	20
other	541	577
	5 113	**5 554**
	5 164	**5 841**

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

One of the most significant item in other operating income is reversal of provisions for ordering the property of PLN 1 549 thousand (2013: PLN 1 644 thousand).

(all amounts in PLN thousand unless otherwise stated)

Note 4 Other expenses

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Loss on disposal of assets		
Loss on disposal of property, plant and equipment	5 157	1 523
	5 157	**1 523**
Recognised impairment loss on:		
Property, plant and equipment	770	42 306
Intangible assets	-	7 144
Trade receivables	325	216
	1 095	**49 666**
Other expenses:		
Fines and compensations	9	32
Plant outages	1 071	1 893
Cost of social services sold	589	655
Breakdown recovery expenses	8 738	10 071
Provisions recognised	2 106	2 181
Other (aggregated insignificant items), including:	406	704
court fees paid	5	16
donations	244	159
debt collection expenses	-	4
utilisation costs	5	8
other	152	517
	12 919	**15 536**
	19 171	**66 725**

The significant item of other expenses are breakdown recovery expenses of PLN 8 738 thousand (2013: PLN 10 071 thousand). Breakdown recovery expenses were partly offset by the compensation received (presented in other income).

The provisions recognised of PLN 2 106 thousand (2013: PLN 2 181 thousand) concern in particular:
- remeasurement of provision for environmental protection,
- remeasurement of provision for properties ordering.

(all amounts in PLN thousand unless otherwise stated)

Note 5 Finance income

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Interest income on:		
Bank deposits	74	797
Cash pooling	5	120
Loans	138	390
Trade receivables	272	411
Other	34	(161)
	523	**1 557**
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
	-	**27 712**
Other finance income:		
Foreign exchange gains	-	5 112
Dividends received	269 938	99 754
Other finance income	277	413
	270 215	**105 279**
	270 738	**134 548**

(all amounts in PLN thousand unless otherwise stated)

Note 6 Finance costs

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Interest expense on:		
Bank loans and overdrafts	27 558	25 353
Cash pooling	1 045	712
Loans	3 176	413
Finance leases	104	254
Factoring commissions	532	130
Receivables discount commissions	1 442	494
Trade payables	41	4
Tax liabilities	15	122
Other	1 990	2 968
	35 903	**30 450**
Loss on disposal of financial investments:		
Loss on disposal of financial investments	22	11
	22	**11**
Loss from valuation of financial assets and liabilities:		
Net change in fair value of financial assets at fair value through profit or loss	389	-
	389	**-**
Other finance costs:		
Foreign exchange loss	915	-
Unwind of discount on provisions and loans	54	89
Other finance costs	271	238
	1 240	**327**
	37 554	**30 788**

Interest capitalised to the cost of property, plant and equipment and intangible assets in 2014 amounted to PLN 0 thousand (2013: PLN 1 215 thousand).

(all amounts in PLN thousand unless otherwise stated)

Note 7 Income tax expense

Note 7.1 Tax recognised in the statement of profit or loss

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Current tax expense:		
Adjustment for prior years	(690)	(264)
	(690)	**(264)**
Deferred tax expense:		
Origination and reversal of temporary differences	(10 002)	(19 079)
	(10 002)	**(19 079)**
Tax expense recognised in the statement of profit or loss	**(10 692)**	**(19 343)**

Note 7.2 Effective tax rate

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Profit before tax	**203 941**	**24 774**
Tax using the Company’s domestic tax rate	38 749	4 707
Tax exempt income (+/-)	(50 168)	(25 166)
Non deductible expenses (+/-)	1 448	1 550
Other(+/-)	(721)	(434)
Tax expense in the statement of profit or loss	**(10 692)**	**(19 343)**
Effective tax rate	**(5.2%)**	**(78.1%)**

The effective tax rate in 2014 of (5.2%) results mainly from realisation of the finance income in the form of dividends received that are not taxable. The effective tax rate in 2013 of (78.1%) resulted from realisation of the finance income in the form of dividends received and remeasurement of Grupa Azoty Zakłady Azotowe PUŁAWY S.A. shares to fair value.

Nota 7.3 Income tax recognised in other comprehensive income

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Tax on items that will never be reclassified to profit or loss (+/-)	**(1 016)**	**(549)**
Revaluation of net liabilities/assets from defined benefit plans	(1 016)	(549)
Tax on items that are or may be reclassified to profit or loss (+/-)	**-**	**(8 731)**
Change in fair value of available-for-sale financial assets	-	(8 731)
Tax expense recognised in other comprehensive income	**(1 016)**	**(9 280)**

(all amounts in PLN thousand unless otherwise stated)

Note 7.4 Deferred tax assets and liabilities

	Deferred tax assets (-)		Deferred tax liabilities (+)	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Property, plant and equipment	(9 872)	(9 901)	79 825	75 684
Intangible assets	(1 357)	(1 357)	6 334	4 709
Financial assets	(2 891)	(2 895)	105	200
Inventories	(1 603)	(1 996)	3 027	2 575
Trade and other receivables	(523)	(220)	229	2 569
Trade and other payables	(3 103)	(1 350)	11	84
Employee benefits	(13 118)	(12 954)	-	-
Provisions	(11 455)	(12 673)	-	-
Other financial liabilities	(140)	-	-	-
Tax losses carried forward	(22 550)	(8 605)	-	-
Other	(556)	(516)	-	27
Deferred tax assets(-)/liabilities(+)	**(67 168)**	**(52 467)**	**89 531**	**85 848**
Offsetting	**67 168**	**52 467**	**(67 168)**	**(52 467)**
Deferred tax liabilities recognised in the statement of financial position (+)	**-**	**-**	**22 363**	**33 381**

As at 31 December 2014, the Company presented deferred tax assets of PLN 22 550 thousand (31 December 2013: PLN 8 605 thousand) resulting from tax losses carried forward which were considered probable to utilise based on the forecasts of the future taxable profits. The Company will be entitled to utilise the tax loss from year 2013 in years 2015-2018 and from year 2014 in years 2015-2019.

(all amounts in PLN thousand unless otherwise stated)

Note 7.5 Change in temporary differences

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

(all amounts in PLN thousand unless otherwise stated)

	Movement in deferred tax balances recognised in (+/-)			
	Balance at 01.01.2013	**Profit or loss**	**Other comprehensive income**	**Balance at 31.12.2013**
Property, plant and equipment	72 719	(6 936)	-	65 783
Intangible assets	2 991	361	-	3 352
Financial assets	5 941	95	(8 731)	(2 695)
Inventories	1 488	(909)	-	579
Trade and other receivables	(214)	2 563	-	2 349
Trade and other payables	(1 658)	392	-	(1 266)
Employee benefits	(12 303)	(102)	(549)	(12 954)
Provisions	(6 390)	(6 283)	-	(12 673)
Other financial liabilities	(362)	362	-	-
Tax losses carried forward	-	(8 605)	-	(8 605)
Other	(472)	(17)	-	(489)
Deferred tax assets(-)/liabilities(+)	**61 740**	**(19 079)**	**(9 280)**	**33 381**

(all amounts in PLN thousand unless otherwise stated)

Note 7.6 Unrecognised deferred tax assets/liabilities

As at 31 December 2014 and 31 December 2013, the Company did not recognise a deferred tax liability resulting from the difference in tax and carrying amounts of shares in Grupa Azoty PUŁAWY. The amount of temporary differences thereon was PLN 1 775 995 thousand as at 31 December 2014 and 31 December 2013.

Note 8 Discontinued operations

In 2014, 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 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Net profit for the period	**214 633**	44 117
Issued ordinary shares at the beginning of the period	99 195 484	64 115 444
Effect of shares issued (series D)	-	35 080 040
Issued ordinary shares at the end of the period	99 195 484	99 195 484
Weighted average number of ordinary shares in the period	**99 195 484**	97 753 839
Earnings per share:		
Basic (PLN)	2.16	0.45
Diluted (PLN)	2.16	0.45

Diluted earnings per share

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

Note 10 Property, plant and equipment

Carrying amounts

	As at 31.12.2014	As at 31.12.2013
Land	648	649
Buildings and structures	261 889	262 432
Technical devices and machines	626 630	631 652
Vehicles	3 658	4 680
Other	16 294	14 962
	909 119	**914 375**
Property, plant and equipment under construction	72 187	82 079
Advances for property, plant and equipment	16 642	4 156
	997 948	**1 000 610**

(all amounts in PLN thousand unless otherwise stated)

Carrying amounts of property, plant and equipment

	Land	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Advances paid for property, plant and equipment	Total
Carrying amount at 01.01.2014	**649**	**262 432**	**631 652**	**4 680**	**14 962**	**82 079**	**4 156**	**1 000 610**
Additions, including:	***-***	***19 028***	***57 969***	***354***	***5 609***	***67 216***	***19 507***	***169 683***
Additions through purchases, construction, transfer to use	-	17 961	57 823	32	5 601	67 216	19 507	168 140
Additions through lease agreements	-	-	-	322	-	-	-	322
Reversal of impairment loss	-	111	73	-	8	-	-	192
Reclassification from investment property	-	765	-	-	-	-	-	765
Other additions	-	191	73	-	-	-	-	264
Deductions, including: (-)	***(1)***	***(19 571)***	***(62 991)***	***(1 376)***	***(4 277)***	***(77 108)***	***(7 021)***	***(172 345)***
Depreciation	(1)	(19 562)	(62 169)	(1 345)	(4 261)	-	-	(87 338)
Disposals	-	-	-	(31)	-	-	-	(31)
Liquidation	-	-	(38)	-	(8)	-	-	(46)
Transfer to use	-	-	-	-	-	(77 108)	(7 021)	(84 129)
Recognised impairment loss	-	(9)	(753)	-	(8)	-	-	(770)
Other deductions	-	-	(31)	-	-	-	-	(31)
Carrying amount at 31.12.2014	**648**	**261 889**	**626 630**	**3 658**	**16 294**	**72 187**	**16 642**	**997 948**

(all amounts in PLN thousand unless otherwise stated)

	Land	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Advances paid for property, plant and equipment	Total
Carrying amount at 01.01.2013	**572**	**250 302**	**542 398**	**5 486**	**13 083**	**172 024**	**14 395**	**998 260**
Additions, including:	***77***	***37 783***	***189 357***	***745***	***5 670***	***137 552***	***4 820***	***376 004***
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
Reclassification from investment property	-	1 181	-	-	-	-	-	1 181
Other additions	-	864	-	-	-	993	-	1 857
Deductions, including: (-)	***-***	***(25 653)***	***(100 103)***	***(1 551)***	***(3 791)***	***(228 599)***	***(15 059)***	***(374 756)***
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)
Deductions through reclassification to investment property	-	(1 637)	-	-	-	-	-	(1 637)
Other deductions	-	-	(486)	-	-	-	-	(486)
Carrying amount at 31.12.2013	**649**	**262 432**	**631 652**	**4 680**	**14 962**	**82 079**	**4 156**	**1 000 610**

(all amounts in PLN thousand unless otherwise stated)

Gross carrying amount of property, plant and equipment

	Land	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Advances paid for property, plant and equipment	Total
Balance at 31.12.2014								
Gross carrying amount	649	702 550	1 686 101	14 055	50 781	122 017	16 642	2 592 795
Accumulated depreciation (-)	(1)	(433 067)	(1 012 437)	(10 396)	(34 457)	-	-	(1 490 358)
Impairment loss (-)	-	(7 594)	(47 034)	(1)	(30)	(49 830)	-	(104 489)
Carrying amount at 31.12.2014	**648**	**261 889**	**626 630**	**3 658**	**16 294**	**72 187**	**16 642**	**997 948**
Balance at 31.12.2013								
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)
Carrying amount at 31.12.2013	**649**	**262 432**	**631 652**	**4 680**	**14 962**	**82 079**	**4 156**	**1 000 610**

(all amounts in PLN thousand unless otherwise stated)

Impairment losses

	Buildings and structures	Technical devices and machines	Vehicles	Other	Property, plant and equipment under construction	Total
Impairment loss at 01.01.2014	**7 696**	**46 354**	**1**	**30**	**49 830**	**103 911**
Impairment recognised in the statement of profit or loss	9	753	-	8	-	770
Reversal of impairment recognised in the statement of profit or loss (-)	(111)	(73)	-	(8)	-	(192)
Impairment loss at 31.12.2014	**7 594**	**47 034**	**1**	**30**	**49 830**	**104 489**
Impairment loss at 01.01.2013	**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)
Impairment loss at 31.12.2013	**7 696**	**46 354**	**1**	**30**	**49 830**	**103 911**

Test for impairment loss

As at 31 December 2014, the Company tested property, plant and equipment for impairment. The results of the analysis showed that there is no basis for the reversal of the impairment loss on assets of Polyoxymethylene Installation (POM). Additionally, the recoverable amount (determined as value in use) of the remaining part of property, plant and equipment exceeded its carrying amount. In 2013, the Company recognised the impairment loss for property, plant and equipment of PLN 42 281 thousand, mainly including PLN 38 925 thousand relating to the POM Installation.

(all amounts in PLN thousand unless otherwise stated)

Significant expenditures on property, plant and equipment under construction

In 2014, the Company launched two key investment projects, i.e. Polyamide Plant II and Mechanical Granulation Plant II.

The aim of the Polyamide's Plant II project is to improve effectiveness of utilisation of caprolactam produced by Grupa Azoty. Currently, the excess of caprolactam is sold on the market. The construction of the new PA6 Plant will allow to earn margin on sales of the additional volumes of polyamide PA6 as well as to supplement and extend the current polyamides portfolio by lines of products not currently manufactured in Grupa Azoty plants. The capital expenditures incurred in 2014 amounted to PLN 2 325 thousand.

The realisation of Granulation Plant II will help to optimise the fertilizers product range and to further increase the value of ammonium sulphate produced by the Company. It is expected to double the production capacity of the mechanically granulated fertilizers and to strengthen the Company's specialisation in solid ammonia and sulphur based fertilizers. The capital expenditures incurred in 2014 amounted to PLN 5 532 thousand.

Other capital expenditures comprising property, plant and equipment under construction include: modernisation of interior of ammonia synthesis reactors (PLN 16 795 thousand, 31 December 2013: PLN 9 544 thousand), circulating hydrogen compressor for the phenol hydrogenation plant on the PD catalyst (PLN 14 506 thousand; 31 December 2013 PLN: 11 550 thousand), construction of fertilizers warehouse (PLN 10 621 thousand, 31 December 2013: PLN 365 thousand), adaptation of liquid sulphur unloading station (PLN 5 159 thousand; 31 December 2013: PLN 4 859 thousand), adaptation of sulphuric acid and oleum handling equipment to TDT requirements (PLN 2 181 thousand, 31 December 2013 PLN 1 653 thousand) and other less significant expenditures.

Leased assets

	As at 31.12.2014	As at 31.12.2013
Carrying amount of assets leased under finance lease	1 881	3 822
	1 881	**3 822**

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

Security

As at 31 December 2014, the carrying amount of property, plant and equipment pledged as security for bank loans amounted to PLN 184 043 thousand (31 December 2013: PLN 193 376 thousand).

Liability title / type of security	As at 31.12.2014	As at 31.12.2013
Bank loan/ mortgage	30 558	30 542
Bank loan/ registered pledge	153 485	162 834
	184 043	**193 376**

Perpetual usufruct of land

	As at 31.12.2014	As at 31.12.2013
Perpetual usufruct of land	52 407	52 652

(all amounts in PLN thousand unless otherwise stated)

Note 10.1 Property, plant and equipment held for sale

	As at 31.12.2014	As at 31.12.2013
Land	107	**125**

Note 11 Investment property

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Carrying amount at the beginning of the period	**15 154**	**14 444**
Additions, including:	**-**	***2 859***
Acquisition, construction	-	909
Reversal of impairment loss	-	292
Reclassification from property, plant and equipment	-	1 637
Other additions	-	21
Deductions, including:(-)	***(1 747)***	***(2 149)***
Depreciation (-)	(982)	(916)
Disposals, liquidation	-	(25)
Impairment loss	-	(27)
Reclassification to property, plant and equipment	(765)	(1 181)
Carrying amount at the end of the period	**13 407**	**15 154**

Income from lease of investment properties in 2014 amounted to PLN 4 284 thousand (2013: PLN 4 050 thousand).

Note 12 Intangible assets

Carrying amounts

	As at 31.12.2014	As at 31.12.2013
Patents and licences	30 791	28 471
Computer software	4 865	5 315
Development costs	284	306
Other intangible assets	2 513	1 732
	38 453	**35 824**
Intangible assets under construction	4 761	4 546
	43 214	**40 370**

As at 31 December 2014, intangible assets mainly comprised licences, including SAP licence of PLN 24 828 thousand (31 December 2013: PLN 20 068 thousand). The Company does not hold any intangible assets with indefinite useful lives.

Amortisation of intangible assets is generally allocated to administrative expenses.

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

(all amounts in PLN thousand unless otherwise stated)

Carrying amount of intangible assets

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

	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**
Additions, including:	***15 566***	***22***	***-***	***851***	***10 624***	***27 063***
Additions through purchases, construction, transfer to use	15 566	22	-	851	10 624	27 063
Deductions, including:(-)	***(9 108)***	***(522)***	***(23)***	***(557)***	***(16 570)***	***(26 780)***
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**

(all amounts in PLN thousand unless otherwise stated)

Gross carrying amounts of intangible assets

	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
Balance at 31.12.2014						
Gross carrying amount	55 576	9 396	570	3 434	4 761	73 737
Accumulated amortisation (-)	(18 085)	(4 531)	(286)	(477)	-	(23 379)
Impairment loss (-)	(6 700)	-	-	(444)	-	(7 144)
Carrying amount at 31.12.2014	**30 791**	**4 865**	**284**	**2 513**	**4 761**	**43 214**
Balance at 31.12.2013						
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)
Carrying amount at 31.12.2013	**28 471**	**5 315**	**306**	**1 732**	**4 546**	**40 370**

Impairment losses

	Patents and licences	Computer software	Development costs	Other intangible assets	Intangible assets under construction	Total
Impairment loss at 01.01.2014	**6 700**	-	-	**444**	-	**7 144**
Impairment loss at 31.12.2014	**6 700**	-	-	**444**	-	**7 144**
Impairment loss at 01.01.2013	**-**	**-**	**-**	**-**	**-**	**-**
Impairment recognised in the statement of profit or loss	6 700	-	-	444	-	7 144
Impairment loss at 31.12.2013	**6 700**	**-**	**-**	**444**	**-**	**7 144**

(all amounts in PLN thousand unless otherwise stated)

Significant expenditures on intangible assets under construction

Significant expenditures on intangible assets under constructions include: implementation of e-commerce system (PLN 1 225 thousand), implementation of the logistics system (PLN 1 222 thousand), purchase of license for Installation of Mechanical Granulation II (PLN 1 000 thousand) and other less significant projects.

Note 13 Financial assets

Note 13.1. Investments in subordinated entities

	As at 31.12.2014	As at 31.12.2013
Investments in subsidiaries	3 814 973	3 814 963
Investments in associates	20	20
	3 814 993	**3 814 983**
Thereof:		
Non-current	3 814 993	3 814 983
	3 814 993	**3 814 983**

Movement in subordinated entities

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Carrying amount at the beginning of the period	**3 814 983**	993 757
Additions, including:	*10*	*2 821 226*
Purchases	10	2 821 206
Reclassifications	-	20
Carrying amount at the end of the period	**3 814 993**	**3 814 983**

Changes in ownership of shares in subordinated entities result from establishing the two new subsidiaries: Grupa Azoty „Compounding” Sp. z o.o. and Grupa Azoty „Folie” Sp. z o.o.

As at 31 December 2014, the carrying amount of investments in subordinated entities pledged as security for loans amounted to PLN 3 065 923 thousand (31 December 2013: PLN 3 065 923 thousand) and concerned shares in Grupa Azoty Zakłady Azotowe “Puławy” S.A. and Grupa Azoty Zakłady Chemiczne "Police" S.A.

(all amounts in PLN thousand unless otherwise stated)

Shares in subordinated entities

Name of the entity	Ownership interest	Country	Carrying amount of shares
31 December 2014			
Grupa Azoty ATT Polymers GmbH	100.00	Germany	16 057
Grupa Azoty „Compounding” Sp. z o.o.	100.00	Poland	5
Grupa Azoty „Folie” Sp. z o.o.	100.00	Poland	5
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
Navitrans Sp. z o.o.	26.45	Poland	20
			3 814 993
31 December 2013			
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
Navitrans Sp. z o.o.	26.45	Poland	20
			3 814 983

(all amounts in PLN thousand unless otherwise stated)

Note 13.2 Available-for-sale financial assets

	As at 31.12.2014	As at 31.12.2013
Shares in other entities	12 134	12 134
	12 134	**12 134**
Thereof:		
Non-current	12 134	12 134
	12 134	**12 134**

Movement in available-for-sale financial assets

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Carrying amount at the beginning of the period	**12 134**	**282 815**
Additions, including:	***22***	***-***
Reversal of impairment loss	22	-
Deductions, including: (-)	***(22)***	***(270 681)***
Disposal, liquidation	(22)	(50)
Reclassification to subsidiaries	-	(251 915)
Reclassification to associates	-	(20)
Fair value measurement	-	(18 696)
Carrying amount at the end of the period	**12 134**	**12 134**

Note 13.3 Impairment of investments

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Balance at the beginning of the period	**16 275**	**16 275**
Reversal of impairment loss, including: (-)	***(22)***	***-***
Reversal of impairment loss in other entities	(22)	-
Balance at the end of the period	**16 253**	**16 275**

(all amounts in PLN thousand unless otherwise stated)

Note 13.4 Other financial assets

	As at 31.12.2014	As at 31.12.2013
Financial instruments at fair value through profit or loss	829	501
Loans	-	5 148
	829	**5 649**
Thereof:		
Current	829	5 649
	829	**5 649**

Note 14 Other assets

	As at 31.12.2014	As at 31.12.2013
Insurance	3 701	3 944
Subscriptions	166	162
Development costs	3 044	1 180
Advertising	272	153
Other	1 329	862
	8 512	**6 301**
Thereof:		
Non-current	210	690
Current	8 302	5 611
	8 512	**6 301**

(all amounts in PLN thousand unless otherwise stated)

Note 15 Inventories

	As at 31.12.2014	As at 31.12.2013
Finished goods	101 894	99 957
Semi-finished products, work in progress	21 726	25 243
Raw materials	84 630	82 651
Emission rights	27 924	27 428
Certificates of origin of energy	1 498	111
Advances paid	706	1 359
Total inventory, including:	**238 378**	**236 749**
Carrying amount of inventories at net realisable value	*11 296*	*15 811*
Carrying amount of inventories securing liabilities	*84 730*	*95 768*

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Raw materials and energy used	1 218 751	1 235 466
Change in inventories of finished goods and work in progress (+/-)	(982)	(4 264)
Amount of inventories included in cost of sales in the period	**1 217 769**	**1 231 202**

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Write-downs recognised as an expense in the period	14 666	14 551
Write-downs used/reversed in the period	(16 707)	(10 413)
	(2 041)	**4 138**

Inventories write downs recognised in 2014 relate to finished goods, semi-finished products and raw materials for which cost exceeds net realisable value or which are held on stock more than one year. Changes in write downs resulted from sale, use or liquidation of particular items and are included in the statement of profit or loss as cost of sales.

(all amounts in PLN thousand unless otherwise stated)

Nota 15.1 CO_2 emission rights

CO2 emission rights owned (number of units)	2014	2013
Balance at the beginning of the period (units owned)	**959 508**	**1 522 861**
Redeemed	(1 328 969)	(706 609)
Allocated	1 305 967	-
Acquired	253 147	143 256
Balance at the end of the period (units owned)	**1 189 653**	**959 508**
Recognised as receivable	-	659 374
Balance at the end of the period (units owned and recognised as receivable)	**1 189 653**	**1 618 882**
Emission in the reporting period	1 302 484	1 340 309

Note 16 Trade and other receivables

	As at 31.12.2014	As at 31.12.2013
Trade receivables - related parties	90 048	79 174
Trade receivables - other parties	87 499	70 837
Tax receivables other than current tax assets	63 012	62 655
Advances paid - other parties	896	646
Other receivables - other parties	21	13 802
	241 476	**227 114**
Thereof:		
Current	241 476	227 114
	241 476	**227 114**

Impairment losses

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Balance at the beginning of the period	**5 772**	**6 480**
Additions, including:	***2 362***	***454***
Impairment loss on trade receivables - related parties	5	-
Impairment loss on trade receivables - other parties	591	454
Impairment loss on other receivables - other parties	1 766	-
Deductions, including: (-)	***(401)***	***(1 162)***
Trade receivables written off - other parties	(77)	(466)
Trade receivables impairment loss reversed - related parties	(4)	-
Trade receivables impairment loss reversed - other parties	(320)	(696)
Balance at the end of the period	**7 733**	**5 772**
Thereof:		
Current	7 733	5 772
	7 733	**5 772**

(all amounts in PLN thousand unless otherwise stated)

Not impaired trade receivables ageing structure

	As at 31.12.2014	As at 31.12.2013
Not past due	167 127	141 776
Past due to 60 days	9 221	8 030
Past due 60-180 days	1 199	173
Past due 180-360 days	-	32
	177 547	**150 011**

Impaired trade receivables ageing structure

	As at 31.12.2014	As at 31.12.2013
Not past due	267	114
Past due to 60 days	33	38
Past due 60-180 days	91	135
Past due 180-360 days	91	103
Past due more than 360 days	5 485	5 382
	7 733	**5 772**

Receivables currency structure

	As at 31.12.2014	As at 31.12.2013
PLN	106 966	113 062
EUR translated to PLN	134 012	107 444
USD translated to PLN	498	6 608
	241 476	**227 114**
Thereof:		
Current	241 476	227 114
	241 476	**227 114**

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 2014, receivables of PLN 68 940 thousand (31 December 2013: PLN 65 965 thousand) secured the Company's receivables discounting.

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

(all amounts in PLN thousand unless otherwise stated)

Note 17 Cash and cash equivalents

	As at 31.12.2014	As at 31.12.2013
Cash in hand	12	8
Bank balances in PLN	5 948	2 556
Bank balances in foreign currencies (translated to PLN)	18 616	3 386
Bank deposits - up to 3 months	2 855	399
	27 431	**6 349**
Cash and cash equivalents in the statement of financial position	**27 431**	**6 349**
Cash and cash equivalents in the statement of cash flows	**27 431**	**6 349**

As at 31 December 2014 and 31 December 2013 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 2014, the total value of cash in these accounts amounted to PLN 16 282 thousand (31 December 2013: PLN 13 thousand).

Note 18 Capital and reserves

Note 18.1 Share capital

Value of share capital

	As at 31.12.2014	As at 31.12.2013
Value of share capital	120 000	120 000
Nominal value of series B shares	75 582	75 582
Nominal value of series C shares	124 995	124 995
Nominal value of series D shares	175 400	175 400
	495 977	**495 977**

Number of shares

	As at 31.12.2014	As at 31.12.2013
Number of shares at the beginning of the period	**99 195 484**	**64 115 444**
Share issue	-	35 080 040
Number of shares at the end of the period	**99 195 484**	**99 195 484**
Nominal value of 1 share (PLN/share)	5	5

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

Limitation in voting rights

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

(all amounts in PLN thousand unless otherwise stated)

Note 18.2 Share premium

	As at 31.12.2014	As at 31.12.2013
Share issue	2 445 409	2 445 409
Share issue costs (-)	(30 713)	(30 713)
Tax	3 574	3 574
	2 418 270	**2 418 270**

Nota 18.3 Dividends

In 2014, the Company paid a dividend of PLN 19 839 thousand, i.e. PLN 0.20 per share. In 2013, the Company paid a dividend of PLN 148 793 thousand, i.e. PLN 1.50 per share.

Note 19 Loans

	As at 31.12.2014	As at 31.12.2013
Bank credits	440 071	520 107
Loans	350 168	396 603
	790 239	**916 710**
Thereof:		
Non-current	347 263	513 827
Current	442 976	402 883
	790 239	**916 710**

Loans result mainly from the financing of consolidation and acquisition processes, including the acquisition of shares in Grupa Azoty Zakłady Azotowe PUŁAWY S.A. 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 2014 amounted to PLN 461 735 thousand and as at 31 December 2013 amounted to PLN 615 646 thousand) and additionally from the renewable loans drawn from other Grupa Azoty companies (details presented in Note 28).

Loans maturities and currency structure

31 December 2014

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

(all amounts in PLN thousand unless otherwise stated)

31 December 2013

Currency	Reference rate	Value at the reporting date in original currency	Value at the reporting date in PLN	Less than 1 year	1-2 year(s)	2-5 years
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
			916 710	402 883	168 162	345 665

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 31.12.2014	As at 31.12.2013
Liability for pension benefits	17 826	13 762
Liability for jubilee benefits	25 691	23 289
Liability for Social Fund benefits for pensioners	3 943	3 008
Other liabilities	4 964	4 183
	52 424	**44 242**
Thereof:		
Non-current	49 741	41 873
Current	2 683	2 369
	52 424	**44 242**

Changes in defined benefit obligation

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Balance at the beginning of the period	**20 953**	**17 515**
Current service costs (+)	655	549
Interest costs (+)	942	699
Remeasurement of defined benefit plan liabilities, resulting from:	5 350	2 888
- changes in demographic estimates (+/-)	2 060	992
- changes in financial assumptions (+/-)	3 290	1 896
Benefits paid (-)	(1 167)	(698)
Balance at the end of the period	**26 733**	**20 953**

(all amounts in PLN thousand unless otherwise stated)

Changes in other long-term benefit obligation

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Balance at the beginning of the period	**23 289**	**23 422**
Current service costs (+)	813	827
Interest costs (+)	1 048	883
Actuarial gains or losses recognised in profit or loss for the period (+/-)	2 525	276
Benefits paid (-)	(1 984)	(2 119)
Balance at the end of the period	**25 691**	**23 289**

Actuarial assumptions

	As at 31.12.2014	As at 31.12.2013
Discount rate %	3,0%	4.5%
Future minimum wage increases	4,0%	4.0%
Future average salary increases	3,0%	3.0%

Sensitivity analysis

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

As at 31 December 2014

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

As at 31 December 2013

	Liability for jubilee benefits	Liability for retirement benefits	Liability for pension benefits	Liability for death-in service benefits	Liability for Social Fund benefits for pensioners
Employee turnover x90%	582	400	11	104	**81**
Discount rate x90%	792	800	18	162	**129**
Future wage or salary x110%	536	707	12	108	**99**

(all amounts in PLN thousand unless otherwise stated)

Note 21 Provisions

	As at 31.12.2014	As at 31.12.2013
Provision for legal claims	83	398
Provision for environment protection, including site restoration	17 431	16 913
Provision for mercury electrolysis demolition	7 613	6 870
Provision for CO_2 emission rights	30 423	33 014
Other provisions, including:	5 027	5 731
Provision for property ordering	4 502	5 206
Provision for demolition	525	525
	60 577	**62 926**
Thereof:		
Non-current	24 374	22 781
Current	36 203	40 145
	60 577	**62 926**

Present value of long-term provisions was calculated using a real, risk free discount rate of 2.0% (2013: 2.5%).

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

When preparing the estimate of the provision it was assumed that the works would be performed in years 2015-2031. Before the revision of the estimate performed in 2014, it was assumed that the works will be performed until 2028. The provision was estimated at the amount of direct costs required to remove the contaminated land, transfer it to the landfill and pay the storage costs. The estimates were made taking into consideration the area of the contaminated land, depth of penetration and the expected level of contamination. The provision for treatment of buildings was estimated at the amount of costs necessary to clean the buildings from mercury to such extent, that the mercury contamination does not exceed the permitted limits and the rubble from the buildings demolition would be accepted for storage as inactive, non-hazardous waste.

The present value of the provision as at 31 December 2014 amounted to PLN 16 075 thousand (31 December 2013: PLN 15 370 thousand).

In 2014 and 2013, the Company made no significant spending related to the reclamation.

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

The provision for costs of liquidation of Mercury Electrolysis Plant was estimated based on the assumption that restoration will be completed to year 2031 (previously assumed completion date was 2026).

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

In 2014, spending related to abovementioned liquidation amounted to PLN 421 thousand (PLN 667 thousand in 2013).

Provision for CO_2 emission rights

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

The information about the number of emission rights owned or recognised as receivable is presented in Note 15.1. Since the emission for 2014 exceeded the amount of rights owned as at 31 December 2014, the Company bought on the market 453 126 units (including 200 thousand units as open futures contracts) amounting to EUR 2.6 million to provide for the 2014 emission.

(all amounts in PLN thousand unless otherwise stated)

Changes in provisions

	Provision for legal claims	Provision for environment protection, including site restoration	Provisions for mercury electrolysis demolition	Provisions for bonuses, discounts	Provision for CO_2 emission rights	Other provisions	Total
Balance at 01.01.2014	**398**	**16 913**	**6 870**	**-**	**33 014**	**5 731**	**62 926**
Additions, including:	***-***	***668***	***1 040***	***811***	***30 423***	***845***	***33 787***
Recognised	-	668	1 040	811	30 423	845	33 787
Deductions, including:(-)	***(315)***	***(150)***	***(297)***	***(811)***	***(33 014)***	***(1 549)***	***(36 136)***
Used	(315)	-	-	(693)	(32 726)	-	(33 734)
Reversed	-	(150)	(297)	(118)	(288)	(1 549)	(2 402)
Balance at 31.12.2014	**83**	**17 431**	**7 613**	**-**	**30 423**	**5 027**	**60 577**

	Provision for legal claims	Provision for environment protection, including site restoration	Provisions for mercury electrolysis demolition	Provisions for bonuses, discounts	Provision for CO_2 emission rights	Other provisions	Total
Balance at 01.01.2013	**198**	**15 786**	**7 523**	**2 060**	**22 016**	**9 372**	**56 955**
Additions, including:	***200***	***1 127***	***-***	***11 052***	***10 998***	***937***	***24 314***
Recognised	200	1 127	-	11 052	10 998	937	24 314
Deductions, including: (-)	***-***	***-***	***(653)***	***(13 112)***	***-***	***(4 578)***	***(18 343)***
Used	-	-	(653)	(11 117)	-	(2 934)	(14 704)
Reversed	-	-	-	(1 995)	-	(1 644)	(3 639)
Balance at 31.12.2013	**398**	**16 913**	**6 870**	**-**	**33 014**	**5 731**	**62 926**

(all amounts in PLN thousand unless otherwise stated)

Note 22 Grants

	As at 31.12.2014	As at 31.12.2013
Government grants	3 464	3 614
EU grants	-	19
Other grants	640	363
	4 104	**3 996**
Thereof:		
Non-current	3 313	3 463
Current	791	533
	4 104	**3 996**

In 2014, the Company received and settled grants related to the free-of-charge CO2 emission rights amounting to PLN 13 559 thousand (2013: PLN 16 221 thousand).

Note 23 Trade and other payables

	As at 31.12.2014	As at 31.12.2013
Trade payables - related parties	45 859	65 968
Trade payables – other parties	101 257	110 591
Tax payables other than current tax liabilities	26 308	24 912
Payroll liabilities	6 625	6 149
Payables relating to capital expenditure - related parties	6 557	12 328
Payables relating to capital expenditure - other parties	5 435	8 511
Advances received - related parties	-	93
Advances received - other parties	937	266
Accrual for motivation and annual bonus	7 084	11 358
Accrual for unused holiday	3 790	3 645
Accrual for cost of sales of licences	2 036	2 036
Accrual for renewable energy	962	99
Accrual for uninvoiced expenses	6 234	520
Accrual for other employee costs	1 197	1 973
Accrual for other expenses	5 084	1 844
Other payables - related parties	27	1 420
Other payables - other parties	5 660	5 464
	225 052	**257 177**
Thereof:		
Current	225 052	257 177
	225 052	**257 177**

(all amounts in PLN thousand unless otherwise stated)

Trade payables ageing structure

	As at 31.12.2014	As at 31.12.2013
Not past due	141 333	164 548
Past due to 60 days	5 682	12 005
Past due 60-180 days	92	2
Past due 180-360 days	6	1
Past due more than 360 days	3	3
	147 116	**176 559**

Payables currency structure

	As at 31.12.2014	As at 31.12.2013
PLN	179 977	190 808
EUR translated to PLN	44 426	65 601
USD translated to PLN	626	454
Other	23	314
	225 052	**257 177**

Note 24 Other financial liabilities

	As at 31.12.2014	As at 31.12.2013
Finance lease liabilities	950	2 220
Financial instruments at fair value through profit or loss	738	-
Factoring liabilities	68 940	65 965
Other financial liabilities	814	1 639
	71 442	**69 824**
Thereof:		
Non-current	1 114	1 842
Current	70 328	67 982
	71 442	**69 824**

Finance lease liabilities repayment schedule

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

	Future minimum lease payments	Interest	Principal
		31 December 2013	
Up to 1 year	2 177	161	2 016
1 to 3 years	220	16	204
	2 397	**177**	**2 220**

(all amounts in PLN thousand unless otherwise stated)

Note 25 Deferred income

	As at 31.12.2014	As at 31.12.2013
Discounts awarded	-	3 662
Other	20	7
	20	**3 669**
Thereof:		
Current	20	3 669
	20	**3 669**

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 31.12.2014	As at 31.12.2013
At fair value through profit or loss	829	501
Loans and receivables	177 568	155 440
Cash and cash equivalents	27 431	6 349
Available-for-sale financial assets	12 134	12 134
	217 962	**174 424**
Recognised in the statement of financial position as:		
Available-for-sale financial assets	12 134	12 134
Trade and other receivables	177 568	150 292
Cash and cash equivalents	27 431	6 349
Other financial assets	829	5 649
	217 962	**174 424**

(all amounts in PLN thousand unless otherwise stated)

Financial liabilities

	As at 31.12.2014	As at 31.12.2013
At fair value through profit or loss	738	-
At amortised cost	1 032 252	1 196 965
	1 032 990	**1 196 965**
Recognised in the statement of financial position as:		
Non-current loans	347 263	513 827
Current loans	442 976	402 883
Trade and other payables	171 309	210 431
Other financial liabilities	71 442	69 824
	1 032 990	**1 196 965**

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

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Financial assets		
At fair value through profit or loss	328	91
Loans and receivables	1	171
Available-for-sale financial assets	-	13
Financial liabilities		
At fair value through profit or loss	(738)	365
At amortised cost	(54)	(89)
	(463)	**551**

Additionally we inform that:

- there were no financial assets presented in the statement of financial position as at 31 December 2014 and 31 December 2013 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 2014 and 2013,
- no instruments containing both a liability and an equity component as well as containing embedded derivatives were issued in 2014 and 2013,
- in 2014 and 2013 the Company did not seize any collaterals.

Note 26.3 Financial risk management

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

Note 26.3.1 Credit risk

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

(all amounts in PLN thousand unless otherwise stated)

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

	As at 31.12.2014	As at 31.12.2013
Assets at fair value through profit or loss	829	501
Loans and receivables	177 568	150 440
Cash and cash equivalents	27 431	6 349
	205 828	**162 290**

Trade receivables

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

	As at 31.12.2014	As at 31.12.2013
Fertilisers-Agro Segment	24 869	31 427
Plastics Segment	138 535	113 244
Energy Segment	3 053	3 202
Other Activities Segment	11 090	2 138
	177 547	**150 011**

49.3% of trade receivables are trade receivables from third parties. 82.1% (31 December 2013: 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. Furthermore, 8.3% (31 December 2013: 5.1%) of trade receivables from third parties are secured by guarantees, letters of credit or sureties.

Trade receivables from related parties, accounting for 50.7% (31 December 2013: 41.0%) of total trade receivables, are not insured.

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

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

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

Approximately 73.5% (31 December 2013: 73.6%) of the balance concerns the receivables from foreign customers and the remaining 26.5% (31 December 2013: 26.4%) 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 – 78.0%

(all amounts in PLN thousand unless otherwise stated)

(31 December 2013: 75.5%) 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 – 14.0% (31 December 2013: 20.9%) of total trade receivables. In this Segment domestic customers are dominant. Sales to these customers is made on prepaid basis and in case of customers with proven credit rating based on trade credit within the insured credit limits.

Not impaired overdue trade receivables

	As at 31.12.2014	As at 31.12.2013
Overdue to 60 days	9 221	8 030
Overdue 60 - 180 days	1 199	173
Overdue 180 – 360 days	-	32
	10 420	**8 235**

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 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 and receivables discounting 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 2014 and 2013, there were no defaults in payments of liabilities or other conditions relating to the liabilities that could result in early payment requests. The interest payments on variable interest rate loans and other financial instruments were estimated based on the interest rates at the reporting date and these amounts may change in the future.

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

(all amounts in PLN thousand unless otherwise stated)

31 December 2014

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

31 December 2013

	Carrying amount	Contractual cash flows: Total	up to 1 year	1 to 5 years
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
trade and other liabilities	210 431	210 431	210 431	-
	1 196 965	**1 263 980**	**709 515**	**554 465**

* - the amount of PLN 461 026 thousand in year 2014 and PLN 420 942 thousand in 2013 include bank overdrafts of PLN 139 561 thousand and PLN 115 707 thousand respectively, and renewable loans of PLN 120 000 thousand as at 31 December 2014 and PLN 90 000 thousand as at 31 December 2013, for which the final repayment date is in 2015-2017. The balances, for which the final repayment date is after 2015, were classified as current since the Company expects that these liabilities will be settled in the normal operating cycle.

(all amounts in PLN thousand unless otherwise stated)

Note 26.3.3 Market risk

Interest rate risk
The Company's exposure to changes in interest rates applies mainly to variable interest-bearing bank credits, loans 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 31.12.2014	Carrying amount as at 31.12.2013
Variable rate instruments		
Financial assets	27 419	11 489
Financial liabilities(-)	(860 943)	(986 534)
	(833 524)	**(975 045)**

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 are mostly used in the virtual cash-pooling facility, with the interest rate of 1M WIBOR, and the remaining part is held as the short-term interest-bearing bank deposits with the interest based on the market rates on the date of opening the deposit.

The stabilisation of market interest rates WIBID and WIBOR was observed in the first half of 2014, followed by their decrease in the second half of 2014, resulting from the interest rate reductions announced by the Monetary Policy Council. Decrease in the interest rates positively influenced the interest rates on the Company's credits and loans in 2014, reducing the interest expense on financial liabilities.

The Company has analysed the sensitivity of the variable interest-bearing financial instruments to the changes in the market interest rates. The following table presents the impact a change in the interest rates by 100 basis points would have on profit or loss and equity. This analysis assumes that all other variables, in particular foreign exchange 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 2014	(8 335)	8 335	-	-
31 December 2013	(9 750)	9 750	-	-

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

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

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

Exposure to currency risk:

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

31 December 2013	EUR	USD	CHF	GBP
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)	-	-	-
Total in currency	**(13 101)**	**(3 936)**	**(74)**	**(13)**
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)	-	-	-	-

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

(all amounts in PLN thousand unless otherwise stated)

	Profit or loss		Other comprehensive income	
	5% increase	5% decrease	5% increase	5% decrease
31 December 2014	(2 602)	2 602	-	-
31 December 2013	(3 326)	3 326	-	-

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 2014 and 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 2014

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

31 December 2013

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

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

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

The Company has investments of PLN 12 134 thousand (31 December 2013: PLN 12 134 thousand) in shares that were qualified to Level III because the shares are not quoted in an active market and there were no transactions performed on the shares. The fair value of the shares was estimated by an expert using valuation techniques containing significant unobservable inputs, i.e. the expected cash flows and discount rates.

Note 26.5 Derivatives and hedge accounting

Currency derivatives
As at 31 December 2014, the nominal value of open currency derivatives (forward contracts) amounted to EUR 17 million (EUR 3.0 million with maturity in January 2015, EUR 3.5 million with maturities in February and in March 2015 each, EUR 2.5 million with maturities in April 2015, EUR 1.5 million with maturities in May and June 2015 each, EUR 0.5 million with maturities in July, August and September 2015 each). As at 31 December 2013, the nominal value of open derivatives to sell currencies amounted to EUR 5.5 million.

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

Derivatives for emission rights
As at 31 December 2014, the Company had open positions in futures for emission rights amounting to 200 thousand EUA units with maturity in March 2015. As at 31 December 2013, the Company did not hold such contracts.

Transactions are entered only with reliable banks and are based on framework agreements. All derivative transactions reflect the real transactions resulting from greenhouse gases emissions in 2014. Futures contracts are entered in accordance with the Company’s exposure resulting from shortage of emission rights (EUA) and are aimed to reduce the impact of emission rights prices fluctuations on profit or loss.

Hedge accounting
In 2014 and 2013 the Company did not use hedge accounting.

(all amounts in PLN thousand unless otherwise stated)

Note 27 Contingent liabilities, contingent assets and guarantees

Contingent liabilities and guarantees

	As at 31.12.2014	As at 31.12.2013
Guarantees	8 297	8 125

As at 31 December 2014, the guarantees concern the security for payments of liabilities by subsidiaries.

Note 28 Related party transactions

Transactions with subordinated entities

Trade transactions

	Revenue	Receivables	Purchases	Liabilities
Balance at 31 December 2013				
Related parties of Grupa Azoty, including:	412 747	89 494	368 520	43 481
Grupa Azoty ATT Polymers	*372 644*	*80 509*	*40 753*	*6 136*
Grupa Azoty KOLTAR Sp. z o.o.	*3 118*	*141*	*29 337*	*3 426*
Grupa Azoty PKCh Sp. z o.o.	*647*	*64*	*30 924*	*5 184*
Grupa Azoty POLICE S.A.	*8 837*	*2 971*	*139 738*	*19 288*
Grupa Azoty PUŁAWY S.A.	*14 973*	*2 579*	*71 766*	*5 201*
Grupa Azoty SIARKOPOL S.A.	*1 113*	*295*	*26 206*	*1 737*
Grupa Azoty ZAK S.A.	*11 415*	*2 935*	*29 796*	*2 509*
Related parties of Grupa Azoty PKCh Sp. z o.o.	4 719	398	56 493	8 283
Related parties of Grupa Azoty POLICE S.A.	19	3	193	95
Related parties of Grupa Azoty PUŁAWY S.A.	12 447	149	5 183	399
Related parties of Grupa Azoty ZAK S.A.	-	-	196	-
Other related parties	-	4	1 180	185
	429 932	**90 048**	**431 765**	**52 443**

(all amounts in PLN thousand unless otherwise stated)

	Revenue	Receivables	Purchases	Liabilities
Balance at 31 December 2013				
Related parties of Grupa Azoty, including:	368 304	78 670	339 555	62 418
Grupa Azoty ATT Polymers	*350 555*	*76 600*	*38 783*	*4 590*
Grupa Azoty POLICE S.A.	*5 097*	*605*	*135 134*	*22 319*
Grupa Azoty PUŁAWY S.A.	*3 992*	*308*	*16 155*	*23*
Grupa Azoty ZAK S.A.	*5 523*	*902*	*52 884*	*12 141*
Grupa Azoty KOLTAR Sp. z o.o.	*2 736*	*173*	*32 872*	*7 225*
Grupa Azoty PKCh Sp. z o.o.	*391*	*80*	*59 651*	*13 571*
Grupa Azoty SIARKOPOL S.A.	*10*	*2*	*4 076*	*2 549*
Related parties of Grupa Azoty PKCh	4 974	385	81 585	17 087
Related parties of Grupa Azoty PUŁAWY	1 370	112	123	50
Other related parties	68	7	331	254
	374 716	**79 174**	**421 596**	**79 809**

Other transactions

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

(all amounts in PLN thousand unless otherwise stated)

	Other income	Other expenses	Finance income	Finance costs
Balance at 31 December 2013				
Related parties of Grupa Azoty	75	93	100 124	413
Grupa Azoty ATT Polymers	*-*	*-*	*822*	*-*
Grupa Azoty POLICE S.A.	*14*	*-*	*33 165*	*-*
Grupa Azoty ZAK S.A.	*17*	*-*	*59 156*	*410*
Grupa Azoty KOLTAR Sp. z o.o.	*38*	*21*	*727*	*-*
Grupa Azoty PKCh Sp. z o.o.	*6*	*72*	*6 254*	*-*
Grupa Azoty SIARKOPOL S.A.	*-*	*-*	*-*	*3*
Related parties of Grupa Azoty PKCh Sp. z o.o.	82	6 990	-	-
Other related parties	3	-	24	-
	160	**7 083**	**100 148**	**413**

Loans granted to related parties
In 2014, no loans were granted to related parties.

In 2014, Grupa Azoty ATT Polymers GmbH repaid the last instalment of the loan granted in 2010, i.e. PLN 5 148 thousand.

Loans received from related parties
On 30 December 2014, the repayment date of PLN 70 000 thousand loan received from Grupa Azoty ZAK S.A. in 2013 was extended to 30 June 2015.

Additionally, as at 31 December 2014, the Company has renewable loans from Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki „Siarkopol" S.A. of PLN 50 000 thousand, of which PLN 20 000 thousand was received in 2013 and PLN 30 000 thousand in 2014. The final repayment date is set on 31 December 2017. However, due to the renewable nature of loans and intention to repay in normal operating cycle the resulting liabilities were classified as current.

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

	For period 01.01.2014 - 31.12.2014	For period 01.01.2013 - 31.12.2013
Benefits paid	3 708	3 363
Benefits payable	2 488	2 126
Termination benefits	480	720
	6 676	**6 209**

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

	For period 01.01.2014 - 31.12.2014	For period 01.01.2013 - 31.12.2013
Benefits paid	1 751	1 821

(all amounts in PLN thousand unless otherwise stated)

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

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

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

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

Loans
In 2014 and 2013, the Company did not grant any loans to the members of the Management or the Supervisory Board.

Transactions with owners
In 2014, the Company did not conclude any transactions with owners. In 2013, the Company acquired from the State Treasury 9 686 248 shares of Grupa Azoty PUŁAWY, representing 50,67% of that company's share capital, for 24 215 620 of series D shares and acquired 4 675 000 shares, representing 85% of share capital of Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki „Siarkopol" S.A., for PLN 320 004 thousand.

Transactions with the State Treasury related entities

Balance at 31 December 2014

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

(all amounts in PLN thousand unless otherwise stated)

Balance at 31 December 2013

Name of entity	Value	Purpose of transaction
PKO BP	274 313	loan taken
PZU Życie	274 312	loan taken
PGNiG	238 471	purchase of natural gas
PKN Orlen	131 736	purchase of raw materials
Kompania Węglowa S.A.	49 577	purchase of coal
PKP Cargo	30 266	purchase of transport services
Tauron	22 790	purchase of energy
PZU S.A.	6 414	insurance
LOTOS	2 750	purchase of raw materials
KGHM Polska Miedź S.A.	1 019	purchase of raw materials
PSE S.A.	129	purchase of transmission of energy
	1 031 777	

Note 29 Accounting estimates and assumptions

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

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
At the beginning of the period	**107 168**	**97 892**
Recognised	45 120	30 579
Reversed (-)	(2 402)	(3 639)
Used (-)	(36 885)	(17 664)
At the end of the period	**113 001**	**107 168**

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

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
At the beginning of the period	**103 911**	**63 616**
Recognised	770	42 281
Reversed (-)	(146)	(636)
Used (-)	(46)	(1 350)
At the end of the period	**104 489**	**103 911**

Changes in inventories write-downs - Note 15	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
At the beginning of the period	**10 465**	**6 327**
Recognised	14 666	14 551
Used (-)	(16 707)	(10 413)
At the end of the period	**8 424**	**10 465**

(all amounts in PLN thousand unless otherwise stated)

Changes in impairment loss on receivables - Note 16

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
At the beginning of the period	**5 772**	**6 480**
Recognised	2 362	454
Reversed (-)	(324)	(696)
Used (-)	(77)	(466)
At the end of the period	**7 733**	**5 772**

Note 30 Operating leases

Leases as lessor

	As at 31.12.2014	As at 31.12.2013
Due within 1 year	760	807
Due between 1 and 5 years	1 231	1 597
Due in more than 5 years	1 314	986
	3 305	**3 390**

Leases as lessee

	As at 31.12.2014	As at 31.12.2013
Due within 1 year	8 940	9 271
Due between 1 and 5 years	5 480	4 055
	14 420	**13 326**

Lease payments recognised as expense

	For the period 01.01.2014 - 31.12.2014	For the period 01.01.2013 - 31.12.2013
Lease payments	18 294	18 038

Note 31 Capital commitments

In the period ended 31 December 2014, the Company signed contracts concerning the continuation of previously launched and new investment projects. The contracts for realisation of the investment projects comprise construction, mechanical, electric, design and supervision services. The most significant are:

- Construction of Polyamide Plant II – capital commitments as at 31 December 2014 amounted to PLN 83 722 thousand (31 December 2013: PLN 0 thousand),
- Construction of condensing extraction turbine – capital commitments as at 31 December 2014 amounted to PLN 44 105 thousand (31 December 2013: PLN 0 thousand),
- Construction of fertilizers warehouse – capital commitments as at 31 December 2014 amounted to PLN 16 635 thousand (31 December 2013: PLN 308 thousand),
- Construction of Installation of Mechanical Granulation II – capital commitments as at 31 December 2014 amounted to PLN 16 538 thousand (31 December 2013: PLN 0 thousand).

In total, the Company is committed to incur capital expenditure of PLN 162 221 thousand (31 December 2013: PLN 10 647 thousand).

Note 32 Construction contracts

There were no construction contracts both as at 31 December 2014 and 31 December 2013.

Note 33 Subsequent events

There were no subsequent events which would require recognition or disclosure in the financial statements.

The translation of the financial statements of Grupa Azoty S.A. for the 12 month period ended 31 December 2014 contains 87 pages.