Separate financial statements for the 12 months ended December 31st 2017 prepared in accordance with International Financial Reporting Standards as endorsed by the European Union

Grupa Azoty S.A.

Contents

(all amounts in PLN thousand unless indicated otherwise)

Separate statement of profit or loss and other comprehensive income

	Note	for the period Jan 1– Dec 31 2017	for the period Jan 1– Dec 31 2016* restated
Profit/loss			
Revenue	1	1,681,525	1,552,332
Cost of sales	2	(1,265,543)	(1,299,481)
Gross profit		**415,982**	**252,851**
Selling and distribution expenses	2	(101,181)	(92,494)
Administrative expenses	2	(161,048)	(160,129)
Other income	3	11,106	10,180
Other expenses	4	(20,518)	(65,837)
Operating profit/(loss)		**144,341**	**(55,429)**
Finance income	5	250,019	287,228
Finance costs	6	(56,514)	(41,269)
Net finance income		**193,505**	**245,959**
Profit before tax		**337,846**	**190,530**
Income tax	7	16,947	3,396
Net profit		**354,793**	**193,926**
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains from defined benefit plans		(1,783)	106
Tax on items that will not be reclassified to profit or loss	7.3	338	(21)
		(1,445)	**85**
Items that are or may be reclassified to profit or loss			
Cash flow hedging – effective portion of change in fair value		27,808	(8,852)
Tax on items that are or may be reclassified to profit or loss	7.3	(5,296)	1,682
		22,512	**(7,170)**
Total other comprehensive income		**21,067**	**(7,085)**
Comprehensive income for the year		**375,860**	**186,841**
Earnings per share:	9		
Basic (PLN)		3.58	1.95
Diluted (PLN)		3.58	1.95

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

The separate statement of profit or loss and other comprehensive income should be read in conjunction with the notes to these full-year separate financial statements, which form their integral part.

(all amounts in PLN thousand unless indicated otherwise)

Separate statement of financial position

	Note	as at Dec 31 2017	as at Dec 31 2016* restated	as at Jan 1 2016* restated
Assets				
Non-current assets				
Property, plant and equipment	10	1,554,673	1,435,521	1,106,972
Perpetual usufruct of land	11	369	373	377
Intangible assets	12	46,957	50,864	50,442
Investment property	13	16,449	17,700	19,754
Shares	14	3,867,145	3,859,066	3,823,142
Other financial assets	14.3	249,978	244,220	218,115
Other receivables	17	16,882	18,121	50,173
Deferred tax assets	7.4	17,957	-	-
Total non-current assets		**5,770,410**	**5,625,865**	**5,268,975**
Current assets				
Inventories	15	212,109	171,256	188,843
Property rights	16	29,852	31,423	32,272
Derivative financial instruments	28.5	1,071	834	986
Other financial assets	14.3	70,361	53,944	29,186
Trade and other receivables	17	214,524	208,557	202,553
Cash and cash equivalents	18	572,711	326,031	111,942
Assets held for sale	10.1	95	691	340
Total current assets		**1,100,723**	**792,736**	**566,122**
Total assets		**6,871,133**	**6,418,601**	**5,835,097**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

The separate statement of financial position should be read in conjunction with the notes to these full-year separate financial statements, which form their integral part.

(all amounts in PLN thousand unless indicated otherwise)

Separate statement of financial position (continued)

	Note	as at Dec 31 2017	as at Dec 31 2016* restated	as at Jan 1 2016* restated
Equity and liabilities				
Equity				
Share capital	20.1	495,977	495,977	495,977
Share premium	20.2	2,418,270	2,418,270	2,418,270
Hedging reserve	20.3	15,407	(7,105)	65
Retained earnings, including:		1,832,602	1,557,618	1,446,931
Net profit for the year		*354,793*	*193,926*	-
Total equity		**4,762,256**	**4,464,760**	**4,361,243**
Liabilities				
Borrowings	21	1,357,234	1,166,290	935,550
Other financial liabilities	22	25,860	28,538	244
Employee benefit obligations	24	47,459	46,136	50,679
Trade and other payables	26	32	-	-
Provisions	25	27,345	25,992	24,446
Government grants received	27	26,394	19,222	3,163
Deferred tax liabilities	7.4	-	24,713	29,770
Total non-current liabilities		**1,484,324**	**1,310,891**	**1,043,852**
Borrowings	21	310,892	307,375	48,962
Derivative financial instruments	28.5	-	1,108	499
Other financial liabilities	22	24,315	65,131	46,055
Employee benefit obligations	24	3,038	2,994	2,694
Current tax liabilities		3,178	-	-
Trade and other payables	26	280,843	262,140	324,464
Provisions	25	1,200	2,355	5,014
Government grants received	27	1,087	1,847	2,314
Total current liabilities		**624,553**	**642,950**	**430,002**
Total liabilities		**2,108,877**	**1,953,841**	**1,473,854**
Total equity and liabilities		**6,871,133**	**6,418,601**	**5,835,097**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

The separate statement of financial position should be read in conjunction with the notes to these full-year separate financial statements, which form their integral part.

(all amounts in PLN thousand unless indicated otherwise)

Separate statement of changes in equity

for the period ended December 31st 2017

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
Balance as at January 1st 2017	**495,977**	**2,418,270**	**(7,105)**	**1,609,995**	**4,517,137**
Correction of errors	-	-	-	(52,377)	(52,377)
Balance as at January 1st 2017, adjusted*)	495,977	2,418,270	(7,105)	1,557,618	**4,464,760**
Profit or loss and other comprehensive income					
Net profit	-	-	-	354,793	354,793
Other comprehensive income	-	-	22,512	(1,445)	21,067
Comprehensive income for the year	**-**	**-**	**22,512**	**353,348**	**375,860**
Transactions with owners, recognised directly in equity					
Dividends	-	-	-	(78,364)	(78,364)
Total transactions with owners	**-**	**-**	**-**	**(78,364)**	**(78,364)**
Balance as at December 31st 2017	**495,977**	**2,418,270**	**15,407**	**1,832,602**	**4,762,256**

for the year ended December 31st 2016

	Share capital	Share premium	Hedging reserve	Retained earnings	Total equity
Balance as at January 1st 2016	**495,977**	**2,418,270**	**65**	**1,468,459**	**4,382,771**
Correction of errors	-	-	-	(21,528)	(21,528)
Balance as at January 1st 2016, adjusted*)	**495,977**	**2,418,270**	**65**	**1,446,931**	**4,361,243**
Profit or loss and other comprehensive income					
Net profit*	-	-	-	193,926	193,926
Other comprehensive income	-	-	(7,170)	85	(7,085)
Comprehensive income for the year*	**-**	**-**	**(7,170)**	**194,011**	**186,841**
Transactions with owners, recognised directly in equity					
Dividends	-	-	-	(83,324)	(83,324)
Total transactions with owners	**-**	**-**	**-**	**(83,324)**	**(83,324)**
Balance as at December 31st 2016*	**495,977**	**2,418,270**	**(7,105)**	**1,557,618**	**4,464,760**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

Additional information on equity is presented in Note 20.

(all amounts in PLN thousand unless indicated otherwise)

Separate statement of cash flows

	Note	for the period Jan 1– Dec 31 2017	for the period Jan 1– Dec 31 2016* restated
Cash flows from operating activities			
Profit before tax		**337,846**	**190,530**
Adjustments for:		***(88,044)***	***(147,493)***
Depreciation and amortisation		100,668	94,037
Impairment losses		21,615	9,380
Loss on investing activities		2,686	5,229
Loss on disposal of financial assets		-	11
Interest, foreign exchange gains or losses		19,848	18,181
Dividends		(231,516)	(275,091)
Net change in fair value of financial assets at fair value through profit or loss		(1,345)	760
		249,802	**43,037**
Increase in trade and other receivables	32	(9,477)	(5,343)
(Increase)/Decrease in inventories		(39,282)	18,436
Decrease in trade and other payables	32	7,711	7,240
Decrease/(Increase) in provisions, prepayments and grants	32	33,000	(22,811)
Other adjustments		(7,000)	-
Cash generated from operating activities		***234,754***	***40,559***
Income tax paid		(27,503)	-
Net cash from operating activities		**207,251**	**40,559**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

The separate statement of cash flows should be read in conjunction with the notes to these full-year separate financial statements, which form their integral part.

(all amounts in PLN thousand unless indicated otherwise)

Separate statement of cash flows (continued)

	Note	for the period Jan 1– Dec 31 2017	for the period Jan 1– Dec 31 2016* restated
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment, intangible assets and investment property		572	405
Acquisition of property, plant and equipment, intangible assets and investment property		(227,279)	(395,415)
Dividends received		231,516	275,091
Acquisition of other financial assets		(26,967)	(43,801)
Proceeds from sale of other financial assets		-	9
Interest received		11,277	7,729
Loans advanced		(77,918)	(80,722)
Repayments of loans advanced		55,411	30,193
Other disbursements		(3,117)	(5,597)
Net cash from investing activities		**(36,505)**	**(212,108)**
Cash flows from financing activities			
Dividends paid		(78,364)	(83,325)
Proceeds from borrowings		271,176	478,866
Payment of borrowings		(50,000)	-
Interest paid		(27,188)	(27,749)
Payment of finance lease liabilities		(599)	(1,014)
Other proceeds/(disbursements)		(36,247)	18,860
Net cash from financing activities		**78,778**	**385,638**
Total net cash flows		**249,524**	**214,089**
Cash and cash equivalents at beginning of period		**326,031**	**111,942**
Effect of exchange rate fluctuations on cash held		(2,844)	-
Cash and cash equivalents at end of period		**572,711**	**326,031**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

The separate statement of cash flows should be read in conjunction with the notes to these full-year separate financial statements, which form their integral part.

Supplementary information to the separate financial statements

1. General information

1.1. Organisation of the Company

Grupa Azoty Spółka Akcyjna (the "Company", the "entity"), with its registered office in Tarnów, was established on February 21st 1991 by Notary Deed A No. 910/91. The Company operates in Poland under the Polish Commercial Companies Code. The Company is entered in the Register of Businesses in the National Court Register maintained by the District Court in Kraków, 12th Commercial Division of the National Court Register, under entry No. KRS 0000075450. The Company's REGON number for public statistics purposes is 850002268. The Company has been established for an indefinite term.
Since April 22nd 2013, when relevant amendments to the Company's Articles of Association were registered, the Company has been trading under the name Grupa Azoty Spółka Akcyjna (abbreviated to Grupa Azoty S.A.).

The Company is the parent of the Grupa Azoty Group (the "Group") and also prepares consolidated financial statements of the Group in accordance with International Financial Reporting Standards as endorsed by the European Union.
The consolidated financial statements were authorised for issue on April 18th 2018.

The Company's business includes in particular:
- Manufacture of basic chemicals,
- Manufacture of fertilizers and nitrogen compounds,
- Manufacture of plastics and synthetic rubber in primary forms,
- Manufacture of plastics.

These separate financial statements were authorised by the Company's Management Board on April 18th 2018.

These financial statements cover the year ended on December 31st 2017 and include comparative data for the year ended December 31st 2016.

1.2. Composition of the Management Board and Supervisory Board of the Company

Management Board
Composition of the Management Board as at December 31st 2017:
- Wojciech Wardacki – President of the Management Board,
- Witold Szczypiński – Vice President of the Management Board,
- Tomasz Hinc – Vice President of the Management Board,
- Grzegorz Kądzielawski - Vice President of the Management Board,
- Paweł Łapiński – Vice President of the Management Board,
- Józef Rojek – Vice President of the Management Board,
- Artur Kopeć – Member of the Management Board.

During the reporting period, Grzegorz Kądzielawski, PhD, was appointed Vice President of the Management Board. Tomasz Hinc, Vice President of the Management Board, resigned from the Company's Management Board, submitting a resignation letter to the Supervisory Board on March 4th 2018.

The Supervisory Board
Composition of the Parent's Supervisory Board as at December 31st 2017:
- Tomasz Karusewicz – Chairman,
- Michał Gabryel – Deputy Chairman,
- Zbigniew Paprocki – Secretary,
- Piotr Czajkowski – Member,
- Monika Fill – Member,
- Robert Kapka – Member,
- Bartłomiej Litwińczuk – Member,

- Ireneusz Purgacz – Member,
- Roman Romaniszyn – Member.

During the reporting period, Mr Marek Grzelaczyk was dismissed as Chairman of the Supervisory Board, and was replaced by Tomasz Karusewicz, who previously held the position of Deputy Chairman. Michał Gabryel replaced Tomasz Karusewicz as Deputy Chairman. Also during the reporting period, Artur Kucharski was dismissed as Member of the Supervisory Board. There were no changes in the composition of the Supervisory Board in the period from December 31st 2017 to the date of authorisation of these financial statements for issue.

Audit Committee
As at December 31st 2017, the Audit Committee operated as a collective advisory body within the Supervisory Board. Its composition is presented below.
The Audit Committee's key responsibilities include:
- monitoring of the financial reporting process,
- monitoring of the effectiveness of internal controls,
- monitoring of financial audit,
- monitoring the independence of the auditors and the audit firm responsible for auditing the Company's financial statements.

Composition of the Audit Committee:
- Ireneusz Purgacz – Chairman,
- Piotr Czajkowski,
- Michał Gabryel,
- Tomasz Karusewicz.

2. Significant accounting policies

2.1. Compliance statement

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the EU ("EU IFRS"). As at the date of authorisation of these financial statements for issue, given the ongoing process of implementing IFRS in the EU, the IFRS applicable to these financial statements did not differ from the EU IFRS.

The EU IFRS comprise standards and interpretations approved by the International Accounting Standards Board ("IASB").

2.2. Changes in applied accounting policies

The accounting policies applied to prepare these financial statements are consistent with those applied to draw up the Company's full-year financial statements for the year ended December 31st 2016, except to the extent described below and the changes described in Note 2.4.
The amendments to the IFRSs presented below have been applied in these financial statements as of their effective dates, however, they had no material effect on the disclosed financial information or they did not apply to transactions carried out by the Company.

- Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*
  The changes clarify issues related to the formation of negative temporary differences the amendments clarify the requirements on recognition of deferred tax assets related to debt instruments measured at fair value, estimating probable future taxable profit and assessing whether sufficient profit will be generated against which deductible temporary differences can be utilised. The amendments apply retrospectively.
- Amendments to IAS 7 *Disclosure Initiative*
  The amendments require an entity to disclose information that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. Comparative information for previous periods is not required.
- Amendments to IFRS 12 *Disclosure of Interests in Other Entities,* introduced as part of the *Annual Improvements to IFRS 2014–2016 Cycle*
  The amendments clarify the scope of the standard by specifying that the disclosure requirements in the standard apply also to an entity's interests in subsidiaries, joint arrangements (i.e. joint

operations or joint ventures), associates or unconsolidated structured entities that are classified (or are included in a disposal group that is classified) as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

The Company has not elected to early adopt any of the standards, interpretations or amendments that have been issued but are not yet effective in accordance with the European Union regulations.

2.3. New standards and interpretations which have been issued but are not yet effective

The following standards and interpretations have been issued by the International Accounting Standards Board, but are not yet effective:

- IFRS 9 *Financial Instruments* (issued on July 24th 2014) – effective for annual periods beginning on or after January 1st 2018;
- IFRS 14 *Regulatory Deferral Accounts* (issued on January 30th 2014) − pursuant to the European Commission's decision, the process leading to the approval of a preliminary version of the standard will not be initiated until the issue of its final version (not endorsed by the EU by the date of authorisation of these financial statements for issue) – effective for annual periods beginning on or after January 1st 2016;
- IFRS 15 *Revenue from Contracts with Customers* (issued on May 28th 2014), including amendments to IFRS 15 *Effective Date of IFRS 15* (published on September 11th 2015) – effective for annual periods beginning on or after January 1st 2018;
- Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (issued on September 11th 2014) − work leading to endorsement of the amendments was deferred by the EU for an indefinite period − effective date was deferred by the IASB for an indefinite period;
- IFRS 16 *Leases* (issued on January 13th 2016) − effective for annual periods beginning on or after January 1st 2019;
- Amendments to IFRS 4 *Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts* (issued on September 12th 2016) − effective for annual periods beginning on or after January 1st 2018;
- Clarifications to IFRS 15 *Revenue from Contracts with Customers* (issued on April 12th 2016) – effective for annual periods beginning on or after January 1st 2018;
- Amendments to IFRS 2 *Classification and Measurement of Share-based Payment Transactions* (issued on June 20th 2016) – effective for annual periods beginning on or after January 1st 2018;
- Amendments to IAS 28 *Investments in Associates and Joint Ventures* introduced as part of the Annual Improvements to IFRS 2014–2016 Cycle (issued on December 8th 2016) – effective for annual periods beginning on or after January 1st 2018;
- Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards* introduced as part of the Annual Improvements to IFRS 2014–2016 Cycle (issued on December 8th 2016) – effective for annual periods beginning on or after January 1st 2018;
- IFRIC 22 *Foreign Currency Transactions and Advance Consideration* (issued on December 8th 2016) – effective for annual periods beginning on or after January 1st 2018;
- Amendments to IAS 40 *Transfer of Investment Property* (issued on December 8th 2016) – effective for annual periods beginning on or after January 1st 2018;
- IFRS 17 *Insurance Contracts* (issued on May 18th 2017) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after January 1st 2021;
- IFRIC 23 *Uncertainty over Income Tax Treatments* (issued on June 7th 2017) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after January 1st 2019;
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation* (issued on October 12th 2017) – effective for annual periods beginning on or after January 1st 2019;

- Amendments to IAS 28 *Long-term Interests in Associates and Joint Ventures* (issued on October 12th 2017) – not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after January 1st 2019;
- *Amendments to IFRS introduced as part of the Annual Improvements to IFRS 2015–2017 Cycle* (issued on December 12th 2017) − not endorsed by the EU by the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after January 1st 2019;
- Amendments to IAS 19 *Plan Amendment, Curtailment or Settlement* (issued on February 7th 2018) – not endorsed by the EU as at the date of authorisation of these financial statements – effective for annual periods beginning on or after January 1st 2019.
- *Amendments to References to the Conceptual Framework in International Financial Reporting Standards* (issued on March 29th 2018) − not endorsed by the EU as at the date of authorisation of these financial statements for issue – effective for annual periods beginning on or after January 1st 2020.

The effective dates are set in the text of the standards issued by the International Accounting Standards Board. The effective dates of the standards in the European Union may differ from those specified in the text of the standards and are announced on approval of a standard by the European Union.

2.3.1. Implementation of IFRS 15

The Company will apply IFRS 15 *Revenue from Contracts with Customers* as of January 1st 2018. IFRS 15 replaces the existing revenue recognition guidance contained in IAS 18 *Revenue*, IAS 11 *Construction Contracts*, and the related Interpretations.
In line with the core principle of IFRS 15, the Company will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. In view of the above, it is critical to correctly determine the moment and amount of revenue recognised by the Company.
The standard introduces the following single five-step model framework for revenue recognition:

- Step 1: Identifying the contract;
- Step 2: Identifying the performance obligations;
- Step 3: Determining the transaction price;
- Step 4: Allocating the transaction price to the performance obligations;
- Step 5: Recognising revenue when (or as) the entity satisfies a performance obligation.

In accordance with IFRS 15, the Company will recognise revenue when (or as) a performance obligation is satisfied, i.e. when (or as) control of the goods or services is passed to the customer, either over time or at a point in time.
The Company has decided to implement IFRS 15 using the modified retrospective method (i.e. with the cumulative effect of first-time adoption of IFRS 15, recognised as at January 1st 2018, only to contracts that were not yet complete as at that date).

Based on the work on the implementation of IFRS 15 performed by the Company so far, the identified areas, affected by IFRS 15, will not have a material impact on the results presented in the financial statements (their impact on the 2017 earnings is estimated at PLN 54 thousand), except for:

- a change in the presentation of marketing bonuses, which were previously recognised as selling and distribution expenses and from January 1st 2018 will be recognised as a reduction of revenue. In 2017, marketing bonuses amounted to PLN 6,052 thousand.

Disclosures in the financial statements

Following the application of the modified retrospective method, in 2018 the Company will disclose the amount affecting each item of the financial statements as a result of the application of IFRS 15 compared with IAS 11, IAS 18 and the related Interpretations that were in effect prior to the amendment.
Included in the Standard are new qualitative and quantitative disclosure requirements to enable users of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts concluded by the Company with customers. Following the

implementation of IFRS 15, the Company will modify the disclosures required by IFRS 15 to meet the above objective.

2.3.2. Implementation of IFRS 9

IFRS 9 *Financial Instruments* was issued in July 2014 and endorsed by the European Union on November 22nd 2016 by Commission Regulation (EU) 2016/2067. The standard mandatorily applies to financial statements prepared for periods beginning on or after January 1st 2018, and replaces IAS 39 *Financial Instruments: Recognition and Measurement*. The standard introduces amendments to the classification and measurement of financial assets, their impairment, and (as an option) hedge accounting. The Company has performed qualitative and quantitative analyses of the effect of the first-time adoption of IFRS 9 as of January 1st 2018. The analyses were based on financial assets and economic conditions as at December 31st 2017, and therefore the actual impact of the implementation of IFRS 9, as will be reflected in future financial statements, may differ from the Company's expectations presented below. However, the Company does not expect any material discrepancies to occur in this respect.

The Company decided to implement the standard as of January 1st 2018 without restating the comparative data.

Classification and measurement of financial assets

General approach

IFRS 9 replaces the four categories of financial assets defined in IAS 39 with three categories. Under IFRS 9, the categories of financial assets will include:
- financial assets measured at amortised cost,
- financial assets measured at fair value through other comprehensive income (FVTOCI),
- financial assets measured at fair value through profit or loss (FVTPL).

It is not possible to directly transfer individual financial assets between the categories defined in IAS 39 and the categories defined in IFRS 9. In accordance with IFRS 9, financial assets are classified on initial recognition on the basis of:

- Cash flow characteristics
  To determine the cash flow characteristics, it is necessary to assess whether the cash flows from a given asset represent solely payments of principal and interest. Satisfying this condition is one of the criteria for classifying a financial asset as measured at amortised cost. Financial assets that fail to meet this condition are, as a rule, classified as measured at fair value through profit or loss.
- Business model based on which a given financial asset is managed
  In accordance with IFRS 9, the Company distinguishes:
  - A business model whose sole purpose is to collect cash flows generated by a given financial asset. This model is one of the criteria for classifying a financial asset as measured at amortised cost.
  - A business model whose purpose is both to collect cash flows generated by a given financial asset, and to sell the financial asset. Under this model, it is not possible to classify a given financial asset as measured at amortised cost.
  - A business model other than those described above (e.g. management based on the fair value of financial instruments). Under this model, financial assets are classified as measured at fair value through profit or loss.

Under its factoring agreements and discounting agreements, the Company sells trade receivables which, based on the business models required under IFRS 9, have been classified as the model whose objective is achieved by both collecting cash flows and selling financial assets. Accordingly, trade receivables covered by the factoring or discounting agreements have been classified as financial assets measured at fair value through other comprehensive income. With respect to the above group of trade receivables, of PLN 52.9m, which as at December 31st 2017 were not transferred to factoring or discounting, it was determined that – due to the short period between the reporting date and the date of transferring the trade receivables to factoring or discounting – their fair value is equal to their carrying amount.

In addition, IFRS 9 requires that equity instruments which were within the scope of IAS 39 as at the date of transition to IFRS 9 be measured to fair value. This requirement also applies to those shares which, for example, due to the limited availability of data, have so far been recognised at cost less impairment, if any.

Impact on the separate financial statements

The Company has developed rules for the classification of financial assets, based on which it reviewed the cash flow characteristics of its financial assets and the business models used in the Company to manage the financial assets.
The analysis showed that except for trade receivables – factoring and discounting, the Company's other financial assets give rise to cash flows that are payments of principal and interest, and are held as part of a business model whose sole objective is to collect cash flows from assets, and are therefore classified as financial assets measured at amortised cost. For assets that were measured at amortised cost in accordance with IAS 39 and are required to be measured at fair value in accordance with IFRS 9, any difference between the previous carrying amount and fair value are recognised in the opening balance of retained earnings (equity) in the reporting period that includes the date of initial application of IFRS 9. However, given that the assets may be sold and the short period between initial recognition and maturity, their fair value is equal to their carrying amount.
The analysis showed that the fair value measurement of the shares in unrelated entities will differ from the historical cost of the acquired shares. The Company plans to irrevocably apply the option to measure those shares at fair value through other comprehensive income. Differences between the previous carrying amount and fair value are recognised in the opening balance of retained earnings (equity) in the reporting period that includes the date of initial application of IFRS 9.

Impairment of financial assets

General approach

In place of the current principles for recognition of credit losses based on the incurred loss, IFRS 9 introduces the concept of the expected loss resulting in the recognition of an impairment loss upon initial recognition of financial assets. The requirements regarding the impairment of financial assets apply in particular to financial assets measured at amortised cost and measured at fair value through other comprehensive income.
For the purpose of estimating expected credit losses, IFRS 9 indicates that it is justified to use both historical data concerning the repayment capacity and reliable data available as at the reporting date, which may increase the accuracy of estimating expected credit losses in future periods.

Impact on the separate financial statements

The Company has identified the following classes of financial assets for which, in accordance with IFRS 9, it has estimated the impact of the expected credit losses on the financial statements:
- trade receivables,
- loans advanced,
- deposits with banks,
- cash, including cash available under cash pooling arrangements.

With respect to trade receivables, it is expected that historical payment data may reflect credit risk that will be incurred in future periods. Expected credit losses for this group of counterparties have been estimated using a provision matrix and percentage ratios assigned to specific aging ranges of trade receivables (e.g. receivables claimed in court, receivables from insolvent counterparties) that make it possible to estimate the value of trade receivables that are not expected to be repaid.
Based on the analyses performed as at December 31st 2017, the Company expects that the total impairment related to expected credit losses on trade receivables following the application of IFRS 9 will decrease by approximately PLN 65 thousand relative to the impairment calculated in accordance with previously applicable principles.
For financial assets included in the estimation of expected losses other than trade receivables, the Company measures the risk of default of the counterparties based on ratings assigned by credit rating agencies (e.g. to financial institutions) or ratings assigned using an internal credit rating model (e.g. for intra-group loans granted) that is appropriately converted to reflect the probability of default. In

accordance with IFRS 9, the expected credit loss will be calculated taking into account estimates of potential recoveries from collateral provided and the time value of money.
The Company estimates that following the application of IFRS 9 the write-downs for expected credit losses on financial assets other than trade receivables (loans) for which expected losses are calculated will increase by approximately PLN 79 thousand relative to the write-downs calculated under IAS 39.
As for deposits with commercial banks, or cash, including cash available under cash pooling arrangements, following the application of IFRS 9 the write-downs for expected credit losses will increase by approximately PLN 176 thousand relative to the write-downs calculated as required under IAS 39.
Differences between the previous net carrying amount of financial assets covered by the impairment estimates and the net carrying amount under IFRS 9 are recognised in the opening balance of retained earnings (equity) in the reporting period that includes the date of initial application of IFRS 9.

Hedge accounting

General approach

Since work is in progress to amend the portfolio hedge accounting provisions of the standard, entities are free to choose the date of application of the hedge accounting provisions. Until the standard is issued, entities may continue to apply hedge accounting policies compliant with IAS 39 requirements. Having analysed the potential benefits of adopting the hedge accounting policies set out in IFRS 9, the Company resolved to continue to apply hedge accounting in accordance with IAS 39.

(all amounts in PLN thousand unless indicated otherwise)

Impact on the separate financial statements

The Company expect IFRS 9 will have no material impact on the separate financial statements as far as hedge accounting is concerned.

Expected impact of IFRS 9 on equity as at December 31st 2017

I. Expected loss on financial assets at amortised cost or at fair value through other comprehensive income*	(190)
1. Trade receivables	65
2. Bonds and loans	(79)
3. Investments, bank deposits and cash, including cash pool	(176)
II. Adjustment to deferred tax	35
Total	**(155)**

* Excluding equity instruments classified by the Company as measured at fair value through other comprehensive income.

2.3.3. Implementation of other standards and interpretations

At the date of authorisation of these financial statements for issue, the Management Board had not completed its assessment of the impact of the other standards and interpretations on the accounting policies applied by the Company with respect to its operations or financial results.

2.4. Changes in presentation of financial statements and correction of errors

In the reporting period the prior period errors were corrected and the presentation of financial statements was changed to improve the disclosure of information on the effect of certain transactions on the Company's assets and financial position. The comparative data have been appropriately restated.

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

	Previously reported	Restated			
	for the period Jan 1– Dec 31 2016	**for the period Jan 1-31 2016**	**Impact of change 1**	**Impact of change 2**	**Impact of change 3**
Cost of sales	(1,305,013)	(1,299,481)	5,532	-	
Gross profit	**247,319**	**252,851**	**5,532**	**-**	**-**
Administrative expenses	(162,346)	(160,129)	2,217	-	-
Other expenses	(31,838)	(65,837)	-	(33,999)	-
Operating loss	**(29,179)**	**(55,429)**	**7,749**	**(33,999)**	**-**
Finance costs	**(38,142)**	**(41,269)**	**-**	**-**	**(3,127)**
Net finance income	**249,086**	**245,959**	**-**	**-**	**(3,127)**
Profit before tax	**219,907**	**190,530**	**7,749**	**(33,999)**	**(3,127)**
Income tax	4,868	3,396	(1,472)	-	-
Net profit	**224,775**	**193,926**	**6,277**	**(33,999)**	**(3,127)**
Comprehensive income for the year	**217,690**	**186,841**	**6,277**	**(33,999)**	**(3,127)**

- Change 1 – Adjustment of annual bonus provision for 2016,
- Change 2 – Adjustment related to the recognition of an expense and a liability to reflect the signing of a deed of incorporation of the Polish National Foundation, under which the Company is required to co-fund the Foundation’s activities for ten years starting from 2017,

(all amounts in PLN thousand unless indicated otherwise)

- Change 3 – Adjustment to the value of assets in the form of Grupa Azoty Siarkopol shares, which were impaired in previous periods following recognition of an impairment loss on sulfur deposits measured in the consolidated financial statements as at the acquisition date.

Impact of changes in accounting policies and correction of errors on earnings per share:

	for the period Jan 1– Dec 31 2016
Earnings per share:	
Earnings per share before correction of	2.27
Earnings per share after correction of	1.95
Diluted earnings per share before correction of error	2.27
Diluted earnings per share after correction of error	1.95

The table below presents the impact of the changes on the separate statement of financial position:

	Previously reported	Restated			
	as at Jan 1 2016	**as at Jan 1 2016**	**Impact of change 1**	**Impact of change 2**	**Impact of change 3**
Assets					
Non-current assets					
Shares	-	3,823,142	3,844,670	-	(21,528)
Investments in subordinated entities	3,832,536	-	(3,832,536)	-	-
Available-for-sale financial assets	12,134	-	(12,134)	-	-
Other receivables	-	50,173	-	50,173	-
Total non-current assets	**5,240,330**	**5,268,975**	**-**	**50,173**	(21,528)
Current assets					
Trade and other receivables	252,726	202,553	-	(50,173)	-
Total current assets	**616,295**	**566,122**	**-**	**(50,173)**	**-**
Total assets	**5,856,625**	**5,835,097**	**-**	**-**	**(21,528)**
Equity and liabilities					
Equity					
Retained earnings	1,468,459	1,446,931	-	-	(21,528)
Total equity	**4,382,771**	**4,361,243**	**-**	**-**	**(21,528)**
Total equity and liabilities	**5,856,625**	**5,835,097**	**-**	**-**	**(21,528)**

- 1 – Change in the presentation of investments in subordinates and available-for-sale investments
- Change 2 – Change in the presentation of prepaid delivery of property, plant and equipment;
- Change 3 – Adjustment to the value of assets in the form of Grupa Azoty Siarkopol shares, which were impaired in previous periods following recognition of an impairment loss on sulfur deposits in the consolidated financial statements.

(all amounts in PLN thousand unless indicated otherwise)

	Previously reported	Restated					
	as at Dec 31 2016	**as at Dec 31 2016**	**Impact of change 1**	**Impact of change 2**	**Impact of change 3**	**Impact of change 4**	**Impact of change 5**
Assets							
Non-current assets							
Shares	-	3,859,066	3,883,721	-	-	-	(24,655)
Investments in subordinated entities	3,871,587	-	(3,871,587)	-	-	-	-
Available-for-sale financial assets	12,134	-	(12,134)	-	-	-	-
Other receivables	-	18,121	-	18,121	-	-	-
Total non-current assets	**5,632,399**	**5,625,865**	**-**	**18,121**	**-**	**-**	(24,655)
Current assets							
Trade and other receivables	226,678	208,557	-	(18,121)	-	-	-
Total current assets	**810,857**	**792,736**	**-**	**(18,121)**	**-**	**-**	**-**
Total assets	**6,443,256**	**6,418,601**	**-**	**-**	**-**	**-**	**(24,655)**
Equity and liabilities							
Equity							
Retained earnings, including:	1,609,995	1,557,618	-	-	6,277	(33,999)	(24,655)
net profit for period	*224,775*	*193,926*	-	-	*6,277*	*(33,999)*	*(3,127)*
Total equity	**4,517,137**	**4,464,760**	**-**	**-**	**6,277**	**(33,999)**	**(24,655)**
Liabilities							
Other financial liabilities	1,539	28,538	-	-	-	26,999	-
Deferred tax liabilities	23,241	24,713	-	-	1,472	-	-
Total non-current liabilities	**1,282,420**	**1,310,891**	**-**	**-**	**1,472**	**26,999**	**-**
Other financial liabilities	58,131	65,131	-	-	-	7,000	-
Trade and other payables	269,889	262,140	-	-	(7,749)	-	-
Total current liabilities	**643,699**	**642,950**	**-**	**-**	**(7,749)**	**7,000**	**-**
Total liabilities	**1,926,119**	**1,953,841**	**-**	**-**	**(6,277)**	**33,999**	**-**
Total equity and liabilities	**6,443,256**	**6,418,601**	**-**	**-**	**-**	**-**	**(24,655)**

- Change 1 – Change in the presentation of investments in subordinates and available-for-sale investments;
- Change 2 – Change in the presentation of prepaid delivery of property, plant and equipment;
- Change 3 – Adjustment of annual bonus provision for 2016;
- Change 4 – Adjustment related to the recognition of an expense and a liability to reflect the signing of a deed of incorporation of the Polish National Foundation, under which the Company is required to co-fund the Foundation's activities for ten years starting from 2017.
- Change 5 – Adjustment to the value of assets in the form of Grupa Azoty Siarkopol shares, which were impaired in previous periods following recognition of an impairment loss on sulfur deposits measured in the consolidated financial statements as at the acquisition date.

(all amounts in PLN thousand unless indicated otherwise)

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

	Previously reported	Restated			
	for the period Jan 1– Dec 31 2016	**for the period Jan 1– Dec 31 2016**	**Impact of change 1**	**Impact of change 2**	**Impact of change 3**
Cash flows from operating activities					
Profit before tax	**219,907**	**190,530**	**7,749**	**(33,999)**	**(3,127)**
Adjustments for:	*(150,620)*	*(147,493)*	-	-	*3,127*
Impairment losses	6,253	9,380	-	-	3,127
	69,287	**43,037**	**7,749**	**(33,999)**	**-**
(Increase)/Decrease in trade and other payables	(26,759)	7,240	-	33,999	-
Increase in provisions, prepayments and grants	(15,062)	(22,811)	(7,749)	-	-
Net cash from operating activities	**40,559**	**40,559**	**-**	**-**	**-**

- Change 1 – Adjustment of annual bonus provision for 2016,
- Change 2 – Adjustment related to the recognition of an expense and a liability to reflect the signing of a deed of incorporation of the Polish National Foundation, under which the Company is required to co-fund the Foundation's activities for ten years starting from 2017,
- Change 3 – Adjustment to the value of assets in the form of Grupa Azoty Siarkopol shares, which were impaired in previous periods following recognition of an impairment loss on sulfur deposits measured in the consolidated financial statements as at the acquisition date.

2.5. Basis of measurement

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

2.6. Functional currency and presentation currency

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

2.7. Professional judgement and estimates

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 the related assumptions are based on historical experience and other factors that are considered reasonable under the circumstances, and their results provide the basis for judgement as to the carrying amount of the assets and liabilities that does not arise directly from other sources. Actual results may differ from these estimates.
Estimates and the underlying assumptions are subject to ongoing verification. A change in accounting estimates is recognised in the period in which the estimate is revised, or in the current and future periods if the revised estimate relates to both the current and future periods.

The Company's lease contracts are classified as either finance or operating leases depending on whether the risks and rewards incidental to ownership of the leased asset are retained by the lessor or transferred to the leaseholder. Such assessment is based on the economic substance of each transaction.

The main accounting estimates and assumptions are also presented in the relevant notes to the financial statements:
- estimates of impairment losses on shares are presented in Note 14,

- estimates and assumptions concerning the possibility of realisation of deferred tax assets on account of tax losses and operations carried out in a special economic zone are presented in Note 7.4,
- estimates concerning useful lives of property, plant and equipment, perpetual usufruct right, intangible assets and investment property are presented in Notes 10, 11, 12, 13,
- estimates of impairment losses on property, plant and equipment are presented in Note 10,
- estimates of write-downs of inventories to net realisable value are presented in Note 15,
- estimates and assumptions regarding impairment losses on receivables are presented in Note 17,
- estimates of employee benefits are presented in Notes 24 and 25,
- estimates of recognised provisions for liabilities are presented in Notes 25 and 26.

Uncertainty related to tax settlements

The regulations on value added tax, corporate income tax, and social security contributions are subject to frequent changes and amendments, with a resulting lack of appropriate points of reference, conflicting interpretations, and scarcity of established precedents to follow. Furthermore, the applicable tax laws lack clarity, which leads to differing opinions and diverse interpretations, both between various public authorities and between public authorities and businesses.

Tax settlements and other regulated areas of activity (e.g. customs or foreign exchange control) are subject to inspection by administrative bodies, which are authorised to impose high penalties and fines, and any additional tax liabilities arising from such inspections must be paid with high interest. Consequently, the tax risk in Poland is higher than in countries with more mature tax systems.

The amounts presented and disclosed in the financial statements may therefore change in the future as a result of a final decision by a tax inspection authority.

On July 15th 2016, the tax legislation was amended to reflect the provisions of the General Anti-Abuse Rule (“GAAR”). GAAR is intended to prevent the creation and use of artificial legal structures designed to avoid paying taxes in Poland. GAAR defines tax avoidance as an act performed primarily for the purpose of obtaining a tax advantage which, in given circumstances, is contrary to the objective and purpose of the tax law. Under GAAR, such an activity does not result in a tax advantage if the legal structure used was artificial. Any arrangements involving (i) separation of transactions or operations without sufficient rationale, (ii) engaging intermediaries where no business or economic rationale exists, (iii) any offsetting elements, and (iv) any arrangements operating in a similar way, may be viewed as an indication of the existence of an artificial scheme subject to GAAR. The new regulations will require much more judgement when assessing the tax consequences of particular transactions.

The GAAR clause should be applied with respect to arrangements made after its effective date as well as arrangements that were made before its effective date but the benefit of the tax advantage obtained through the arrangement continued or still continues after that date. Implementation of the above regulations will provide Polish tax inspection authorities with grounds to challenge certain legal arrangements made by taxpayers, including restructuring or reorganisation of corporate groups.

The Company recognises and measures current and deferred tax assets and liabilities in compliance with the requirements of IAS 12 Income Taxes, based on taxable income (tax loss), tax base, unused tax losses, unused tax credits and tax rates, taking into consideration the assessed uncertainty related to tax settlements.

When there is uncertainty as to whether and to what extent the tax authorities will accept individual tax settlements of transactions, the Company recognises these settlements taking into account the uncertainty assessment.

2.8. Going concern assumption

These full-year separate financial statements have been prepared on the assumption that the Company will continue as a going concern in the foreseeable future.
There are no circumstances indicating a threat to the Company’s ability to continue as a going concern.

(all amounts in PLN thousand unless indicated otherwise)

2.9. Foreign currencies

Transactions denominated in foreign currencies are translated into the Polish złoty using the exchange rate from the transaction date.
At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated into the Polish złoty at the average exchange rate published for a given currency on the reporting date by the National Bank of Poland. Non-monetary assets and liabilities measured at historical cost in a foreign currency are translated at the exchange rate from the transaction date. Non-monetary items measured at fair value in a foreign currency are translated at the exchange rate from the date on which the fair value was determined.
Foreign exchange gains/(losses) are recognised in the statement of profit or loss as finance income or costs, except for differences arising on translation of available-for-sale equity instruments and qualifying cash flow hedges, which are recognised as other comprehensive income.

The following exchange rates were used for measurement purposes:

	Dec 31 2017	Dec 31 2016
EUR	4.1709	4.4240
USD	3.4813	4.1793

2.10. Property, plant and equipment

2.10.1. Own property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses, if any. Cost includes purchase price of an asset and costs directly attributable to bringing the asset to a condition necessary for it to be capable of use, including expenses relating to transport, loading, unloading, and storage. Discounts, rebates and other similar reductions and recoveries reduce the cost of an asset. The cost of an item of property, plant and equipment under construction comprises all costs incurred by the Company during its construction, installation, adaptation and improvement until the date of its acceptance for use (or, if the item has not yet been commissioned for use, until the reporting date). The cost also includes, where required, a preliminary estimate of the costs of dismantling and removing items of property, plant and equipment and restoring them to their original condition. Purchased software which is necessary for the proper functioning of the related equipment is capitalised as part of the equipment.
When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (significant parts) of property, plant and equipment.

An item of property, plant and equipment may be derecognised from the statement of financial position 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 income or other expenses in the statement of profit or loss.
Property, plant and equipment under construction are tangible assets under construction or in the course of assembly, and are stated at cost less impairment losses. Property, plant and equipment under construction are not depreciated until their construction is completed and they are available for use.
Prepayments for property, plant and equipment are presented under other receivables in non-current assets.

2.10.2. Leased property, plant and equipment

Leases under which substantially all the risks and rewards incidental to ownership of a leased asset are transferred to the Company are classified as finance leases. On initial recognition a 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 cost and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the outstanding balance of the liability.

(all amounts in PLN thousand unless indicated otherwise)

Leased items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses in accordance with the accounting policies applicable to own property, plant and equipment. If it is not certain that the Company will obtain ownership upon expiry of the lease contract, the assets are depreciated over the shorter of the lease term and their useful lives.
Leases under which substantially all the risks and rewards incidental to ownership of a leased asset are retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease term.

2.10.3. 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. Other expenditure are recognised in the statement of profit or loss as an expense.

2.10.4. Depreciation

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

Type	Depreciation rate	Period
Land	none	-
Buildings and structures	1% - 33%	3 - 100 years
Plant and equipment	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 begins when an item of property, plant and equipment is at the location and in condition necessary for it to be capable of operating in the manner intended by the entity's management. Depreciation ends no later than when accumulated depreciation equals the cost of the asset, or the asset is derecognised following its liquidation or sale, or when the asset is found to be deficient. The depreciable amount is determined after deducting its residual value.
Assets under construction are not depreciated.
The Group allocates the amount initially recognised in respect of an item of property, plant and equipment to its significant components (if the component's value is significant compared to the total cost of the asset) and depreciates separately each such component over its useful life.
Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted prospectively, if appropriate.

2.11. Perpetual usufruct of land

Land perpetual usufruct right received by the Company free of charge on the basis of an administrative decision is a form of an operating lease. This right is excluded from the Company's assets and recorded in off-balance sheet accounts.
It is measured at cost less depreciation and impairment losses.
Depreciation is calculated on a straight-line basis over the estimated useful life of a given right of perpetual usufruct of land. The estimated useful life is from 3 to 99 years.

2.12. Investment property

Investment property comprises land, structures and buildings held by the Company for capital appreciation or other benefits, e.g. to earn rental income.
Investment property is measured in accordance with the measurement policies applicable to property, plant and equipment.
Income from leases of investment property is presented in other income and related expenses are presented in other expenses.

(all amounts in PLN thousand unless indicated otherwise)

2.13. Intangible assets

2.13.1. Research and development

Research costs are recognised as an expense in the statement of profit or loss when incurred.
Development costs whose 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 the development.
Expenditure on development activities is measured at cost less accumulated amortisation and impairment losses, if any. Completed development work is 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 have been identified and indicate that the carrying amount may not be recoverable.

2.13.2. Other intangible assets

Other intangible assets acquired in a separate transaction are recognised in the statement of financial position at cost.
Subsequent to initial recognition, intangible assets with a finite useful life are measured at cost less accumulated amortisation and accumulated impairment losses, if any. Intangible assets with an indefinite useful life are measured at cost less accumulated impairment losses, if any.
Except for development costs, internally generated intangible assets are not recognised in the statement of financial position and the related expenditure is disclosed in the statement of profit or loss when incurred.

2.13.3. Subsequent expenditure

Subsequent expenditure on existing intangible assets is capitalised only when it increases future economic benefits associated with the given asset. Other expenditure is recognised in the statement of profit or loss as an expense when incurred.

2.13.4. Amortisation

Intangible assets are amortised on a straight-line basis over their estimated useful lives, unless such useful life is indefinite. Intangible assets with indefinite useful lives and those not yet in use are tested for impairment annually in relation to individual assets or at the level of a cash-generating unit. Other intangible assets are assessed for any impairment indication annually.
The Company assumes the following useful lives for each category of intangible assets:

Type	Amortisation rate	Period
Licences	5% - 50%	2 - 20 years
Software	16% - 50%	2 - 6 years
Technology licences	2% - 100%	1–50 years
REACH	2% - 100%	1–50 years
Development work	2% - 100%	1–50 years

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

2.14. Shares

Shares include shares in subsidiaries and other entities. Shares in subsidiaries are recognised in the statement of financial position at cost less impairment losses.

2.15. Trade receivables

Trade receivables are non-derivative financial assets, not quoted in an active market, with fixed or determinable payments. They are initially recognised at fair value and are subsequently measured at amortised cost with the effective interest rate method, less impairment losses.
Where the difference between the amortised cost and amount due is not significant, trade and other receivables due within 12 months are measured at amounts due, less impairment losses.
Impairment losses are estimated when full recovery of the receivable is no longer probable. If there is an objective evidence that receivables carried at amortised cost are impaired, the impairment loss is determined as the difference between the carrying amount of the asset and the present value of future cash flows discounted at the asset's original effective interest rate. Losses are recognised as selling and distribution expenses in the statement of profit or loss.

2.16. Presentation of factoring and receivables discounting contracts

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

- factoring with recourse or receivables discounting with recourse – secured by assignment of rights under an insurance policy, in which the financing party purchases the receivables before maturity with recourse, against payment of a fee and interest from the date of purchase to the maturity date. If 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 repayment of the price paid. Due to the assignment of rights under an insurance policy, the financing party is first entitled to satisfy its claims from the policy, without exercising its right of recourse to the Company. Therefore, the Company derecognises the receivables as at the transaction date, and settles their amount against the amount received from the financing party and discloses a contingent liability resulting from factoring (receivables discounting),
- factoring with recourse or receivables discounting with recourse – not secured by assignment of rights under an insurance policy, in which the financing party purchases the receivables before maturity with recourse, against payment of a fee and interest from the date of purchase to the maturity date. If 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 repayment of the price paid. Therefore, if the financing party does not receive payment from the debtor, it first exercises its right of recourse to the Company. Thus, the receivables amount is not settled against the amount received for their sale until the debtor pays the debt to the financing party, and in the period from the sale of debt to the date of payment the Company presents cash received from the financing party as other financial liabilities resulting from factoring (receivables discounting).

2.17. Inventories

Inventories are assets held for sale in the ordinary course of business, in the process of production for such sale or raw materials used in production or in rendering of services.
Inventories are measured at the lower of cost and net realisable value as at the reporting date. The cost of inventories is determined using the weighted average method.
The cost is the purchase price of an asset, including the amount due to the seller, excluding recoverable value added tax and excise, increased by relevant import taxes and duties (if applicable), adjusted for other directly attributable costs incurred when bringing the asset to its current location and condition, including transport, loading and unloading, less any rebates, discounts or similar recovered amounts. Finished goods, semi-finished products and work in progress are valued at production cost comprising a justified part of fixed indirect production costs, calculated on the assumption that normal production capacity is used.
Net realisable 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.
Write-downs of inventories are recognised in the statement of profit or loss as cost of sales. Reversals of inventory write-downs are recognised as reduction of cost of sales.

2.18. Property rights

Property rights include CO_2 emission allowances and energy certificates.
Emission allowances received free of charge and rights allocated in connection with projects executed under the National Investment Plan are initially recognised as property rights, with a corresponding

entry in deferred income (government grants in accordance with IAS 20), at fair value at the date of registration.
Acquired emission allowances are recognised at cost.
Liabilities resulting from the emission of pollutants to the air, presented under other liabilities, are recognised as cost of sales (taxes and charges) and measured as follows:

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

Government grants related to allowances received free of charge are recognised in the statement of profit or loss as a reduction to cost of sales (taxes and charges) in the proportion of CO_2 emission realised in the reporting period to the estimated annual emissions. Government grants related to allowances received in the execution of National Investment Plan projects are accounted for as other income during the period of depreciation and amortisation of assets acquired in the execution of National Investment Plan projects.
Redemption of emission allowances is charged against the corresponding liability when redemption of the allowances for the previous reporting period is registered in the relevant register. Allowances allocated under National Investment Plan projects may be used for physical redemption of allowances for a given year.

The energy certificates awarded to the Company for electricity production in cogeneration are recognised as they become receivable as property rights and as a decrease in electricity production cost. Purchased energy certificates are recognised at cost.
Certificate redemption liabilities resulting from the sale of energy, presented in other liabilities, are recognised as cost of sales (taxes and charges), and are measured at the unit cost of certificates held by the Company or based on the appropriate emission charge.
Redemption of certificates is charged against the corresponding liability when a redemption request is filed with the URE.

In the case of energy certificates received in connection with execution of investment projects, the same rules apply as for the CO_2 emission allowances received as part of the National Investment Plan.

2.19. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, demand deposits with original maturities of less than three months, and funds transferred to the Group companies participating in the cash pooling arrangement. Cash and cash equivalents presented in the statement of cash flows include the above-mentioned items.

2.20. 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. If any such indication exists, the Company estimates the recoverable amount of the asset or cash-generating unit (CGU). The recoverable amount of CGUs including goodwill and intangible assets not yet put into use and with an indefinite useful life is estimated at each reporting date.
Impairment losses are recognised when the carrying amount of an asset or its related CGU exceeds the recoverable amount.
The recoverable amount of an asset or a 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 the CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped 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 CGUs.

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

2.21. Equity

Equity is divided by type according to the applicable laws and the Company's Articles of Association.
Share capital is measured at 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 profit (losses) from previous years, and profit (loss) for the period are presented in the financial statements as retained earnings.

2.22. Employee benefits

Employee benefits include all forms of consideration given by the Company in exchange for services rendered by employees. They include benefits paid during the employment period and post-employment benefits.

2.22.1. Defined contribution plans

Under current regulations, the Company has the obligation to withhold and pay social security contributions for its employees. These benefits, in accordance with IAS 19, constitute government programme and are a defined contribution plan. The Company's obligations relating to such contributions are estimated based on the amounts payable for the year and are recognised as an employee benefit expense in the period during which related services are rendered by employees.
Additionally, pursuant to an 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 to make contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

2.22.2. Defined benefit plans

The 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 is recognised in the statement of profit or loss as finance costs. Revaluation of the obligations is recognised in other comprehensive income.

2.22.2.1. Defined benefit plans – retirement and death benefits

Under current Labour Code and collective bargaining agreement regulations, the Company has the obligation to pay retirement and death benefits.
The Company's retirement benefit obligation 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 benefit obligation is calculated by a qualified actuary by estimating the amount of the future benefits.
The benefits are discounted to determine their present value. The discount rate is the yield at the end of the reporting period on government bonds that have maturity dates approximating the terms of the Company's obligations. Employee turnover is estimated based on the past experience and the

expected turnover rates in the future. Retirement and death benefit obligations are recognised proportionally to the expected period of the employee's service.

2.22.2.2. Defined benefit plans - provisions for Company Social Fund benefits for pensioners

Under current regulations, the Company has the obligation to pay social benefits to the pensioners. Therefore, the Company recognises obligations for contributions to the Company Social Benefits Fund related to post-employment benefits. The obligations are estimated based on average wages in the Polish economy. They are discounted to determine their present value in a similar way as other classes of employee benefits. The amount of provision for the fund benefits is calculated individually for each employee and equals the present value of future benefits.

2.22.3. Other long-term employee benefits − jubilee awards

The Company offers jubilee awards to its employees. The cost of such awards depends on the length of service and remuneration of the employees when the awards are paid.
Benefits are calculated using the projected unit credit method. The Company's obligation under jubilee awards is calculated by estimating future remuneration at the date the employee is entitled to receive the award and the amount of future award 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. Employee turnover is estimated based on the past experience and the expected turnover rates in the future. The obligation is recognised proportionally to the expected period of the employee's service.

2.22.4. Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. An obligation 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.

2.23. Provisions

Provisions are recognised if:

- a present obligation (legal or constructive) has arisen as a result of a past event,
- 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 judgement, supported by the experience resulting from similar past events and independent experts opinions, if required.
If the Company expects to be reimbursed for expenditures required to settle the obligation covered by a provision, e.g. by the insurer, the reimbursement is recognised as a separate asset if it is virtually certain that the reimbursement will be received.

2.23.1. 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.

2.23.2. Litigation

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

2.24. Trade payables

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

2.25. Interest-bearing borrowings

Interest-bearing borrowings and other debt instruments are initially recognised at fair value (adjusted for the transaction costs associated with the issue of debt).

Subsequently interest-bearing borrowings and other debt instruments are measured at amortised cost using the effective interest rate method.

2.26. Financial instruments

A 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 – 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 – non-derivative financial assets with fixed or determinable payments that the Company intends and is able to hold to maturity,
- loans and receivables – non-derivative financial assets with fixed or determinable payments that are not quoted on an active market,
- available-for-sale financial assets – non-derivative financial assets designated on initial recognition as available-for-sale or other instruments that are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.
- other financial liabilities.

2.27. Initial recognition and derecognition of financial assets and liabilities

A 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 of the asset.

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

2.28. Initial measurement of financial instruments

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

2.28.1. 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 and loss in the statement of profit or loss.

2.28.2. Derivative financial instruments

The Company uses derivative financial instruments to manage its currency risk exposure resulting from operating, financing and investment activities. In accordance with its treasury policy, the Company does not use or issue derivatives held for trading.
Initially, the financial assets and liabilities are recognised at fair value.
Any gains and losses arising from changes in the fair value of financial derivatives not designated for hedge accounting are recognised as profit or loss in the statement of profit or loss.

2.28.3. Impairment of financial assets

A financial asset is impaired, and impairment losses are recognised, if there is an objective evidence as a result of one or more events that such loss event(s) have negative impact on the estimated future cash flows from the asset.
An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. An impairment loss in respect of available-for-sale financial assets is recognised when the decline in fair value of such investment below its cost is considered significant or prolonged.
At the reporting date, all individually significant assets are assessed for specific impairment. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.
Impairment losses in respect of financial assets measured at amortised cost are recognised in the statement of profit or loss. Impairment losses in respect of available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve to profit or loss.
If, in a subsequent period, the value of an impaired financial asset increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed. An impairment of available-for-sale equity security is not reversed in the statement of profit or loss. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in the statement of profit or loss.

2.29. Hedge accounting

Financial instruments (including derivatives) designated as hedges whose fair value or cash flows are expected to offset changes in the fair value or cash flows of the hedged items are recognised by the Company in accordance with the principles of hedge accounting, provided that at least all of the following conditions are met:

- At the inception of the hedge, the Company possesses documentation that includes as a minimum: a definition of the objective of risk management and the risk management policy, an identification of the hedging instrument, an identification of the hedged asset, liability or forecast transaction, a description of the nature of the risk associated with the hedged item or forecast transaction, an identification of the hedging period and a description of how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk,
- The hedge is highly effective in offsetting changes in fair value or cash flows attributable to the hedged risk. Its effectiveness is assessed by comparing the changes in the value of the hedge or cash flows associated with the hedge against the changes in the value or cash flows associated with the hedged item. A hedge is considered highly effective if throughout the hedging period nearly the entire amount of changes in the fair value of, or in the cash flows associated with, the hedged item is offset by changes in the fair value of, or in the cash flows associated with, the hedge, and the actual effectiveness of the hedge is within a range of 80%-125%,
- The effectiveness of the hedge can be reliably estimated through reliable measurement of the fair value of, or the cash flows associated with, the hedged item, and the fair value of the hedge.

The effectiveness of a hedge is assessed retrospectively (through ex-post tests) to check whether a given hedging relationship was highly effective in the analysed accounting periods, as well as prospectively (through ex-ante tests) to check whether a given hedging relationship can still be expected to be highly effective,

- If the hedge relates to cash flows associated with a forecast transaction, the transaction is highly probable.

2.29.1. Cash flow hedges

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

2.30. Revenue

Revenue is measured at the fair value of the consideration received or receivable in the course of ordinary operating activities of an entity, net of rebates, discounts, value added and other sales related taxes. Revenue is recognised to the extent it is probable that the Company will obtain economic benefits from a given transaction and the amount of revenue can be reliably measured.

2.30.1. Sale of goods and merchandise, rendering of services

Revenue from the sale of goods and merchandise is recognised when the significant risks and rewards of ownership have been transferred to the customer and the amount of revenue can be reliably measured.
Revenue from rendering of services is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date and the result of the transaction can be reliably measured. 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 reliably estimated, revenue is recognised only to the extent of costs incurred that are likely to be recovered.

2.30.2. Revenue from the sale of energy certificates

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

2.30.3. Rental

Revenue from rental of property, plant and equipment is recognised in the statement of profit or loss on a straight-line basis over the lease period.

Leases where the Company retains substantially all the risks and rewards incidental to the ownership of the asset are classified as operating leases. Initial direct costs incurred in the course of negotiating operating lease contracts are added to the carrying amount of the leased asset and recognised over the term of the lease on the same basis as rental income. Contingent lease payments are recognised as revenue in the period in which they become due.

2.30.4. Finance income

Finance income comprises the interest on funds invested by the Company, loans and other interest-bearing instruments, dividends receivable, gains on disposal of available-for-sale financial assets, fair value gains on financial instruments at fair value through profit or loss, foreign exchange gains and such gains on derivatives (except for the contracts for CO_2 emission allowances) which are recognised in the statement of profit or loss.
Interest income is recognised as it accrues in the statement of profit or loss, using the effective interest rate method. Dividend income is recognised in the statement of profit or loss on the date that the Company's right to receive the dividend is established.

2.30.5. Government grants received

A government grant is recognised at fair value if there is reasonable assurance that the Company will comply with the conditions attaching to it, and that the grant will be received.
If a grant relates to a cost item, it is recognised as a reduction to the cost item which the grant is intended to compensate.
Amounts of cash recognised as grants, received to finance purchase or production of property, plant and equipment, intangible assets or investment property, including assets under construction, increase other income, with matching depreciation or amortisation charges.

2.31. Expenses

2.31.1. Cost of sales

Cost of sales includes all expenses related to the Company's principal business, except for selling and distribution expenses, administrative expenses, other expenses and finance costs. Production cost includes direct costs and an appropriate share of production overheads based on normal operating capacity.

2.31.2. Selling and distribution expenses

Selling and distribution expenses comprise recognised costs related to sales, such as:

- cost of packaging,
- transport, loading and unloading costs,
- customs duties and trade fees,
- carriage insurance cost,
- recognition/reversal of impairment losses on trade receivables, excluding impairment losses on receivables under lease of investment property (presented in other income/expenses) and interest on receivables (presented in finance income/costs).

2.31.3. Administrative expenses

Administrative expenses comprise:

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

2.31.4. Operating lease payments

Payments made under operating lease contracts 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 in the statement of profit or loss as an integral part of the total lease expense.

2.31.5. Finance lease payments

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

2.31.6. Finance costs

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

2.32. Income tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in the statement of profit or loss for the current period 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 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 taxable profit (tax base) for the period. Taxable profit differs from profit (loss) before tax because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.
Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for tax 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 and jointly controlled entities to the extent it is probable that they will not be realised in the foreseeable future, 3) temporary differences arising on initial recognition of goodwill.
Taxable income on activities in special economic zones may be tax exempt up to the amount determined in the applicable rules governing the operation of special economic zones. Future benefits resulting from tax exemption are treated as investment tax credits and recognised, by analogy, as deferred tax assets, in accordance with IAS 12.
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 probable that future taxable income will be available against which the temporary differences can be utilised. Deferred tax assets are not recognised to the extent it is not probable that taxable income will be available to utilise all temporary differences or their part. Such assets are subsequently recognised if it becomes probable that sufficient taxable income will be available.
Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority. Deferred tax assets and liabilities are not discounted and are presented in the statement of financial position as non-current assets or liabilities.

2.33. Segment reporting

The Company identifies operating segments based on internal reports. 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 their results. Separate information prepared for each segment is available.

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

None of the Company's operating segments has been combined with another segment to create reporting segments.

The Company presents administrative, selling and distribution expenses and other income and expenses allocated to the segments. Performance of each segment is measured based on its revenue, EBIT and EBITDA. The Company's financing (including finance costs and finance income) and income tax are monitored at the level of the Company and are not allocated to the segments.

Transaction prices applied in transactions between operating segments are established on an arm's length basis, similarly as in transactions with unrelated parties.

The Company identifies the following geographical areas:
- Poland
- Germany
- Other EU countries
- Asia
- South America
- Other countries

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

Non-current assets are classified as held for sale when their carrying amount will be recovered through a sale transaction rather than through continuing use. For this to be the case, the asset must be available for immediate sale, the 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 operations are a part of the Company's operations which represent a separate major line of business or a geographical area of operations and which have been sold or disposed of, or are a subsidiary acquired exclusively for re-sale. Classification as discontinued operations occurs on disposal or when the operations meet the criteria to be classified as held for sale, if earlier. When operations are classified as discontinued operations, the comparative statement of profit or loss is restated as if the operations had been discontinued from the start of the comparative period.

3. Notes to the separate financial statements

Business segment reporting

Operating segments

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

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

- Agro Fertilizers segment comprises the manufacturing and marketing of the following products:
  - nitrogen fertilizers (nitro-chalk, ammonium nitrate)
  - nitrogen fertilizers with sulfur (ammonium sulfate, ammonium sulfonitrite)
  - ammonia,
  - concentrated nitric acid;
- Plastics segment comprises the manufacturing and marketing of the following products:
  - Engineering plastics (PA 6, POM) and their modifications,
  - modified plastics (PPC, PPH, PBT, PA66),
  - caprolactam,
  - plastic products (PA pipes, PE pipes, polyamide casings);
- The Energy segment includes the production of energy carriers (electricity, heat, water, process and instrument air, nitrogen) for the purposes of chemical units and, to a lesser extent, for resale (mainly of electricity) to external customers. As part of its operations, the segment also purchases and distributes natural gas for process needs;
- Other Activities segment comprises the remaining activities, including laboratory services, catalyst production (iron-chromium catalyst, copper catalysts, iron catalysts), property rental, and other activities which are not allocated to any of the segments specified above.http://grupaazoty.com/pl/oferta/chemikalia/2/3http://grupaazoty.com/pl/oferta/chemikalia/2/4http://grupaazoty.com/pl/oferta/chemikalia/2/5

Key financial results and performance of each of the segments are discussed below. The key performance metrics for each segment are revenue, EBIT and EBITDA.

(all amounts in PLN thousand unless indicated otherwise)

Operating segments' income, expenses and net profit (loss) for the 12 months ended December 31st 2017

	Agro Fertilizers	Plastics	Energy	Other Activities	Total
External revenue	726,544	897,749	29,475	27,757	1,681,525
Intersegment revenue	229,889	243,779	454,785	33,737	962,190
Total revenue	956,433	1,141,528	484,260	61,494	2,643,715
Operating expenses, including: (-)	(936,965)	(1,005,771)	(484,089)	(63,137)	(2,489,962)
selling and distribution expenses (-)	*(80,037)*	*(20,187)*	*(201)*	*(756)*	*(101,181)*
administrative expenses (-)	*(78,944)*	*(77,713)*	*(2,100)*	*(2,291)*	*(161,048)*
Other income	581	458	639	9,428	11,106
Other expenses (-)	(2,245)	(4,032)	(1,313)	(12,928)	(20,518)
Segment's EBIT	**17,804**	**132,183**	**(503)**	**(5,143)**	**144,341**
Finance income	-	-	-	-	250,019
Finance costs (-)	-	-	-	-	(56,514)
Profit before tax	-	-	-	-	**337,846**
Income tax	-	-	-	-	16,947
Net profit	-	-	-	-	**354,793**
EBIT*	17,804	132,183	(503)	(5,143)	144,341
Depreciation and amortisation	38,570	31,341	12,961	10,158	93,030
Unallocated depreciation and amortisation	-	-	-	-	7,638
EBITDA**	**56,374**	**163,524**	**12,458**	**5,015**	**245,009**

* EBIT is calculated as operating profit (loss) as disclosed in the statement of profit or loss.
** EBITDA is calculated as operating profit (loss) before depreciation and amortisation.

(all amounts in PLN thousand unless indicated otherwise)

Operating segments' income, expenses and net profit (loss) for the 12 months ended December 31st 2016*

	Agro Fertilizers	Plastics	Energy	Other Activities	Total
External revenue	694,659	808,824	24,784	24,065	1,552,332
Intersegment revenue	239,968	244,267	415,354	29,632	929,221
Total revenue	934,627	1,053,091	440,138	53,697	2,481,553
Operating expenses, including: (-)	(916,301)	(1,075,476)	(435,481)	(54,067)	(2,481,325)
selling and distribution expenses (-)	*(76,482)*	*(15,291)*	*(158)*	*(563)*	*(92,494)*
administrative expenses (-)	*(73,706)*	*(83,102)*	*(1,401)*	*(1,920)*	*(160,129)*
Other income	691	536	439	8,514	10,180
Other expenses (-)	(4,049)	(5,257)	(3,224)	(53,307)	(65,837)
Segment's EBIT	**14,968**	**(27,106)**	**1,872**	**(45,163)**	**(55,429)**
Finance income	-	-	-	-	287,228
Finance costs (-)	-	-	-	-	(41,269)
Profit before tax	**-**	**-**	**-**	**-**	**190,530**
Income tax	-	-	-	-	3,396
Net profit	**-**	**-**	**-**	**-**	**193,926**
EBIT**	14,968	(27,106)	1,872	(45,163)	(55,429)
Depreciation and amortisation	33,253	32,925	10,565	9,701	86,444
Unallocated depreciation and amortisation	-	-	-	-	7,593
EBITDA* **	**48,221**	**5,819**	**12,437**	**(35,462)**	**38,608**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.
** EBIT is calculated as operating profit (loss) as disclosed in the statement of profit or loss.
*** EBITDA is calculated as operating profit (loss) before depreciation and amortisation.

Revenues from intersegment transactions are eliminated. The segment's operating profit excludes finance income of PLN 250,019 thousand (2016: PLN 287,228 thousand) and finance costs of PLN (56,514) thousand (2016: PLN (41,269) thousand).

(all amounts in PLN thousand unless indicated otherwise)

Operating segments' assets and liabilities as at December 31st 2017

	Agro Fertilizers	Plastics	Energy	Other Activities	Total
Segment's assets	641,967	900,964	304,609	176,902	2,024,442
Unallocated assets	-	-	-	-	4,846,691
Total assets	**641,967**	**900,964**	**304,609**	**176,902**	**6,871,133**
Segment's liabilities	64,542	121,189	102,962	63,260	351,953
Unallocated liabilities	-	-	-	-	1,756,924
Total liabilities	**64,542**	**121,189**	**102,962**	**63,260**	**2,108,877**

Operating segments' assets and liabilities as at December 31st 2016*

	Agro Fertilizers	Plastics	Energy	Other Activities	Total
Segment's assets	608,144	791,272	288,061	166,517	1,853,994
Unallocated assets	-	-	-	-	4,564,607
Total assets	**608,144**	**791,272**	**288,061**	**166,517**	**6,418,601**
Segment's liabilities	79,304	165,351	85,253	52,360	382,268
Unallocated liabilities	-	-	-	-	1,571,573
Total liabilities	**79,304**	**165,351**	**85,253**	**52,360**	**1,953,841**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

Segments' assets do not include such items as deferred tax assets of PLN 17,957 thousand (2016: PLN 0 thousand), loans to related entities of PLN 320,337 thousand (2016: PLN 297,830 thousand), shares of PLN 3,867,145 thousand (2016: PLN 3,859,066 thousand), valuation of foreign currency derivatives of PLN 1,071 thousand (2016: PLN 834 thousand), and cash and cash equivalents of PLN 572,711 thousand (2016: PLN 326,031 thousand) because these assets are managed at the Company level.
Segments' liabilities do not include such items as current tax liabilities of PLN 3,178 thousand (2016: PLN 0 thousand), and liabilities under borrowings of PLN 1,668,126 thousand (2016: PLN 1,473,665 thousand) as these liabilities are managed at the Company level.

(all amounts in PLN thousand unless indicated otherwise)

Other segmental information for the 12 months ended December 31st 2017

	Agro Fertilizers	Plastics	Energy	Other Activities	Total
Expenditure on property, plant and equipment	41,703	129,285	14,655	16,642	202,285
Expenditure on intangible assets	1,000	-	-	15	1,015
Unallocated expenditure	-	-	-	-	11,750
Total expenditure	**42,703**	**129,285**	**14,655**	**16,657**	**215,050**
Segment’s depreciation and amortisation	38,570	31,341	12,961	10,158	93,030
Unallocated depreciation and amortisation	-	-	-	-	7,638
Total depreciation and amortisation	**38,570**	**31,341**	**12,961**	**10,158**	**100,668**

Other segmental information for the 12 months ended December 31st 2016

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

Capital expenditure is made to purchase property, plant and equipment and intangible assets.

(all amounts in PLN thousand unless indicated otherwise)

Geographical areas

Revenue split by geographical areas is determined based on the location of customers. Assets allocated to a geographical area are identified on the basis of their geographical location.

Revenue

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016
Poland	732,475	640,618
Germany	556,482	600,906
Other EU countries	293,725	207,896
Asia	4,034	935
South America	41,794	42,621
Other countries	53,015	59,356
Total	**1,681,525**	**1,552,332**

Non-current assets
All non-current assets of the Company, totalling PLN 5,485,593 thousand (December 31st 2016: PLN 5,363,524 thousand) are located in Poland.
The non-current assets include property, plant and equipment, intangible assets, investment property and shares.
The non-current assets do not include financial instruments and deferred tax assets.

Material customers
Revenue from the subsidiary Grupa Azoty ATT Polymers GmbH, in the Plastics segment, was PLN 285,848 thousand (2016: 315,906 thousand).

Note 1Revenue

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016
Revenue from sale of products and services	1,664,950	1,541,510
Revenue from sale of merchandise and materials	14,887	8,276
Revenue from sale of property rights	1,688	2,546
	1,681,525	**1,552,332**

(all amounts in PLN thousand unless indicated otherwise)

Note 2 Operating expenses

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016* restated
Depreciation and amortisation	99,502	92,530
Raw materials and consumables used	948,065	908,697
Services	238,419	297,230
Taxes and charges	43,943	41,729
Remuneration	161,245	141,704
Social security and other employee benefits	48,208	35,869
Other expenses	24,267	25,102
Costs by nature of expense	**1,563,649**	**1,542,861**
Change in inventories of finished goods (+/-)	(9,339)	3,510
Work performed by the entity and capitalised (-)	(40,812)	(2,409)
Selling and distribution expenses (-)	(101,181)	(92,494)
Administrative expenses (-)	(161,048)	(160,129)
Cost of merchandise and materials sold	14,274	8,142
Cost of sales	**1,265,543**	**1,299,481**
including excise duty	4,201	5,268

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

The increase in social security and other benefits is mainly the effect of an increase in additional contributions to the Company Social Benefits Fund. Work performed by the entity and capitalised related primarily to the consumption of energy and semi-finished products for the purpose of implementing investment projects, in particular the construction of Polyamide Plant II and the Granulation Plant.
Lower cost of sales was due primarily to a change in the structure of sales and discontinuation of caprolactam processing by a subsidiary.

Depreciation and amortisation are presented in the following proportions in particular items of the statement of profit or loss and other comprehensive income:

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016
Cost of sales	89,043	81,792
Administrative expenses	10,459	10,738
Total depreciation and amortisation	**99,502**	**92,530**

(all amounts in PLN thousand unless indicated otherwise)

Note 2.1 Cost of sales

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016* restated
Cost of products and services	1,248,937	1,290,943
Cost of merchandise and materials	14,274	8,142
Cost of property rights	2,332	396
Total cost of sales	**1,265,543**	**1,299,481**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

Note 2.2 Employee benefit expenses

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016* restated
Remuneration paid and due	147,774	154,281
Social security	26,416	27,598
Social benefits fund	12,973	4,978
Training	730	664
Change in defined benefit obligation	(942)	(518)
Change in long-term employee benefit obligation	(1,314)	(4,491)
Change in provision for accrued holiday entitlements	196	(119)
Change in provision for annual and incentive bonuses	18,725	(10,229)
Change in other provisions for employee benefits	-	714
Other	4,895	4,695
	209,453	**177,573**
Average employment	**2,111**	**2,087**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

(all amounts in PLN thousand unless indicated otherwise)

Note 3 Other income

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016
Reversed impairment losses on:		
Property, plant and equipment	1,223	-
Other receivables	18	38
	1,241	**38**
Other income:		
Income from lease of investment property	7,626	7,451
Received compensation	563	1,690
Government grants received	744	151
Other	932	850
	9,865	**10,142**
	11,106	**10,180**

Reversed impairment losses on property, plant and equipment related to a property that was put back into service as a fertilizers storage facility.

Note 4Other expenses

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016* restated
Loss on disposal of assets:		
Loss on disposal of property, plant and equipment	2,173	4,997
	2,173	**4,997**
Recognised impairment losses on:		
Property, plant and equipment	531	1,824
Intangible assets	3,461	-
Other	1,253	245
	5,245	**2,069**
Other expenses:		
Investment property maintenance costs	4,607	5,250
Plant outages	565	431
Failure recovery costs	5,393	9,822
Recognised provisions	1,742	1,319
Other	793	41,949
	13,100	**58,771**
	20,518	**65,837**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

Impairment losses on intangible assets include an impairment loss on costs of development work following its reclassification.
Other impairment losses include a PLN 1,250 thousand impairment loss on a disputed asset recognised in connection with a restructuring process at a trading partner.

The amount of recognised provisions of PLN 1,433 thousand PLN (2016: PLN 1,319 thousand) includes a revision of environmental protection provisions.

(all amounts in PLN thousand unless indicated otherwise)

A major component of other expenses in 2016, totalling PLN 40,999 thousand, was a payment made to the Polish National Foundation's initial capital (PLN 7,000 thousand) and commitment to co-finance the Foundation's activities over ten years, starting from 2017.

Note 5 Finance income

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016
Interest income:		
Interest on bank deposits	506	104
Interest on cash pooling	3,760	644
Interest on loans advanced	8,947	7,729
Interest on trade receivables	265	221
	13,478	**8,698**
Gains on:		
Sale of financial investments	69	-
Measurement of financial assets at fair value through profit or loss	2,179	-
	2,248	**-**
Other finance income:		
Dividends received	231,516	275,091
Other	2,777	3,439
	234,293	**278,530**
	250,019	**287,228**

The key item of other finance income was a commitment fee from related parties of PLN 2,557 thousand (2016: 3,229 thousand).

(all amounts in PLN thousand unless indicated otherwise)

Note 6 Finance costs

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016* restated
Interest expense:		
Interest on bank borrowings and overdraft facilities	23,390	22,306
Interest on cash pooling	3,272	1,246
Interest on non-bank borrowings	1,071	1,064
Interest on factoring, receivables discounting and finance leases	828	1,115
Other	1,826	1,607
	30,387	**27,338**
Losses on:		
Sale of financial investments	-	11
Measurement of financial assets at fair value through profit or loss	-	365
Impairment of investments in subordinated entities	19,219	7,527
	19,219	**7,903**
Other finance costs:		
Foreign exchange losses	1,912	2,178
Other	4,996	3,850
	6,908	**6,028**
	56,514	**41,269**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

In 2017, the Company recognised a PLN 18,119 thousand impairment loss on assets in the form of Grupa Azoty Siarkopol shares. For details, see Note 14.2 Impairment of investments.
The key item of other finance costs are fees for a surety received of PLN 3,230 thousand (2016: PLN 3,444 thousand).
Interest capitalised as initial cost of property, plant and equipment and intangible assets in 2017 was PLN 4,321 thousand (2016: PLN 3,273 thousand).

The PLN 1,912 thousand foreign exchange losses (2016: (PLN 2,178 thousand) include:

- net realised foreign exchange losses of PLN (3,403) thousand (2016: net realised foreign exchange gains of PLN 1,050 thousand),
- net foreign exchange gains on realised transactions in currency derivatives of PLN 5,031 thousand (2016: net foreign exchange losses of PLN 2,733 thousand),
- net foreign exchange losses on measurement of receivables and liabilities denominated in foreign currencies as at the reporting date of PLN (947) thousand (2016: PLN 374 thousand),
- net foreign exchange losses on measurement of other items as at the reporting date of PLN (2,593) thousand (2016: PLN (121) thousand).

(all amounts in PLN thousand unless indicated otherwise)

Note 7 Income tax

Note 7.1 Income tax disclosed in the statement of profit or loss

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016* restated
Current income tax:		
Current income tax expense	30,681	-
	30,681	
Deferred income tax:		
Deferred income tax associated with origination and reversal of temporary differences	(47,628)	(3,396)
	(47,628)	**(3,396)**
Income tax disclosed in the statement of profit or loss	**(16,947)**	**(3,396)**

Note 7.2 Effective tax rate

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016* restated
Profit before tax	**337,846**	**190,530**
Tax calculated at the applicable tax rate	64,191	36,201
Effect of tax-exempt income (+/-)	(44,096)	(52,267)
Effect of non tax-deductible expenses (+/-)	10,238	9,426
Tax effect of inclusion of property, plant and equipment into operations in Special Economic Zone	(12,709)	-
Tax effect of tax losses deducted in the period (+/-)	(309)	2,477
Recognition of state aid deductible in future periods (+/-)	(36,158)	-
Other (+/-)	1,896	767
Income tax disclosed in the statement of profit or loss	**(16,947)**	**(3,396)**
Effective tax rate	**(5.0%)**	**(1.8%)**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

The effective tax rate of 5.0% for 2017 resulted mainly from realised finance income in the form of dividends received and from the recognition of deferred tax on account of benefits the Company could derive from its operations in the Special Economic Zone. The effective tax rate of 1.8% for 2016 resulted mainly from realised finance income in the form of dividends received, which do not qualify as taxable income.

(all amounts in PLN thousand unless indicated otherwise)

Note 7.3 Income tax disclosed in other comprehensive income

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016
Tax on items that will not be reclassified to profit or loss (+/-)	**(338)**	**21**
Actuarial (losses)/gains from defined benefit plans	(338)	**21**
Tax on items that are or may be reclassified to profit or loss (+/-)	**5,296**	**(1,682)**
Measurement of hedging instruments through hedge accounting	5,296	(1,682)
Settlement of hedging instruments	-	-
Income tax disclosed in other comprehensive income	**4,958**	**(1,661)**

(all amounts in PLN thousand unless indicated otherwise)

Note 7.4 Deferred tax assets and liabilities

	Assets (-)		Liabilities (+)	
	Dec 31 2017	Dec 31 2016* restated	Dec 31 2017	Dec 31 2016* restated
Property, plant and equipment	(9,632)	(9,593)	57,817	84,285
Investment property	-	-	2,307	2,541
Intangible assets	(1,357)	(1,357)	7,200	7,212
Financial assets	-	(2,815)	105	105
Inventories and property rights	(1,132)	(1,143)	4,829	4,954
Trade and other receivables	(231)	(140)	39	20
Trade and other payables	(7,656)	(6,941)	446	418
Employee benefits	(16,735)	(12,325)	-	-
Provisions	(5,423)	(5,353)	383	222
Borrowings	(94)	(62)	-	-
Measurement of hedging instruments	-	(1,682)	3,614	-
State aid deductible in future periods	(36,158)	-	-	-
Tax losses	(15,642)	(31,065)	-	-
Other	(639)	(2,570)	2	2
Deferred tax assets (-)/liabilities (+)	**(94,699)**	**(75,046)**	**76,742**	**99,759**
Offset	76,742	75,046	(76,742)	(75,046)
Deferred tax assets (-)/liabilities (+) recognised in the statement of financial position	**(17,957)**	**-**	**-**	**24,713**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

(all amounts in PLN thousand unless indicated otherwise)

In connection with a project involving the construction of Polyamide Plant II, the Company obtained a licence to operate in the Krakowski Park Technologiczny Special Economic Zone. Pursuant to the terms of the licence, the Company was obliged to incur a minimum expenditure of PLN 203,000 thousand, to increase employment by 34 staff, and to maintain the headcount at least until June 30th 2020. The conditions specified in the licence were satisfied in the course of 2017 and, in line with the current plans, the Company will be able to continue satisfying the condition concerning the staffing level until June 30th 2020. As at December 31st 2017, the Company recognised assets for the benefits it may obtain from operating in the Special Economic Zone, in an amount corresponding to the expected tax savings in 2018–2020, i.e. PLN 36,158 thousand.
Upon completion of the project, the Company's eligible capital expenditure totalled PLN 222,603 thousand, which in the future may allow it to realise tax savings on its operations in the zone of approximately PLN 111m (net of the discount).
If the Company fails to comply with any of the licence terms, it may be required to reimburse the state aid received.

As at December 31st 2017, the Company recognised a deferred tax asset of PLN 15,642 thousand (December 31st 2016: PLN 31,065 thousand) for unused tax losses which the Company expected to be able to use based on projections of future taxable income. The change in deferred tax asset relative to December 31st 2016 followed utilisation in 2017 of PLN 82,325 thousand in tax losses carried forward. The Company will be able to offset the losses in the following years:

Loss for the year	**Amount**	**Offset**
2013	5,316	2018
2014	7,919	2018 – 2019
2015	964	2018 - 2020
2016	1,443	2018 - 2021
	15,642	

(all amounts in PLN thousand unless indicated otherwise)

Note 7.5 Change in temporary differences

		Changes in temporary differences recognised in: (+/-)		
	As at Jan 1 2017	Statement of profit or loss	Other comprehensive income	As at Dec 31 2017
Property, plant and equipment	74,692	(26,507)	-	48,185
Investment property	2,541	(234)	-	2,307
Intangible assets	5,855	(12)	-	5,843
Financial assets	(2,710)	2,815	-	105
Inventories and property rights	3,811	(114)	-	3,697
Trade and other receivables	(120)	(72)	-	(192)
Trade and other payables	(6,523)	(687)	-	(7,210)
Employee benefits	(12,325)	(4,072)	(338)	(16,735)
Provisions	(5,131)	91	-	(5,040)
Bank borrowings	(62)	(32)	-	(94)
Measurement of hedging instruments through hedge accounting	(1,682)	-	5,296	3,614
State aid deductible in future periods	-	(36,158)	-	(36,158)
Tax losses	(31,065)	15,423	-	(15,642)
Other	(2,568)	1,931	-	(637)
Deferred tax assets (-)/liabilities (+)	**24,713**	**(47,628)**	**4,958**	**(17,957)**

(all amounts in PLN thousand unless indicated otherwise)

		Changes in temporary differences recognised in: (+/-)		
	As at Jan 1 2016	Statement of profit or loss* restated	Other comprehensive income	As at Dec 31 2016* restated
Property, plant and equipment	83,583	(8,891)	-	74,692
Investment property	1,888	653	-	2,541
Intangible assets	5,800	55	-	5,855
Financial assets	(1,677)	(1,033)	-	(2,710)
Inventories and property rights	2,779	1,032	-	3,811
Trade and other receivables	(363)	243	-	(120)
Trade and other payables	(9,504)	2,981	-	(6,523)
Employee benefits	(14,789)	2,443	21	(12,325)
Provisions	(8,838)	3,707	-	(5,131)
Bank borrowings	-	(62)	-	(62)
Other financial liabilities	(95)	95	-	0
Measurement of hedging instruments through hedge accounting	-	-	(1,682)	(1,682)
Tax losses	(28,479)	(2,586)		(31,065)
Other	(535)	(2,033)		(2,568)
Deferred tax assets (-)/liabilities (+)	**29,770**	**(3,396)**	**(1,661)**	**24,713**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

(all amounts in PLN thousand unless indicated otherwise)

Note 7.6 Unrecognised deferred tax assets/liabilities

As at December 31st 2017 and December 31st 2016, the Company did not recognise any deferred tax liability related to the difference between the tax base and carrying amount of the Company's holding of Grupa Azoty PUŁAWY shares. As at December 31st 2017 and December 31st 2016, the unrecognised temporary differences were PLN 1,775,995 thousand.

In addition, as described in Note 7.4, given the limited time horizon of its tax budgets, the Company does not recognise deferred tax assets related to its operations in the Special Economic Zone in the maximum amount possible.

Note 8 Discontinued operations

There were no discontinued operations in 2016 or 2017.

Note 9 Earnings per share

Basic earnings per share were calculated based on net profit and the weighted average number of shares outstanding in the reporting period. The amounts were determined as follows:

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016* restated
Net profit	**354,793**	**193,926**
Number of shares at beginning of period	99,195,484	99,195,484
Number of shares at end of period	99,195,484	99,195,484
Weighted average number of shares in the period	**99,195,484**	**99,195,484**
Earnings per share:		
Basic (PLN)	3.58	1.95
Diluted (PLN)	3.58	1.95

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

Diluted earnings per share
There are no potentially dilutive shares which would cause dilution of earnings per share.

Note 10 Property, plant and equipment

Carrying amount

	as at Dec 31 2017	as at Dec 31 2016
Land	572	572
Buildings and structures	396,696	258,386
Plant and equipment	975,169	623,613
Vehicles	3,583	4,391
Other property, plant and equipment	16,879	16,207
	1,392,899	**903,169**
Property, plant and equipment under construction	161,774	532,352
	1,554,673	**1,435,521**

(all amounts in PLN thousand unless indicated otherwise)

Net property, plant and equipment, by type

	Land	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
Net carrying amount as at January 1st 2017	**572**	**258,386**	**623,613**	**4,391**	**16,207**	**532,352**	**1,435,521**
Increase, including:	**-**	**158,443**	**422,622**	**11**	**4,394**	**210,889**	**796,359**
Increase due to acquisition, manufacturing, commissioning	-	156,894	421,497	11	4,387	210,889	793,678
Reversal of impairment losses	-	1,492	20	-	7	-	1,519
Other increase	-	57	1,105	-	-	-	1,162
Decrease, including:(-)	**-**	**(20,133)**	**(71,066)**	**(819)**	**(3,722)**	**(581,467)**	**(677,207)**
Depreciation	-	(19,827)	(70,479)	(819)	(3,691)	-	(94,816)
Disposal	-	-	-	-	(17)	-	(17)
Liquidation	-	(269)	(100)	-	(7)	-	(376)
Commissioning	-	-	-	-	-	(581,467)	(581,467)
Recognition of impairment losses	-	(37)	(487)	-	(7)	-	(531)
Net carrying amount as at December 1st 2017	**572**	**396,696**	**975,169**	**3,583**	**16,879**	**161,774**	**1,554,673**

(all amounts in PLN thousand unless indicated otherwise)

Net property, plant and equipment, by type

	Land	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
Net carrying amount as at January 1st 2016	**572**	**239,353**	**639,320**	**2,857**	**16,411**	**208,459**	**1,106,972**
Increase, including:	***-***	***39,202***	***50,246***	***2,724***	***3,695***	***414,071***	***509,938***
Increase due to acquisition, manufacturing, commissioning	-	37,571	49,241	2,601	3,674	414,071	507,158
Reversal of impairment losses	-	239	1,005	-	21	-	1,265
Reclassification from investment property	-	1,392	-	-	-	-	1,392
Other increase	-	-	-	123	-	-	123
Decrease, including:(-)	***-***	***(20,169)***	***(65,953)***	***(1,190)***	***(3,899)***	***(90,178)***	***(181,389)***
Depreciation	-	(19,322)	(63,933)	(1,176)	(3,820)	-	(88,251)
Disposal	-	-	(13)	(14)	(36)	-	(63)
Liquidation	-	(229)	(345)	-	(21)	-	(595)
Commissioning	-	-	-	-	-	(88,840)	(88,840)
Recognition of impairment losses	-	(152)	(452)	-	(16)	(1,204)	(1,824)
Reclassification to investment property	-	(432)	(71)	-	(4)	-	(507)
Reclassification to non-current assets held for sale	-	-	(351)	-	-	-	(351)
Other decrease	-	(34)	(788)	-	(2)	(134)	(958)
Net carrying amount as at December 1st 2016	**572**	**258,386**	**623,613**	**4,391**	**16,207**	**532,352**	**1,435,521**

(all amounts in PLN thousand unless indicated otherwise)

Property, plant and equipment by type

	Land	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
As at December 1st 2017							
Gross carrying amount	572	**878,621**	**2,211,476**	**16,467**	**60,651**	**215,467**	**3,383,254**
Accumulated depreciation (-)	-	(475,358)	(1,178,474)	(12,883)	(43,739)	-	(1,710,454)
Impairment (-)	-	(6,567)	(57,833)	(1)	(33)	(53,693)	(118,127)
Net carrying amount as at December 1st 2017	**572**	**396,696**	**975,169**	**3,583**	**16,879**	**161,774**	**1,554,673**
As at December 1st 2016							
Gross carrying amount	572	722,948	1,789,639	16,521	56,496	586,045	3,172,221
Accumulated depreciation (-)	-	(456,540)	(1,108,660)	(12,129)	(40,256)	-	(1,617,585)
Impairment (-)	-	(8,022)	(57,366)	(1)	(33)	(53,693)	(119,115)
Net carrying amount as at December 1st 2016	**572**	**258,386**	**623,613**	**4,391**	**16,207**	**532,352**	**1,435,521**

Impairment losses and their use

	Land	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
Impairment losses as at January 1st 2017	**-**	**8,022**	**57,366**	**1**	**33**	**53,693**	**119,115**
Impairment loss recognised in the statement of profit or loss	-	37	487	-	7	-	531
Reversal and use of impairment losses recognised in the statement of profit or loss (-)	-	(1,492)	(20)	-	(7)	-	(1,519)
Impairment losses as at December 31st 2017	**-**	**6,567**	**57,833**	**1**	**33**	**53,693**	**118,127**
Impairment losses as at January 1st 2016	**-**	**8,109**	**57,919**	**1**	**38**	**52,489**	**118,556**
Impairment loss recognised in the statement of profit or loss	-	152	452	-	16	1,204	1,824
Reversal and use of impairment losses recognised in the statement of profit or loss (-)	-	(239)	(1,005)	-	(21)	-	(1,265)

Impairment losses as at December 1st 2016	**-**	**8,022**	**57,366**	**1**	**33**	**53,693**	**119,115**

(all amounts in PLN thousand unless indicated otherwise)

In the reporting period, the Company recognised impairment loss on property, plant and equipment of PLN 531 thousand (2016: PLN 1,824 thousand), disclosed in other expenses. The amount mainly included impairment losses related to retirement of assets.
The impaired items of property, plant and equipment are allocated to the Plastics segment (PLN 232 thousand), Fertilizers segment (PLN 207 thousand) and Other Activities segment.

The largest item of impairment reversals was a building put back into service as a fertilizers storage facility (Other Activities). Other reversals related to impaired property, plant and equipment that were retired or sold.

As at December 31st 2017, there was no indication of impairment that would necessitate testing any property, plant and equipment for impairment.

Property, plant and equipment under construction
In 2017, the Company continued to implement the Polyamide Plant II project, commenced in 2014, with outstanding expenditure totalling PLN 113,592 thousand as at December 31st 2017 (December 31st 2016: PLN 210,010 thousand). The Polyamide II plant, whose objective is to improve the efficiency of managing caprolactam manufactured by the Group, was launched and commissioned in 2017. The plant's operations are currently being optimised.

As at December 31st 2017, other capital expenditure classified as property, plant and equipment under construction included expenditure on: heat recovery from the Beckmann rearrangement process of PLN 8,067 thousand (December 31st 2016: PLN 216 thousand), Chemical Technology and Development Centre of PLN 4,931 thousand (December 31st 2016: PLN 115 thousand), upgrade of the cooling ammonia network of PLN 3,008 thousand (December 31st 2016: 2,303 thousand), upgrade of the draft cooling tower of PLN 2,715 thousand (December 31st 2016: PLN 1,259 thousand), and other minor expenditures.

The gross carrying amount of all fully depreciated or impaired items of property, plant and equipment as at December 31st 2017 was PLN 322,888 thousand (December 31st 2016: PLN 347,854 thousand), including retired property, plant and equipment of PLN 33,364 thousand (December 31st 2016: PLN 31,742 thousand) and impaired property, plant and equipment of PLN 179,532 thousand (December 31st 2016: PLN 189,776 thousand). As at December 31st 2017, the largest item in this category was machinery and equipment, its gross carrying amount at PLN 233,057 thousand (December 31st 2016: PLN 237,706 thousand).

Collateral
As at December 31st 2017 and December 31st 2016, no property, plant and equipment was pledged as collateral for the Company's liabilities.

Property, plant and equipment used under finance leases

	as at Dec 31 2017	as at Dec 31 2016
Carrying amount of property, plant and equipment used under finance leases, including:	**2,387**	**2,895**
Vehicles	2,387	2,895

Note 10.1 Property, plant and equipment held for sale

	as at Dec 31 2017	as at Dec 31 2016
Land	95	95
Plant and equipment	-	596
	95	**691**

(all amounts in PLN thousand unless indicated otherwise)

Note 11 Perpetual usufruct of land

	as at Dec 31 2017	as at Dec 31 2016
Perpetual usufruct of land	369	373

Perpetual usufruct of land

	Perpetual usufruct of land
As at December 1st 2017	
Gross carrying amount	380
Accumulated depreciation (-)	(11)
Net carrying amount as at December 1st 2017	**369**
As at December 1st 2016	
Gross carrying amount	380
Accumulated depreciation (-)	(7)
Net carrying amount as at December 1st 2016	**373**

Note 12 Intangible assets

Carrying amount

	as at Dec 31 2017	as at Dec 31 2016
Patents and licences	33,003	32,463
Software	5,733	6,187
Development costs	3,085	6,511
Other intangible assets	1,941	2,147
	43,762	**47,308**
Intangible assets under construction	3,195	3,556
	46,957	**50,864**

As at the reporting date, intangible assets comprised mainly licences, including the SAP licence of PLN 27,477 thousand (December 31st 2016: PLN 25,388 thousand). The Company does not hold any intangible assets with indefinite useful lives.
Amortisation of intangible assets is generally allocated to administrative expenses. The Company does not carry any intangible assets with restricted legal title or intangible assets pledged as collateral.

The carrying amount of research work recognised as cost in 2017 was PLN 4,378 thousand (2016: 6,129 thousand).

(all amounts in PLN thousand unless indicated otherwise)

Intangible assets, net

	Patents and licences	Software	Development costs	Other intangible assets	Intangible assets under construction	Total
Net carrying amount as at January 1st 2017	**32,463**	**6,187**	**6,511**	**2,147**	**3,556**	**50,864**
Increase, including:	***4,435***	***88***	***69***	***5***	***4,161***	***8,758***
Purchase, production, commissioning	4,435	88	-	-	4,161	8,684
Other increase	-	-	69	5	-	74
Decrease, including:(-)	***(3,895)***	***(542)***	***(3,495)***	***(211)***	***(4,522)***	***(12,665)***
Amortisation	(3,895)	(542)	(34)	(211)	-	(4,682)
Commissioning	-	-	-	-	(4,522)	(4,522)
Recognition of impairment losses	-	-	(3,461)	-	-	(3,461)
Net carrying amount as at December 1st 2017	**33,003**	**5,733**	**3,085**	**1,941**	**3,195**	**46,957**

	Patents and licences	Software	Development costs	Other intangible assets	Intangible assets under construction	Total
Net carrying amount as at January 1st 2016	**33,838**	**5,713**	**5,787**	**2,359**	**2,745**	**50,442**
Increase, including:	***2,270***	***962***	***758***	-	***4,041***	***8,031***
Purchase, production, commissioning	2,270	962	-	-	4,041	7,273
Other increase	-	-	758	-	-	758
Decrease, including:(-)	***(3,645)***	***(488)***	***(34)***	***(212)***	***(3,230)***	***(7,609)***
Amortisation	(3,645)	(488)	(34)	(212)		(4,379)
Commissioning	-	-	-	-	(3,230)	(3,230)
Net carrying amount as at December 1st 2016	**32,463**	**6,187**	**6,511**	**2,147**	**3,556**	**50,864**

(all amounts in PLN thousand unless indicated otherwise)

Intangible assets

	Patents and licences	Software	Development costs	Other intangible assets	Intangible assets under construction	Total
As at December 1st 2017						
Gross carrying amount	68,440	11,782	6,922	3,523	3,195	93,862
Accumulated amortisation (-)	(28,737)	(6,049)	(376)	(1,108)	-	(36,270)
Impairment (-)	(6,700)	-	(3,461)	(474)	-	(10,635)
Net carrying amount as at December 1st 2017	**33,003**	**5,733**	**3,085**	**1,941**	**3,195**	**46,957**
As at December 1st 2016						
Gross carrying amount	64,005	11,694	6,853	3,518	3,556	89,626
Accumulated amortisation (-)	(24,842)	(5,507)	(342)	(897)	-	(31,588)
Impairment (-)	(6,700)	-	-	(474)	-	(7,174)
Net carrying amount as at December 1st 2016	**32,463**	**6,187**	**6,511**	**2,147**	**3,556**	**50,864**

(all amounts in PLN thousand unless indicated otherwise)

Impairment losses and their use

	Patents and licences	Development costs	Other intangible assets	Total
As at January 1st 2017	**6,700**	**-**	**474**	**7,147**
Impairment loss recognised in the statement of profit or loss	-	3,461	-	3,461
As at December 31st 2017	**6,700**	**3,461**	**474**	**10,635**
As at January 1st 2016	**6,700**	**-**	**474**	**7,147**
As at December 1st 2016	**6,700**	**-**	**474**	**7,147**

Expenditure on significant intangible assets under construction
The largest items of expenditure on intangible assets under construction were the rollout of the CMMS system of PLN 984 thousand (December 31st 2016: PLN 984 thousand), purchase of licences from Microsoft of PLN 723 thousand, SAP system licences, migration and optimisation totalling PLN 874 thousand, and other minor projects.

Note 13 Investment property

	as at Dec 31 2017	as at Dec 31 2016
Carrying amount at the beginning of the period	**17,700**	**19,754**
Increase**, **including:	**-**	***745***
Purchase, production, subsequent expenditure	-	238
Reclassification from another asset category	-	507
Decrease**, **including:(-)	***(1,251)***	***(2,799)***
Depreciation (-)	(1,166)	(1,407)
Reclassification to another asset category	-	(1,392)
Other decrease	(85)	-
Carrying amount at the end of the period	**16,449**	**17,700**

In 2017, revenue from lease of investment property amounted to PLN 7,626 thousand (2016: PLN 7,451 thousand).

As at December 31st 2017, investment property had a gross carrying amount of PLN 56,184 thousand (December 31st 2016: PLN 56,669 thousand).

Note 14 Financial assets

Note 14.1 Shares

	as at Dec 31 2017	as at Dec 31 2016 * restated
Shares in subsidiaries	3,855,011	3,846,932
Shares in other entities	12,134	12,134
	3,867,145	**3,859,066**
including		
Long-term	3,867,145	3,859,066

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

Shares in subsidiaries include shares in PDH Polska S.A. of PLN 27,821 thousand (December 31st 2016: PLN 5,000 thousand). The company is an indirect subsidiary.

(all amounts in PLN thousand unless indicated otherwise)

On October 18th 2017, the Company's Management Board passed a resolution to acquire new registered shares in PDH Polska S.A. in connection with a planned increase in the subsidiary's share capital. The resolution provides for the acquisition of 9,400 thousand new Series D registered shares in PDH Polska S.A., with a par value and an issue price of PLN 10 per share, with a total value of PLN 94,000 thousand, to be issued as part of the share capital increase at PDH Polska S.A. It was resolved that the Company would pay for the shares as follows:

- PLN 23,500 thousand by March 1st 2018
- PLN 70,500 thousand by September 1st 2018.

Shares in subsidiaries

Investee	Shares as percentage of share capital	Country	Carrying amount
December 31st 2017			
Grupa Azoty ATT Polymers GmbH	100	Germany	16,057
Grupa Azoty Compounding Sp. z o.o.	100	Poland	1,105
Grupa Azoty Folie Sp. z o.o.	100	Poland	-
Grupa Azoty KOLTAR Sp. z o.o.	100	Poland	31,722
Grupa Azoty PUŁAWY	95.98	Poland	2,496,673
Grupa Azoty SIARKOPOL	99.33	Poland	335,655
Grupa Azoty KĘDZIERZYN	93.48	Poland	350,090
Grupa Azoty POLICE	66.00	Poland	569,250
Grupa Azoty PKCh Sp. z o.o.	63.27	Poland	26,638
PDH Polska S.A.	15.46	Poland	27,821
			3,855,011

Investee	Shares as percentage of share capital	Country	Carrying amount* restated
December 31st 2016			
Grupa Azoty ATT Polymers GmbH	100	Germany	16,057
Grupa Azoty Compounding Sp. z o.o.	100	Poland	5
Grupa Azoty Folie Sp. z o.o.	100	Poland	1,100
Grupa Azoty KOLTAR Sp. z o.o.	100	Poland	31,722
Grupa Azoty PUŁAWY	95.98	Poland	2,496,673
Grupa Azoty SIARKOPOL	98.42	Poland	350,397
Grupa Azoty KĘDZIERZYN	93.48	Poland	350,090
Grupa Azoty POLICE	66.00	Poland	569,250
Grupa Azoty PKCh Sp. z o.o.	63.27	Poland	26,638
PDH Polska S.A.	3.91	Poland	5,000
			3,846,932

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

As at December 31st 2017 and December 31st 2016, the proportion of the Company's voting rights at subsidiaries, associates and joint ventures was equal to the Company's interest in their respective share capitals.

Changes in shares

	for the period	for the period

	from Jan 1 to Jun 30 2017	from Jan 1 to Dec 31 2016* restated
At the beginning of the period	**3,859,066**	**3,823,142**
Increase, including:	***27,298***	***43,471***
Acquisition	27,298	43,471
Decrease, including:(-)	***(19,219)***	***(7,547)***
Sale, liquidation	-	(20)
Recognition of impairment losses	(19,219)	(7,527)
At the end of the period	**3,867,145**	**3,859,066**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

The increase due to acquisition relates to:
- acquisition of shares in PDH Polska S.A. of PLN 22,821 thousand through the issue of Series of C shares,
- buyout of registered shares of Grupa Azoty Kopalnie i Zakłady Chemiczne Siarki Siarkopol S.A. of PLN 3,377 thousand,
- subscription for new shares in the increased share capital of Grupa Azoty Compounding Sp. z o.o. of PLN 1,100 thousand.

The decrease is a result of an impairment loss recognised on the shares in Grupa Azoty KiZCh Siarkopol S.A., of PLN 18,119 thousand, and shares in Grupa Azoty Folie Sp. z o.o., of PLN 1,100 thousand.

Note 14.2 Impairment of investments

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016* restated
At the beginning of the period	**30,448**	**22,921**
Recognition of impairment losses, including:	***19,219***	***7,527***
Recognition of impairment losses in subsidiaries	19,219	7,527
At the end of the period	**49,667**	**30,448**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

Having tested the non-current assets in the form of Grupa Azoty Siarkopol shares for impairment, the Company recognised an impairment loss on the shares of PLN 18,119 thousand.
As an impairment loss on the subsidiary's sulfur deposits was recognised and charged to retained earnings in the consolidated financial statements, the Company carried out an additional impairment test as at January 1st and December 31st 2016.
The test showed that the carrying amount of Grupa Azoty Siarkopol shares should have been reduced by PLN 21,528 thousand as at January 1st 2016 and by PLN 24,655 thousand as at December 31st 2016. The amount of PLN 24,655 thousand was recognised as a correction to retained earnings.
the real weighted average cost of capital (WACC) was assumed at 5.27% in the impairment test.

Provided below is a summary analysis of sensitivity of the impairment loss amount to changes in key test assumptions:

Metric	Change	Effect on impairment loss (PLN '000)	
		Increase	Decrease
	5%	-	15,843
EBITDA	-5%	15,843	-

(all amounts in PLN thousand unless indicated otherwise)

WACC	+0.5 pp	11,845	-
	-0.5 pp	-	13,633

Note 14.3 Other financial assets

	as at Dec 31 2017	as at Dec 31 2016
Loans	320,337	297,830
Other	2	334
	320,339	**298,164**
including		
Long-term	249,978	244,220
Short-term	70,361	53,944
	320,339	**298,164**

Maturities and currencies of loans
As at December 31st 2017

Borrower	Currency	Rate of interest	Amount as at the reporting date	Up to 1 year	1–2 years	2–5 years	Over 5 years
GA ZAK S.A.	PLN	1M WIBOR + margin	268,337	44,360	40,723	122,169	61,085
GA ZCh Police S.A.	PLN	1M WIBOR + margin	52,000	26,000	6,000	20,000	-
			320,337	**70,360**	**46,723**	**142,169**	**61,085**

As at December 31st 2016

Borrower	Currency	Rate of interest	Amount as at the reporting date	Up to 1 year	1–2 years	2–5 years	Over 5 years
GA ZAK S.A.	PLN	1M WIBOR + margin	223,830	29,610	35,868	88,162	70,190
GA ZCh Police S.A.	PLN	1M WIBOR + margin	74,000	24,000	24,000	26,000	-
			297,830	53,610	59,868	114,162	70,190

Under the Intragroup Financing Agreement concluded on April 28th 2015 with Grupa Azoty PUŁAWY, Grupa Azoty POLICE, and Grupa Azoty KĘDZIERZYN, with a total limit of PLN 1,500m, for the purposes of redistribution of funds under the centralised financing model, the Company advanced loans to Grupa Azoty POLICE and Grupa Azoty KĘDZIERZYN for the financing of their investment programmes and other objectives defined in the Group's Strategy, bearing interest at the same variable interest rate of 1M WIBOR plus the Company's margin.
The key terms and conditions of the loans advanced under the Intragroup Financing Agreement (including the financing cost and significant covenants) were harmonised with the Corporate Financing Agreements executed by the Company.

Note 15 Inventories

	as at Dec 31 2017	as at Dec 31 2016
Finished products	96,013	78,808
Semi-finished products, work in progress	28,834	15,283
Materials	87,262	77,165
Total inventories, including:	**212,109**	**171,256**
carrying amount of inventories at realisable value less cost to sell	*17,839*	*6,526*

(all amounts in PLN thousand unless indicated otherwise)

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016
Write-downs of inventories recognised as expense in the period	7,832	4,221
Write-downs used/reversed in the period	(6,638)	(5,940)
	1,194	**(1,719)**

Amount of inventories recognised as expense in the period

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016
Raw materials and consumables used	948,065	908,697
Change in inventories of finished goods (+/-)	(9,339)	3,510
	938,726	**912,207**

	as at Dec 31 2017	as at Dec 31 2016
Inventory write-downs	7,195	6,001

The inventory write-down recognised in 2017 relates to inventories for which cost exceeds net realisable value, or which have been held on stock for more than one year. Changes in write-downs resulted from sale, use or liquidation of particular items. Recognition and reversal of inventory write-downs are recognised as cost of sales.

Note 16 Property rights

	as at Dec 31 2017	as at Dec 31 2016
CO_2 emission allowances	28,426	28,021
Energy certificates	1,426	3,402
Total property rights, including:	**29,852**	**31,423**

(all amounts in PLN thousand unless indicated otherwise)

Note 16.1 CO_2 emission allowances

CO_2 emission allowances held (number of units)

	as at Dec 31 2017	as at Dec 31 2016
Balance at the beginning of the period (units held)	**1,243,549**	**1,018,634**
Redeemed	(996,898)	(1,235,534)
Allocated	961,501	959,211
Purchased	117,935	501,238
Balance at the end of the period (units held)	**1,326,087**	**1,243,549**
Emissions in the reporting period	1,158,287	997,829

Following completion of investment projects in 2016-2017, the Company will receive 75,068 additional CO_2 emission allowances in 2018. As at December 31st 2017, the emission allowances had not yet been registered in the Company's account. In 2017, following completion of investment projects in 2015-2016, the Company received 348,460 additional CO_2 emission allowances.

Note 17 Trade and other receivables

	as at Dec 31 2017	as at Dec 31 2016 * restated
Trade receivables - related parties	77,446	76,058
Trade receivables - other entities	81,306	66,173
Receivables from state budget, except for income tax	47,673	52,559
Prepayments for deliveries of property, plant and equipment - related parties	75	450
Prepayments for deliveries of property, plant and equipment - other entities	16,807	17,671
Prepayments for deliveries of materials, goods and services - other entities	3,020	3,414
Prepaid expenses - related parties	257	279
Prepaid expenses - other entities	2,728	6,217
Other receivables - related parties	126	2,350
Other receivables - other entities	1,968	1,507
	231,406	**226,678**
including		
Long-term	16,882	18,121
Short-term	214,524	208,557
	231,406	**226,678**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

(all amounts in PLN thousand unless indicated otherwise)

Impairment losses on receivables

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016
At the beginning of the period	**2,714**	**8,047**
Recognised	398	-
Reversed	(244)	(277)
Used	(37)	(5,056)
At the end of the period	**2,831**	**2,714**
including		
Short-term	2,831	2,714
	2,831	**2,714**

Unimpaired trade receivables ageing analysis

	as at Dec 31 2017	as at Dec 31 2016
Not past due	150,443	138,349
Past due up to 60 days	8,192	3,841
Past due 61–180 days	104	41
Past due 181-360 days	13	-
	158,752	**142,231**

Impaired trade and other receivables ageing analysis

	as at Dec 31 2017	as at Dec 31 2016
Not past due	30	29
Past due up to 60 days	27	37
Past due 61–180 days	63	23
Past due 181-360 days	175	33
Past due more than 360 days	2,536	2,592
	2,831	**2,714**

Receivables by currency

	as at Dec 31 2017	as at Dec 31 2016
PLN	110,198	112,532
EUR translated into PLN	108,850	113,435
USD translated into PLN	2,699	660
Other	9,659	51
	231,406	**226,678**
including		
Long-term	16,882	18,121
Short-term	214,524	208,557
	231,406	**226,678**

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

(all amounts in PLN thousand unless indicated otherwise)

The average collection period for trade receivables in the ordinary course of business is 28 days.

Receivables of PLN 20,388 thousand (December 31st 2016: PLN 57,530 thousand) serve as security for the Company's liabilities under receivables discounting.

The Company has entered into an agreement for recourse discounting of a subsidiary's receivables. The amounts of discounted receivables and related liabilities are presented in the table below:

	as at Dec 31 2017	as at Dec 31 2016
Receivables subject to discounting	20,388	57,530
Liabilities under receivables discounting	20,388	57,530

Note 17.1 Prepayments

	as at Dec 31 2017	as at Dec 31 2016
Insurance premiums	1,266	3,710
Subscriptions	169	441
Advertising	276	460
Other	1,274	1,885
	2,985	**6,496**
including		
Short-term	2,985	6,496
	2,985	**6,496**

Note 18 Cash

	as at Dec 31 2017	as at Dec 31 2016
Cash in hand	28	17
Bank balances in PLN	152,591	132,486
Bank balances in foreign currencies (translated to PLN)	62,448	121,649
Bank deposits – up to 3 months	200,724	1,389
Cash and cash equivalents under cash pooling	156,920	70,490
	572,711	**326,031**
Cash and cash equivalents in the statement of financial position	**572,711**	**326,031**
Cash and cash equivalents in the statement of cash flows	**572,711**	**326,031**

As at December 31st 2017 and December 31st 2016, the Company held no restricted cash.

The balances of receivables and liabilities under the intra-group physical cash pooling arrangement are disclosed under other cash and cash equivalents (positive balance) and under short-term borrowings (negative balance).

On September 30th 2016, the Company and other Grupa Azoty Group companies entered into a physical cash pooling agreement with PKO BP, which superseded a notional cash pooling agreement with PKO BP. The purpose of the physical cash pooling arrangement is to optimise financial flows, allowing the Group to effectively manage its global liquidity limit and flexibly allocate it across the Group, thus ensuring financial security of the Group companies while optimising the Group's interest income and expenses. The Company acts as an agent coordinating the cash pooling service within the Group, which means that individual Group companies settle their accounts with the Company, and the Company – with PKO BP. The Company presents cash provided to other Group companies participating in the cash pooling service as cash equivalents, whereas cash received by the Company from other Group companies is presented as short-term borrowings (see Note 21 and Note 30).

(all amounts in PLN thousand unless indicated otherwise)

Any balance of surplus cash is invested by the Company in bank deposits of up to three months.

Note 19 Other assets

None.

Note 20 Equity

Note 20.1 Share capital

Share capital

	as at Dec 31 2017	as at Dec 31 2016
Par value of Series AA shares	120,000	120,000
Par value of Series B share issue	75,582	75,582
Par value of Series C share issue	124,995	124,995
Par value of Series D share issue	175,400	175,400
	495,977	**495,977**

Number of shares

	as at Dec 31 2017	as at Dec 31 2016
Number of shares at the beginning of the period	**99,195,484**	**99,195,484**
Number of shares at the end of the period	**99,195,484**	**99,195,484**
Par value per share (PLN/share)	5	5

All the issued shares have been fully paid for.

Holders of ordinary shares are entitled to receive dividends as declared, and are entitled to one vote per share at the General Meeting. The shares carry no preference in terms of rights to the Company assets in the event of asset distribution.

Limitation of voting rights

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

Note 20.2 Share premium

	as at Dec 31 2017	as at Dec 31 2016
Issue of shares	2,445,409	2,445,409
Share issue costs (-)	(30,713)	(30,713)
Income tax (+/-)	3,574	3,574
	2,418,270	**2,418,270**

Note 20.3 Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments, i.e. a bank loan denominated in EUR, used as a cash flow hedge for revenue generated in that currency, pending subsequent recognition in the statement of profit or loss as the hedged cash flows occur.

Note 20.4 Dividends

Dividend for 2016 was paid on August 23rd 2017, with August 4th 2017 as the dividend record date.

(all amounts in PLN thousand unless indicated otherwise)

A resolution on the allocation of profit was passed by the Parent's Annual General Meeting on June 30th 2017. The amount of profit allocated for distribution was PLN 78,364,432.36 (i.e. PLN 0.79 per share).

Note 21 Borrowings

	as at Dec 31 2017	as at Dec 31 2016
Bank borrowings	1,394,229	1,165,271
Non-bank borrowings	273,897	308,394
	1,668,126	**1,473,665**
including		
Long-term	1,357,234	1,166,290
Short-term	310,892	307,375
	1,668,126	**1,473,665**

As part of the centralised financing model, in 2015 the Company and PKO BP S.A., BGK, BZ WBK and ING concluded a five-year agreement for a syndicated revolving credit facility of PLN 1,500m. A portion of its proceeds was used to refinance some other credit facilities, and the balance is used to finance the capital expenditures and other objectives outlined in Grupa Azoty's long-term strategy.

The Company is also party to long-term loan facility agreements totalling PLN 700m, including a PLN 550m loan from the EIB and a PLN 150m loan from the EBRD, concluded in 2015 for a period of 10 years, which supplement the Company's corporate financing package up to a total of PLN 2,200m.

The Company, Grupa Azoty Puławy S.A., Grupa Azoty Police S.A., Grupa Azoty ZAK S.A. and Grupa Azoty ATT Polymers GmbH are also parties to a multi-purpose credit facility agreement with PKO BP, of PLN 240m (including a PLN 20m sublimit granted to the Company). Additionally, the Company and other selected subsidiaries are parties to an overdraft facility agreement with PKO BP, of PLN 310m (including a PLN 96.2m sublimit granted to the Company). The agreements are valid until September 30th 2019.

The above agreements of Grupa Azoty S.A. as at December 31st 2017

Credit facility/loan	Currency	Rate of interest	Amount as at the reporting date in foreign currency	Amount as at the reporting date in PLN	Up to 1 year	1–2 years	2–5 years	Over 5 years
Syndicated revolving credit facility	PLN	1M WIBOR + margin	710,003	710,003	(863)	(1,044)	711,910	-
Syndicated revolving credit facility	EUR	1M EURIBOR + margin	1,104	4,591	(7)	(6)	4,604	-
Term loan facility from EIB	EUR	fixed	127,134	529,809	37,769	75,656	227,052	189,332
Term loan facility from EBRD	PLN	6M WIBOR + margin	149,826	149,826	96	23,003	69,071	57,656
Physical cash pooling liabilities	PLN	1M WIBOR x factor	273,897	273,897	273,897	-	-	-
				1,668,126	**310,892**	**97,609**	**1,012,637**	**246,988**

The above agreements of Grupa Azoty S.A. as at December 31st 2016

Credit facility/loan	Currency	Rate of interest	Amount as at the reporting date in foreign currency	Amount as at the reporting date in PLN	Up to 1 year	1–2 years	2–5 years	Over 5 years

Syndicated revolving credit facility	PLN	1M WIBOR + margin	708,961	708,961	(863)	(1,043)	710,867	-
Syndicated revolving credit facility	EUR	1M EURIBOR + margin	1,104	4,862	(7)	(7)	4,876	-
Term loan facility from EIB	EUR	fixed	100,000	441,855	(90)	31,493	189,346	221,106
Term loan facility from EBRD	PLN	6M WIBOR + margin	9,593	9,593	(59)	(78)	4,417	5,313
Loan from GA Siarkopol	PLN	1M WIBOR + margin	50,000	50,000	50,000	-	-	-
Physical cash pooling liabilities	PLN	1M WIBOR x factor	258,394	258,394	258,394	-	-	-
				1,473,665	**307,375**	**30,365**	**909,506**	**226,419**

The relevant covenants, terms and conditions and security under the agreements with the EIB and EBRD, as well as the multi-purpose credit facility and overdraft facility agreements with PKO BP, are harmonised with the previously concluded syndicated revolving facility agreement.
For further information on covenants, see Note 28.3.2.

As at December 31st 2017, the Company had access to credit limits under the agreements specified above of approximately PLN 896m.
For information on borrowings, see Note 30.

Maturities and currencies of borrowings
As at December 31st 2017

Currency	Reference rate	Amount as at the reporting date		Up to 1 year	1–2 years	2–5 years	Over 5 years
		in foreign currency	in PLN				
PLN	variable	1,133,726	1,133,726	273,123	21,953	780,994	57,656
EUR	variable	1,104	4,591	-	-	4,591	-
EUR	fixed	127,134	529,809	37,769	75,656	227,052	189,332
			1,668,126	**310,892**	**97,609**	**1,012,637**	**246,988**

As at December 31st 2016

Currency	Reference rate	Amount as at the reporting date		Up to 1 year	1–2 years	2–5 years	Over 5 years
		in foreign currency	in PLN				
PLN	variable	1,026,948	1,026,948	307,375	-	714,260	5,313
EUR	variable	1,104	4,862	-	-	4,862	-
EUR	fixed	100,000	441,855	-	30,365	190,384	221,106
			1,473,665	**307,375**	**30,365**	**909,506**	**226,419**

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

Security for borrowings
The Group's financing agreements are secured with harmonised guarantees and sureties issued by selected subsidiaries, i.e. Grupa Azoty PUŁAWY, Grupa Azoty POLICE, and Grupa Azoty KĘDZIERZYN. Each of the subsidiaries issued sureties/guarantees covering up to one-third of 120% of the amount provided under each of the credit facility agreements, including:
- the PLN 1,500m syndicated revolving credit facility (total sureties of up to PLN 1,800m),
- the PLN 310m overdraft credit facility from PKO BP (total sureties of up to PLN 372m),
- the PLN 240m multi-purpose credit facility from PKO BP (total sureties of up to PLN 288m),

(all amounts in PLN thousand unless indicated otherwise)

- the PLN 550m loan facility from the EIB (total guarantees of up to PLN 660m),
- the PLN 150m loan facility from the EBRD (total guarantees of up to PLN 180m).

In addition, after the reporting date – on January 25th 2018 – each of the subsidiaries issued a guarantee covering up to one-third of 120% of the amount provided under the new loan facility agreement between the Company and the EIB, for EUR 145m (total guarantees of up to EUR 174m).

Note 22 Other financial liabilities

	as at Dec 31 2017	as at Dec 31 2016* restated
Finance lease liabilities	1,541	2,140
Liabilities under receivables discounting	20,388	57,530
Other	28,246	33,999
	50,175	**93,669**
including		
Long-term	25,860	28,538
Short-term	24,315	65,131
	50,175	**93,669**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

'Other financial liabilities' as at December 31st 2017 and as at December 31st 2016 comprise the Company's liabilities related to the financing of statutory activities of the Polish National Foundation.

Payment schedule for finance lease liabilities

	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	Dec 31 2017			*Dec 31 2016*		
Up to 1 year	450	23	427	635	34	601
From 1 to 3 years	1,148	34	1,114	1,003	50	953
From 3 to 5 years	-	-	-	593	7	586
	1,598	**57**	**1,541**	**2,231**	**91**	**2,140**

The lease agreements are for lease of vehicles. The value of the leased assets is PLN 2,387 thousand. The contracts were concluded between 2014 and 2016, for a period of up to three years, and provide for the option to purchase the leased assets.
In 2017, the Company did not enter into any new lease contracts.

(all amounts in PLN thousand unless indicated otherwise)

Note 22.1 Change in liabilities arising from financing activities

December 31st 2017

	Note	January 1st 2017	changes arising from cash flows from financing activities	effects of movements in foreign exchange rates	other changes	December 31st 2017
Interest-bearing borrowings (long-term)	21	1,166,290	215,298	(25,589)	1,235	1,357,234
Liabilities under finance leases and lease contracts with purchase option (non-current)	22	1,539	(425)	-	-	1,114
Interest-bearing borrowings (short-term)	21	307,375	3,517	-	-	310,892
Liabilities under finance leases and lease contracts with purchase option (current)	22	601	(174)	-	-	427
Derivative financial instruments	28	1,108	(1,108)	-	-	-
Liabilities under receivables discounting	22	57,530	(35,905)	(1,237)	-	20,388
Other financial liabilities	22	33,999	(7,000)	-	1,247	28,246
Total liabilities arising from financing activities		**1,568,442**	**174,203**	**(26,826)**	**2,482**	**1,718,301**
Other financial liabilities	22	**93,669**	(43,504)	(1,237)	1,247	**50,175**
Derivative financial instruments	28	**1,108**	(1,108)	**-**	**-**	**-**
Borrowings	21	**1,473,665**	218,815	**(25,589)**	**1,235**	**1,668,126**

(all amounts in PLN thousand unless indicated otherwise)

Note 23 Operating leases

Operating lease agreements with the Company as lessor

	as at Dec 31 2017	as at Dec 31 2016
Payment due within 1 year	1,444	1,400
Payment due in 1 to 5 years	5,216	4,228
Payment due in more than 5 years	4,099	4,797
	10,759	**10,425**

The leased assets include land, buildings and structures. The lease agreements have been concluded since 2011 as new investors have emerged, both for definite and indefinite terms. Lease agreements concluded for a definite term may be extended through negotiations on a case by case basis.
Amounts of lease rates for subsidiaries are determined under a resolution of the Company's Management Board, while rates for other entities are determined through negotiations on a case by case basis. Lease rates are indexed by reference to an increase in local property taxes and a change in the price growth index announced by the President of the Central Statistics Office. Lease agreements preclude subleasing the property to third parties.

Operating lease agreements with the Company as lessee

	as at Dec 31 2017	as at Dec 31 2016
Payment due within 1 year	10,318	10,779
Payment due in 1 to 5 years	4,807	4,278
	15,125	**15,057**

The presented amounts are shown exclusive of charges for perpetual usufruct of land of PLN 1,279 thousand per year.
Assets leased under these agreements include freight railway cars and forklifts.
Agreements for the lease of freight railway cars were concluded in 2005–2017 as one-year extendable agreements. The amounts of conditional lease payments are calculated based on requests for proposal, business negotiations and market considerations depending on how much loading and unloading equipment there is. The agreements do not provide for a purchase option, and the terms of their extension are specified in each agreement separately. Price indexation depends on the agreement, with the possibility of adjusting the lease rates in the case of significant economic changes during the lease term.
The agreement for the lease of forklifts was concluded in 2016 and the first delivery of forklifts took place in April 2017. The agreement expires at the end of March 2022. The minimum vehicle lease period is five years from the actual delivery date, with its optional extending for another specified period. The agreement provides for a purchase option with respect to vehicles for which the lease term has expired, with a sale price determined on market terms. The agreement does not contain any price indexation clauses.

Payments recognised in expenses

	for the period from Jan 1 to Jun 30 2017	for the period Jan 1 – Dec 31 2016
Payments recognised in expenses	16,292	15,532

(all amounts in PLN thousand unless indicated otherwise)

Note 24 Employee benefit obligations

	as at Dec 31 2017	as at Dec 31 2016
Pension benefit obligations	20,755	19,626
Jubilee benefit obligations	21,054	21,591
Pensioner Social Fund benefit obligations	4,950	4,216
Other	3,738	3,697
	50,497	**49,130**
including		
Long-term	47,459	46,136
Short-term	3,038	2,994
	50,497	**49,130**

Changes in defined employee benefit obligations

	for the period from Jan 1 to Jun 30 2017	for the period Jan 1 – Dec 31 2016
At the beginning of the period	**27,539**	**28,051**
Current service cost (+)	831	894
Interest expense (+)	993	841
Remeasurement of net defined benefit obligation/asset, resulting from:	**1,783**	**(106)**
- changes in demographic estimates (+/-)	3,781	1,194
- changes in financial assumptions (+/-)	(1,998)	(1,300)
Past service cost (+/-)	-	(747)
Benefits paid (-)	(1,703)	(1,394)
At the end of the period	**29,443**	**27,539**

Changes in other long-term employee benefit obligations

	for the period from Jan 1 to Jun 30 2017	for the period Jan 1 – Dec 31 2016
At the beginning of the period	**21,591**	**25,322**
Current service cost (+)	741	894
Interest expense (+)	777	760
Actuarial gains and losses recognised in profit or loss for the period (+/-)	144	129
Past service cost (+/-)	-	(3,283)
Benefits paid (-)	(2,199)	(2,231)
At the end of the period	**21,054**	**21,591**

Actuarial assumptions

	as at Dec 31 2017	as at Dec 31 2016
Discount rate	3.4%	3.6%
Future minimum pay growth	3.0%	4.0%
Future average pay growth	3.0%	3.5%

(all amounts in PLN thousand unless indicated otherwise)

Sensitivity analysis

Presented below is a sensitivity analysis of employee benefit obligations (relative to standard assumptions) for changes in: employee attrition rates, discount rate and pay growth rate.

As at December 31st 2017

	Provision for jubilee benefits	Provision for retirement severance payments	Provision for disability severance payments	Provision for death benefits	Provision for contribution to the Company Social Benefits Fund
Employee attrition rates x 90%	448	502	10	84	145
Discount rate x 90%	457	660	12	97	345
Minimum pay growth rate x 110%	-	581	11	-	-
Average pay growth rate x 110%	402	6	-	85	303

As at December 31st 2016

	Provision for jubilee benefits	Provision for retirement severance payments	Provision for disability severance payments	Provision for death benefits	Provision for contribution to the Company Social Benefits Fund
Employee attrition rates x 90%	497	500	9	89	122
Discount rate x 90%	518	692	12	104	333
Minimum pay growth rate x 90%	-	769	11	-	-
Average pay growth rate x 90%	503	8	-	102	325

Note 25 Provisions

	as at Dec 31 2017	as at Dec 31 2016
Provision for litigation	56	65
Provision for environmental protection, including site restoration	19,047	18,166
Provision for demolition of mercury electrolysis facilities	8,713	8,161
Other	729	1,955
	28,545	**28,347**
including		
Long-term	27,345	25,992
Short-term	1,200	2,355
	28,545	**28,347**

Provision for environmental protection

Due to identified contamination of the Company's land and two buildings of the electrolysis plant with chemicals (mainly mercury), the Company recognised a provision for site remediation and costs of lowering mercury content in the walls of the buildings.

When estimating the provision, it was assumed that the remediation work would be performed until 2031. The provision was estimated at the amount of direct costs required to remove the contaminated land, transfer it to the landfill and pay the storage costs. The estimates were made taking into consideration the area of the contaminated land, depth of penetration and expected level of contamination. The provision for decontaminating the buildings was estimated at the amount of costs necessary to remove mercury from the walls to such extent that its content does not exceed the permitted limits, so that the rubble from later demolition of the buildings would be accepted for storage as inactive, non-hazardous waste.
As at December 31st 2017, the present value of the provision was PLN 18,002 thousand (December 31st 2016: PLN 16,946 thousand). Present value of long-term provisions was calculated using a real, risk free discount rate of 1.8% (2016: 2.2%).
In 2017, the Company incurred no site remediation-related expenses (in 2016: PLN 203 thousand).

Provision for decommissioning of Mercury Electrolysis Plant
In connection with a decision to decommission the Mercury Electrolysis Plant, a provision was recognised for decommissioning of the site.
When preparing the estimate of the provision it was assumed that the site restoration works would be completed by 2031.
The provision was estimated at the amount of costs required to demolish the buildings and structures, and to landfill the waste.
In 2017, spending related to the decommissioning work amounted to PLN 79 thousand (in 2016: PLN 557 thousand).

Litigation
The Company had concluded a general contractor agreement with Cenzin Sp. z o.o. Cenzin Sp. z o.o. filed a claim against the Company for payment of PLN 8,679 thousand, requesting the Court to determine the existence of an agreement specifying a higher amount payable to the contractor than the lump sum set out in the general contractor agreement and extending the completion deadline due to an increased work scope. No hearing had taken place by the date of issue of these financial statements. A mediation meeting was held on April 12th 2018. The Company currently estimates the risk of losing the dispute with Cenzin Sp. o.o. below 50%. However, this estimate may change depending on further developments in the case.

(all amounts in PLN thousand unless indicated otherwise)

Change in provisions

	Provision for litigation	Provision for environmental protection, including site restoration	Provision for demolition of mercury electrolysis facilities	Other provisions	Total
As at January 1st 2017	**65**	**18,166**	**8,161**	**1,955**	**28,347**
Increase, including:	*-*	***881***	***552***	***484***	***1,917***
Recognition	-	881	552	484	1,917
Decrease, including:(-)	***(9)***	*-*	*-*	***(1,710)***	***(1,719)***
Use	(9)	-	-	(1,564)	(1,573)
Reversal	-	-	-	(146)	(146)
As at December 31st 2017	**56**	**19,047**	**8,713**	**729**	**28,545**

	Provision for litigation	Provision for environmental protection, including site restoration	Provision for demolition of mercury electrolysis facilities	Other provisions	Total
As at January 1st 2016	**74**	**17,483**	**7,479**	**4,424**	**29,460**
Increase, including:	*-*	***886***	***1,239***	***411***	***2,536***
Recognition	-	886	1,239	411	2,536
Decrease, including:(-)	***(9)***	***(203)***	***(557)***	***(2,880)***	***(3,649)***
Use	(9)	(203)	(557)	(2,327)	(3,096)
Reversal	-	-	-	(553)	(553)
As at December 31st 2016	**65**	**18,166**	**8,161**	**1,955**	**28,347**

(all amounts in PLN thousand unless indicated otherwise)

Note 26 Trade and other payables

	as at Dec 31 2017	as at Dec 31 2016* restated
Trade payables - related parties	23,666	30,506
Trade payables - other entities	117,568	106,849
Liabilities to state budget, except for income tax	20,014	22,658
Salaries payable	7,584	7,717
Liabilities under purchases of property, plant and equipment, intangible assets, investment properties - related parties	13,915	15,624
Liabilities under purchases of property, plant and equipment, intangible assets, investment properties - other entities	18,609	28,819
Prepayments for deliveries - related parties	-	11
Prepayments for deliveries - other entities	3,768	702
Other liabilities - other entities	7,473	5,166
Prepaid expenses - related parties	-	809
Prepaid expenses - other entities	68,276	43,256
Deferred income	2	23
	280,875	**262,140**
including		
Long-term	32	-
Short-term	280,843	262,140
	280,875	**262,140**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

Ageing of trade payables

	as at Dec 31 2017	as at Dec 31 2016
Not past due	136,295	136,681
Past due up to 60 days	4,091	668
Past due 60–180 days	36	4
Past due 181-360 days	812	2
	141,234	**137,355**

Currency structure of payables

	as at Dec 31 2017	as at Dec 31 2016
PLN	214,835	207,051
EUR translated into PLN	65,548	54,594
USD translated into PLN	456	393
Other	36	102
	280,875	**262,140**

(all amounts in PLN thousand unless indicated otherwise)

Note 26.1 Accrued expenses

	as at Dec 31 2017	as at Dec 31 2016* restated
Annual bonus	20,240	4,281
Accrued holiday entitlements	4,794	4,598
Incentive bonus	2,765	-
Other accrued employee benefit expenses	5,724	2,154
Costs related to sale of licence	149	149
Energy certificates	3,321	3,444
CO_2 emissions	25,449	22,565
Uninvoiced expenses	595	464
Marketing services	2,776	3,760
Other	2,463	2,651
	68,276	**44,066**
including		
Short-term	68,276	44,066
	68,276	**44,066**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

Note 27 Grants

	as at Dec 31 2017	as at Dec 31 2016
Government grants	27,481	19,374
Other grants	-	1,695
	27,481	**21,069**
including		
Long-term	26,394	19,222
Short-term	1,087	1,847
	27,481	**21,069**

In 2017, the Company received PLN 371 thousand (in 2016: PLN 6,760 thousand) as co-financing for the construction of the Flue Gas Treatment Unit.
In addition, the Company received a PLN 523 thousand grant for the construction of the Research and Development Centre. Ultimately, the Company will receive up to PLN 20,020 thousand to co-finance the project.
The Company received and settled grants related to free-of-charge CO_2 emission allowances amounting to PLN 14,028 thousand (in 2016: PLN 13,092 thousand). In 2017, the Company also received CO_2 emission allowances with respect to a project included in the National Investment Plan, amounting to PLN 7,009 thousand (in 2016: PLN 8,281 thousand).

Note 28 Financial instruments

Note 28.1 Capital management

The Company's policy is to maintain a strong capital base, so as to maintain investor, creditor and market environment confidence and to sustain future development of the business. The Company monitors changes in the shareholding 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 to maximise returns for shareholders through optimisation of the debt to equity ratio.

(all amounts in PLN thousand unless indicated otherwise)

The Company's capital structure consists of liabilities, including borrowings presented in Note 21, other financial liabilities presented in Note 22, and equity presented in Note 20.
The Company, as a joint-stock company, is subject to the regulation resulting from Art. 396.1 of the Commercial Companies Code, which requires transferring to the reserves at least 8% of the profit for the period, until such reserves equal one-third or more of the share capital.

Note 28.2 Categories of financial instruments

Classification of financial instruments

Financial assets

	as at Dec 31 2017	as at Dec 31 2016
At fair value through profit or loss	1,071	834
Loans and receivables	481,184	444,252
Cash and cash equivalents	572,711	326,031
Financial assets available for sale	107	107
	1,055,073	**771,224**
Recognised in the statement of financial position as:		
Shares	107	107
Trade and other receivables	160,845	146,088
Cash and cash equivalents	572,711	326,031
Derivative financial instruments	1,071	834
Other financial assets	320,339	298,164
	1,055,073	**771,224**

Financial liabilities

	as at Dec 31 2017	as at Dec 31 2016
At fair value through profit or loss		1,108
At amortised cost	1,907,008	1,761,930
	1,907,008	**1,763,038**
Recognised in the statement of financial position as:		
Long-term borrowings	1,357,234	1,166,290
Short-term borrowings	310,892	307,375
Derivative financial instruments	-	1,108
Trade and other payables	188,707	194,596
Other non-current financial liabilities	25,860	28,538
Other current financial liabilities	24,315	65,131
	1,907,008	**1,763,038**

"Financial assets recognised in the statement of financial position as trade and other receivables" represents this asset item less non-financial receivables not classified as financial instruments (including: receivables under advance payments; taxes, subsidies, customs duties and social security receivable; prepaid expenses).

"Financial liabilities recognised in the statement of financial position as trade and other payables" represents this item of liabilities less non-financial liabilities not classified as financial instruments (including: liabilities under advance payments received; taxes, subsidies, customs duties and social security payable; liabilities to shareholders; accrued expenses and deferred revenue).

Gains/(Losses) from individual categories (+/-)

(all amounts in PLN thousand unless indicated otherwise)

	for the period from Jan 1 to Jun 30 2017	for the period from Jan 1 to Dec 31 2016
Financial assets		
At fair value through profit or loss	2,179	-
Loans and receivables	(42)	(8)
Financial liabilities		
At fair value through profit or loss	-	(761)
At amortised cost	-	-
	2,137	**(769)**

The table above does not include gains or losses on interest, or foreign exchange gains or losses, which are presented in Note 5 Finance income and Note 6 Finance costs.

Additional information:

- There were no financial assets presented in the statement of financial position as at December 31st 2017 and December 31st 2016 whose terms and conditions would be renegotiated,
- except for the impairment losses on receivables presented in Note 17, the Company did not recognise other impairment losses on financial instruments.
- In 2017 and 2016, other than reclassifications under the contractual loan repayment schedules, there were no reclassifications of financial assets which would result from their maturities as at the reporting dates.
- No instruments containing both a liability and an equity component, or instruments containing embedded derivatives were issued in 2017 and 2016.
- In 2017 and 2016, the Company did not foreclose any security established for its benefit.

Note 28.3 Financial risk management

The Company has exposure to the credit risk, liquidity risk and market risk (related mainly to the foreign exchange and interest rate risk). These risks arise in the ordinary course of the Company's business. 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 (net profit for the period, cash flows) previously approved in the Company's budget by using natural hedging and derivatives.

Note 28.3.1 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company is exposed to credit risk principally in connection with its trade receivables, advanced loans, short-term bank deposits, and cash pooling. The following table presents Grupa Azoty's maximum exposure to credit risk:

(all amounts in PLN thousand unless indicated otherwise)

	as at Dec 31 2017	as at Dec 31 2016
At fair value through profit or loss	1,071	834
Loans and receivables	481,184	444,252
Cash and cash equivalents	572,711	326,031
	1,054,966	**771,117**

Trade receivables

	as at Dec 31 2017	as at Dec 31 2016
Agro Fertilizers	26,170	17,340
Plastics	118,539	114,119
Energy	4,843	3,408
Other Activities	9,200	7,364
	158,752	**142,231**

Trade receivables from non-related entities account for 51.2% (as at December 31st 2016: 46.5%) of total trade receivables. Of these receivables, 93.5% (as at December 31st 2016: 92.6%) are covered by the trade credit insurance policy issued by Korporacja Ubezpieczeń Kredytów Eksportowych S.A.; the policy limits the credit risk to the deductible amount (from 5% to 8% of the amount of insured receivables). The policy provides ongoing monitoring of customers' financial condition and enables debt recovery when required. Upon a customer's actual or legal insolvency, the Company receives compensation equal to 92–95% of the amount of the insured receivables.

Trade receivables from related entities, which accounted for 48.8% (as at December 31st 2016: 53.5%) of total trade receivables, were not insured.

The Company performs ongoing credit assessment, including monitoring, of its customers. For these purposes, its reviews business intelligence reports, debtor registers and, where appropriate, requires adequate collateral.

If there is no positive history of trading between the Company and a customer, or where transactions are occasional and the credit limit cannot be insured, the customer is required to make a prepayment. Trade credit limit is granted primarily on the basis of the insurance company's decision, but also taking into account a positive history of trading with a customer and the customer's creditworthiness (assessed based on business intelligence reports), financial statements and payment history.

Credit risk exposure is defined as the total of unpaid receivables, monitored on an ongoing basis by the Company's internal financial staff (individually for each customer) and, if a receivable is insured, also by the insurance company's credit analysts. The concentration of credit risk is not significant given the Company's procedures and diversified customer portfolio.

Approximately 60.0% (as at December 31st 2016: 66.1%) of the Company's trade receivables are from customers based outside of Poland, while the remaining 40.0% (as at December 31st 2016: 33.9%) are from domestic accounts. The Company's revenue concentrates in two main segments reflecting the profile of its business. The largest portion of trade receivables relate to the Plastics segment, which accounts for 74.7% (as at December 31st 2016: 80.2%) of total trade receivables. In this segment, most receivables are from Grupa Azoty ATT Polymers GmbH and other foreign customers, to which sales are made on deferred payment terms within insured credit limits. The second largest portion of trade receivables relate to the Agro Fertilizers segment, which accounts for 16.5% (as at December 31st 2016: 12.2%) of the Company's total trade receivables. In this segment, domestic customers are the predominant group. Sales to these customers are made partially on a prepaid basis or in the case of customers with proven credit records – on deferred payment terms within insured credit limits.

Not impaired past due trade receivables

(all amounts in PLN thousand unless indicated otherwise)

	as at Dec 31 2017	as at Dec 31 2016
Past due up to 60 days	8,192	3,841
Past due 61−180 days	117	41
	8,309	**3,882**

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

Cash and bank deposits
Cash and cash equivalents are placed with banks with high credit ratings and healthy solvency ratios.

Note 28.3.2 Liquidity risk

Financial liquidity risk is the risk that the Company will not be able to repay its financial liabilities when they fall due. Mitigating measures include proper management of financial liquidity through correct assessment of the level of cash resources based on cash flow plans for various time horizons. The Company, as the Parent, optimises the management of the Group's cash surplus using the cash pooling facility, revolving loans granted under the intra-group financing agreement, and dividend policies of the Group companies. Therefore, the liquidity risk is very low. The Company also manages available limits under the overdraft and multi-purpose credit facilities granted to Group companies. The Company also has available factoring and discounting limits, which further mitigate the risk.

The Company has contracted loans and credit facilities under agreements containing uniform and harmonised covenants. A future breach of these covenants may require the Company to repay the loans and credit facilities earlier than indicated in the table below. In 2017 and 2016, the Company did not default on any of its liabilities or financial covenants where such default would trigger acceleration of the liabilities.

Interest payments on variable-rate loans, credit facilities other financial instruments were estimated based on the interest rates at the reporting date, but these amounts may change in the future.

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

(all amounts in PLN thousand unless indicated otherwise)

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

December 31st 2017

	contractual flows				
	Carrying amount	Total	Up to 1 year	From 1 to 5 years	Over 5 years
At fair value through profit or loss	-	-	-	-	-
At amortised cost, including:	1,907,008	1,996,693	552,757	1,177,672	266,264
borrowings	1,668,126	1,754,500	339,712	1,162,524	252,264
leases	1,541	1,598	450	1,148	-
factoring and receivables discounting	20,388	20,388	20,388	-	-
other financial liabilities	28,246	31,500	3,500	14,000	14,000
trade and other payables	188,707	188,707	188,707	-	-
	1,907,008	**1,996,693**	**552,757**	**1,177,672**	**266,264**

December 31st 2016 (restated)

	contractual flows				
	Carrying amount	Total	Up to 1 year	From 1 to 5 years	Over 5 years
At fair value through profit or loss	1,108	1,108	1,108	-	-
At amortised cost, including:	1,761,930	1,855,972	591,291	1,016,236	248,445
borrowings	1,473,665	1,563,115	331,530	1,000,640	230,945
leases	2,140	2,231	635	1,596	-
factoring and receivables discounting	57,530	57,530	57,530	-	-
other financial liabilities	33,999	38,500	7,000	14,000	17,500
trade and other payables	194,596	194,596	194,596	-	-
	1,763,038	**1,857,080**	**592,399**	**1,016,236**	**248,445**

(all amounts in PLN thousand unless indicated otherwise)

Note 28.3.3 Market risk

Interest rate risk
The Company's exposure to changes in interest rates applies mainly to credit facilities/bank loans and other loans, and lease liabilities based on WIBOR + margin or respectively EURIBOR + margin in the case of credit facilities and factoring, and additionally cash and cash equivalents and financial assets for which interest payments are determined based on the above-mentioned market rates.
The following table presents the risk profile (maximum exposure) of the Company to the interest rate risk, by instruments with fixed and variable interest rates:

	Present value Dec 31 2017	Present value Dec 31 2016
Instruments with fixed interest rates		
Financial liabilities (-)	(529,809)	(442,417)
	(529,809)	**(442,417)**
Instruments with variable interest rates		
Financial assets	893,020	623,844
Financial liabilities (-)	(1,160,246)	(1,090,918)
	(267,226)	**(467,074)**

The Company does not hedge against the interest rate risk. However, in order to mitigate the effect of the interest rate risk, a part of the bank loans contracted in 2015–2017 were instruments with fixed interest rates.

Other measures taken to mitigate the interest rate risk include ongoing monitoring of the situation on the money market. The Company's surplus cash in 2017 was mostly covered by the physical cash pooling facility, bearing interest at 1M WIBOR. The remaining cash surplus was held as short-term interest-bearing bank deposits with interest based on the market rates as at the date of opening the deposits.

The Company analysed the sensitivity of its variable-rate financial instruments to changes in market interest rates. The following table presents the impact of a 100 basis point change in the interest rates on profit or loss and equity. The analysis assumes that all other variables, in particular exchange rates, remain constant.

Sensitivity analysis: (+/-)

	Statement of profit or loss		**Other comprehensive income**	
	increase 100bp	decrease 100bp	increase 100bp	decrease 100bp
December 31st 2017	(2,672)	2,672	-	-
December 31st 2016 (restated)	(4,592)	4,592	-	-

Currency risk
The Company is exposed to the currency risk on foreign currency transactions including more than the two-thirds of revenue and one-third of expenses. Exchange rate fluctuations affect both revenue and costs of raw materials. Appreciation of the Polish currency has a negative impact on the profitability of exports and of domestic sales denominated in foreign currencies, while depreciation of the Polish currency has a positive effect on profitability. Changes in export revenue as well as domestic revenue from sales of goods which are priced based on market quotations, caused by exchange rate fluctuations, are partly compensated for by changes in the cost of raw material imports and domestic purchases indexed to foreign currencies, which to a large extent reduces the Company's exposure to the exchange rate risk.

The Company reduces the risk resulting from its net currency exposure by using selected instruments and taking measures to hedge against the currency risk based on the current and planned net currency exposure. In the reporting period, the Company used natural hedging, factoring and discounting of foreign currency receivables as its primary hedging tools, supported by currency forwards for approximately 50% of the remaining currency exposure.

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

Net exposure to currency risk

December 31st 2017	**EUR**	**USD**	**CHF**
Trade and other receivables	26,010	775	2,550
Cash in foreign currencies	5,212	11,693	-
Trade and other payables (-)	(15,704)	(130)	(10)
Borrowings (-)	(128,239)	-	-
Currency futures and forward contracts (+/-)	(9,000)	-	
Lease, factoring and discounting liabilities (-)	(4,888)	-	-
Other financial liabilities (-)	-	-	-
Total in the relevant currency	(126,609)	12,338	2,540
Impact of a 5% appreciation of the currency on the statement of profit or loss (PLN thousand)	110	2,148	453
Impact of a 5% depreciation of the currency on the statement of profit or loss (PLN thousand)	(110)	(2,148)	(453)
Impact of a 5% appreciation of the currency on other comprehensive income (PLN thousand)	(26,513)	-	-
Impact of a 5% depreciation of the currency on other comprehensive income (PLN thousand)	26,513	-	-

December 31st 2016	**EUR**	**USD**	**CHF**	**GBP**
Trade and other receivables	25,762	163	9	3
Cash in foreign currencies	27,354	152	-	-
Trade and other payables (-)	(12,358)	(94)	-	(20)
Borrowings (-)	(101,104)	-	-	-
Currency futures and forward contracts (+/-)	(32,811)	-	-	-
Lease, factoring and discounting liabilities (-)	(13,004)	-	-	-
Total in the relevant currency	(106,161)	221	9	(17)
Impact of a 5% appreciation of the currency on the statement of profit or loss (PLN thousand)	(1,363)	46	2	(4)
Impact of a 5% depreciation of the currency on the statement of profit or loss (PLN thousand)	1,363	(46)	(2)	4
Impact of a 5% appreciation of the currency on other comprehensive income (PLN thousand)	(22,120)	-	-	-
Impact of a 5% depreciation of the currency on other comprehensive income (PLN thousand)	22,120	-	-	-

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

Sensitivity analysis: (+/-)

	Statement of profit or loss	**Other comprehensive income**

(all amounts in PLN thousand unless indicated otherwise)

	5% increase in foreign currency exchange rates	5% decrease in foreign currency exchange rates	5% increase in foreign currency exchange rates	5% decrease in foreign currency exchange rates
December 31st 2017	2,710	(2,710)	(26,513)	26,513
December 31st 2016	(1,319)	1,319	(22,120)	22,120

Price risk
Given that there are no adequate financial instruments hedging the price risk related to the Company's key raw materials and products, or no significant correlation between the price of such hedging instruments and contract prices of the raw materials and products has been confirmed, the Company does not intend to use such instruments to hedge price volatility.
The Company intends to mitigate the risk of price volatility using natural hedging, which involves linking the largest possible part of its procurement and sales volumes (in particular of phenol, benzene, caprolactam and polyamide, used in its production chain) resulting from framework contracts with changes in ICIS prices for a given raw material.

Note 28.4 Fair value of financial instruments

Detailed information on the fair value of financial instruments whose fair value can be estimated is presented below:

- Cash and cash equivalents, short-term bank deposits and short-term bank borrowings. Carrying amounts of these instruments approximate their fair values because of their short maturities.
- Trade and other receivables, trade payables. Carrying amounts of these instruments approximate their fair values due to their short-term nature.
- Long-term variable-rate borrowings. Carrying amounts of these instruments approximate their fair values due to the variable nature of their interest rates.
- Long-term fixed-rate borrowings. The carrying amount of these instruments is PLN 535,490 thousand, and their fair value is approximately PLN 529,810 thousand (Level 2 in the fair value hierarchy).
- Foreign currency derivatives. The carrying amount of these instruments is equal to their fair values.
- Financial assets available for sale. Carrying amounts of these instruments are equal to their fair values.

In 2017 and 2016, the Company had no instruments for which the initial value of the transaction would differ from its fair value as at the transaction date, determined using the applied valuation technique.

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

(all amounts in PLN thousand unless indicated otherwise)

December 31st 2017

Hierarchy level	**Level 2**	**Level 3**
Financial assets at fair value, including:		
shares classified as available for sale	-	107
currency futures and forward contracts	1,071	-
	1,071	**107**

December 31st 2016

Hierarchy level	**Level 2**	**Level 3**
Financial assets at fair value, including:		
shares classified as available for sale	-	107
contracts for purchase of CO_2 emission allowances	834	-
	834	**107**
Financial liabilities at fair value, including:		
currency futures and forward contracts	1,108	-
	1,108	**-**

The fair value hierarchy presented in the table above is as follows:
Level 1 – price quoted in an active market for the same asset or liability,
Level 2 – values based on inputs other than quoted Level 1 prices that are either directly or indirectly observable or determined on the basis of market data,
Level 3 – values based on input data that are not based on observable market data.

The fair value of foreign currency forward contracts presented in Level 2 is determined on the basis of a valuation carried out by banks with which the relevant contracts have been concluded. The valuations are verified by discounting the expected cash flows from the contracts at market interest rates effective as at the reporting date.

The Company carries an investment of PLN 107 thousand (December 31st 2016: PLN 107 thousand) in shares that are classified under Level 3 as they are not quoted on an active market and there were no transactions in the shares. The fair value of the shares was estimated by an expert using valuation techniques containing significant unobservable inputs, i.e. projected cash flows and discount rates.

Note 28.5 Derivatives

Foreign currency derivatives
As at December 31st 2017, the notional amount of open currency derivatives (forwards) amounted to EUR 9m (which included instruments maturing from January to March 2018 (EUR 2m per month) and from April to June 2018 (EUR 1m per month). As at December 31st 2016, the notional amount of open currency derivatives was EUR 33m.

Such contracts are only entered into with reliable banks under framework agreements. All the contracts reflect actual cash flows in foreign currencies. Currency forwards and derivative contracts are executed to match the Company's net currency exposure and their purpose is to limit the effect of exchange rate fluctuations on profit or loss.

	Notional value	**Financial assets**	**Financial liabilities**	**Notional value**	**Financial assets**	**Financial liabilities**
		Dec 31 2017			*Dec 31 2016*	

(all amounts in PLN thousand unless indicated otherwise)

Currency futures and forward contracts	37,538	1,071	-	145,992	-	1,108
Total derivatives, including:	**37,538**	**1,071**		**145,992**	**-**	**1,108**
Short-term	37,538	1,071		145,992	-	1,108

Note 28.6 Hedge accounting

The Company applies cash flow hedge accounting. The hedged items are highly probable future proceeds from sale transactions in the euro, which will be recognised in profit or loss in the period from December 2018 to June 2025. The hedging covers currency risk. The hedge is a euro-denominated credit facility of EUR 127,134 thousand as at December 31st 2017 (December 31st 2016: EUR 100,000 thousand), repayable from December 2018 to June 2025 in 14 equal half-yearly instalments of EUR 9,081 thousand each. As at December 31st 2017, the carrying amount of the credit facility was PLN 535,490 thousand (December 31st 2016: PLN 444,874 thousand). In 2017, the hedging reserve included PLN 19,022 thousand (2016: PLN (8,788) thousand) on account of the effective hedge. In 2017 and 2016, the Company did not reclassify any hedge accounting amounts from other comprehensive income to the statement of profit or loss.

Note 29 Contingent liabilities, contingent assets, sureties and guarantees

Contingent liabilities and guarantees/sureties

	as at Dec 31 2017	as at Dec 31 2016
Sureties	7,508	-

The surety is to secure a grant advanced to Grupa Azoty ATT Polymers GmbH by Investitionsbank des Landes Brandenburg (ILB) to finance 20% of capital expenditure on the construction of a logistics centre in Guben, Germany.

The new logistics centre together with office facilities will provide storage, packaging and distribution services for the Grupa Azoty Group's products.

(all amounts in PLN thousand unless indicated otherwise)

Note 30 Related-party transactions

Trade transactions with subsidiaries
Trade transactions

	Revenue	Receivables	Purchases	Liabilities
In the 12 months ended December 31st 2017 and as at that day				
Related parties of Grupa Azoty	310,596	75,591	205,804	28,992
Related parties of Grupa Azoty KĘDZIERZYN	-	-	156	-
Related parties of Grupa Azoty POLICE	88	11	93	25
Related parties of Grupa Azoty PUŁAWY	29,953	1,847	6,181	217
Related parties of Grupa Azoty PKCh Sp. z o.o.	3,159	455	70,089	8,347
	343,796	**77,904**	**282,323**	**37,581**

	Revenue	Receivables	Purchases	Liabilities
In the 12 months ended December 31st 2016 and as at that day				
Related parties of Grupa Azoty	347,852	77,694	367,762	35,882
Related parties of Grupa Azoty KĘDZIERZYN	-	-	208	-
Related parties of Grupa Azoty POLICE	84	33	179	61
Related parties of Grupa Azoty PUŁAWY	30,435	1,028	12,719	732
Related parties of Grupa Azoty PKCh Sp. z o.o.	3,214	382	80,265	10,275
	381,585	**79,137**	**461,133**	**46,950**

Other transactions

	Other income	Other expenses	Finance income	Finance costs
In the 12 months ended December 31st 2017				
Related parties of Grupa Azoty	1,265	115	245,136	5,513
Related parties of Grupa Azoty KĘDZIERZYN	13	-	-	-
Related parties of Grupa Azoty POLICE	-	-	-	1,113
Related parties of Grupa Azoty PUŁAWY	-	-	313	203
Related parties of Grupa Azoty PKCh Sp. z o.o.	1,385	1,947	-	539
	2,663	**2,062**	**245,449**	**7,368**

(all amounts in PLN thousand unless indicated otherwise)

	Other income	Other expenses	Finance income	Finance costs
In the 12 months ended December 31st 2016				
Related parties of Grupa Azoty	1,644	792	286,352	4,877
Related parties of Grupa Azoty POLICE	-	-	-	207
Related parties of Grupa Azoty PUŁAWY	8	-	45	71
Related parties of Grupa Azoty PKCh Sp. z o.o.	1,391	3,923	-	114
	3,043	**4,715**	**286,397**	**5,269**

Loans granted to related parties
In 2017, the Company advanced loans to Grupa Azoty KĘDZIERZYN for a total amount of PLN 77,918 thousand (2016: PLN 80,722 thousand advanced to Grupa Azoty KĘDZIERZYN).

Borrowings from related parties
In 2017, the Company repaid a PLN 50,000 thousand loan from Grupa Azoty SIARKOPOL.

Cash pooling
As at December 31st 2017, the Company presented cash provided to other Group companies participating in the cash pooling service as cash equivalents of PLN 156,919 thousand (December 31st 2016: PLN 70,490 thousand), whereas cash received by the Company from other Group companies is presented as short-term borrowings of PLN 273,897 thousand as at December 31st 2017 (December 31st 2016: PLN 258,394 thousand).

Terms of related-party transactions
In 2017, the Company did not execute any related-party transactions otherwise than on arm's length terms.

Remuneration of the Management Board members for holding office at the Company

	for the period from Jan 1 to Jun 30 2017	for the period Jan 1 – Dec 31 2016
Short-term benefits	9,083	5,240
Post-employment benefits	2	(6)
Termination benefits	-	2,178
Other long-term benefits	1	-
	9,086	**7,412**

Remuneration policy for members of the Management Board
Remuneration of Management Board members comprises:
- a fixed component in the form of a monthly base pay,
- a variable component representing additional remuneration payable for the Company’s financial year,
- additional benefits granted each time by the Supervisory Board.

The monthly remuneration of a Management Board member is the product (depending on the position held) of the average monthly remuneration in the business sector, net of bonuses paid from profit, in the fourth quarter of the previous year, as announced by the President of the Central Statistics Office of Poland (GUS). Starting from the calendar month following the month in which the President of GUS announced the amount of the average monthly remuneration, the amount of the fixed remuneration is changed accordingly.

(all amounts in PLN thousand unless indicated otherwise)

The fixed remuneration is reduced by the amount payable for the days on which no work was performed by a Management Board member (except for the 26 business days of leave during the term of the contract to which each Management Board member is entitled).
The fixed monthly remuneration comprises all components and elements of remuneration payable on a monthly basis.

Bonuses for members of the Management Board
The variable (additional) remuneration depends on the progress in the delivery of management objectives and is paid in accordance with the rules stipulated in Resolution No. 8 of the Company's General Meeting of December 2nd 2016 (as amended by Resolution No. 37 of the General Meeting of June 30th 2017), and in the Act on rules of remunerating persons who direct certain companies of June 9th 2016 (Dz.U. of 2016, item 1202).
Variable remuneration is paid after:

- approval of the Directors' Report on the Company's operations and of the financial statements for the previous financial year,
- the General Meeting has granted a Management Board member discharge in respect of performance of their duties in a given financial year,
- a Management Board member has submitted a report on performance of the management objectives,
- the Supervisory Board has approved performance of the management objectives by the Management Board member in a given year,
- the Supervisory Board has adopted a resolution on performance of the management objectives and the amount of variable remuneration due.

Remuneration of the Supervisory Board members for holding office at the Company

	for the period from Jan 1 to Jun 30 2017	for the period Jan 1 – Dec 31 2016
Short-term benefits	1,827	2,102

Loans
In 2017 and 2016, the Company did not grant any loans to members of the Management Board or the Supervisory Board.

Transactions with owners
As at December 31st 2017, the Company had a loan facility of PLN 150,000 thousand contracted with the EBRD (December 31st 2016: PLN 10,018 thousand).

Transactions with parties related through the State Treasury
As at December 31st 2017

Entity	Amount	Transaction
PGNiG	198,220	purchase of natural gas
PKN Orlen	91,472	purchase of raw materials
Polska Grupa Górnicza	31,681	purchase of fine coal
PKP Cargo	23,794	purchase of transport services
Tauron	24,265	purchase of electricity and fine coal
PGE	17,231	purchase of electricity
Enea S.A.	9,733	purchase of electricity
PZU S.A.	8,401	property insurance
Katowicki Holding Węglowy	7,648	purchase of fine coal
Polish National Foundation	7,000	financing of the foundation's statutory activities
PKO BP	6,764	payment of interest and commissions
BGK	6,450	payment of interest and commissions
Jastrzębska Spółka Węglowa	1,160	purchase of fine coal

433,819

(all amounts in PLN thousand unless indicated otherwise)

As at December 31st 2016

Entity	Amount	Transaction
PKN Orlen	101,012	purchase of raw materials
PGNiG	97,968	purchase of natural gas
PGE	32,473	purchase of electricity
PKP Cargo	27,259	purchase of transport services
Tauron	16,894	purchase of electricity
Polska Grupa Górnicza	13,419	purchase of fine coal
Katowicki Holding Węglowy	11,788	purchase of fine coal
Polish National Foundation	7,000	contribution to the initial capital
PKO BP	6,980	payment of interest and commissions
BGK	6,387	payment of interest and commissions
PZU S.A.	6,374	property insurance
Kompania Węglowa	5,794	purchase of fine coal
	333,348	

Note 31 Investment commitments

In the period ended December 31st 2017, the Company signed contracts for the continuation of ongoing projects and new investment projects. The projects involve mainly the provision of construction, mechanical, electrical, and engineering design services. The key ones include:

- construction and procurement for the Chemical Technology and Development Centre project – as at December 31st 2017, the total amount of the Company's commitments under the contracts was PLN 37,432 thousand (December 31st 2016: PLN 400 thousand),
- increasing the capacity of the technical-grade nitric acid unit – as at December 31st 2017, the total amount of the Company's commitments under the contracts was PLN 36,142 thousand (December 31st 2016: PLN 0 thousand),
- utilisation of purge gases from the ammonia synthesis unit – as at December 31st 2017, the total amount of the Company's commitments under the contracts was PLN 16,473 thousand (December 31st 2016: PLN 0 thousand).

Moreover, under the agreement on acquisition of Grupa Azoty SIARKOPOL S.A. (including annexes thereto), the Company undertook to carry out by 2019 investment projects in the company worth no less than PLN 30m (annex of September 11th 2015).

As at December 31st 2017, the total amount of the Company's commitments under the contracts was PLN 176,130 thousand (December 31st 2016: PLN 104,951 thousand).

(all amounts in PLN thousand unless indicated otherwise)

Note 32 Notes to the statement of cash flows

	for the period Jan 1− Dec 31 2017	for the period Jan 1− Dec 31 2016 * restated
Net change in trade and other receivables	(4,728)	26,048
Change due to prepayments for property, plant and equipment	(1,239)	(32,052)
Change due to prepayments and accrued income	(3,510)	661
Change in trade and other receivables in the statement of cash flows	**(9,477)**	**(5,343)**
Net change in trade and other payables	18,703	(20,576)
Change due to liabilities under purchase of property, plant and equipment and intangible assets	11,951	10,133
Change due to accruals and deferred income	(24,190)	17,683
Change in liabilities following from non-cash items	1,247	-
Change in trade and other payables in the statement of cash flows	**7,711**	**7,240**
Net change in provisions, employee benefit obligations and grants	7,977	2,487
Change due to prepayments, accruals and deferred income	27,700	(18,344)
Change due to grants	(894)	(7,057)
Other changes	(1,783)	103
Change in provisions, accruals and grants in the statement of cash flows resulting from the statement of cash flows	**33,000**	**(22,811)**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

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

To satisfy the requirements under Art. 44.2 of the Energy Law, Grupa Azoty S.A. prepares regulatory financial information comprising a statement of profit or loss and a statement of financial position by type of activity. Pursuant to Art 6.2 of the Act Amending the Energy Law and Certain Other Acts (Dz.U. of 2015, item 1618), Grupa Azoty S.A. complies with the provisions set out in Art. 44 as amended by this Act, i.e. prepares the regulatory financial information for activities comprising electricity distribution and gas fuel trading.

Activity types

The Company conducts the following activities requiring separate presentation under Art. 44 of the Energy Law:
- Electricity distribution – based on licence No. PEE/65/711/U/OT-7/98/MK, issued on December 1st 1998 and valid until December 15th 2025,
- Gas fuel trading – based on licence No. OPG/273/711/W/DRG/2014/KL, issued for the period from September 20th 2014 to September 20th 2024,
- Other activities.

Under other activities, the Company presents in these statements its principal business activities, i.e. in particular:
- manufacture of basic chemicals,
- manufacture of fertilizers and nitrogen compounds,

- manufacture of plastics and plastic products.

Basis of preparation

Accounting policies

The regulatory financial information was prepared based on the accounting policies described in Section 2 of Supplementary information of these separate financial statements, as well as on the principles of allocation of revenue, expenses, assets and liabilities presented below.
Only the part of revenue, expenses, assets and liabilities relating to the Company's external sales are subject to allocation (using appropriate allocation rates) to revenue, expenses, assets and liabilities of the activity requiring separate reporting pursuant to the provisions of Art. 44 of the Energy Law. The balance of revenue, expenses, assets and liabilities connected with the energy activity that pertains to intra-Group transfers for the purposes of the Company's principal business is presented as a component of other activities.

Allocation rules for statement of profit or loss by type of activity

The Company maintains accounting records in a way enabling separate calculation of expenses and revenue as well as profits and losses relating to the activities that require such separation pursuant to the provisions of Art. 44 of the Energy Law.

Revenue from external sales related to particular types of activities and other income (which can be identified and assigned directly to the energy activity) were separated directly. Other income, which cannot be identified and allocated directly to the energy activity, was allocated according to the structure of Cost Centres, and then allocated to particular activity types using appropriate keys.

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

Cost of sales as well as selling and distribution expenses related to particular types of activity were separated directly.

Administrative expenses, including general and administration expenses associated with the management of the Company, were allocated proportionally to the cost of sales for the relevant type of activity. General production overheads (related to the production, including maintenance and functioning of general departments, not associated with the direct production) were allocated directly.

Other expenses (which can be identified and allocated directly to the energy activity) related to particular types of activity and 'other expenses – other' were distributed among Cost Centres and then allocated to specific types of activity, using relevant keys, based on the ratio of contracted capacities used for the regulated tariff-based activity to total capacity.

Finance costs are not allocated to any reportable activity type and are presented as an unallocated item.

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

Allocation rules for statement of financial position by type of activity

Property, plant and equipment were distributed among particular types of activity in accordance with the structure of Cost Centres, and the key used to divide them into property, plant and equipment used to generate electricity and those used to generate heat was the division of generation costs between these energy carriers. For electricity distribution, the key used to divide items into internal and external portions was the ratio of contracted capacities used for regulated tariff-based activity to total capacity.

Intangible assets were distributed among individual types of activity in accordance with the structure of Cost Centres using the allocation keys applicable to property, plant and equipment.

Trade receivables were allocated directly, in accordance with the distribution of customers among types of activity. Under receivables, property insurance was also separated in accordance with the structure od Cost Centres and allocated to the electricity distribution activity.

Other receivables were allocated to other activities or presented as an unallocated item.

Other current assets were allocated to other activities or presented as unallocated items.

Borrowings were allocated to other activities where a borrowing directly related to any of the Company's business segments, or presented as unallocated items.

Employee benefit obligations were distributed in accordance with the structure of Cost Centres, using allocation keys. In the case of electricity distribution, the obligations related to this activity are allocated directly to the Cost Centres.

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

Trade payables were distributed among particular types of activity in accordance with the structure of Cost Centres, the allocation key being the distribution of costs between energy carriers. In the case of electricity distribution, trade payables were distributed according to the quantities transmitted and capacities allocated to the activity. In the case of gas fuel trading, trade payables were allocated by suppliers, with the allocation key being the ratio of the volume of gas sold to the aggregate volume of gas consumed for internal purposes and sold. Other liabilities were allocated to other activities or presented as unallocated items.

Perpetual usufruct of land, investment property, inventories, non-current assets held for sale and other liabilities are considered as related to the Company's other activities.

Shares, other assets, other financial assets, current tax assets, cash and cash equivalents and deferred tax liabilities are not allocated to any type of activity and are presented as unallocated items.

(all amounts in PLN thousand unless indicated otherwise)

Statement of profit or loss by type of activity for the year ended December 31st 2017

	Distribution of electricity	Gas fuel trading	Other activities	Unallocated items	Total
Revenue	5,562	1,519	1,674,444	-	1,681,525
Cost of sales	(4,776)	(1,419)	(1,259,348)	-	(1,265,543)
Gross profit	**786**	**100**	**415,096**	**-**	**415,982**
Selling and distribution expenses	(36)	-	(101,145)	-	(101,181)
Administrative expenses	(716)	(2)	(160,330)	-	(161,048)
Other income	-	-	11,106	-	11,106
Other expenses	-	-	(20,518)	-	(20,518)
Operating profit	**34**	**98**	**144,209**	**-**	**144,341**
Finance income	-	-	-	250,019	250,019
Finance costs	-	-	-	(56,514)	(56,514)
Net finance costs	**-**	**-**	**-**	**193,505**	**193,505**
Profit before tax	**34**	**98**	**144,209**	**193,505**	**337,846**
Income tax	-	-	-	16,947	16,947
Net profit	**34**	**98**	**144,209**	**210,452**	**354,793**

(all amounts in PLN thousand unless indicated otherwise)

Statement of profit or loss by type of activity for the year ended December 31st 2016*, restated

	Distribution of electricity	Gas fuel trading	Other activities	Unallocated items	Total
Revenue	4,983	31	1,547,318	-	1,552,332
Cost of sales	(4,301)	(26)	(1,295,154)	-	(1,299,481)
Gross profit	**682**	**5**	**252,164**	**-**	**252,851**
Selling and distribution expenses	(37)	-	(92,457)	-	(92,494)
Administrative expenses	(556)	(2)	(159,571)	-	(160,129)
Other income	-	-	10,180	-	10,180
Other expenses	-	-	(65,837)	-	(65,837)
Operating loss	**89**	**3**	**(55,521)**	**-**	**(55,429)**
Finance income	-	-	-	287,228	287,228
Finance costs	-	-	-	(41,269)	(41,269)
Net finance income	**-**	**-**	**-**	**245,959**	**245,959**
Profit before tax	**89**	**3**	**(55,521)**	**245,959**	**190,530**
Income tax	-	-	-	3,396	3,396
Net profit	**89**	**3**	**(55,521)**	**249,355**	**193,926**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

(all amounts in PLN thousand unless indicated otherwise)

Statement of financial position by type of activity as at December 31st 2017

	Distribution of electricity	Gas fuel trading	Other activities	Unallocated items	Total
Assets					
Non-current assets					
Property, plant and equipment	2,516	-	1,522,366	29,791	1,554,673
Perpetual usufruct of land	-	-	369	-	369
Intangible assets	72	-	9,571	37,314	46,957
Investment property	-	-	16,449	-	16,449
Shares	-	-	-	3,867,145	3,867,145
Other financial assets	-	-	-	249,978	249,978
Other receivables	-	-	16,882	-	16,882
Deferred tax assets	-	-	-	17,957	17,957
Total non-current assets	**2,588**	**-**	**1,565,637**	**4,202,185**	**5,770,410**
Current assets					
Inventories	-	-	212,109	-	212,109
Property rights	-	-	29,852	-	29,852
Derivative financial instruments	-	-	-	1,071	1,071
Other financial assets	-	-	-	70,361	70,361
Trade and other receivables	677	362	213,122	363	214,524
Cash and cash equivalents	-	-	-	572,711	572,711
Assets held for sale	-	-	95	-	95
Total current assets	**677**	**362**	**455,178**	**644,506**	**1,100,723**
Total assets	**3,265**	**362**	**2,020,815**	**4,846,691**	**6,871,133**

(all amounts in PLN thousand unless indicated otherwise)

Statement of financial position by type of activity as at December 31st 2017 (continued)

	Distribution of electricity	Gas fuel trading	Other activities	Unallocated items	Total
Equity and liabilities					
Total equity	**-**	**-**	**-**	**4,762,256**	**4,762,256**
Liabilities					
Borrowings	-	-	-	1,357,234	1,357,234
Other financial liabilities	-	-	1	25,859	25,860
Employee benefit obligations	263	-	35,863	11,333	47,459
Trade and other payables	-	-	32	-	32
Provisions	-	-	27,289	56	27,345
Government grants received	-	-	25,886	508	26,394
Total non-current liabilities	**263**	**-**	**89,071**	**1,394,990**	**1,484,324**
Borrowings	-	-	-	310,892	310,892
Other financial liabilities	-	-	20,395	3,920	24,315
Employee benefit obligations	21	-	2,300	717	3,038
Current tax liabilities	-	-	-	3,178	3,178
Trade and other payables	420	1,018	236,396	43,009	280,843
Provisions	-	-	996	204	1,200
Government grants received	-	-	1,073	14	1,087
Total current liabilities	**441**	**1,018**	**261,160**	**361,934**	**624,553**
Total liabilities	**704**	**1,018**	**350,231**	**1,756,924**	**2,108,877**
Total equity and liabilities	**704**	**1,018**	**350,231**	**6,519,180**	**6,871,133**

(all amounts in PLN thousand unless indicated otherwise)

Statement of financial position by type of activity as at December 31st 2016*, restated

	Distribution of electricity	Gas fuel trading	Other activities	Unallocated items	Total
Assets					
Non-current assets					
Property, plant and equipment	2,596	-	1,407,208	25,717	1,435,521
Perpetual usufruct of land	-	-	373	-	373
Intangible assets	86	-	9,234	41,544	50,864
Investment property	-	-	17,700	-	17,700
Shares	-	-	-	3,859,066	3,859,066
Other financial assets	-	-	-	244,220	244,220
Other receivables	-	-	18,121	-	18,121
Total non-current assets	**2,682**	**-**	**1 1,452,636**	**4,170,547**	**5,625,865**
Current assets					
Inventories	-	-	171,256	-	171,256
Property rights	-	-	31,423	-	31,423
Derivative financial instruments	-	-	834	-	834
Other financial assets	-	-	-	53,944	53,944
Trade and other receivables	498	3	193,971	14,085	208,557
Cash and cash equivalents	-	-	-	326,031	326,031
Assets held for sale	-	-	691	-	691
Total current assets	**498**	**3**	**398,175**	**394,060**	**792,736**
Total assets	**3,180**	**3**	**1,850,811**	**4,564,607**	**6,418,601**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

(all amounts in PLN thousand unless indicated otherwise)

Statement of financial position by type of activity as at December 31st 2016*, restated

	Distribution of electricity	Gas fuel trading	Other activities	Unallocated items	Total
Equity and liabilities					
Total equity	**-**	**-**	**-**	**4,464,760**	**4,464,760**
Liabilities					
Borrowings	-	-	-	1,166,290	1,166,290
Other financial liabilities	-	-	68	28,470	28,538
Employee benefit obligations	268	-	35,705	10,163	46,136
Trade and other payables	-	-	-	-	-
Provisions	-	-	25,927	65	25,992
Government grants received	-	-	19,222	-	19,222
Deferred tax liabilities	-	-	-	24,713	24,713
Total non-current liabilities	**268**	**-**	**80,922**	**1,229,701**	**1,310,891**
Borrowings	-	-	-	307,375	307,375
Derivative financial instruments	-	-	-	1,108	1,108
Other financial liabilities	-	-	57,624	7,507	65,131
Employee benefit obligations	2	-	2,366	626	2,994
Current tax liabilities	-	-	-	-	-
Trade and other payables	196	2	238,116	23,826	262,140
Provisions	-	-	925	1,430	2,355
Government grants received	-	-	1,847	-	1,847
Total current liabilities	**198**	**2**	**300,878**	**341,872**	**642,950**
Total liabilities	**466**	**2**	**381,800**	**1,571,573**	**1,953,841**
Total equity and liabilities	**466**	**2**	**381,800**	**6,036,333**	**6,418,601**

* Financial data restated in accordance with the information presented in Section 2.4 of Supplementary information to these separate financial statements.

Note 34 Events after the reporting date

Loan facility agreement
On January 25th 2018, the Company concluded a EUR 145m long-term loan facility agreement with the European Investment Bank. The agreement was concluded for a period of up to ten years from the disbursement date, and the facility is to be repaid in instalments, starting within three years from the disbursement date. As a result of the agreement, the corporate financing package was increased to the total amount of approximately PLN 2,800m.

Share capital increase at PDH Polska S.A.
On March 1st 2018, acting pursuant to a resolution passed by the Company's Management Board on October 18th 2017, the Company acquired PLN 2,350,000 new registered shares in PDH Polska S.A. for PLN 23,500 thousand.
On April 9th 2018, the share capital increase at PDH Polska S.A. was registered in the National Court Register.

The financial statements of Grupa Azoty S.A. for the 12 months ended December 31st 2017 contain 107 pages.

Signatures of members of the Management Board

....
Wojciech Wardacki, PhD
President of the Management Board

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

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

....
Grzegorz Kądzielawski, PhD

Vice President of the Management Board

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

....
Artur Kopeć

Member of the Management Board

Signature of person responsible for maintaining accounting records

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

Tarnów, April 18th 2018