(all amounts in PLN '000 unless indicated otherwise)

Note 1 Revenue from contracts with customers

	for the period Jan 1 - Dec 31 2018	for the period Jan 1– Dec 31 2017
Revenue from sale of products and services	9,714,882	9,397,164
Revenue from sale of merchandise and materials	274,364	215,661
Revenue from sale of property rights	9,721	2,670
Revenue from sale of licences	-	2,000
	9,998,967	**9,617,495**

(all amounts in PLN '000 unless indicated otherwise)

For the period Jan 1 - Dec 31 2018

	Agro Fertilizers	Plastics	Chemicals	Energy	Other Activities	Total
Main product lines						
Revenue from sale of products and services	4,759,444	1,561,648	3,082,815	169,711	141,264	9,714,882
Revenue from sale of merchandise and materials	144,547	-	30,842	75,435	23,540	274,364
Revenue from sale of property rights	60	-	298	7,831	1,532	9,721
Total	**4,904,051**	**1,561,648**	**3,113,955**	**252,977**	**166,336**	**9,998,967**
Geographical regions						
Poland	3,553,641	185,394	1,190,537	252,975	155,548	5,338,095
Germany	301,897	217,536	368,910	-	1,756	890,099
Other EU countries	734,476	845,842	1,149,623	2	7,106	2,737,049
Asia	15,778	215,190	2,397	-	410	233,775
South America	99,877	14,529	23,486	-	-	137,892
Other countries	198,382	83,157	379,002	-	1,516	662,057
Total	**4,904,051**	**1,561,648**	**3,113,955**	**252,977**	**166,336**	**9,998,967**
Customer type						
Legal persons	4,886,161	1,561,648	3,113,787	252,305	163,590	9,977,491
Individuals	17,890	-	168	672	2,746	21,476
Total	**4,904,051**	**1,561,648**	**3,113,955**	**252,977**	**166,336**	**9,998,967**
Agreement type						
Fixed-price contracts	1,639,927	1,117,188	558,561	120,038	65,992	3,501,706
Time-and-materials contracts	878,515	-	947,076	98,364	55,691	1,979,646
Other	2,385,609	444,460	1,608,318	34,575	44,653	4,517,615
Total	**4,904,051**	**1,561,648**	**3,113,955**	**252,977**	**166,336**	**9,998,967**
Customer relations						
Long-term	1,495,403	47,417	790,063	140,469	66,960	2,540,312
Short-term	3,408,648	1,514,231	2,323,892	112,508	99,376	7,458,655
Total	**4,904,051**	**1,561,648**	**3,113,955**	**252,977**	**166,336**	**9,998,967**
Revenue recognition timing						
Revenue recognised at a point in time	4,904,051	1,561,648	3,113,955	249,921	77,521	9,907,096
Revenue recognised over time				3,056	88,815	91,871
Total	**4,904,051**	**1,561,648**	**3,113,955**	**252,977**	**166,336**	**9,998,967**
Sale channels						
Direct sales	3,980,057	1,347,662	3,007,640	238,569	52,055	8,625,983

(all amounts in PLN '000 unless indicated otherwise)

Intermediated sales	923,994	213,986	106,315	14,408	114,281	1,372,984
Total	**4,904,051**	**1,561,648**	**3,113,955**	**252,977**	**166,336**	**9,998,967**

Identifying the contract

Revenue from sale of products, services, merchandise and materials

The key categories of products, services, merchandise and materials sold by the Group are listed in the *Operating segments* section.

Revenue from sale of products, services, merchandise and materials is recognised based on the five-step revenue recognition model described in Section 2.28 *Revenue* in a manner that reflects transfer of control to the customer. As a rule, revenue from sale of products, merchandise and materials is recognised by the Group at a specific point in time, in accordance with the Incoterms rules set forth in the agreement (usually upon release from the warehouse or upon delivery to the point indicated by the customer). In the case of deliveries effected in accordance with selected Incoterms (CIF, CIP, CFR, CPT), the Group identifies the transport service or the transport and insurance service as a separate performance obligation towards a customer after passing control of the good / product to the customer. Revenue from sale of services is recognised at a specific point in time when the performance of the service is completed.

When recognising revenue, the Group takes into account specific issues, such as: determination whether the Group is acting as the principal or an agent in the transaction, product return rights, recognition of discounts being part of variable consideration, recognition of discounts representing a material right, bill-and-hold arrangements, and recognition of revenue from take-or-pay contracts. For most of the contracts containing discounts that are part of variable consideration, the estimated amount of the discount is fully recognised in liabilities under bonuses, a component of trade and other payables.

As a rule, the customary payment terms for this revenue stream are 30 days.

The Group enters into comprehensive contracts with customers for sale of electricity (supplied by third parties) and electricity distribution services provided over its own network. The Group believes that it acts as the principal under such contracts, and identifies two separate performance obligations: for the sale of electricity, which is recognised under revenue from sale of merchandise and materials, and for the distribution service, which is recognised under revenue from sale of products and services.

The Group also enters into comprehensive contracts with customers for the sale of electricity and electricity distribution services, where the Group purchases high-voltage electricity and sells it after conversion over medium and low-voltage grids. Also in this case the Group believes that under such contracts, which contain two performance obligations, the Group acts as the principal, and recognises both the sale of electricity and the distribution service under revenue from sale of products and services.

In the case of electricity sale contracts, the payment terms average 17 days.

Revenue from construction contracts

Construction contracts executed by the Group are contracts with customers providing for the construction of an asset or a group of interrelated assets. Construction contracts include in particular turn-key construction contracts, maintenance contracts, upgrade and redevelopment contracts. Revenue from construction contracts is recognised based on the five-step revenue recognition model described in Section 2.28 *Revenue* in a manner that reflects transfer of control to the customer. In particular, any variable consideration component (e.g. contractual penalty, discount, claim) is recognised by the Group in an amount which is highly probable not to be reversed and which can be reliably measured.

For each construction contract the Group assesses whether contract revenue is to be recognised over a period of time or at a point in time; but in the case of most of its construction contracts, the Group recognises revenue over the period of time during which contractual work is performed. For construction contracts in the case of which revenue is recognised over a period of time, the Group selects a method to measure progress in satisfying the performance obligation which faithfully depicts (represents) the Group's performance in transferring control of the goods or services promised to the customer under the contract. Methods usually used by the Group which meet the objective described in the previous sentence include:

- an input method in which the percentage of completion is determined as the proportion that contract costs incurred for work performed to date bear to the estimated (budgeted) total costs required to complete the contract;
- an output method in which the progress towards completion is measured based on surveys of performance completed to date.

If the Group is not able to reasonably measure the outcome of a performance obligation, but expects to recover the costs incurred in satisfying the performance obligation, the Group recognises revenue only to the extent of the costs incurred until such time that it can reasonably measure the outcome of the performance obligation (i.e. using the zero profit margin method).

(all amounts in PLN '000 unless indicated otherwise)

The Group presents:
- an excess of revenue accrued based on progress towards completion (using an appropriate method) over invoiced receivables – as assets in the statement of financial position, under trade and other receivables;
- an excess of invoiced receivables over revenue accrued based on progress towards completion (using an appropriate method) – as liabilities in the statement of financial position, under trade and other payables.

In the case of construction contracts, the payment terms are usually 30 days. Under a construction contract the customer may retain a specified percentage of payments, however, the purpose of such retention is to secure proper performance of the contract by the Group, which means the absence of a significant financing component. Under construction contracts, the Group provides to its customers performance bonds, for which it creates a provision in accordance with IAS 37.

Contract costs
Incremental costs of obtaining a contract
The Group incurs incremental costs of obtaining a contract, i.e. costs it would not have incurred if the contract had not been obtained. The incremental costs of obtaining a contract are recognised by the Group as an asset in trade and other receivables if the Group expects to recover those costs. As a practical expedient, the Group recognises incremental costs to obtain a contract as an expense when they are incurred if the amortisation period of the asset that the Group otherwise would have recognised is one year or less.

Costs to fulfil a contract
If the costs incurred in fulfilling a contract with a customer are not within the scope of another standard, the Group recognises an asset (in trade and other receivables) from the costs incurred to fulfil the contract only if those costs meet all of the following criteria:
- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Receivables and liabilities under contracts with customers are presented as follows:
- receivables – Note 17 *Trade and other receivables*,
- liabilities – Note 26 *Trade and other payables*.

Note 2 Operating expenses

	for the period Jan 1– Dec 31 2018	for the period Jan 1 - Dec 31 2017
Depreciation and amortisation	681,149	586,660
Raw materials and consumables used	6,122,652	5,486,585

(all amounts in PLN '000 unless indicated otherwise)

Services	1,032,262	990,067
Taxes and charges	422,560	337,771
Remuneration	1,166,864	1,097,796
Social security and other employee benefits	308,789	301,651
Other expenses	132,449	165,422
Costs by nature of expense	**9,866,725**	**8,965,952**
Change in inventories of finished goods (+/-)	(90,329)	(77,298)
Work performed by the entity and capitalised (-)	(155,519)	(190,465)
Selling and distribution expenses (-)	(658,602)	(673,555)
Administrative expenses (-)	(812,368)	(757,767)
Cost of merchandise and materials sold	256,517	190,867
Cost of sales	**8,406,424**	**7,457,734**
including excise duty	19,091	22,457

The increase in depreciation/amortisation is attributable to the completion of investment projects. The costs of raw materials and consumables used rose chiefly on the back of higher prices of energy commodities (gas, coal, electricity) as well as propylene and potassium chloride, and were partly offset by lower consumption volumes due to lower output. The higher costs of services are in particular related to the acquisition of Goat TopCo. The higher taxes and charges are due to an increased price of CO_2 emission allowances. The higher labour costs are driven by an increase in staffing levels attributable to completed investment projects and higher salaries and wages.

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

	for the period Jan 1 - Dec 31 2018	**for the period Jan 1 - Dec 31 2017**
Cost of sales	566,990	492,391
Selling and distribution expenses	5,638	12,527
Administrative expenses	108,521	81,742
Total depreciation and amortisation	**681,149**	**586,660**

(all amounts in PLN '000 unless indicated otherwise)

Note 2.1 Cost of sales

	for the period Jan 1 - Dec 31 2018	for the period Jan 1 - Dec 31 2017
Cost of products and services	8,142,788	7,262,099
Cost of merchandise and materials	256,517	190,867
Cost of property rights	7,119	4,768
Total cost of sales	**8,406,424**	**7,457,734**

Note 2.2 Employee benefit expenses

	for the period Jan 1 - Dec 31 2018	for the period Jan 1 - Dec 31 2017
Remuneration paid and due	1,154,447	1,073,315
Social security	219,744	204,365
Social benefits fund	43,491	51,421
Training	4,294	4,888
Change in defined benefit obligation	(2,248)	1,450
Change in long-term employee benefit obligation	2,598	5,430
Change in provision for accrued holiday entitlements	1,321	(162)
Change in provision for voluntary redundancy programme	845	(95)
Change in provision for annual and incentive bonuses	12,416	20,902
Change in other provisions for employee benefits	(991)	(2,011)
Other	39,736	39,944
	1,475,653	**1,399,447**
Average employment	**15,470**	**14,373**

(all amounts in PLN '000 unless indicated otherwise)

Note 3 Other income

	for the period Jan 1 - Dec 31 2018	for the period Jan 1 - Dec 31 2017
Reversed impairment losses on:		
Property, plant and equipment	-	1,324
Other receivables	1,533	-
Other	6	668
	1,539	**1,992**
Other income:		
Income from lease of investment property	18,938	17,976
Provisions reversed	4,763	12,368
Received compensation	7,213	5,257
Government grants received	13,114	7,317
Other	4,037	5,290
	48,065	**48,208**
	49,604	**50,200**

Note 4Other expenses

	for the period Jan 1 - Dec 31 2018	for the period Jan 1 - Dec 31 2017
Loss on disposal of assets:		
Loss on disposal of property, plant and equipment, intangible assets, and investment property	6,302	20,457
	6,302	**20,457**
Recognised impairment losses on:		
Property, plant and equipment	16,780	37,149
Investment property	9	-
Intangible assets	787	44,652
Other receivables	949	-
Other	15	2,236
	18,540	**84,037**
Other expenses:		
Investment property maintenance costs	10,503	10,761
Fines and compensations	2,456	9,562
Downtime costs	2,821	2,907
Failure recovery costs	6,680	6,928
Recognised provisions	24,911	27,200
Other expenses	17,973	19,573
	65,344	**76,931**
	90,186	**181,425**

For a description of impairment losses on property, plant and equipment, see Note 10 ‘Property, plant and equipment’.
Provisions of PLN 24,911 thousand were recognised, comprising mainly PLN 16,610 thousand environmental provisions (including PLN 8,628 thousand for landfill site restoration involving the use of sludge from sediment tanks).
In 2018, the Group also recognised a provision for a PLN 6,351,000 fine for exceeding emission limits.

(all amounts in PLN '000 unless indicated otherwise)

Note 5 Finance income

	for the period Jan 1 - Dec 31 2018	for the period Jan 1 - Dec 31 2017
Interest income:		
Interest on bank deposits	9,124	11,774
Interest on cash pooling	1,515	1,350
Interest on non-bank borrowings	45	25
Interest on trade receivables	1,396	5,250
Other interest income	688	76
	12,768	**18,475**
Profit from sale of financial investments:		
Profits from sale of financial investments	**-**	**2,179**
	-	**2,179**
Gains on measurement of financial assets and liabilities:		
Gains on measurement of financial assets at fair value through profit or loss	688	1,962
Gains on measurement of financial liabilities at fair value through profit or loss	-	5,582
	688	**7,544**
Other finance income:		
Foreign exchange gains	36,185	-
Discount on provisions and loans	82	-
Dividends received	293	-
Other finance income	5,041	3,909
	41,601	**3,909**
	55,057	**32,107**

Foreign exchange gains of PLN 36,185 thousand (2017: PLN 17,517 thousand of foreign exchange losses) comprised:

- net realised foreign exchange gains of PLN 18,269 thousand (2017: net realised foreign exchange losses of PLN 21,946 thousand),
- net foreign exchange gains on realised transactions in currency derivatives of PLN 43 thousand (2017: net foreign exchange gains of on realised transactions in currency derivatives of PLN 24,114 thousand),
- net foreign exchange gains on measurement of receivables and liabilities denominated in foreign currencies as at the reporting date of PLN 4,686 thousand (2017: net foreign exchange losses of PLN 6,262 thousand),
- net foreign exchange gains on measurement of other items as at the reporting date of PLN 13,187 thousand (2017: net foreign exchange losses of PLN 13,423 thousand).

(all amounts in PLN '000 unless indicated otherwise)

Note 6 Finance costs

	for the period Jan 1 - Dec 31 2018	for the period Jan 1 - Dec 31 2017
Interest expense:		
Interest on bank borrowings and overdraft facilities	33,720	27,622
Interest on cash pooling	10	218
Interest on non-bank borrowings	4,935	2,230
Interest on finance lease liabilities	1,378	1,675
Other	9,247	8,018
	49,290	39,763
Loss on sale of financial investments:		
Loss on sale of financial investments, including - deconsolidation of a subsidiary*	51,468	-
	51,468	**-**
Loss on measurement of financial assets and liabilities:		
Loss on measurement of financial assets at fair value through profit or loss	1,451	-
	1,451	**-**
Other finance costs:		
Foreign exchange losses	-	17,517
Unwind of discount on provisions and loans	1,512	1,143
Other finance costs	5,019	10,508
	6,531	**29,168**
	108,740	**68 931**

* For a full description of the deconsolidation, see Section 1.2.2.

Note 7 Income tax

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

	for the period Jan 1 - Dec 31 2018	for the period Jan 1 - Dec 31 2017
Current income tax:		
Current income tax expense	32,903	127,056
Adjustments to current income tax for previous years	2,296	(3,560)
	35,199	**123,496**
Deferred income tax:		
Deferred income tax associated with origination and reversal of temporary differences	(2,449)	(35,917)
	(2,449)	**(35,917)**
Income tax disclosed in the statement of profit or loss	**32,750**	**87,579**

(all amounts in PLN '000 unless indicated otherwise)

Note 7.2 Effective tax rate

	for the period Jan 1 - Dec 31 2018	for the period Jan 1 - Dec 31 2017
Profit/(loss) before tax	**40,400**	**576,405**
Tax calculated at the applicable tax rate	7,676	109,517
Effect of tax rates in foreign jurisdictions	(984)	(4,854)
Effect of tax-exempt income (+/-)	(3,058)	(127)
Effect of non tax-deductible expenses (+/-)	16,685	25,004
Tax effect of inclusion of property, plant and equipment into operations in Special Economic Zone	1,633	(12,709)
Tax effect of tax losses deducted in the period (+/-)		224
Recognition of state aid deductible in future periods (+/-)	(1,757)	(40,898)
Other (+/-)	12,555	11,422
Income tax disclosed in the statement of profit or loss	**32,750**	**87,579**
Effective tax rate	**74.2%**	**15.19%**

The effective tax rate of 74.2% in 2018 was mainly a result of the low profit/(loss) before tax, as then non-tax-deductible expenses materially increase the tax base.

The effective tax rate of 15.19% for 2017 resulted mainly from the recognition of deferred tax asset on account of future benefits the Group could derive from its operations in the Special Economic Zone. The recognition reduced the rate below its nominal value.

Note 7.3 Income tax disclosed in other comprehensive income

	for the period Jan 1 - Dec 31 2018	for the period Jan 1 - Dec 31 2017
Tax on items that will not be reclassified to profit or loss (+/-)	**(3,633)**	**(1,510)**
Actuarial (losses)/gains from defined benefit plans	(3,633)	(1,509)
Other income	-	(1)
Tax on items that are or may be reclassified to profit or loss (+/-)	**(3,178)**	**5,296**
Measurement of hedging instruments through hedge accounting	(3,178)	5,296
Income tax disclosed in other comprehensive income	**(6,811)**	**3,786**

(all amounts in PLN '000 unless indicated otherwise)

Note 7.4 Deferred tax assets and liabilities

	Assets (-)		Liabilities (+)	
	Dec 31 2018	Dec 31 2017	Dec 31 2018	Dec 31 2017
Property, plant and equipment	(91,508)	(89,651)	382,385	309,541
Perpetual usufruct of land	(98)	(55)	84,018	85,400
Investment property	(1,540)	(1,373)	7,744	8,122
Intangible assets	(3,877)	(7,779)	179,766	67,209
Financial assets	(234)	(629)	12,283	14,451
Inventories and property rights	(13,699)	(11,871)	24,792	14,398
Trade and other receivables	(6,803)	(6,031)	1,202	1,359
Trade and other payables	(79,442)	(54,877)	1,183	1,557
Other assets	(402)	(63)	213	182
Employee benefits	(94,057)	(82,531)	623	19
Provisions	(44,517)	(35,136)	518	383
Borrowings	(198)	(105)	91	-
Other financial liabilities	(1,089)	(286)	432	292
Measurement of hedging instruments through hedge accounting	-	-	436	3,614
State aid deductible in future periods	(73,972)	(92,180)	-	-
Tax losses	(13,680)	(17,606)	-	-
Other	(3,379)	(976)	20	2,627
Deferred tax assets (-)/liabilities (+)	**(428,495)**	**(401,149)**	**695,706**	**509,154**
Offset	**352,916**	**331,566**	**(352,916)**	**(331,566)**
Deferred tax assets (-)/liabilities (+) recognised in the statement of financial position	**(75,579)**	**(69,583)**	**342,790**	**177,588**

In connection with a project involving construction of Polyamide Plant II, the Parent 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 Parent will be able to satisfy the condition concerning the staffing level. As at December 31st 2018, 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 2019–2021, i.e. PLN 25,894 thousand.
Upon completion of the project, the Parent's eligible capital expenditure totalled PLN 222,603 thousand, which may allow it to realise tax savings on its operations in the zone of approximately PLN 107m (net of the discount).
If the Company fails to comply with any of the licence terms, the Parent may be required to reimburse the state aid received.

In connection with a project to launch production of solid fertilizers based on urea and ammonium sulfate, Grupa Azoty PUŁAWY obtained licence no. 134/2011 to operate in the Special Economic Zone. Pursuant to the terms of the licence, Grupa Azoty PUŁAWY was obliged to incur a minimum expenditure of PLN 68,000 thousand as well as to increase employment by 35 staff and maintain a headcount of 85 in the zone at least until June 30th 2020. The conditions specified in the licence were satisfied in the course of 2015 and, in line with current plans, Grupa Azoty PUŁAWY will be able to continue satisfying the condition concerning the staffing level until June 30th 2020. As at December 31st 2018, 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 the coming years, i.e. PLN 47,666 thousand.
Upon completion of the project, Grupa Azoty PUŁAWY's eligible capital expenditure totalled PLN 102,000 thousand, which in the future may allow it to realise tax savings on its operations in the zone of approximately PLN 35,398 thousand (net of the discount, but including the amount of the exemption utilised so far).

The Group is entitled to a potential corporate income tax relief, which can be used by the Company in connection with capital expenditure on the ongoing investment project to construct a production unit for ammonium nitrate-based granulated fertilizers, in the nominal amount of PLN 83,597 thousand (discounted to PLN 79,359 thousand). In accordance with the terms of the permit, (eligible) capital expenditure of at least PLN 310m must be incurred by December 31st 2020.

As at December 31st 2018, the Group recognised a deferred tax asset of PLN 13,680 thousand (December 31st 2017: PLN 17,606 thousand) for unused tax losses which the Group expected to be able to use based on projections of future taxable income in a period of up to five consecutive years.

(all amounts in PLN '000 unless indicated otherwise)

Note 7.5 Change in temporary differences

		Changes in temporary differences recognised in: (+/-)					
	As at Jan 1 2018	IFRS 9 and IFRS 15 adjustment	Statement of profit or loss	Other comprehensive income	Acquisition of companies	Exchange differences on translation recognised in other comprehensive income	As at Dec 31 2018
Property, plant and equipment	219,890	-	11,405	-	58,815	767	290,877
Perpetual usufruct of land	85,345	-	(1,425)	-	-	-	83,920
Investment property	6,749	-	(545)	-	-	-	6,204
Intangible assets	59,430	-	(12,543)	-	128,715	287	175,889
Financial assets	13,822	(1,142)	(631)	-	-	-	12,049
Inventories and property rights	2,527	2	11,209	-	(2,639)	(6)	11,093
Trade and other receivables	(4,672)	24	364	-	(1,315)	(2)	(5,601)
Trade and other payables	(53,320)	70	(24,694)	-	(315)		(78,259)
Other assets	119	-	175	(11)	(471)	(1)	(189)
Employee benefits	(82,512)	-	(2,425)	(3,599)	(4,886)	(12)	(93,434)
Provisions	(34,753)	-	(2,408)	(23)	(6,800)	(15)	(43,999)
Borrowings	(105)	-	(2)	-	-	-	(107)
Other financial liabilities	6	(25)	(655)	-	17	-	(657)
Measurement of hedging instruments through hedge accounting	3,614	-	-	(3,178)	-	-	436
State aid deductible in future periods	(92,180)	-	18,208	-	-	-	(73,972)
Tax losses	(17,606)	-	5,787	-	(1,858)	(3)	(13,680)
Other	1,651	591	(4,269)	-	(1,354)	22	(3,359)
Deferred tax assets (-)/liabilities (+)	**108,005**	**(480)**	**(2,449)**	**(6,811)**	**167,909**	**1,037**	**267,211**

(all amounts in PLN '000 unless indicated otherwise)

	As at Jan 1 2017	Changes in temporary differences recognised in: (+/-) Statement of profit or loss	Other comprehensive income	Acquisition of companies	Exchange differences on translation recognised in other comprehensive income	As at Dec 31 2017
Property, plant and equipment	219,365	997	-	(124)	(348)	219,890
Perpetual usufruct of land	85,760	(415)	-	-	-	85,345
Investment property	7,362	(613)	-	-	-	6,749
Intangible assets	68,781	(9,347)	-	-	(4)	59,430
Financial assets	12,094	1,728	-	-	-	13,822
Inventories and property rights	6,311	(3,784)	-	-	-	2,527
Trade and other receivables	(1,317)	(3,356)	-	-	1	(4,672)
Trade and other payables	(55,896)	2,576	-	-	-	(53,320)
Other assets	189	(123)	53	-	-	119
Employee benefits	(73,946)	(6,719)	(1,569)	(280)	2	(82,512)
Provisions	(32,945)	(1,808)	-	-	-	(34,753)
Bank borrowings	(62)	(43)	-	-	-	(105)
Other financial liabilities	847	(841)	-	-	-	6
Measurement of hedging instruments through hedge accounting	(1,682)		5,296	-	-	3,614
State aid deductible in future periods	(65,314)	(26,866)	-	-	-	(92,180)
Tax losses	(31,857)	14,251	-	-	-	(17,606)
Other	3,199	(1,554)	6	-	-	1,651
Deferred tax assets (-)/liabilities (+)	140,889	(35,917)	3,786	(404)	(349)	108,005

(all amounts in PLN '000 unless indicated otherwise)

Note 7.6 Unrecognised deferred tax assets/liabilities

The Group did not recognise deferred tax assets with respect to the following items:

	as at Dec 31 2018	as at Dec 31 2017
Tax losses	4,175	2,520
Temporary differences	1,645	5,576
	5,820	**8,096**

In addition, as described in Note 7.4, given the limited time horizon of its tax budgets, the Group does not recognise deferred tax assets related to its operations in the Special Economic Zone in the maximum amount possible.
As at December 31st 2018, the non-recognised asset stood at PLN 75,000 thousand (December 31st 2017: PLN 71,000 thousand).
Deferred tax assets not recognised as at December 31st 2018 mainly include deferred tax of PLN 1,392 thousand on the tax losses of the subsidiary PDH Polska S.A. for 2018 and accumulated losses brought forward of PLN 1,881 thousand.

Note 8 Discontinued operations

There were no discontinued operations in 2017 or 2018.

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 Jan 1 - Dec 31 2018	for the period Jan 1 - Dec 31 2017
Net profit	**9,759**	**456,663**
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)	0.10	4.60
Diluted (PLN)	0.10	4.60

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 2018	as at Dec 31 2017
Land	38,787	24,193
Mineral deposits	14,087	16,477
Buildings and structures	2,593,506	2,287,758
Plant and equipment	3,637,917	3,421,048
Vehicles	140,731	118,242
Other property, plant and equipment	138,456	104,922
	6,563,484	**5,972,640**
Property, plant and equipment under construction	1,102,155	807,108
	7,665,639	**6,779,748**

(all amounts in PLN '000 unless indicated otherwise)

Net property, plant and equipment, by type

	Land	Mineral deposits	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 2018	**24,193**	**16,477**	**2,287,758**	**3,421,048**	**118,242**	**104,922**	**807,108**	**6,779,748**
Increase, including:	***14,755***	***-***	***453,089***	***628,476***	***47,670***	***59,755***	***1,077,053***	***2,280,798***
Purchase, production, commissioning	86	-	224,095	456,824	21,732	49,827	1,066,545	1,819,109
Lease contracts	-	-	-	2,506	7,840	174	-	10,520
Reversal and use of impairment losses	-	-	724	2,803	1	183	4,757	8,468
Reclassification from investment property	-	-	6,968	-	-	-	-	6,968
Merger, acquisition including:	14,580	-	220,311	161,832	18,095	9,548	4,664	429,030
On acquisition of Goat TopCo	*14,579*	-	*215,554*	*159,959*	-	*9,430*	*4,664*	*404,186*
Exchange differences on translation	89	-	904	2,016	2	17	446	3,474
Other increase	-	-	87	2,495	-	6	641	3,229
Decrease, including:(-)	***(161)***	***(2,390)***	***(147,341)***	***(411,607)***	***(25,181)***	***(26,221)***	***(782,006)***	***(1,394,907)***
Depreciation and amortisation	-	(2,390)	(137,229)	(398,860)	(22,927)	(25,834)	(6)	(587,246)
Disposal	(161)	-	(89)	(28)	(794)	(15)	-	(1,087)
Liquidation	-	-	(1,376)	(3,099)	(976)	(30)	(8,503)	(13 984)
Commissioning	-	-	-	-	-	-	(767,052)	(767,052)
Recognition of impairment loss	-	-	(7,594)	(8,679)	(161)	(103)	(243)	(16,780)
Reclassification to investment property	-	-	(312)	(313)	-	-	(710)	(1,335)
Reclassification to non-current assets held for sale	-	-	-	(72)	(3)	(125)	-	(200)
Exchange differences on translation	-	-	-	(1)	(1)	-	-	(2)
Other decrease	-	-	(741)	(555)	(319)	(114)	(5,492)	(7,221)
Net carrying amount as at December 31st 2018	**38,787**	**14,087**	**2,593,506**	**3,637,917**	**140,731**	**138,456**	**1,102,155**	**7,665,639**

Net property, plant and equipment, by type

Land	Mineral deposits	Buildings and structures	Plant and equipment	Vehicles	Other property,	Property, plant and equipment	Total

						plant and equipment	under construction	
Net carrying amount as at January 1st 2017	**26,297**	**21,988**	**1,914,598**	**2,719,726**	**124,564**	**105,529**	**1,447,924**	**6,360,626**
Increase, including:	***360***	***-***	***520,478***	***1,072,912***	***17,250***	***26,229***	***1,004,021***	***2,641,250***
Purchase, production, commissioning	359	-	506,487	1,062,601	15,326	26,099	999,443	2,610,315
Lease contracts	-	-	-	5,893	1,568	98	-	7,559
Reversal and use of impairment losses	-	-	2,670	709	327	-	960	4,666
Reclassification from investment property	-	-	8,549	-	-	-	-	8,549
Merger, acquisition	-	-	-	-	-	-	-	-
Exchange differences on translation	-	-	719	-	-	-	-	719
Other increase	1	-	2,053	3,709	29	32	3,618	9,442
Decrease, including:(-)	***(2,464)***	***(5,511)***	***(147,318)***	***(371,590)***	***(23,572)***	***(26,836)***	***(1,644,837)***	***(2,222,128)***
Depreciation and amortisation	-	(3,417)	(124,259)	(349,434)	(20,410)	(23,904)	-	(521,424)
Disposal	-	-	(6,027)	(2,153)	(1,548)	(31)	-	(9,759)
Liquidation	-	-	(1,787)	(6,290)	(500)	(102)	(1,241)	(9,920)
Commissioning	-	-	-	-	-	-	(1,628,587)	(1,628,587)
Recognition of impairment loss	(1,619)	(2,094)	(9,135)	(9,741)	(376)	(797)	(13,387)	(37,149)
Reclassification to investment property	-	-	(1,698)	-	-	-	(417)	(2,115)
Exchange differences on translation	(112)	-	(638)	(3,344)	(32)	(37)	(339)	(4,502)
Other decrease	(733)	-	(3,774)	(628)	(706)	(1,965)	(866)	(8,672)
Net carrying amount as at December 1st 2017	**24,193**	**16,477**	**2,287,758**	**3,421,048**	**118,242**	**104,922**	**807,108**	**6,779,748**

(all amounts in PLN '000 unless indicated otherwise)

Property, plant and equipment by type

	Land	Mineral deposits	Buildings and structures	Plant and equipment	Vehicles	Other property, plant and equipment	Property, plant and equipment under construction	Total
As at December 31st 2018								
Gross carrying amount	41,805	49,009	3,814,333	6,773,064	311,153	321,358	1,180,262	12,490,984
Accumulated depreciation (-)	-	(2,390)	(1,156,057)	(3,008,151)	(125,357)	(181,660)	-	(4,473,615)
Impairment (-)	(3,018)	(32,532)	(64,770)	(126,996)	(45,065)	(1,242)	(78,107)	(351,730)
Net carrying amount as at December 31st 2018	**38,787**	**14,087**	**2,593,506**	**3,637,917**	**140,731**	**138,456**	**1,102,155**	**7,665,639**
As at December 31st 2017								
Gross carrying amount	27,211	60,916	3,365,858	6,020,502	269,831	257,894	889,729	10,891,941
Accumulated depreciation (-)	-	(11,907)	(1,020,200)	(2,478,334)	(106,684)	(151,650)	-	(3,768,775)
Impairment (-)	(3,018)	(32,532)	(57,900)	(121,120)	(44,905)	(1,322)	(82,621)	(343,418)
Net carrying amount as at December 1st 2017	**24,193**	**16,477**	**2,287,758**	**3,421,048**	**118,242**	**104,922**	**807,108**	**6,779,748**

(all amounts in PLN '000 unless indicated otherwise)

Impairment losses and their use

	Land	Mineral deposits	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 2018	**3,018**	**32,532**	**57,900**	**121,120**	**44,905**	**1,322**	**82,621**	**343,418**
Impairment loss recognised in the statement of profit or loss	-	-	7,594	8,679	161	103	243	16,780
Reversal and use of impairment losses recognised in the statement of profit or loss (-)	-	-	(724)	(2,803)	(1)	(183)	(4,757)	(8,468)
Impairment losses December 31st 2018	**3,018**	**32,532**	**64,770**	**126,996**	**45,065**	**1,242**	**78,107**	**351,730**
Impairment losses as at January 1st 2017	**1,399**	**30,438**	**51,435**	**112,088**	**44,856**	**525**	**70,194**	**310,935**
Impairment loss recognised in the statement of profit or loss	1,619	2,094	9,135	9,741	376	797	13,387	37,149
Reversal and use of impairment losses recognised in the statement of profit or loss (-)	-	-	(2,670)	(709)	(327)	-	(960)	(4,666)
Impairment losses as at December 31st 2017	**3,018**	**32,532**	**57,900**	**121,120**	**44,905**	**1,322**	**82,621**	**343,418**

In the reporting period, the Group recognised impairment losses on property, plant and equipment of PLN 16,780 thousand (2017: PLN 37,149 thousand). Impairment losses relate in particular to property, plant and equipment of the fat processing unit at Zakłady Azotowe Chorzów S.A. (the Chemicals segment). Impairment losses on these assets were recognised in the total amount of PLN 12,537 thousand, of which PLN 6,445 thousand was recognised following an impairment test performed as at June 30th 2018, while PLN 6,092 thousand, bringing the value of the assets to the unit's liquidation value in connection with a temporary production stoppage, was additionally recognised as at December 31st 2018. The liquidation value was estimated by an independent appraiser.

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

In 2017, the most significant impairment losses included:

- PLN 14,016 thousand impairment loss on property, plant and equipment of the fat processing unit (Chemicals),
- PLN 9,214 thousand impairment loss on property, plant and equipment related to sulfur production (Minerals Extraction),
- PLN 9,113 thousand impairment loss on property, plant and equipment under construction due to a conceptual change in the Puławy Power Plant project (Energy),
- PLN 3,150 thousand impairment loss on property, plant and equipment under construction related to the initial preparations to launch and operate a phosphate rock mining project in Senegal. The project will not be continued.

Impairment test

As at December 31st 2018, the trigger referred to in paragraph 12d of IAS 36 *Impairment* occurred (the carrying amount of the Parent's net assets was more than the market capitalisation). Accordingly, the Group's key companies, i.e. the Parent, Grupa Azoty POLICE, Grupa Azoty Puławy, Grupa Azoty ZAK, Grupa Azoty SIARKOPOL and Goat TopCo, were tested for impairment. The tests did not reveal any need for recognition of impairment losses.

Key assumptions and results of the tests for the Parent, Grupa Azoty ZAK and Grupa Azoty SIARKOPOL are presented in the table below.

For a description of the tests covering also goodwill and intangible assets with indefinite useful lives of Grupa Azoty POLICE, Grupa Azoty PUŁAWY and Goat TopCo, see Note 12.1.

(all amounts in PLN '000 unless indicated otherwise)

Item	Parent	Grupa Azoty ZAK	Grupa Azoty Siarkopol
CGU	*Fertilizers* *Plastics*	Company	*Minerals extraction* *Chemicals*
Recognition of impairment loss	None	None	None
Reversal of impairment loss	None	None	None
Nominal weighted average cost of capital (WACC) (%)	7.01	7.01	7.01
Key assumptions	Unlimited duration of the CGU. Prices of key raw materials were assumed based on market prices in the forecast period, EBITDA margin for the Plastics segment: 2019 - 8.7%; 2020 - 10.3%; 2021 - 10.1%; 2022 - 9.3%; 2023 - 11.8%, EBITDA margin for the Fertilizers segment: 2019 - 10.7%; 2020 - 12.4%; 2021 - 12.6%; 2022 - 10.6%; 2023 - 14.3%. Other assets and related costs were allocated to the core segments indirectly. The cost ratios were determined to by the most rational allocation ratios for corporate assets. The growth rate in the residual period was assumed at 2.3%.	Unlimited duration of the CGU. Prices of key raw materials were assumed based on market prices in the forecast period. EBITDA margin at: 2019 - 9.24%; 2020 - 10.92%; 2021 - 13.12%; 2022 - 15.24%; 2023 - 16.84%. The growth rate in the residual period was assumed at 0% (conservative approach).	Minerals Extraction Segment: The projection period was assumed to equal the expected useful life of the Osiek sulfur deposit (that is until 2027). Sulfur reserves in the Osiek deposit are estimated at approximately 4,365 thousand tonnes. Chemicals Segment: The test performed for the Chemicals segment assumes a 5-year projection period with a residual value. The sales volume matches the production capacity.
Value in use	*Fertilizers* - PLN 973,004 thousand *Plastics* - PLN 994,061 thousand	PLN 2,021,253 thousand	*Minerals Extraction* - PLN 149,992 thousand *Chemicals* - PLN 125,430 thousand

Sensitivity analyses of the performed tests show that the Parent does not need to recognise impairment losses in the event of an EBITDA decrease by no more than 13% or WACC increase to no more than 7.71%. In the case of Grupa Azoty ZAK, the need to recognise impairment losses will not occur in the event of an EBITDA decrease by no more than 12.33% and WACC discount rate increase to no more than 9.09%. In the case of Grupa Azoty Siarkopol, the Minerals Extraction segment will not recognise any impairment loss in the event of an EBITDA decrease by no more than 11%, and WACC increase to no more than 9.96%, for the Chemicals segment – the respective levels are 24% and 9.12%.

(all amounts in PLN '000 unless indicated otherwise)

Property, plant and equipment under construction

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

- continued work on construction of Polyamide Plant II by the Parent. As at December 31st 2018, outstanding expenditure was PLN 62,610 thousand (as at December 31st 2017: PLN 113,592 thousand),
- utilisation of purge gases from the ammonia synthesis unit at the Parent; as at December 31st 2018, outstanding expenditure was PLN 18,116 thousand (December 31st 2017: PLN 647 thousand);
- construction of the PDH propylene plant at PDH Polska. As at December 31st 2018, capitalised expenditure was PLN 101,847 thousand (December 31st 2017: PLN 89,808 thousand),
- construction of facility for production of ammonium nitrate-based granulated by Grupa Azoty PUŁAWY. As at December 31st 2018, capitalised expenditure was PLN 292,412 thousand (December 31st 2017: PLN 85,401 thousand),
- upgrade of the existing and construction of new nitric acid units, and facilities for neutralisation and production of new fertilizers based on nitric acid at Grupa Azoty PUŁAWY. As at December 31st 2018, capitalised expenditure was PLN 67,891 thousand (December 31st 2017: PLN 4,965 thousand),
- increased volume and optimisation of production of liquid carbon dioxide at the Ammonia Department of Grupa Azoty PUŁAWY. As at December 31st 2018, capitalised expenditure was PLN 30,189 thousand (December 31st 2017: PLN 789 thousand),
- construction of a neutralisation unit at Grupa Azoty PUŁAWY. As at December 31st 2018, capitalised expenditure was PLN 17,548 thousand (December 31st 2017: PLN 1,806 thousand),
- construction of Special Esters I Demonstrator at Grupa Azoty ZAK. As at December 31st 2018, capitalised expenditure was PLN 49,480 thousand (as at December 31st 2017: PLN 8,156 thousand),
- upgrade of the security system on the GHH turbine generator set at Grupa Azoty ZAK. As at December 31st 2018, capitalised expenditure was PLN 25,238 thousand (as at December 31st 2017: PLN 4,043 thousand),
- change of the phosphoric acid manufacturing method at Grupa Azoty POLICE. As at December 31st 2018, capitalised expenditure was PLN 61,919 thousand (December 31st 2017: PLN 12,591 thousand).

Impairment test

As at December 31st 2018, expenditure on property, plant and equipment and intangible assets incurred by PDH (Polimery CGU) was tested for impairment. In order to estimate the present value of the expected future cash flows generated by the Project, a financial forecast was prepared based on the current assumptions regarding the estimated cash outflows needed before the Project is placed in service and the expected economic benefits during the Project operation. The fair value of the assets was estimated based on a 35-year operation period of the Project as from the start-up of the production units scheduled for Q2 2022, without taking into account the residual value. In particular, a number of assumptions of key importance for the future financial performance were updated, including long-term price assumptions for products and for key raw materials and utilities, based on materials prepared by reputable consultancies. The total estimated budget of the project in the financial forecast was equivalent to EUR 1.5bn. The impairment test was prepared on the assumption that financing would be raised in the required amount. As at the date of these financial statements, the Group was taking steps to raise an optimum mix of debt and equity financing. The analysis revealed a significant excess of the estimated present value over the carrying amount of the tested assets. At the same time, it should be noted that capital expenditure incurred to date as part of the preparatory phase of the Polimery Police project represents approximately 3% of the estimated total capital expenditure.

Collateral

As at December 31st 2018, the net carrying amount of property (buildings and structures), plant and equipment pledged as security for bank loans was PLN 26,962 thousand (December 31st 2017: PLN 16,176 thousand).

Obligation/restriction on use	**as at Dec 31 2018**	**as at Dec 31 2017**
Bank loan/mortgage	20,824	9,885
Bank loan/registered pledge	6,138	6,291

(all amounts in PLN '000 unless indicated otherwise)

	26,962	**16,176**

Property, plant and equipment used under finance leases

	as at Dec 31 2018	as at Dec 31 2017
Carrying amount of property, plant and equipment used under finance leases, including:	**31,328**	**30,668**
Plant and equipment	7,818	7,660
Vehicles	23,284	22,679
Other property, plant and equipment	226	329

Under finance lease contracts, the Group uses mainly computer hardware, IT infrastructure, catalytic equipment and means of transport, including locomotives, railway cars, passenger cars and forklifts.

Note 10.1 Property, plant and equipment held for sale

	as at Dec 31 2018	as at Dec 31 2017
Land	95	95
Buildings and structures	198	187
Plant and equipment	104	78
Vehicles	9	9
Other property, plant and equipment	3	3
Property, plant and equipment under construction	305	305
Perpetual usufruct of land	1,741	1,741
Investment property	6,595	6,595
Receivables	-	77
Non-bank borrowings	-	1,465
	9,050	**10,555**

Note 11 Perpetual usufruct rights

As at December 31st 2018, perpetual usufruct rights to land were PLN 470,178 thousand (December 31st 2017: PLN 476,616 thousand).

	as at Dec 31 2018	as at Dec 31 2017
Perpetual usufruct of land	**470,178**	**476,616**

Perpetual usufruct of land

	Perpetual usufruct of land
As at December 31st 2018	
Gross carrying amount	513,829
Accumulated depreciation (-)	(43,601)
Impairment (-)	(50)
Net carrying amount as at December 31st 2018	**470,178**
As at December 31st 2017	
Gross carrying amount	515,511
Accumulated depreciation (-)	(38,895)

Net carrying amount as at December 31st 2017	476,616

(all amounts in PLN '000 unless indicated otherwise)

Note 12 Intangible assets

Carrying amount

	as at Dec 31 2018	as at Dec 31 2017
Trade marks	155,438	88,788
Corporate logo	218,166	84,000
Customer portfolio	197,412	50,222
Patents and licences	94,425	93,862
Software	30,021	36,319
Development costs	2,425	4,766
Other intangible assets	9,603	7,419
	707,490	**365,376**
Intangible assets under construction	55,574	30,379
	763,064	**395,755**

As at December 31st 2018, the carrying amount of the trademarks recognised on acquisition of Grupa Azoty POLICE was PLN 55,688 thousand (December 31st 2017: PLN 55,688 thousand). As at December 31st 2016, the carrying amount of the trademarks recognised on acquisition of Grupa Azoty PUŁAWY was PLN 33,100 thousand (December 31st 2017: PLN 33,100 thousand).
As at December 31st 2018, the value of trademarks rose by PLN 66,501 thousand following the acquisition of Goat TopCo. The value of Goat TopCo trademarks is measured in accordance with IFRS 3. The trademarks are not amortised. The Group assumed the indefinite useful life of trademarks due to their long-term existence on the market and absence of plans to change or replace them in the future.
As at December 31st 2018, the value of the PUŁAWY corporate logo was PLN 42,000 thousand (December 31st 2017: PLN 84,000 thousand).
As at December 31st 2018, the value of the corporate logo increased by PLN 176,065 thousand following the acquisition of Goat TopCo.
As at December 31st 2018, the value of the customer portfolio is primarily related to the customers of the Agro-Fertilizers segment. The customer portfolios were recognised on acquisition of Grupa Azoty POLICE, Grupa Azoty PULAWY and Goat TopCo.
As at December 31st 2018, the carrying amount of the customers portfolio recognised on acquisition of Grupa Azoty PUŁAWY amounted to PLN 24,183 thousand (December 31st 2017: PLN 49,840 thousand); the remaining amortisation period of the portfolio is one year.
As at December 31st 2018, the value of Goat TopCo's customer portfolio was PLN 173,427 thousand.
The remaining value of the customers portfolio was recognised on acquisition of Grupa Azoty POLICE, and amounts to PLN 0.00 thousand (December 31st 2017: PLN 382 thousand).
For information on impairment tests of intangible assets with an indefinite useful life, see Note 12.1.

The Group does not carry any intangible assets with restricted legal title or intangible assets pledged as collateral.
Amortisation of intangible assets is generally allocated to the administrative expenses.
The carrying amount of research and development work recognised as an expense in 2018 was PLN 13,924 thousand (2017: PLN 16,026 thousand).

(all amounts in PLN '000 unless indicated otherwise)

Intangible assets, net

	Trade marks	Corporate logo	Customer portfolio	Patents and licences	Software	Development costs	Other intangible assets	Intangible assets under construction	Total
Net carrying amount as at January 1st 2018	**88,788**	**84,000**	**50,222**	**93,862**	**36,319**	**4,766**	**7,419**	**30,379**	**395,755**
Increase, including:	***66,650***	***176,457***	***173,808***	***10,671***	***1,111***	***292***	***3,425***	***36,970***	***469,384***
Purchase, production, commissioning	-	-	-	6,200	1,096	291	1,055	28,158	36,800
Exchange differences on translation	149	392	381	6	3	-	26	3	960
Reversal of impairment losses	-	-	-	-	-	-	96	2,690	2,786
Merger, acquisition, including:	66,501	176,065	173,427	4,371	-	-	2,248	1,270	423,882
On acquisition of Goat TopCo	*66,501*	*176,065*	*173,427*	*4,213*	-	-	*2,247*	*1,270*	*423,724*
Other increase	-	-	-	94	12	1	-	4,849	4,956
Decrease, including:(-)		***(42,291)***	***(26,618)***	***(10,108)***	***(7,409)***	***(2,633)***	***(1,241)***	***(11,775)***	***(102,075)***
Depreciation and amortisation	-	(42,291)	(26,618)	(10,106)	(5,499)	(290)	(1,151)	-	(85,955)
Liquidation	-	-	-	-	(5)	-	(90)	-	(95)
Commissioning	-	-	-	-	-	-	-	(7,992)	(7,992)
Recognition of impairment loss	-	-	-	-	(609)	(18)	-	(160)	(787)
Other decrease	-	-	-	(2)	(1,296)	(2,325)	-	(3,623)	(7,246)
Net carrying amount as at December 31st 2018	**155,438**	**218,166**	**197,412**	**94,425**	**30,021**	**2,425**	**9,603**	**55,574**	**763,064**

(all amounts in PLN '000 unless indicated otherwise)

	Trade marks	Corporate logo	Customer portfolio	Patents and licences	Software	Development costs	Other intangible assets	Intangible assets under construction	Exploration for and evaluation of mineral resources	Total
Net carrying amount as at January 1st 2017	**88,788**	**105,000**	**71,157**	**96,088**	**32,864**	**9,611**	**8,484**	**28,830**	**35,861**	**476,683**
Increase, including:	**-**	**-**	**-**	**7,563**	**9,785**	**184**	**49**	**19,078**	**3,304**	**39,963**
Purchase, production, commissioning	-	-	-	7,563	9,781	115	44	17,877	3,304	38,684
Other increase	-	-	-	-	4	69	5	1,201	-	1,279
Decrease, including:(-)	***-***	***(21,000)***	***(20,935)***	***(9,789)***	***(6,330)***	***(5,029)***	***(1,114)***	***(17,529)***	***(39,165)***	***(120,891)***
Depreciation and amortisation	-	(21,000)	(20,935)	(9,789)	(5,615)	(283)	(1,061)	-	-	(58,683)
Disposal	-	-	-	-	(7)	-	-	-	-	(7)
Liquidation	-	-	-	-	(7)	-	(7)	-	-	(14)
Commissioning	-	-	-	-	-	(62)	-	(14,498)	-	(14,560)
Recognition of impairment loss	-	-	-	-	(688)	(3,483)	-	(2,690)	(37,791)	(44,652)
Exchange differences on translation	-	-	-	-	(13)	-	(46)	-	(1,374)	(1,433)
Other decrease	-	-	-	-	-	(1,201)	-	(341)	-	(1,542)
Net carrying amount as at December 1st 2017	**88,788**	**84,000**	**50,222**	**93,862**	**36,319**	**4,766**	**7,419**	**30,379**	**-**	**395,755**

(all amounts in PLN '000 unless indicated otherwise)

Intangible assets

	Trade marks	Corporate logo	Customer portfolio	Patents and licences	Software	Development costs	Other intangible assets	Intangible assets under construction	Exploration for and evaluation of mineral resources	Total
As at December 31st 2018										
Gross carrying amount	156,964	281,457	375,808	173,030	71,046	5,731	80,333	60,761	-	1,205,130
Accumulated depreciation (-)	(1,526)	(63,291)	(178,396)	(71,905)	(38,375)	(3,111)	(70,125)	-	-	(426,729)
Impairment (-)	-	-	-	(6,700)	(2,650)	(195)	(605)	(5,187)	-	(15,337)
Net carrying amount as at December 31st 2018	**155,438**	**218,166**	**197,412**	**94,425**	**30,021**	**2,425**	**9,603**	**55,574**	**-**	**763,064**
As at December 31st 2017										
Gross carrying amount	**90,314**	**105,000**	**205,748**	**162,380**	**71,855**	**11,256**	**77,566**	**35,081**	**64,044**	**823,244**
Accumulated amortisation (-)	(1,526)	(21,000)	(155,526)	(61,818)	(33,495)	(2,852)	(69,446)	(446)	-	(346,109)
Impairment (-)	-	-	-	(6,700)	(2,041)	(3,638)	(701)	(4,256)	(64,044)	(81,380)
Net carrying amount as at December 1st 2017	**88,788**	**84,000**	**50,222**	**93,862**	**36,319**	**4,766**	**7,419**	**30,379**	**-**	**395,755**

Impairment losses and their use

	Patents and licences	Software	Development costs	Other intangible assets	Intangible assets under construction	Exploration for and evaluation of mineral resources	Total
As at December 31st 2018	**6,700**	**2,041**	**3,638**	**701**	**4,256**	**64,044**	**81,380**
Impairment loss recognised in the statement of profit or loss	-	609	18	-	160	-	787
Reversal and use of impairment losses recognised in the statement of profit or loss (-)	-	-	-	(96)	(2,690)	(64,044)	(66 830)
Presentation change	-	-	(3,461)		3,461	-	-
Net carrying amount as at Dec 31 2018	**6,700**	**2,650**	**195**	**605**	**5,187**	**-**	**15,337**
As at December 31st 2017							
Impairment loss recognised in the statement of profit or loss	**6,700**	**1,353**	**155**	**701**	**1,566**	**28,349**	**38,824**
Reversal and use of impairment losses recognised in the statement of profit or loss (-)	-	688	3,483	-	2,690	37,791	**44,652**

(all amounts in PLN '000 unless indicated otherwise)

Exchange differences on translation	-	-	-	-	-	(2,096)	**(2,096)**
Net carrying amount as at December 1st 2017	**6,700**	**2,041**	**3,638**	**701**	**4,256**	**64,044**	**81,380**

(all amounts in PLN '000 unless indicated otherwise)

Note 12.1 Goodwill

	as at Dec 31 2018	as at Dec 31 2017
On acquisition of Goat TopCo	548,968	-
On acquisition of Grupa Azoty POLICE	29,815	29,815
On acquisition of control by Grupa Azoty Koltar	1,720	1,720
On acquisition of control of Unibaltic Agro	933	933
	581,436	**32,468**

(all amounts in PLN '000 unless indicated otherwise)

Recoverable amount of CGUs comprising goodwill and intangible assets with indefinite useful lives

<table>
<tr><th>Item</th><th>Assets</th><th>Grupa Azoty Puławy</th><th>Grupa Azoty Police</th><th>Goat TopCo</th></tr>
<tr><td>Allocation to CGU</td><td>Goodwill and intangible assets with indefinite useful lives</td><td>Agro – PLN 33,100 thousand
Chemicals – PLN 0.00 thousand</td><td>Fertilizers – PLN 58,507 thousand
Pigments – PLN 26,996 thousand</td><td>Fertilizers – PLN 791,534 thousand</td></tr>
<tr><td rowspan="2">Recognition of impairment loss</td><td>Goodwill Intangible assets with indefinite useful lives</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Property, plant and equipment</td><td>None</td><td>None</td><td>None</td></tr>
<tr><td>Nominal weighted average cost of capital (WACC) (%)</td><td></td><td>7.01</td><td>7.01</td><td>7.01</td></tr>
<tr><td>Key assumptions</td><td></td><td>The business will continue for an indefinite period.
The EBITDA margin for the Agro-Fertilizers CGU was assumed at 8.29% in the first year of the projection (2017: 13.2%) and within a range from 11.1% to 20.9% in the following years (2017: from 16.4% to 18.2%).
The total volume of fertilizer sales will be comparable to the volumes recorded in the past.
The corporate assets of Grupa Azoty PUŁAWY were allocated to the CGUs on an indirect basis. The cost ratios were assumed to be the most rational allocation method for most corporate assets.
The growth rate in the residual period will amount to 2.3% (2017: 1.6%).</td><td>Future cash flows were estimated using a detailed financial forecast for 2019-2026 with the residual value for the Pigments segment and for 2019-2042 without the residual value for the Fertilizers segment.
In the case of the Fertilizers CGU, the forecast period was assumed to end by 2042. For the Pigments segment, forecasts with residual values were adopted. The corporate assets shared by both CGUs, recorded within the Support and Administration functions, were allocated to the CGUs on an indirect basis.
It was concluded that the most reasonable way of allocating the corporate-level assets and liabilities was the cost basis.

For the residual value, a long-term growth rate of 2.3% was assumed.</td><td>Financial projections were based on a long-term plan prepared by the Goat TopCo Management Board for 2019–2026, taking into account the residual value.

A long-term nominal growth rate of 1.9% was assumed to determine the residual value (inflation rate forecast for the EU).</td></tr>
<tr><td>Value in use</td><td></td><td>Agro – PLN 6,734,788 thousand
Chemicals – PLN 1,273,048 thousand</td><td>Fertilizers – PLN 1,168,335 thousand
Pigments – PLN 332,458 thousand</td><td>Entire Group EUR 381.8m
(PLN 1,641.7m)</td></tr>
</table>

Sensitivity analyses of the performed tests show that Grupa Azoty Puławy does not need to recognise impairment losses in the Agro segment in the event of an EBITDA decrease by no more than 56% or WACC discount rate increase to no more than 18.71%, and in the Chemicals segment – in the event of an EBITDA decrease by no more than 1% or no increase in the WACC discount rate above the level assumed for testing purposes, i.e. 7.01%. In the case of Grupa Azoty Police, the corresponding levels for the Fertilizers segment are an EBITDA decrease by 1.11% and WACC discount rate increase to 7.18%, and for the Pigments segment – an EBITDA decrease by 0.07% and WACC discount rate increase to 7.02%. No impairment will occur for the Goat TopCo Group in the event of an EBITDA decrease by no more than 3.34% or the WACC discount rate increase to no more than 7.31%.

(all amounts in PLN '000 unless indicated otherwise)

Note 13 Investment property

	as at Dec 31 2018	as at Dec 31 2017
Carrying amount at the beginning of the period	**49,649**	**66,054**
Increase, including:	***4,759***	***3,430***
Purchase, production, subsequent expenditure	1,357	898
Accounting for business acquisition	2,403	-
Reclassification from another asset category	625	2,450
Other increase	374	82
Decrease, including:(-)	***(10,609)***	***(19,835)***
Depreciation (-)	(3,989)	(3,049)
Sale, liquidation	(28)	(725)
Reclassification to another asset category	(6,578)	(15,863)
Recognition of impairment loss	(9)	(19)
Other decrease	(5)	(179)
Carrying amount at the end of the period	**43,799**	**49,649**

In 2018, revenue from lease of investment property amounted to PLN 18,938 thousand (2017: PLN 17,976 thousand).
As at December 31st 2018, investment property had a gross carrying amount of PLN 107,850 thousand (December 31st 2017: PLN 95,033 thousand).
As at December 31st 2018, fair value of investment property was PLN 80,831 thousand (December 31st 2017: PLN 81,493 thousand).

Note 14 Financial assets
Note 14.1 Shares

	as at Dec 31 2018	as at Dec 31 2017
Shares in associates and jointly-controlled entities, including:	89,496	111,059
Bałtycka Baza Masowa (jointly controlled)	*14,889*	*15,273*
CTL KOLZAP (jointly controlled)	*-*	*12,730*
KEMIPOL (associated)	*74,607*	*75,355*
CTL CHEMKOL (associated)	*-*	*7,701*
Shares in other unconsolidated investees	9,113	14,690
	98,609	**125,749**
including		
Long-term	98,609	125,749
	98,609	**125,749**

Investments in associates and jointly-controlled entities
Kemipol Sp. z o.o. of Police is an individually material associate accounted for using the equity method. Its principal business includes services related to the installation and maintenance of machinery on water and sewage facilities, and disposal of waste. As at December 31st 2018 and December 31st 2017, the Group's ownership interest was 33.99%. Kemipol Sp. z o.o. is an associated company of Grupa Azoty POLICE. In the period under review, there were no changes in the shares held in the associate.

(all amounts in PLN '000 unless indicated otherwise)

The table below presents summary information regarding the investment in Kemipol Sp z o.o.

	as at Dec 31 2018	as at Dec 31 2017
Value of the investment in the associate, determined using the equity method	74,607	75,355
Current (short-term) assets	55,590	58,150
Non-current (long-term) assets	40,352	40,408
Current liabilities	17,679	18,070
Non-current liabilities	1,374	1,396

	for the period Jan 1 - Dec 31 2018	for the period from Jan 1 to Dec 31 2017
Revenue	165,612	165,453
Profit from continuing operations	36,348	38,549
Profit/loss for financial year	36,348	38,549
Total comprehensive income for the year	36,348	38,549
Dividends received from the associate, attributable to shareholders of the Parent	13,103	10,942

Reconciliation of the above financial information with the carrying amounts of the shares in Kemipol Sp. z o.o. disclosed in the Group's consolidated financial statements:

	as at Dec 31 2018	as at Dec 31 2017
Group's holding in the Group's share capital	33.99	33.99
Net assets attributable to Grupa Azoty	26,135	26,883
Fair value adjustment as at the date of obtaining control	48,472	48,472
Equity-accounted investees	74,607	75,355

As at December 31st 2018, the total amount of investments in individually non-material associates and jointly-controlled entities, determined using the equity method, was PLN 14,889 thousand (December 31st 2017: PLN 35,704 thousand).

The table below presents summary information regarding the investment in Bałtycka Baza Masowa Sp. z o.o.

	for the period Jan 1 - Dec 31 2018	for the period from Jan 1 to Dec 31 2017
Net profit from continuing operations	1,367	567
Other comprehensive income for the year	1,367	567
Total comprehensive income for the year	1,367	567

The table below presents a summary of investment projects in the period January 1st–December 31st 2017.

	KOLZAP Sp. z o.o.	CTL CHEMKOL Sp. z o.o.
Net profit from continuing operations	2,521	933
Other comprehensive income for the year	2,521	933
Total comprehensive income for the year	2,521	933

Shares in other entities

Shares in other entities are measured at fair value through other comprehensive income. The Group has adopted this presentation model because of the nature of those entities and the size of the Group's shareholdings in them.

As at December 31st 2018, the largest item was the shares in Tarnowskie Wodociągi – PLN 6,464 thousand (December 31st 2017: PLN 12,027 thousand).

(all amounts in PLN '000 unless indicated otherwise)

Note 14.2 Other financial assets

	as at Dec 31 2018	as at Dec 31 2017
Bank deposits maturing in more than 3 months	11,997	253,498
Non-bank borrowings	3,178	339
Other	2,263	2,073
	17,438	**255,910**
including		
Long-term	2,377	2,226
Short-term	15,061	253,684
	17,438	**255,910**

Note 15 Inventories

	as at Dec 31 2018	as at Dec 31 2017
Finished products	526,710	302,166
Semi-finished products, work in progress	170,380	142,308
Materials	735,611	547,188
Merchandise	71,196	11,552
Total inventories, including:	**1,503,897**	**1,003,214**
carrying amount of inventories at realisable value less cost to sell	*20,627*	*37,090*
Carrying amount of inventories pledged as security for liabilities	-	-

	for the period Jan 1 - Dec 31 2018	for the period from Jan 1 to Dec 31 2017
Write-downs of inventories recognised as expense in the period	41,834	23,024
Write-downs used/reversed in the period	(38,211)	(21,580)
	3,623	**1,444**

Amount of inventories recognised as expense in the period

	for the period Jan 1 - Dec 31 2018	for the period Jan 1– Dec 31 2017
Raw materials and consumables used	6,122,652	5,486,585
Change in inventories of finished goods (+/-)	(90,329)	(77,298)
	6,032,323	**5,409,287**

	as at Dec 31 2018	as at Dec 31 2017
Inventory write-downs	48,739	44,472

Inventory write-downs recognised in 2018 relate to finished goods, semi-finished products and materials 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 and are included in the statement of profit or loss as cost of sales.

(all amounts in PLN '000 unless indicated otherwise)

Note 16 Property rights

	as at Dec 31 2018	as at Dec 31 2017
Emission allowances	257,292	178,657
Energy certificates	3,591	6,930
Other	884	3,300
Total property rights, including:	**261,767**	**188,887**
carrying amount of property rights at fair value less cost to sell	*760*	*3,205*

	as at Dec 31 2018	as at Dec 31 2017
Impairment losses on property rights recognised as expense in the period	501	(149)
Impairment losses on property rights used/reversed in the period	(149)	595
Inventory write-downs	**352**	**446**

Note 16.1 CO_2 emission allowances

CO_2 emission allowances held (number of units)

	as at Dec 31 2018	as at Dec 31 2017
Balance at the beginning of the period (units held)	**7,988,473**	**8,993,047**
Redeemed	(7,627,962)	(7,547,399)
Allocated	4,745,301	5,153,114
Purchased	1,354,094	1,389,711
Balance at the end of the period (units held)	**6,459,906**	**7,988,473**
Emissions in the reporting period	7,344,625	7,627,155

Following completion of investment projects in 2016–2017, the Group received 478,296 additional CO_2 emission allowances in 2018. In 2017, following completion of investment projects in 2015–2016, the Group received 348,460 additional CO_2 emission allowances.
As at December 31st 2018, the Group held almost the entire amount of CO_2 emission allowances (purchased, received or acquired under futures transactions settled after the reporting date) required to be redeemed in 2018. As at the date of these financial statements, the Group had emission allowances required to fully cover actual emissions in 2018.
The difference between the deficit and the quantities shown in the table above is attributable to the fact that as at December 31st 2018 the Group held futures contracts due for delivery and settlement in 2019, to cover its emissions in 2018.

(all amounts in PLN '000 unless indicated otherwise)

Note 17 Trade and other receivables

	as at Dec 31 2018	as at Dec 31 2017
Trade receivables - related parties	-	2,371
Trade receivables - other entities	1,135,870	806,030
Receivables from state budget, except for income tax	333,156	238,309
Receivables under construction contracts - other entities	629	579
Prepayments for deliveries of property, plant and equipment and intangible assets - other entities	161,873	127,305
Prepayments for deliveries of materials, goods and services – related parties	-	1,334
Prepayments for deliveries of materials, goods and services - other entities	22,533	12,219
Prepaid expenses - related parties	2	-
Prepaid expenses - other entities	32,596	20,208
Other receivables - related parties	666	-
Other receivables - other entities	51,981	17,919
	1,739,306	**1,226,274**
including		
Long-term	185,397	137,850
Short-term	1,553,909	1,088,424
	1,739,306	**1,226,274**

Changes in loss allowances (including for estimated credit loss) - Trade and other receivables

	for the period Jan 1 - Dec 31 2018	for the period from Jan 1 to Dec 31 2017
At beginning of period	**98,045**	**80,505**
IFRS 9 adjustment	*(203)*	-
Recognised	13,568	24,275
Reversed	(9,384)	(5,790)
Used	(21,433)	(945)
Changes in the Group	1,753	-
Exchange differences on translation	(56)	-
At end of period	**82,290**	**98,045**
including		
Long-term	-	460
Short-term	82,290	97,585
	82,290	**98,045**

Effect of changes in credit risk during the reporting period on expected loss on short-term trade receivables

	Gross receivables	Expected credit loss	Expected credit loss in %	Net receivables
	2018.12	2018.12	2018.12	2018.12
Not past due	1,048,853	9,244	0.88%	1,039,609

(all amounts in PLN '000 unless indicated otherwise)

Past due up to 60 days	81,294	987	1.21%	80,307
Past due 60-180 days	14,818	1,178	7.95%	13,640
Past due 180-360 days	3,584	2,137	59.63%	1,447
Past due more than 360 days	69,611	68,744	98.75%	867
	1,218,160	**82,290**	**6.76%**	**1,135,870**

Trade and other receivables by currency

	as at Dec 31 2018	as at Dec 31 2017
PLN	765,572	750,315
EUR translated into PLN	725,501	358,679
USD translated into PLN	168,296	100,777
XOF translated into PLN	14	6,845
Other*	79,923	9,658
	1,739,306	**1,226,274**
including		
Long-term	185,397	137,850
Short-term	1,553,909	1,088,424
	1,739,306	**1,226,274**

*GBP, CHF, BRL, INR, TRY, MXN, CNY, MYR, ZAR

Impairment losses on receivables were recognised as it became probable they would not be collectible and in view of the estimated loss.
Receivables of PLN 52,508 thousand (December 31st 2017: PLN 20,388 thousand) serve as security for the Group's liabilities under receivables discounting.

Note 17.1 Prepayments

	as at Dec 31 2018	as at Dec 31 2017
Insurance premiums	9,890	6,607
Subscriptions	329	474
Charges – Perpetual usufruct of land	-	377
Advertising	431	459
Other	21,948	12,291
	32,598	**20,208**
including		
Long-term	14,231	9,601
Short-term	18,367	10,607
	32,598	**20,208**

Note 18 Cash

	as at Dec 31 2018	as at Dec 31 2017
Cash in hand	589	547
Bank balances in PLN	391,706	187,720
Bank balances in foreign currencies (translated to PLN)	151,460	301,339
Bank deposits – up to 3 months	302,166	588,223

(all amounts in PLN '000 unless indicated otherwise)

Other bank deposits	482	7,849
Other	129	207
	846,532	**1,085,885**
Cash and cash equivalents in the statement of financial position	**846,532**	**1,085,885**
Cash and cash equivalents in the statement of cash flows	**846,532**	**1,085,885**
Restricted cash	**2,158**	**1,115**

On September 30th 2016, the Parent and other Grupa Azoty Group companies entered into a PLN physical cash pooling agreement with PKO BP (PLN PCP). On November 2nd 2018, the Group also entered into a EUR physical cash pooling agreement (EUR CPC). These physical cash pooling agreements are linked to the PLN 310m and EUR 75m overdraft facility agreements with PKO BP (PLN OFA and EUR OFA).
The purpose of the physical cash pooling arrangements is to optimise financial flows, allowing the Group to effectively manage its global liquidity limits in the złoty and the euro and flexibly allocate them across the Group, thus ensuring financial security of the Group companies while optimising interest income and expenses. The Parent acts as an agent coordinating the cash pooling services within the Group, which means that individual Group companies settle their accounts with the Parent, and the Parent – with PKO BP.
Any surplus cash is invested by the Group in bank deposits of up to three months.
As at December 31st 2018, the Group had a positive balance of PLN 282,202 thousand under the PLN CPC agreement linked to PLN OFA, disclosed under cash and cash equivalents, and a total negative balance of PLN 180,248 thousand (EUR 41,918 thousand) under the EUR PCP agreement linked to EUR OFA, disclosed under current liabilities under borrowings.
Since July 1st 2018, the Group has held cash in separate bank accounts to which domestic trading partners transfer VAT pursuant to the ‘split payment’ provisions of Art. 108a-108d of the Act on Value Added Tax. As at December 31st 2018, the balance of cash held in such VAT accounts was PLN 3,168 thousand and was included in the total amount of cash at banks (PLN) disclosed in the note in an amount of PLN 391,706 thousand.

Effect of changes in credit risk during the reporting period on expected loss

	Cash as at Jan 1 2018	Cash as at Dec 31 2018	Estimated credit loss as at Dec 31 2018	Cash net of credit loss as at Dec 31 2018
Estimated over a period of up to 12 months, including:	**1,085,338**	**846,218**	**(276)**	**845,943**
AAA/AA	-	25,317	(2)	25,315
A	513,423	467,650	(88)	467,562
BBB/BB	444,684	334,453	(145)	334,308
B	12,168	10,669	(57)	10,612
Other	115,063	8,130	16	8,146

(all amounts in PLN '000 unless indicated otherwise)

Note 19 Other assets

	as at Dec 31 2018	as at Dec 31 2017
Drilling and production costs	14,562	10,882
Other	379	337
	14,941	**11,219**
including		
Long-term	363	337
Short-term	14,578	10,882
	14,941	**11,219**

Note 20 Equity

Note 20.1 Share capital

Share capital

	as at Dec 31 2018	as at Dec 31 2017
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 2018	as at Dec 31 2017
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 Group 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 Parent carrying at least one-fifth of the total voting rights, the other shareholders' voting rights will be limited in such a manner that no shareholder may exercise at the General Meeting more than one-fifth of total voting rights existing on the day of the General Meeting.

Note 20.2 Share premium

	as at Dec 31 2018	as at Dec 31 2017
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 value of hedging instruments, i.e. bank loans 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 when the hedged cash flows occur.

(all amounts in PLN '000 unless indicated otherwise)

Note 20.4 Non-controlling interests

Dec 31 2018	Grupa Azoty POLICE	Grupa Azoty PUŁAWY	Grupa Azoty ZAK	PDH Polska S.A.	ZARZĄD MORSKIEGO PORTU POLICE	
Equity attributable to non-controlling interests (%)	**34.00%**	**4.02%**	**6.52%**	**20.00%**	**34.06%**	
Non-current assets	1,748,026	3,233,514	1,498,564	184,266	10,700	
Current assets	600,969	1,330,080	589,769	112,052	38,668	
Non-current liabilities	(441,843)	(266,632)	(385,331)	(330)	-	
Current liabilities	(726,401)	(831,984)	(481,334)	(13,434)	(1,145)	
Net assets	**1,180,751**	**3,464,978**	**1,221,668**	**282,554**	**48,223**	
Non-controlling interests	**314,049**	**120,284**	**78,735**	**56,340**	**16,393**	
Revenue	2,411,802	3,107,307	1,963,179	51	3,967	
Net profit/(loss)	53,212	(159)	11,585	(9,731)	4,040	
Other comprehensive income	(1,440)	(388)	(6,488)	61	-	
Total profit or loss and other comprehensive income	51,772	(547)	5,097	(9,670)	4,040	
Net profit/(loss) attributable to non-controlling interests	18,092	(6)	755	(1,946)		**1,376**
Other comprehensive income attributable to non-controlling interests	**(490)**	**(16)**	**(423)**	**12**	**-**	
Cash flows from operating activities	210,869	376,715	178,975	(9,504)	1,602	
Cash flows from investing activities	(170,589)	(276,949)	(138,155)	(58,720)	(221)	
Cash flows from financing activities	(77,406)	(87,576)	(5,766)	120,271	-	
Total net cash flows	**(37,126)**	**12,190**	**35,054**	**52,047**	**1,381**	
Dividend payable to non-controlling interests	**13,515**	**3,427**	**2,639**	**-**	**-**	

(all amounts in PLN '000 unless indicated otherwise)

December 31st 2017	Grupa Azoty POLICE	Grupa Azoty PUŁAWY	Grupa Azoty ZAK	PDH Polska S.A.	ZARZĄD MORSKIEGO PORTU POLICE	African Investment Group
Equity attributable to non-controlling interests (%)	34.00%	4.02%	6.52%	29.00%	34.06%	63.77%
Non-current assets	1,651,035	2,916,575	1,468,112	115,448	11,146	844
Current assets	552,812	1,584,568	462,873	58,117	33,374	7,574
Non-current liabilities	(391,743)	(247,090)	(358,568)	(327)	-	(82,370)
Current liabilities	(642,510)	(703,523)	(315,367)	(5,014)	(337)	(59,893)
Net assets	1,169,594	3,550,530	1,257,050	168,224	44,183	(133,845)
Non-controlling interests	**397,662**	**142,731**	**81,960**	**48,785**	**15,049**	**(85,353)**
Revenue	2,585,370	3,060,088	1,827,424	50	4,606	8
Net profit	141,140	220,560	78,057	(7,231)	1,567	(44,250)
Other comprehensive income	299	(3,767)	(570)	7	-	4,562
Total profit or loss and other comprehensive income	**141,439**	**216,793**	**77,487**	**(7,224)**	**1,567**	**(39,688)**
Net profit attributable to non-controlling interests	**47,988**	**8,867**	**5,089**	**(2,097)**	**534**	**(28,218)**
Other comprehensive income attributable to non-controlling interests	**102**	**(151)**	**(37)**	**2**	**-**	**2,909**
Cash flows from operating activities	283,667	455,901	125,900	(1,217)	1,930	(5,362)
Cash flows from investing activities	(231,634)	(3,584)	(160,354)	(26,035)	(273)	(3,315)
Cash flows from financing activities	(21,784)	(165,536)	(15,076)	52,000	(974)	7,971
Total net cash flows	**30,249**	**286,781**	**(49,530)**	**24,748**	**683**	**(706)**
Dividend payable to non-controlling interests	10,710	6,593	3,346	-	-	-

(all amounts in PLN '000 unless indicated otherwise)

The non-controlling interests in other subsidiaries are not individually material.

	as at Dec 31 2018	as at Dec 31 2017
At beginning of period	587,648	576,774
Effect of IFRS 9 and IFRS 15	*(400)*	-
Dividend paid by subsidiaries	(20,350)	(21,949)
Loss of control over a subsidiary	60,889	-
Changes in the subsidiaries' shareholding structure	654	(3,467)
Share in profit/loss of subsidiaries	(3,056)	35,810
Other	(197)	480
At end of period	625,188	**587,648**

As at December 31st 2018 and December 31st 2017, the proportion of non-controlling shareholders' voting rights at the Group's subsidiaries was equal to the non-controlling shareholders' interest in their respective share capitals,

Note 20.5 Acquisition of non-controlling interests

Since November 2015, in accordance with the provisions of the agreement for the sale of shares in Grupa Azoty SIARKOPOL of September 25th 2013 and the terms of the Social Package, the Parent has been buying back the shares held by employees of Grupa Azoty SIARKOPOL and their heirs. The buyout programme covers up to 825,000 shares.
In 2017, the programme was closed.

Note 20.6 Dividends

On June 28th 2018, the Annual General Meeting of the Parent passed a resolution to pay dividend for 2017 as follows:

- total dividend amount: PLN 123,994,355.00,
- dividend per share is PLN 1.25,
- dividend will be paid on all Company shares (99,195,484 shares).
- the dividend record date is July 25th 2018,
- the dividend payment date is August 8th 2018.

The dividend was paid out in a timely manner.

Note 21Borrowings

	as at Dec 31 2018	as at Dec 31 2017
Bank borrowings	2,739,456	1,476,873
Non-bank borrowings	111,517	158,215
	2,850,973	**1,635,088**
including		
Long-term	2,488,353	1,564,879
Short-term	362,620	70,209
	2,850,973	**1,635,088**

The Group's financing is based on variable and fixed interest rates. Depending on the currency, the variable rates are based on WIBOR or EURIBOR.
Grupa Azoty has unused umbrella limits under PLN and EUR overdraft credit facilities linked to physical cash pooling facilities in both currencies and under a multi-purpose credit facility. These sources of funds may be used by the Parent at times of increased demand for funding by the Group companies. Complementarily, the Group has unused available limits resulting from bilateral and multi-purpose overdrafts held by the Group's entities.
The amount of limits under overdraft and multi-purpose credit facilities available to the Group as at December 31st 2018 was PLN 677m. In addition, as at the reporting date, the Group had unused limits

under corporate credit facilities of approximately PLN 2,353m and approximately PLN 52m in funds available under special purpose loans.
In total, as at December 31st 2018 the Group had access to credit limits under the agreements specified above of approximately PLN 3,082m (December 31st 2017: PLN 1,188m).

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 and term credit facility agreement.
For further information on covenants, see Note 28.3.2.

Security for borrowings
The corporate financing package is secured in the form of harmonised sureties and guarantees granted by the selected subsidiaries, i.e. Grupa Azoty Puławy S.A., Grupa Azoty Police S.A. and Grupa Azoty ZAK S.A. Each of the above-mentioned subsidiaries provided sureties/guarantees up to 1 /3 of 120% of the value of the loan agreements, including:
- the PLN 3,000m revolving credit facility and term credit facility (total sureties of up to PLN 3,600m),
- 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),
- the PLN 550m loan facility from the European Investment Bank (total guarantees of up to PLN 660m),
- the EUR 145m loan facility from the European Investment Bank (total guarantees of up to EUR 174m).
- the PLN 150m loan facility from the European Bank for Reconstruction and Development (total guarantees of up to PLN 180m).
- the PLN 500m loan facility from the European Bank for Reconstruction and Development (total guarantees of up to PLN 600m).

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

(all amounts in PLN '000 unless indicated otherwise)

Grupa Azoty Group's credit facility and loan agreements as at December 31st 2018

Credit facility/loan	Currency	Reference rate	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 Credit Facility	PLN	variable	-	708,689	(1,599)	(1,596)	(5,554)	717,438
Syndicated Credit Facility	EUR	variable	171,104	733,767	(528)	-	-	734,295
Overdraft facility with PKO BP S.A.	EUR	variable	41,918	180,248	180,248	-	-	-
Term loan facility from EIB	EUR	fixed	118,053	504,801	78,001	77,716	231,956	117,128
Term credit facility with EBRD	PLN	variable	-	149,840	23,114	23,014	69,110	34,602
Term credit facility II from EIB	EUR	fixed	50,155	215,105	592	(75)	71,469	143,119
Term credit facility II from EBRD	PLN	variable	-	98,689	63	(262)	32,656	66,232
Other	PLN		-	1	1	-	-	-
Multi-purpose credit facility limit	EUR	variable	13,941	13,941	5,341	3,440	5,160	-
Term credit facility from BGK	EUR	variable	20,000	86,000	17,200	17,200	51,600	
Loan from the National Fund for Environmental Protection and Water Management	PLN	variable	-	67,287	12,652	12,860	38,580	3,195
Loan from the Provincial Fund for Environmental Protection and Water Management	PLN	variable	-	44,230	10,525	11,250	22,455	-
Term credit facility from BGK	PLN	variable	-	7,125	7,125	-	-	-
Payment card credit facility from PKO BP S.A.	PLN	variable	-	9	9	-	-	-
Credit facility from Banco do Brasil	BRL	fixed	853	826	826	-	-	-
Credit facility from Banco Bradesco	USD	fixed	300	1,127	1,127	-	-	-
Credit facility from Alpha Bank	EUR	variable	241	1,036	1,036	-	-	-
Credit facility from Piraeus Bank	EUR	variable	754	3,242	3,242	-	-	-
Overdraft credit facility from Banco Popular	EUR	variable	905	3,892	3,892	-	-	-
Overdraft credit facility from BBVA	EUR	variable	1,363	5,861	5,861	-	-	-
Overdraft credit facility	EUR	variable	2,899	12,466	12,466	-	-	-

(all amounts in PLN '000 unless indicated otherwise)

from Banco Sabadell								
Term credit facility from BBVA	EUR	variable	2,808	12,073	1,426	1,458	4,468	4,721
Term credit facility from CDTI	EUR	fixed	167	718	-	301	417	-
				2,850,973	**362,620**	**145,306**	**522,317**	**1,820,730**

Grupa Azoty Group's credit facility and loan agreements as at December 31st 2017

Credit facility/loan	Currency	Reference rate	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	(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	96	23,003	69,071	57,656
Overdraft credit facility	XOF	variable	158	1	1	-	-	-
Short-term credit facility	PLN	variable	-	6,108	6,108	-	-	-
Long-term credit facility from BNP	EUR	variable	19,670	81,932	-	81,932	-	-
Term credit facility from PKO BP	EUR	fixed	3,345	13,952	734	4,405	6,611	2,202
Loan from the Provincial Fund for Environmental Protection and Water Management	PLN	variable	-	55,270	10,270	11,250	33,750	-
Loan from the National Fund for Environmental Protection and Water Management	PLN	variable	-	80,066	12,571	12,860	38,580	16,055
Term credit facility from BGK	PLN	variable	-	3,530	3,530	-	-	-
				1,635,088	**70,209**	**208,056**	**1,091,578**	**265,245**

(all amounts in PLN '000 unless indicated otherwise)

Maturities and currencies of borrowings
As at December 31st 2018

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 / fixed	1,070,499	1,070,499	51,191	44,810	154,715	819,783
EUR	variable / fixed	415,171	1,778,521	309,476	100,496	367,602	1,000,947
USD	fixed	300	1,127	1,127	-	-	-
BRL	fixed	853	826	826	-	-	-
			2,850,973	362,620	145,306	522,317	1,820,730

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 / fixed	1,004,334	1,004,334	31,599	45,967	853,105	73,663
EUR	variable / fixed	151,253	630,753	38,609	162,089	238,473	191,582
XOF	variable	158	1	1	-	-	-
			1,635,088	70,209	208,056	1,091,578	265,245

Note 22 Other financial liabilities

	as at Dec 31 2018	as at Dec 31 2017
Finance lease liabilities	25,672	22,443
Liabilities under receivables discounting	52,340	20,387
Liabilities under reverse factoring agreements	132,833	-
Other	26,029	28,246
	236,874	**71,076**
including		
Long-term	38,736	39,592
Short-term	198,138	31,484
	236,874	**71,076**

None of the finance lease contracts is individually of significant value. In the periods covered by these financial statements, the Group incurred no expenses under contingent lease payments.
The lease contracts do not contain any non-standard provisions concerning restrictions on dividend distribution or assumption of other obligations (including other lease contracts). The fair value of lease liabilities approximates their carrying amount.
The majority of lease contracts are entered into to finance the purchase of vehicles (passenger cars, lorries, rolling stock, forklifts, heavy machinery). After the expiry of the lease term, the lessee has the right to purchase the leased assets. Most of the lease contracts are contracts with a floating reference rate.

Liabilities under reverse factoring agreements relate to liabilities towards suppliers paid by the financing party when due, and for which – in accordance with the terms of the payment service contract – the financing party postponed the due date in exchange for payment of interest by the Group for the financing period from the original payment date to the postponed date.

(all amounts in PLN '000 unless indicated otherwise)

Payment schedule for finance lease liabilities

	Minimum lease payments	Interest	Principal	Minimum lease payments	Interest	Principal
	Dec 31 2018			*Dec 31 2017*		
Up to 1 year	9,949	1,071	8,878	9,379	1,782	7,597
From 1 to 3 years	14,170	942	13,228	11,955	158	11,797
From 3 to 5 years	1,745	147	1,598	2,526	1,087	1,439
Over 5 years	3,713	1,745	1,968	3,398	1,788	1,610
	29,577	**3,905**	**25,672**	**27,258**	**4,815**	**22,443**

(all amounts in PLN '000 unless indicated otherwise)

Note 22.1 Change in liabilities arising from financing activities

Dec 31 2018

	Note	January 1st 2018	Changes arising from cash flows from financing activities	Effects of movements in foreign exchange rates	Other changes	December 31st 2018
Interest-bearing borrowings (long-term)	21	1,564,879	446,117	14,215	463,142	2,488,353
Liabilities under finance leases and lease contracts with purchase option (non-current)	22	14,846	(3,444)	-	5,404	16,806
Interest-bearing borrowings (short-term)	21	70,209	185,641	284	106,486	362,620
Liabilities under finance leases and lease contracts with purchase option (current)	22	7,597	(6,643)	-	7,912	8,866
Derivative financial instruments	28		-	-	188	188
Liabilities under receivables discounting	22	20,387	30,944	1,009	-	52,340
Liabilities under reverse factoring agreements	22	-	-		132,833	132,833
Other financial liabilities	22	28,246	(6,644)	-	4 427	26 029
Total liabilities arising from financing activities		**1,706,164**	**645,971**	**15,508**	**720,392**	**3,088,035**
Other financial liabilities	22	**71,076**	**14,213**	**1,009**	**150,576**	**236,874**
Derivative financial instruments	28	**-**	**-**	**-**	**188**	**188**
Borrowings	21	**1,635,088**	**631,758**	**14,499**	**569,628**	**2,850,973**

(all amounts in PLN '000 unless indicated otherwise)

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	1,372,047	326,730	(25,589)	(108,309)	1,564,879
Liabilities under finance leases and lease contracts with purchase option (non-current)	22	16,173	-	-	(1,327)	14,846
Interest-bearing borrowings (short-term)	21	52,034	(83,787)	-	101,962	70,209
Liabilities under finance leases and lease contracts with purchase option (current)	22	11,147	(13,253)	-	9,703	7,597
Derivative financial instruments	28	8,213	(1,108)	-	(7,105)	-
Liabilities under receivables discounting	22	57,531	(35,907)	(1,237)	-	20,387
Other financial liabilities	22	34,005	(7,000)	-	1,241	28,246
Total liabilities arising from financing activities		**1,551,150**	**185,675**	**(26,826)**	**(3,835)**	**1,706,164**
Other financial liabilities	22	**118,856**	**(56,160)**	**(1,237)**	**9,617**	**71,076**
Derivative financial instruments	28	**8,213**	**(1,108)**	**-**	**(7,105)**	**-**
Borrowings	21	**1,424,081**	**242,943**	**(25,589)**	**(6,347)**	**1,635,088**

(all amounts in PLN '000 unless indicated otherwise)

Note 23 Operating leases

Operating lease agreements with the Group as lessor

	as at Dec 31 2018	as at Dec 31 2017
Payment due within 1 year	16,008	15,618
Payment due in 1 to 5 years	27,082	38,180
Payment due in more than 5 years	9,242	11,511
	52,332	**65,309**

The main item of operating leases with the Group as the lessor is the lease of land, buildings, and easement of way. The contracts were concluded in 1997–2018, most of them for an indefinite term. The price is to be adjusted by the inflation rate or the consumer price index announced by the Central Statistics Office of Poland (GUS). There are restrictions on residing in leased properties, and the properties may not be sub-leased to third parties.

Note 24 Employee benefit obligations

	as at Dec 31 2018	as at Dec 31 2017
Pension benefit obligations	177,656	136,968
Jubilee benefit obligations	213,123	200,861
Pensioner Social Fund benefit obligations	22,425	18,399
Other obligations	27,103	22,869
	440,307	**379,097**
including		
Long-term	394,677	336,781
Short-term	45,630	42,316
	440,307	**379,097**

(all amounts in PLN '000 unless indicated otherwise)

Changes in defined employee benefit obligations

	for the period Jan 1 - Dec 31 2018	for the period Jan 1– Dec 31 2017
At beginning of period	**178,236**	**166,717**
Current service cost (+)	6,557	10,019
Interest expense (+)	5,554	5,375
Remeasurement of net defined benefit obligation/asset, resulting from:	19,428	7,991
- changes in demographic estimates (+/-)	6,597	10,199
- changes in financial assumptions (+/-)	12,831	(2,208)
Past service cost (+/-)	1,844	585
Exchange differences on translation (+/-)	127	(94)
Benefits paid (-)	(12,695)	(12,357)
Acquisition of companies, including	28,133	-
On acquisition of Goat TopCo	*27,275*	-
At end of period	**227,184**	**178,236**

Changes in other long-term employee benefit obligations

	for the period Jan 1 - Dec 31 2018	for the period Jan 1– Dec 31 2017
At beginning of period	**200,861**	**194,409**
Current service cost (+)	11,435	10,332
Interest expense (+)	6,491	6,457
Actuarial gains and losses recognised in profit or loss for the period (+/-)	7,312	11,487
Past service cost (+/-)	(41)	478
Change in foreign exchange rates (+/-)	15	-
Benefits paid (-)	(22,243)	(22,302)
Acquisition of companies, including	9,293	-
On acquisition of Goat TopCo	*6,165*	-
At end of period	**213,123**	**200,861**

Actuarial assumptions

	as at Dec 31 2018	as at Dec 31 2017
Discount rate	3.0%	3.4%
Future minimum pay growth	3.0%	3.0%
Future average pay growth	3.0%	3.0%

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.

(all amounts in PLN '000 unless indicated otherwise)

As at December 31st 2018

	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%	12,490	3,232	22,625	877	755
Discount rate x 90%	14,113	4,456	23,399	967	1,299
Minimum pay growth rate x 110%	4,347	1,830	110	431	387
Average pay growth rate x 110%	11,932	3,627	22,681	756	1,636

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%	7,502	3,485	190	836	760
Discount rate x 90%	9,480	5,063	258	986	1,450
Minimum pay growth rate x 90%	4,193	1,859	107	406	407
Average pay growth rate x 90%	7,170	3,713	199	681	1,324

Note 25 Provisions

	as at Dec 31 2018	as at Dec 31 2017
Provision for litigation	8,171	5,164
Provision for environmental protection, including site restoration	130,484	114,353
Provision for demolition of mercury electrolysis facilities	9,002	8,713
Other provisions	40,540	24,315
	188,197	**152,545**
including		
Long-term	143,772	122,740
Short-term	44,425	29,805
	188,197	**152,545**

Parent

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 2033. 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 2018, the present value of the provision was PLN 22,029 thousand (December 31st 2017: PLN 18,002 thousand). Present value of long-term provisions was calculated using a real, risk free discount rate of 0.69% (2017: 1.8%).
In 2018 and 2017, the Company incurred no site remediation-related expenses.

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 2033.
The provision was estimated at the amount of costs required to demolish the buildings and structures, and to landfill the waste.
In 2018, spending related to the decommissioning work amounted to PLN 65 thousand (in 2017: PLN 79 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. Six hearings have been held in the case, and 15 persons have been heard. Ten persons, including eight witnesses (provided that no more witnesses will be summoned) as well as the parties are yet to be heard.
Further hearings are scheduled for: July 15th 2019 and September 24th 2019. Afterwards, experts will be engaged to issue opinions on the case.
The Company currently estimates the risk of losing the dispute with Cenzin Sp. o.o. below 50% and therefore has recognised no provision for potential loss. However, this estimate may change depending on further developments in the case.

Grupa Azoty POLICE
Provision for environmental protection
The provision for cleaning of process units (removal of chemical substances) was recognised to cover costs of cleaning activities following closure of process units. The provision was estimated separately for each production line, based on cost estimates prepared by each plant. As at December 31st 2018, the provision amounted to PLN 5,521 thousand (December 31st 2017: PLN 4,728 thousand).
The provision for site restoration was recognised to cover future costs of land remediation, monitoring and protection of surface waters for the ferrous sulfate and phosphogypsum landfill sites. It was assumed that sludge from the sediment tanks located at the company’s wastewater treatment plant would be used (in accordance with a decision of the Governor of the Szczecin Province) for partial rehabilitation of the phosphogypsum landfill site, which would significantly reduce the costs of its restoration once the evacuation of phosphogypsum is completed. The extraction and transport costs were estimated on the basis of a valuation of related work. The costs of groundwater monitoring and protection were estimated on the basis of average costs incurred in recent years, taking into account their reduction resulting from the passage of time. The amount of the provision reflects expected costs to be incurred after the landfill sites are closed, taking into account the time passed between their opening and closure. As at December 31st 2018, the provision amounted to PLN 62,342 thousand (December 31st 2017: PLN 52,866 thousand).The Group estimates that the provision for site restoration will be used in approximately 25 to 30 years (after the use of the landfill sites for waste storage is discontinued) and from that time onwards, for about 30 years, the provisions for the costs of monitoring and protection of surface water will be used. The discount rate for provisions was determined by the Group based on the return on securities whose maturity date corresponds to the estimated liabilities settlement date. The provisions were discounted, with the discount rate (1.80%) remaining unchanged in real terms compared with December 31st 2017.The change in provisions resulted from changes in estimates of individual provisions:

- provisions were increased by PLN 9,449 thousand, including PLN 8,628 thousand for landfill site restoration (the change was mainly attributable to higher costs of monitoring and protection of groundwater),
- discount of PLN 1,105 thousand was unwound,
- provisions of PLN 287 thousand were reversed (including PLN 169 thousand for landfill site restoration involving the use of sludge from sediment tanks).

Other provisions
The largest item of other provisions was compensation of PLN 1,032 thousand for damage to property. In 2018, provisions for the risk of grant repayment and some of the provisions for damage to property were reversed after the risks had ceased to exist.

Grupa Azoty KĘDZIERZYN
Remediation of areas contaminated by chemical substances
A survey of soil quality found that the permitted contamination limits were exceeded for certain chemicals. The effective environmental protection laws require that areas where contamination limits have been exceeded must be remediated to restore the quality of soil and ground to required standards. In 2015, the remediation provisioning estimates were revised based on a report by Ramboll Environ. In 2017, the provisioning estimates were revised again based on a report by GEO-KAT. When estimating the provision for remediation of areas contaminated by chemical substances, it was assumed that the works would be performed by 2030 (assumption unchanged since 2015). The amount of the provision for land remediation is revised based on work performed in certain locations and discounted. As at December 31st 2018, a real discount rate of 1% was applied. The present value of the remediation provision as at December 31st 2018 was PLN 13,522 thousand (December 31st 2017: PLN 13,882 thousand, calculated using a real discount rate of 1.8%).
In 2018, PLN 732 thousand of the remediation provision was used in connection with the remediation work performed by a third party and a provision of PLN 510 thousand was reversed due to a decrease in the scope of planned work.
In addition, a PLN 1,575 thousand provision was recognised for remediation of a site leased by the company where waste with a potential adverse impact on the environment was stored. The amount of the provision remained unchanged as at December 31st 2018.

Other provisions
The Company recognised a provision for the costs of removal and disposal of waste. As at December 31st 2018, the provision remained unchanged relative to the previous year, at PLN 3,210 thousand. PLN 600 thousand related to a provision for the claim by authors of an improvement concept for the phthalic anhydride unit.

Grupa Azoty PUŁAWY
Provisions for waste disposal and other costs related to environmental protection
The provisions comprise:
- provision for liabilities related to landfill site restoration and monitoring,
- provision for liabilities related to withdrawal of asbestos-containing products,
- provision for liabilities related to emptying of production units and management of removed waste.

The provisions are estimated up to the amount of possible future liabilities. Given their longer time horizon, in the statement of financial position they are shown at amounts discounted to the present values. The nominal discount rate of 3.0% was used to calculate the amounts of the provisions.
As regards the provision for landfill site restoration, it was assumed that further use of the landfill would continue for 19.5 years and its monitoring – for 30 years. Restoring and monitoring of landfill sites is mandated by law.
As regards the provision related to withdrawal of asbestos-containing products, it was assumed that the expenditure would be incurred proportionally over a 13.5-year period. Withdrawal from use of asbestos-containing products is mandated by law.
In the case of the provision for emptying of production units and management of removed waste, it was estimated that the units would be in further operation for 19.5 years. The obligation to empty the production units and manage the removed waste is imposed by law.

(all amounts in PLN '000 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 2018	**5,164**	**114,353**	**8,713**	**24,315**	**152,545**
Increase, including:	***5,131***	***19,305***	***950***	***23,177***	***48,563***
Recognition	1,553	16,610	950	15,844	34,957
On acquisition of Goat TopCo	3,578	-	-	6,882	10,460
Discount	-	1,588	-	-	1,588
Exchange differences on translation	-	-	-	395	395
Other increase	-	1,107	-	56	1,163
Decrease, including:(-)	***(2,124)***	***(3,174)***	***(661)***	***(6,952)***	***(12,911)***
Use	(1,058)	(2,085)	-	(2,341)	(5,484)
Reversal	(1,042)	(1,089)	(661)	(4,490)	(7,282)
Exchange differences on translation	(2)	-	-	-	(2)
Other decrease	(22)	-	-	(121)	(143)
As at December 31st 2018	**8,171**	**130,484**	**9,002**	**40,540**	**188,197**

	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	**2,849**	**98,155**	**8,161**	**36,268**	**145,433**
Increase, including:	***5,008***	***20,624***	***552***	***13,848***	***40,032***
Recognition	5,008	10,287	552	9,068	24,915
Discount	-	9,395	-	-	9,395
Other increase	-	942	-	4,780	5,722
Decrease, including:(-)	***(2,693)***	***(4,426)***	***-***	***(25,801)***	***(32,920)***
Use	(1,778)	(1,513)	-	(13,725)	(17,016)
Reversal	(855)	(2,047)	-	(11,973)	(14,875)
Exchange differences on translation	(60)	-	-	(103)	(163)
Discount	-	(675)	-	-	(675)
Other decrease	-	(191)	-	-	(191)
As at December 31st 2017	**5,164**	**114,353**	**8,713**	**24,315**	**152,545**

(all amounts in PLN '000 unless indicated otherwise)

Note 26 Trade and other payables

	as at Dec 31 2018	as at Dec 31 2017
Trade payables - other entities	1,526,748	971,545
Liabilities to state budget, except for income tax	168,055	155,962
Liabilities under construction contracts – other entities	29	-
Salaries payable	58,240	51,972
Liabilities under purchases of property, plant and equipment, intangible assets, investment properties - other entities	133,647	130,709
Prepayments for deliveries - other entities	53,958	11,753
Other liabilities - related parties	1,816	3,010
Other liabilities - other entities	57,713	45,123
Prepaid expenses – related parties	294	615
Prepaid expenses – other entities	586,385	399,279
Deferred income	5,305	3,687
Liabilities under bonuses	17,524	-
Liabilities under material rights granted to customers	1,021	-
	2,610,735	**1,773,655**
including		
Long-term	12,446	4,456
Short-term	2,598,289	1,769,199
	2,610,735	**1,773,655**

Aging of trade payables

	as at Dec 31 2018	as at Dec 31 2017
Not past due	1,404,415	955,655
Past due up to 60 days	114,510	14,155
Past due 61–180 days	5,125	393
Past due 181-360 days	1,228	1,302
Past due more than 360 days	1,470	40
	1,526,748	**971,545**

Currency structure of payables

	as at Dec 31 2018	as at Dec 31 2017
PLN	1,963,072	1,515,527
EUR translated into PLN	517,965	209,914
USD translated into PLN	87,345	43,166
XOF translated into PLN	37	4,524
Other	40,316	524
	2,610,735	**1,773,655**

*GBP, CHF, BRL, INR, TRY, MXN, CNY, MYR, ZAR

(all amounts in PLN '000 unless indicated otherwise)

Note 26.1 Accrued expenses

	as at Dec 31 2018	as at Dec 31 2017
Provision for annual bonus	106,725	82,312
Provision for accrued holiday entitlements	41,718	35,500
Provision for incentive/quarterly bonus	19,762	15,001
Other provisions for employee benefit obligations	6,888	7,852
Costs related to sale of licence	149	149
Energy certificates	30,151	27,844
Emission allowances	321,253	171,675
Uninvoiced expenses	25,373	23,326
Other	34,660	36,235
	586,679	**399,894**
including		
Long-term	6,381	-
Short-term	580,298	399,894
	586,679	**399,894**

Note 27 Grants

	as at Dec 31 2018	as at Dec 31 2017
Government grants	42,294	27,481
EU grants	51,868	37,679
Other grants	49,839	31,512
	144,001	**96,672**
including		
Long-term	136,002	90,585
Short-term	7,999	6,087
	144,001	**96,672**

The Group received and settled grants related to free-of-charge CO_2 emission allowances amounting to PLN 189,948 thousand (2017: PLN 113,936 thousand) and received CO_2 emission allowances following the completion of a project included in the National Investment Plan, with a value of PLN 26,802 thousand (2017: PLN 10,070 thousand).

Significant grants received in 2018 include:

- a PLN 11,928 thousand grant (2017: PLN 523 thousand) for the construction of the Research and Development Centre. Ultimately, the Group will receive a grant of up to PLN 20,020 thousand,
- a PLN 13,066 thousand grant (2017: PLN 66 thousand) for the ‘Demonstrator – Special Esters I’ project.

Note 28 Financial instruments

Note 28.1 Capital management

The Group's policy is to maintain a strong capital base, so as to maintain investor, creditor and market environment confidence and to sustain future development of the business. The Parent monitors changes in the shareholding structure, return on capital, and debt to equity ratios.
The Group manages the capital in order to ensure the Group's ability to continue as a going concern and to maximise returns for shareholders through optimisation of the debt to equity ratio.
The capital structure of the Group consists of liabilities, including borrowings presented in Note 21, other financial liabilities presented in Note 22, and equity presented in Note 20.
The Parent, 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

The Group has developed rules for the classification of financial assets, based on which it verified the cash flow characteristics of its financial assets and the business models used in the Group to manage the financial assets.
Based on analyses carried out at the end of 2017 and during 2018, the Group defined business models and performed 'solely payments of principal and interest' (SPPI) tests for financial assets open as at December 31st 2018 and during 2018. Based on the analysis, the Group determined that except for trade receivables – factoring and discounting, its 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.
Under its factoring and discounting agreements, the Group sells trade receivables which, based on business models, have been classified under 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 7,261 thousand, which as at December 31st 2018 were not transferred to factoring or discounting, it was determined that given the potential sale of the assets and the short period between initial recognition and maturity, their fair value is equal to their carrying amount.
Moreover, based on an analysis it was determined that the fair value measurement of shares in unrelated entities will differ from the historical cost of the acquired shares. The Group applied the option to measure those shares at fair value through other comprehensive income.

(all amounts in PLN '000 unless indicated otherwise)

Financial assets

	as at Dec 31 2018
At fair value through profit or loss	2,017
At amortised cost	2,045,855
At fair value through other comprehensive income	16,374
	2,064,246
Recognised in the statement of financial position as:	
Derivative financial instruments	2,017
Shares	9,113
Trade and other receivables	1,189,146
Cash and cash equivalents	846,532
Other financial assets	17,438
	2,064,246

	as at Dec 31 2017
At fair value through profit or loss	2,284
Loans and receivables	1,210,115
Cash and cash equivalents	1,085,885
Financial assets available for sale	307
Other financial assets	
	2,298,591
Recognised in the statement of financial position as:	
Shares	307
Trade and other receivables	954,205
Cash and cash equivalents	1,085,885
Derivative financial instruments	2,284
Other financial assets	255,910
	2,298,591

Financial liabilities

	as at Dec 31 2018	as at Dec 31 2017
At fair value through profit or loss	188	-
At amortised cost	4,882,266	2,908,157
	4,882,454	**2,908,157**
Recognised in the statement of financial position as:		
Long-term borrowings	2,488,353	1,564,879
Short-term borrowings	362,620	70,209
Derivative financial instruments	188	
Trade and other payables	1,794,419	1,201,993
Other non-current financial liabilities	38,736	39,592
Other current financial liabilities	198,138	31,484
	4,882,454	**2,908,157**

(all amounts in PLN '000 unless indicated otherwise)

Gains/(losses) (+/-)

Dec 31 2018	Net profit/loss for period Jan 1– Dec 31 2018 recognised in profit or loss	Net profit/loss for period Jan 1– Dec 31 2018 recognised in other comprehensive income	Interest income/expenses (calculated using the effective interest rate)	Interest income/expenses (other than those taken into account when determining the effective interest rate)
Financial assets				
At fair value through profit or loss	743	-	-	-
At amortised cost	(143)	-	7,469	(95)
Financial liabilities				
At fair value through profit or loss	(1,421)	-		
At amortised cost	(1,801)	-	(126)	(125)
	(2,622)	**-**	**7,343**	**(220)**

	for the period Jan 1– Dec 31 2017
Financial assets	
At fair value through profit or loss	2,519
Held for trading	1
Loans and receivables	586
Cash and cash equivalents	443
Financial liabilities	
At amortised cost	(108)
	3,441

Additional information:

- There were no financial assets presented in the statement of financial position as at December 31st 2018 and December 31st 2017 whose terms and conditions would be renegotiated;
- In 2018 and 2017, 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 2018 and 2017;
- In 2018 and 2017, the Group did not foreclose any security provided for its benefit.

Impairment of financial assets

In accordance with IFRS 9, the Group calculates the expected loss resulting in the recognition of an impairment allowance upon initial recognition of financial assets. Calculations regarding the impairment of financial assets are made for financial assets measured at amortised cost and at fair value through other comprehensive income (excluding equity instruments, which the Group decided to classify at initial recognition as financial assets measured at fair value through other comprehensive income).

For the purpose of estimating expected credit losses, the Group uses both historical payment data and reliable data available as at the reporting date which may increase the accuracy of estimating expected credit losses in future periods.

The Group 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.

Note 28.3 Financial risk management

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

Note 28.3.1 Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is exposed to credit risk principally in connection with its trade receivables, advanced loans, short-term bank deposits, cash at bank, and cash pooling.

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.

If a receivable from a given counterparty is past due by more than 90 days, the Group assumes that the counterparty has failed to perform its obligation.

For financial assets included in the estimation of expected losses other than trade receivables, the Group 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 was calculated taking into account estimates of potential recoveries from collateral provided and the time value of money.

The Group measured its shareholdings at fair value (equity investments). The measurement was carried out using the discounted cash flow method based on the assumptions of the Long-Term Growth Forecast prepared by Tarnowskie Wodociągi for 2017–2022. The nature of the business in which revenue is based on costs is included in the Forecast based on the expected operating costs taking into account expected inflation rises.

(all amounts in PLN '000 unless indicated otherwise)

The circumstance that the Group particularly takes into account when analysing whether there has been a significant increase in credit risk associated with a given financial asset is the probability of a counterparty's insolvency as at the reporting date being at least 100% higher than the probability of insolvency as at the date of initial recognition. The Group identifies a significant increase in credit risk associated with a given financial asset based on the above circumstance and other available information that may affect the assessment of credit risk.

Effect of changes in credit risk during the reporting period on expected loss of cash and trade receivables:

	for the period Dec 31 2017-Dec 31 2018
Estimated over a period of up to 12 months	(276)
Estimated over the lifetime of the instruments, including:	**(152)**
- for instruments that have had a significant increase in credit risk	-
- impaired	-
- in accordance with a simplified approach	(152)

Change in the gross carrying amount of the financial assets that contributed to changes in allowance for expected financial losses

Rating	Estimated over a period of up to 12 months	Estimated over the lifetime of the instruments, including: - for instruments that have had a significant increase in credit risk - impaired - in accordance with a simplified approach
AAA/AA	25,317	(2)
A	467,650	(88)
BBB/BB	334,453	(145)
B	10,669	(57)
Other	115,063	16

With respect to trade receivables, the Group presents information on ratings assigned to individual counterparties using a provision matrix.

(all amounts in PLN '000 unless indicated otherwise)

Provision matrix for trade receivables

	Gross receivables	Estimated loss	% of expected loss	Net receivables
Not past due	1,048,853	9,244	0.88%	1,039,609
Past due up to 60 days	81,294	987	1.21%	80,307
Past due 60-180 days	14,818	1,178	7.95%	13,640
Past due 180-360 days	3,584	2,137	59.63%	1,447
Past due more than 360 days	69,611	68,744	98.75%	867
	1,218,160	**82,290**	**6.76%**	**1,135,870**

The following table presents Grupa Azoty's maximum exposure to credit risk:

	as at Dec 31 2017
At fair value through profit or loss	2,017
At amortised cost	2,045,855
At fair value through other comprehensive income	16,374
	2,064,246

Trade receivables by business segment

	as at Dec 31 2018	as at Dec 31 2017
Agro Fertilizers	576,439	160,511
Plastics	171,286	284,502
Chemicals	343,204	317,393
Energy	28,263	22,223
Other Activities	16,678	23,772
	1,135,870	**808,401**

Over 73% of the Group's trade receivables from third parties as at December 31st 2018 (December 31st 2017: 80%) were insured under trade credit insurance policies, which limit the credit risk exposure to the deductible amount (5-8% of the amount of insured receivables). The policies ensure that customers' financial condition is monitored on an ongoing basis and enable debt recovery when required. Upon a customer's actual or legal insolvency, the Group receives compensation equal to 92-95% of the amount of the insured receivables. Additionally, as at December 31st 2018 more than 5.9% (December 31st 2017: 8%) of the Group's trade receivables from third parties were secured by letters of credit and guarantees. Such receivables are excluded from the insurance. Further 3.3% as at December 31st 2018 (December 31st 2017: 4%) were secured by mortgages and pledges. The Group applies a unified credit risk management policy and performs ongoing credit assessment, including customer monitoring. For these purposes, the Group reviews business intelligence reports, debtor registers, taking into account signals from the market concerning a possible deterioration of the counterparties' financial condition, credit history and, where appropriate, requires adequate collateral. The Group grants trade credit – mainly to domestic customers in the Agro Fertilizers segment – up to the market value of the collateral provided. If there is no positive history of trading between the Group 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 positive trading history with the 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 that may be lost if the counterparty fails to meet its obligations by a defined deadline. The receivables are monitored on an ongoing basis by the Group's internal financial staff (individually for each trading partner) and, if a receivable is insured, also by insurance companies' credit analysts. The concentration of credit risk is not significant given the Group's procedures and diversified customer portfolio.

As at December 31st 2018, approximately 38.2% (December 31st 2017: 54%) were trade receivables from domestic customers, and the remaining 61.8% (December 31st 2017: 46%) were receivables from customers based outside Poland. The Group's revenue concentrates in three main segments reflecting the profile of the Group's business. The Agro-Fertilizers segment accounts for the largest share, of 50.7%, in the Group's trade receivables (December 31st 2017: 20%), followed by Chemicals – 30.2% (December 31st 2017: 39%) and Plastics – 15.1% (December 31st 2017: 35%). The Plastics and Chemicals segments are dominated by foreign customers, with sales made on a deferred payment basis, mostly within insured credit limits or against letters of credit and guarantees. On the other hand, Polish entities are the largest customer group in the Agro Fertilizers segment, with sales made on a deferred payment basis within insured credit limits to customers with proven credit record or where collateral has been provided; or on a prepayment basis to other customers.

Cash and cash equivalents are placed with financial institutions with high credit ratings and healthy solvency ratios. The excess of domestic cash and cash equivalents is first consolidated in the Parent's PLN and EUR current accounts with negative balances in overdraft accounts held by the Group companies using the physical cash pooling facilities provided by PKO BP.

For information on past due trade receivables, impaired receivables and changes in allowances for expected credit losses on receivables, see Note 17.

Note 28.3.2 Liquidity risk

Financial liquidity risk is the risk that the Group 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 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. Within the centralised financing model, the Parent has available funding under corporate financing agreements for a total amount of PLN 2,353m, including financing for both the long-term strategy and current operating objectives. Additionally, the Group has available credit limits, described in greater detail in Note 21, within the PLN and EUR overdraft facilities linked to the physical cash pooling arrangement and the multi-purpose loan with PKO BP, which the Parent can manage
to respond to the financing needs of the individual Group companies. The Group took out loans and credit facilities which included uniform and harmonised covenants. A future breach of these covenants may require the Group to repay the loans and credit facilities earlier than indicated in the table below. In 2018 and 2017, none of the Group companies defaulted on any of their 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. The table below presents the contractual cash flows of financial liabilities at the reporting date.

(all amounts in PLN '000 unless indicated otherwise)

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

Dec 31 2018

	contractual flows				
	Carrying amount	Total	Up to 1 year	From 1 to 5 years	Over 5 years
At fair value through profit or loss	188	188	188	-	-
At amortised cost, including:	**4,882,266**	**5,169,808**	**2,431,086**	**914,279**	**1,824,443**
borrowings	2,850,973	3,132,610	419,076	892,804	1,820,730
leases	25,672	29,577	9,949	15,915	3,713
factoring and receivables discounting	185,173	185,173	185,173	-	-
other financial liabilities	26,029	26,029	26,029	-	-
trade and other payables	1,794,419	1,796,419	1,790,859	5,560	-
	4,882,454	**5,169,996**	**2,431,274**	**914,279**	**1,824,443**

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:	2,908,157	3,154,108	1,287,758	1,597,707	268,643
borrowings	1,635,088	1,876,224	32,209	1,578,770	265,245
leases	22,443	27,258	9,379	14,481	3,398
factoring and receivables discounting	20,387	20,387	20,387	-	-
other financial liabilities	28,246	28,246	28,246	-	-
trade and other payables	1,201,993	1,201,993	1,197,537	4,456	-
	2,908,157	**3,154,108**	**1,287,758**	**1,597,707**	**268,643**

(all amounts in PLN '000 unless indicated otherwise)

Note 28.3.3 Market risk

Interest rate risk
The Group'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 Group to the interest rate risk, by instruments with fixed and variable interest rates:

	Present value Dec 31 2018	Present value Dec 31 2017
Instruments with fixed interest rates		
Financial assets	446,178	453,674
Financial liabilities (-)	(1,272,827)	(533,247)
	(826,649)	**(79,573)**
Instruments with variable interest rates		
Financial assets	417,792	888,121
Financial liabilities (-)	(1,815,020)	(1,172,917)
	(1,397,228)	**(284,796)**

The Group 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 Group's surplus cash in 2018 was mostly covered by the physical cash pooling facilities in PLN and EUR, bearing interest at 1M WIBOR and 1M EURIBOR, respectively. 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 placing the deposits.

The Group 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 2018	(1,397)	1,397	4,402	(4,402)
December 31st 2017	(2,848)	2,848	-	-

Currency risk
The Group is exposed to the currency risk on foreign currency transactions, which account for about two-thirds of the Group's revenue and approximately one-third of its 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 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 Group's exposure to the exchange rate risk.

(all amounts in PLN '000 unless indicated otherwise)

The Group 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 Group used natural hedging and credit, factoring and discounting transactions relating to foreign currency receivables as its primary hedging tools, supported by currency forwards for approximately 50% of the remaining currency exposure.

The Group 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**	
	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 2018	(66,405)	66,405	(36,131)	(36,131)
December 31st 2017	(18,883)	18,883	(26,513)	26,513

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

Price risk

Given that there are no adequate financial instruments hedging the price risk related to the Group’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 Group does not intend to use such instruments to hedge price volatility.

The Group 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.

Net exposure to currency risk

Dec 31 2018	EUR	USD	XOF	Other*
Trade and other receivables	110,853	39,364	-	2,409,188
Cash in foreign currencies	88,177	19,713	-	907,042
Trade and other payables (-)	(92,662)	(16,345)	(70,881)	(2,271,030)
Borrowings (-)	(436,747)	(300)	-	(853)
Currency futures and forward contracts (+/-)	3,259	3,492	-	-
Lease, factoring and discounting liabilities (-)	(20,038)	-	-	(4,030)
Other financial liabilities (-)	(725)	-	-	(176)
Total in the relevant currency	(347,883)	45,924	(70,881)	1,040,141
Impact of a 5% appreciation of the currency on the statement of profit or loss (PLN thousand)	*(74,795)*	*8,633*	*(23)*	*(2,307)*
Impact of a 5% depreciation of the currency on the statement of profit or loss (PLN thousand)	*74,795*	*(8,633)*	*23*	*2,307*
Impact of a 5% appreciation of the currency on other comprehensive income (PLN thousand)	-	-	-	-
Impact of a 5% depreciation of the currency on other comprehensive income (PLN thousand)	-	-	-	-

*Other currencies are: GBP, CHF, ARS, CLP, BRL, INR, TRA, MXN, CNY, MYR and ZAR.

December 31st 2017	EUR	USD	XOF	Other*
Trade and other receivables	95,405	27,068	-	2,550
Cash in foreign currencies	63,488	59,668	-	3
Trade and other payables (-)	(82,378)	(19,382)	(99,000)	(41)
Borrowings (-)	(147,909)	-	-	
Derivatives (+/-)	(18,756)	-	-	
Lease, factoring and discounting liabilities (-)	(4,647)	-	-	
Total in the relevant currency	(94,797)	67,354	(99,000)	2,512
Impact of a 5% appreciation of the currency on the statement of profit or loss (PLN thousand)	*6,744*	*11,724*	*(31)*	*(446)*

Impact of a 5% depreciation of the currency on the statement of profit or loss (PLN thousand)	*(6,744)*	*(11,724)*	*31*	*446*
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)*	-	-	-

*Other currencies are: GBP, CHF

(all amounts in PLN '000 unless indicated otherwise)

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. Carrying amount of these instruments is PLN 722,087 thousand, and their fair value is approximately PLN 725,034 thousand (Level 2 in the fair value hierarchy).
- Foreign currency derivatives. The carrying amounts of these instruments are equal to their fair values.

The table below presents the Group's financial instruments, carried at fair value, by levels in the fair value hierarchy, as at December 30th 2018:

Hierarchy level	Level 1	Level 2	Level 3
Financial assets at fair value, including:			
at fair value through profit or loss	-	2,017	-
measured at fair value through other comprehensive income	-	-	16,374
	-	**2,017**	**16,374**

The table below presents Grupa Azoty's financial instruments, carried at fair value, by levels in the fair value hierarchy, as at December 31st 2017:

Hierarchy level	Level 1	Level 2	Level 3
Financial assets at fair value, including:			
shares classified as available for sale	-	-	303
currency futures and forward contracts	-	2,283	-
	-	**2,283**	**303**

The fair value hierarchy presented in the tables 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 contracts presented in Level 2 is determined on the basis of a valuation carried out by brokers or 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.

Note 28.5 Derivatives

Foreign currency derivatives
As at December 31st 2018, the notional amount of the Group's open currency derivatives (forwards) totalled EUR 38.2m (which included instruments maturing in 2019: January – EUR 1.2m, February – EUR 4.7m, March – EUR 5.3m, April – EUR 4.7m, May – EUR 7m, June – EUR 4.1m, July – EUR 4.7m, August – EUR 2.1m, September – EUR 1.5m, October – EUR 1.5m, November – EUR 0.7m and December – EUR 0.7m) and USD 12.5m (which included instruments maturing in 2019: January – USD 0.8m, February – USD 1.2m, March – USD 6.7m, April – USD 0.8m, May – USD 0.6m, June

(all amounts in PLN '000 unless indicated otherwise)

– USD 0.7m, July – USD 0.6m, August – USD 0.3m, September – USD 0.2m, October – USD 0.3m, November – USD 0.3m).
As at December 31st 2017, the notional amount of the Group's open currency derivatives (forwards) was EUR 18.8m.
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 Group's net currency exposure and their purpose is to limit the effect of exchange rate fluctuations on profit or loss.

Note 28.6 Hedge accounting

The Group applies cash flow hedge accounting. The hedged item are highly probable future proceeds from sale transactions in the euro, which will be recognised in profit or loss in the period from January 2019 to September 2028. The hedging covers currency risk. The hedge are two euro-denominated credit facilities of:

1) EUR 118,053 thousand as at December 31st 2018 (December 31st 2017: EUR 127,134 thousand), repayable from December 2018 to June 2025 in 14 equal half-yearly instalments of EUR 9,081 thousand each.
2) EUR 50,000 thousand as at December 31st 2018 (December 31st 2017: none), repayable from March 2021 to September 2028 in 15 equal half-yearly instalments of EUR 3,333 thousand each.

As at December 31st 2018, the carrying amount of both these credit facilities was PLN 722,087 thousand (December 31st 2017: PLN 535,490 thousand). In 2018, the hedging reserve included PLN 2,297 thousand (2017: PLN 19,022 thousand) on account of the effective hedge. In 2018 and 2017, the Group 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 assets

	as at Dec 31 2018	as at Dec 31 2017
Contingent receivables	30,595	28,377

Contingent liabilities and guarantees/sureties

	as at Dec 31 2018	as at Dec 31 2017
Guarantees	760	64
Other contingent liabilities	30,483	29,177
	31,243	**29,241**

(all amounts in PLN '000 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 2018 and as at that day				
Related parties of Grupa Azoty POLICE	7,312	642	7,973	1,201
Related parties of Grupa Azoty PUŁAWY	263	24	17,842	1,028
	7,575	**666**	**25,815**	**2,229**

	Revenue	Receivables	Purchases	Liabilities
In the 12 months ended December 31st 2017 and as at that day				
Related parties of Grupa Azoty KĘDZIERZYN	2,111	2,249	20,419	789
Related parties of Grupa Azoty POLICE	9,397	721	12,233	2,046
Related parties of Grupa Azoty PUŁAWY	3,580	735	37,191	1,603
	15,088	**3,705**	**69,843**	**4,438**

Other transactions

	Other income	Other expenses	Finance income	Finance costs
In the 12 months ended December 31st 2018				
Related parties of Grupa Azoty PUŁAWY	50	-	-	-
	50	**-**	**-**	**-**

	Other income	Other expenses	Finance income	Finance costs
In the 12 months ended December 31st 2017				
Related parties of Grupa Azoty KĘDZIERZYN	2,271	6	392	-
Related parties of Grupa Azoty PUŁAWY	342	-	6	-
	2,613	**6**	**398**	**-**

Borrowings from related parties
As at December 31st 2018, the Group recognised no such borrowings. As at December 31st 2017, borrowings from related parties amounted to PLN 1,670 thousand.

Terms of related-party transactions
Terms of related-party transactions are determined on an arm's length basis. Parties to a transaction determine the price based on market benchmarks to ensure that it does not depend on the cost of relevant goods or services, using the methods listed in the Minister of Finance's Regulation on the method and procedure for estimating corporate income as well as the method and procedure for eliminating double taxation of legal persons in the event of adjustment of profits of related parties, dated September 10th 2009 (consolidated text: Dz.U. of 2014, item 1186). A detailed analysis of the

(all amounts in PLN '000 unless indicated otherwise)

transaction terms is carried out before a method is selected: the division of risks and costs as well as the assets involved, so that the price reflects the transaction terms that would be agreed on between unrelated parties.

Remuneration of members of the Parent's Management Board for positions held in the Group

	for the period Jan 1 - Dec 31 2018	for the period Jan 1– Dec 31 2017
Short-term benefits	4,714	9,169
Post-employment benefits	-	2
Termination benefits	894	-
Other long-term benefits	-	1
	5,608	**9,172**

Remuneration policy for members of the Management Board
The total remuneration of the Management Board members comprises:

- a fixed component in the form of a monthly base pay (fixed remuneration)
- a variable component representing additional remuneration payable for the Company's financial year (variable remuneration)

The amount of the monthly base pay was determined as a fixed amount depending on the position held.
The base pay is reduced by the amount payable for the days on which no work was performed by a Management Board member (except for the 24 (paid) business days of leave during the term of the contract to which each Management Board member is entitled).
The Supervisory Board may give a Management Board member the right to tied accommodation in the location of the Company's registered office.

Bonuses for members of the Management Board
The variable remuneration (additional remuneration payable for the Company's financial year) depends on the progress of implementation of management objectives and may not exceed 100% of the base pay
in the previous financial year for which the variable remuneration is calculated. The amount of variable remuneration payable to the Management Board members for a given financial year is determined by way of a separate resolution of the Supervisory Board.
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,
- 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 passed 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 Group

	for the period Jan 1 - Dec 31 2018	for the period Jan 1– Dec 31 2017
Short-term benefits	2,048	1,827

(all amounts in PLN '000 unless indicated otherwise)

Remuneration of members of management boards of the Group's leading companies (excluding the Parent)

	for the period Jan 1 - Dec 31 2018	for the period Jan 1– Dec 31 2017
Short-term benefits	14,217	12,916
Post-employment benefits	641	2,341
Termination benefits	-	760
Other long-term benefits	-	8
	14,858	**16,025**

Loans
In 2018 and 2017, the Group did not grant any loans to members of the Management Board or the Supervisory Board.

Transactions with owners
As at December 31st 2018, the Group had the following facilities contracted with the European Bank for Reconstruction and Development:

- credit facility of PLN 150,000 thousand (December 31st 2017: PLN 150,000 thousand) – taken out in full amount under the agreement of May 28th 2015;
- credit facility of PLN 100,000 thousand (December 31st 2017: none) – under the agreement of July 26th 2018, only PLN 50,000 thousand was taken out under the facility.

Transactions with parties related through the State Treasury
As at December 31st 2018

Company	Amount	Transaction
PGNiG	2,225,572	purchase of natural gas
PKN Orlen	294,605	purchase of raw materials
Polska Grupa Górnicza	139,490	purchase of fine coal
Enea S.A.	127,182	purchase of electricity
PKP Cargo	116,432	purchase of transport services
PGE	70,903	purchase of electricity
PSE S.A.	67,337	purchase of transmission service
LOTOS	25,096	purchase of raw materials
Tauron	23,335	purchase of electricity and fine coal
Jastrzębska Spółka Węglowa	22,290	purchase of fine coal
KGHM Polska Miedź S.A.	15,889	purchase of raw materials
PKO BP	7,914	payment of interest and commissions, purchase of brokerage services
BGK	7,525	payment of interest and commissions
PZU S.A.	7,310	property insurance
Polska Fundacja Narodowa	3,500	the foundation's statutory activities
PZU Życie	706	insurance
	3,155,086	

(all amounts in PLN '000 unless indicated otherwise)

As at December 31st 2017

Entity	Amount	Transaction
PGNiG	1,917,356	purchase of natural gas
PKN Orlen	251,224	purchase of raw materials
PKP Cargo	128,641	purchase of transport services
Enea S.A.	112,981	purchase of electricity
PSE S.A.	61,815	purchase of transmission services
PGE	57,357	purchase of electricity
Tauron	48,081	purchase of electricity and fine coal
Lotos	22,515	purchase of raw materials
Katowicki Holding Węglowy	19,879	purchase of fine coal
KGHM Polska Miedź S.A.	15,700	purchase of raw materials
PZU S.A.	12,996	property insurance
PKO BP	7,011	credit facility repayment
Polish National Foundation	7,000	contribution to the initial capital
BGK	6,455	credit facility repayment
Jastrzębska Spółka Węglowa	3,413	purchase of fine coal
Węglokoks Sp. z o.o.	2,755	purchase of fine coal
PZU Życie	667	insurance premiums
	2,675,846	

Note 31 Investment commitments

In the period ended December 31st 2018, the Group signed contracts for the continuation of ongoing projects and for new investment projects. The projects involve mainly the provision of construction, mechanical, electrical, and engineering design services. The key ones include:

The largest capital commitments are as follows:

	as at Dec 31 2018	as at Dec 31 2017
PDH propylene plant	63,340	80,570
Construction of nitric acid units	176,407	80,248
Construction and procurement of equipment for Chemical Technology and Development Centre	16,364	37,432
Expansion of production capacity of technical-grade nitric acid unit	6,873	36,142
Upgrade of partial combustion unit at Ammonia Department	28,454	-
Upgrade of the synthesis gas compression unit supplying the Ammonia Plant	39,228	-
Bringing the oleum storage facilities into compliance with the applicable regulations	10,688	-
Upgrade of steam generator	71,643	-
Upgrade of phosphoric acid unit (DA-HF method)	-	33,794
Speciality esters unit	-	31,716
Ammonium nitrate-based granulated fertilizers unit	-	24,820

As at December 31st 2018, the total amount of the Company's commitments under the contracts was PLN 557,030 thousand (December 31st 2017: PLN 524,338 thousand).
Moreover, under the agreement on acquisition of Grupa Azoty SIARKOPOL S.A. (including annexes thereto), the Parent undertook to carry out by 2019 investment projects in the company worth no

(all amounts in PLN '000 unless indicated otherwise)

less than PLN 30m (annex of September 11th 2015). In 2018, in partial fulfilment of the commitment, the company's share capital was increased by PLN 20,460 thousand. The balance will be paid in 2019.

Note 32 Notes to the statement of cash flows

	for the period Jan 1– Dec 31 2018	for the period Jan 1– Dec 31 2017
Net change in trade and other receivables	(499,344)	(146,702)
Change due to prepayments for property, plant and equipment	21,250	76,119
Change due to prepayments and accrued income	1,674	(9,840)
Change in receivables following from non-cash items	313,128	-
Change in trade and other receivables in the statement of cash flows	**(163,292)**	**(80,423)**
Net change in inventories and property rights	(573,563)	(119,383)
Change in inventories and property rights following from non-cash items	336,331	(1,680)
Change in trade and other receivables in the statement of cash flows	**(237,232)**	**(121,063)**
Net change in trade and other payables	836,022	177,342
Change in liabilities under purchase of property, plant and equipment and intangible assets	(5,583)	(9,288)
Change due to accruals and deferred income	(125,948)	3,048
Change in liabilities following from non-cash items	(298,854)	1,151
Change in trade and other payables in the statement of cash flows	**405,637**	**172,253**
Net change in provisions, employee benefit obligations and grants	144,781	37,352
Change due to prepayments, accruals and deferred income	127,032	23,631
Change due to grants	(32,877)	(14,570)
Other changes	(88,689)	(4,605)
Change in provisions, accruals and grants in the statement of cash flows resulting from the statement of cash flows	**150,247**	**41,808**

As at December 31st 2018, an increase in financial liabilities under reverse factoring agreements of PLN 132,833 thousand was presented in cash flows from operating activities in 2018 under *Other adjustments*
of PLN 158,977 thousand.

Note 33 Events after the reporting date

Planned increase of Grupa Azoty POLICE's share capital
On March 4th 2019, the Management Board of Grupa Azoty POLICE resolved to increase the company's share capital through an issue of new shares with pre-emptive rights and to amend the Articles of Association.
The proposed share capital increase will be effected through a secondary public offering ("SPO") for an amount not higher than PLN 1,100,000, addressed to existing shareholders (pre-emptive rights). The proposed share capital increase should be effected by the end of July 2019.
Proceeds from the share issue will be used to support the implementation of the Grupa Azoty Group's strategy for the coming years, in particular to diversify revenue streams and increase profitability, and to step up the efforts to expand the non-fertilizer business lines. The key task undertaken in the pursuit of these strategic goals is the Polimery Police project implemented by PDH Polska S.A.

Business combinations
On January 2nd 2019, the merger of Grupa Azoty Zakłady Azotowe Puławy S.A. (the acquirer) and Elektrownia Puławy Sp. z o.o. (the acquiree) was entered in the National Court Register.
On January 8th 2019, a share capital increase of up to PLN 54,600,000 at Grupa Azoty Koltar Sp. z o.o. was entered in the National Court Register.

The consolidated financial statements of the Grupa Azoty Group for the 12 months ended December 31st 2018 contain 137 pages.

Signatures of members of the Management Board

Signed with qualified electronic signature
....
Wojciech Wardacki, PhD
President of the Management Board

Signed with qualified electronic signature
....
Witold Szczypiński
Vice President of the Management Board, Director General

Signed with qualified electronic signature
....
Paweł Łapiński
Vice President of the Management Board

Signed with qualified electronic signature
....
Grzegorz Kądzielawski, PhD
Vice President of the Management Board

Signed with qualified electronic signature
....
Mariusz Grab
Vice President of the Management Board

Signed with qualified electronic signature
....
Artur Kopeć
Member of the Management Board

Signature of person responsible for bookkeeping

Signed with qualified electronic signature
....
Piotr Kołodziej
Head of the Corporate Finance Department

Tarnów, April 25th 2019