

## 21. PROVISIONS

XLS

	As at 31.12.2014	As at 31.12.2013
Provision for litigations	4 192	5 846
Provision for environment protection, including: site restoration	109 866	115 064
Provision for mercury electrolysis demolition	7 613	6 870
Provision for guaranties, securities	1 886	2 304
Provision for bonuses, discounts	3 373	3 440
Provision for CO <sub>2</sub> emission rights	171 370	167 122
Other provisions	26 238	32 536
Provision for property ordering	13 325	16 023
Provision for demolition	525	525
Other	12 388	15 988
	<b>324 538</b>	<b>333 182</b>
Thereof:		
Non-current	113 106	119 343
Current	211 432	213 839
	<b>324 538</b>	<b>333 182</b>

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

### PROVISION FOR LITIGATIONS

Provisions for litigation relate mainly to the claims of AXA TUiR S. A. in Warsaw and XL Insurance Co. Ltd. in London following the train accident on 28 June 2008. PKP Cargo S.A. submitted a claim to AXA TUiR S.A. for the compensation of the losses. In result, the insurer claims the refund of costs. As at 31 December 2014, the provision amounts to PLN 3 180 thousand (31 December 2013: PLN 3 786 thousand), including PLN 1 939 thousand principal and the remaining amount of accrued interest. The final settlement date and amount depend on the outcome of the court proceeding.

### PROVISION FOR ENVIRONMENT PROTECTION

#### THE PARENT COMPANY

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

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

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

In 2014 and 2013, the Parent Company made no significant spending related to the restoration of contaminated land.

## **GRUPA AZOTY PUŁAWY GROUP**

The provisions comprise mainly:

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

For the provision for reclamation and monitoring of landfills in Grupa Azoty PUŁAWY it was estimated that further use of the landfill will continue for 23.5-year period and that monitoring of this landfill will continue for 30 years. Additionally, in GZNF "Fosfory" it was estimated that further monitoring of the landfill in "Wiślinka" will continue for 25 years. The obligation for reclamation and monitoring is required by law. The provision amounts to PLN 7 313 thousand (31 December 2013: PLN 6 662 thousand).

For the provision for withdrawal from use of products containing asbestos it was assumed in Grupa Azoty PUŁAWY that the expenditures will be incurred proportionally over a 17.5-year period while in GZNF "Fosfory" Sp. z o.o. it is expected that the process of asbestos removal will be completed in 2015. The obligation to remove the products containing asbestos is required by law.

For the provision for emptying the production facilities and resulting waste management it was estimated that the installations will be in further use for 23.5 years. The obligation to empty the production facilities and resulting waste management are required by law. The total value of these provisions amounts to PLN 5 505 thousand (31 December 2013: PLN 6 437 thousand).

## **GRUPA AZOTY POLICE GROUP**

The provision for reclamation was recognised in order to cover the future costs of reclamation, monitoring and protection of surface waters for the landfills of ferrous sulphate and phosphogypsum. The value of the provision results from the expected costs to be incurred after closing the landfills and considers the time between starting and completing the landfills exploitation. As at 31 December 2014, the provision amounted to PLN 32 418 thousand (31 December 2013: PLN 30 886 thousand).

The provision for cleaning the installations from chemical substances was recognised for the activities necessary when the exploitation of particular production facilities is terminated. The provision was estimated separately for each production line based on the cost estimates prepared by the particular plants. As at 31 December 2014, the value of the provision amounted to PLN 4 578 thousand (31 December 2013: PLN 7 210 thousand).

The provision for cleaning the treatment plant reservoirs was recognised for emptying the two sedimentation reservoirs in the sewage treatment plant. The sediments from the reservoirs will be used entirely for restoration of the phosphogypsum landfill after the evacuation of phosphogypsum is completed. The value of provision was estimated based on the valuation of works necessary to excavate and transport the sediments. As at 31 December 2014, the provision amounted to PLN 10 533 thousand (31 December 2013: PLN 8 762 thousand).

## **GRUPA AZOTY ZAK GROUP**

Based on the results of preliminary studies of land quality, it was identified that the amounts of heavy metals, BTEX, phthalates, mineral oils and WWA exceed the acceptable levels in certain places. When preparing the estimate of the provision for restoration of chemically contaminated land it was assumed that the restoration works would be performed until 2030. Present value of the provision for restoration of land amounts to PLN 16 661 thousand (31 December 2013: PLN 19 924 thousand). Decrease in provision resulted from updating the estimate following the reclamation works performed in some localizations.

The Group recognised a provision for landfill of sewage sediments. It was assumed that the restoration works would be performed in

years 2009-2016. Present value of the provision for restoration of landfills amounted to PLN 4 133 thousand (31 December 2013: PLN 8 564 thousand).

## PROVISION FOR LIQUIDATION OF MERCURY ELECTROLYSIS PLANT

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

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

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

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

## PROVISION FOR CO<sub>2</sub> EMISSION RIGHTS

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

The information about the number of emission rights owned or recognised as receivable is presented in [Note 15.1](#). In order to secure the amount of emission rights required to settle the liabilities for 2014 the Group entities were purchasing the rights in 2014 and entered forward contracts with realization before the end of April 2015.

## CHANGES IN PROVISIONS

XLS

	Provision for legal claims	Provision for environment protection, including site restoration	Provisions for mercury electrolysis demolition	Provisions for guaranties, securities	Provisions for bonuses, discounts	Provision for CO <sub>2</sub> emission rights	Other provisions	Total
<b>BALANCE AT 01.01.2014</b>	<b>5 846</b>	<b>115 064</b>	<b>6 870</b>	<b>2 304</b>	<b>440</b>	<b>167 122</b>	<b>32 536</b>	<b>333 182</b>
<i>Additions, including:</i>	<i>829</i>	<i>12 883</i>	<i>1 040</i>	<i>332</i>	<i>6 270</i>	<i>173 439</i>	<i>6 258</i>	<i>201 051</i>
<b>Recognised</b>	796	9 933	1 040	279	6 270	173 439	6 179	197 936
<i>Effect of movements in exchange rates</i>	<i>33</i>	<i>-</i>	<i>-</i>	<i>53</i>	<i>-</i>	<i>-</i>	<i>78</i>	<i>164</i>
<b>Other additions</b>	-	2 950	-	-	-	-	1	2 951
<i>Deductions, including(-)</i>	<i>(2 483)</i>	<i>(18 081)</i>	<i>-297</i>	<i>-750</i>	<i>(6 337)</i>	<i>(169 191)</i>	<i>(12 556)</i>	<i>(209 695)</i>
<b>Reversed</b>	(1 859)	(16 863)	-297	-737	-706	-288	(8 309)	(29 059)
<b>Used</b>	-624	(1 218)	-	-13	(5 631)	(168 903)	(4 247)	(180 636)
<b>BALANCE AT 31.12.2014</b>	<b>4 192</b>	<b>109 866</b>	<b>7 613</b>	<b>1 886</b>	<b>3 373</b>	<b>171 370</b>	<b>26 238</b>	<b>324 538</b>
<b>BALANCE AT 01.01.2013</b>	<b>1 384</b>	<b>113 824</b>	<b>7 523</b>	<b>6 171</b>	<b>6 518</b>	<b>81 513</b>	<b>36 126</b>	<b>253 059</b>
<i>Additions, including:</i>	<i>4 605</i>	<i>22 425</i>	<i>445</i>	<i>448</i>	<i>40 159</i>	<i>160 076</i>	<i>17 394</i>	<i>245 552</i>
<b>Recognised</b>	722	10 871	445	448	35 363	143 791	15 155	206 795
<b>Assumed in business combinations</b>	3 883	10 227	-	-	4 796	16 285	2 239	37 430
<b>Other additions</b>	-	1 327	-	-	-	-	-	1 327
<i>Deductions, including(-)</i>	<i>-143</i>	<i>(21 185)</i>	<i>(1 098)</i>	<i>(4 315)</i>	<i>(43 237)</i>	<i>(74 467)</i>	<i>(20 984)</i>	<i>(165 429)</i>
<b>Reversed</b>	-143	(18 127)	-	(2 279)	(4 665)	-	(15 121)	(40 335)
<b>Used</b>	-	(3 058)	(1 098)	(2 036)	(38 572)	(74 467)	(5 863)	(125 094)
<b>BALANCE AT 31.12.2013</b>	<b>5 846</b>	<b>115 064</b>	<b>6 870</b>	<b>2 304</b>	<b>3 440</b>	<b>167 122</b>	<b>32 536</b>	<b>333 182</b>

