



Grupa Azoty S.A.

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2013**

The opinion contains 2 pages
The supplementary report contains 9 pages
Opinion of the independent auditor
and supplementary report on the audit
of the separate financial statements
for the financial year ended
31 December 2013



KPMG Audyt Sp. z o.o.
Biuro w Krakowie
al. Armii Krajowej 18
30-150 Kraków
Poland

Telefon +48 12 424 94 00
Fax +48 12 424 94 01
E-mail krakow@kpmg.pl
Internet www.kpmg.pl

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Grupa Azoty S.A.

Opinion on the Separate Financial Statements

We have audited the accompanying separate financial statements of Grupa Azoty S.A., with its registered office in Tarnów, ul. Kwiatkowskiego 8 (“the Company”), which comprise the separate statement of financial position as at 31 December 2013, the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

Management’s and Supervisory Board’s Responsibility for the Financial Statements

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union and with other applicable regulations and preparation of the report on the Company’s activities. Management of the Company is also responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”), Management of the Company and members of the Supervisory Board are required to ensure that the financial statements and the report on the Company’s activities are in compliance with the requirements set forth in the Accounting Act.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit. We conducted our audit in accordance with section 7 of the Accounting Act, National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements and the accounting records from which they are derived are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to

fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management of the Company, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying separate financial statements of Grupa Azoty S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2013 and its unconsolidated financial performance and its unconsolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, are in compliance with the respective regulations and the provisions of the Company's articles of association that apply to the Company's separate financial statements and have been prepared from accounting records, that, in all material respects, have been properly maintained.

Specific Comments on Other Legal and Regulatory Requirements

Report on the Company's Activities

As required under the Accounting Act, we report that the report on the Company's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009 No. 33, item 259 with amendments) and the information is consistent with the financial statements.

On behalf of KPMG Audyt Sp. z o.o.
Registration No. 458
ul. Chłodna 51
00-867 Warsaw

Signed on the Polish original

.....
Marcin Domagała
Key Certified Auditor
Registration No. 90046
Director

Signed on the Polish original

.....
Jakub Panek
Certified Auditor
Registration No. 11327

12 March 2014

Grupa Azoty S.A.

Supplementary report
on the audit of the separate
financial statements
Financial Year ended
31 December 2013

The supplementary report contains 9 pages
The supplementary report on the audit
of the separate financial statements
for the financial year ended
31 December 2013



Grupa Azoty S.A.

*The supplementary report on the audit of the separate financial statements
for the financial year ended 31 December 2013*

*This document is a free translation of the Polish original. Terminology current in
Anglo-Saxon countries has been used where practicable for the purposes of this
translation in order to aid understanding. The binding Polish original should be
referred to in matters of interpretation*

Contents

1.	General	3
1.1.	General information about the Company	3
1.1.1.	Company name	3
1.1.2.	Registered office	3
1.1.3.	Registration in the National Court Register	3
1.1.4.	Management of the Company	3
1.2.	Key Certified Auditor and Audit Firm Information	3
1.2.1.	Key Certified Auditor information	3
1.2.2.	Audit Firm information	3
1.3.	Prior period financial statements	4
1.4.	Audit scope and responsibilities	4
2.	Financial analysis of the Company	6
2.1.	Summary analysis of the separate financial statements	6
2.1.1.	Separate statement of financial position	6
2.1.2.	Separate statement of profit or loss and other comprehensive income	7
2.2.	Selected financial ratios	8
3.	Detailed report	9
3.1.	Accounting system	9
3.2.	Notes to the separate financial statements	9
3.3.	Report on the Company's activities	9

1. General

1.1. General information about the Company

1.1.1. Company name

Grupa Azoty S.A.

1.1.2. Registered office

ul. Kwiatkowskiego 8,
33-101 Tarnów

1.1.3. Registration in the National Court Register

Registration court:	District Court for Cracow-Śródmieście in Cracow, XII Commercial Department of the National Court Register
Date:	28 December 2001
Registration number:	KRS 0000075450
Share capital as at the end of reporting period:	PLN 495,977,420

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

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

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

Based on the resolution of the Supervisory Board dated 29 April 2013, Jerzy Marciniak was dismissed from the position of the President of the Management Board and Paweł Jarczewski was appointed for this position effective from 6 May 2013. Based on the resolution of the Supervisory Board dated 4 July 2013, Marek Kapłucha and Marian Rybak were appointed for the positions of Vice-Presidents of the Management Board.

1.2. Key Certified Auditor and Audit Firm Information

1.2.1. Key Certified Auditor information

Name and surname:	Marcin Domagała
Registration number:	90046

1.2.2. Audit Firm information

Name:	KPMG Audyt Sp. z o.o.
Address of registered office:	ul. Chłodna 51, 00-867 Warsaw
Registration number:	KRS 0000104753

Registration court: District Court for the Capital City of Warsaw in Warsaw,
XII Commercial Department of the National Court Register
Share capital: PLN 125,000
NIP number: 526-10-24-841

KPMG Audyt Sp. z o.o. is entered into the register of audit firms, maintained by the National Council of Certified Auditors, under number 458.

1.3. Prior period financial statements

The separate financial statements for the financial year ended 31 December 2012 were audited by KPMG Audyt Sp. z o.o. and received an unqualified opinion.

The separate financial statements were approved at the General Meeting on 17 April 2013 where it was resolved to allocate the net profit for the prior financial year of PLN 250,691,688.10 as follows:

- PLN 148,793,226.00 to distribute as a dividend,
- PLN 101,898,462.10 to reserve capital.

The separate financial statements were submitted to the Registry Court on 24 April 2013.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of Grupa Azoty S.A. with its registered office in Tarnów, ul. Kwiatkowskiego 8 and relates to the separate financial statements comprising: the separate statement of financial position as at 31 December 2013, the separate statement of profit or loss and other comprehensive income, the separate statement of changes in equity and the separate statement of cash flows for the year then ended and notes to the financial statements comprising a summary of significant accounting policies and other explanatory information.

The audited Company prepares its separate financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of the General Meeting dated 25 February 2008.

The separate financial statements were audited in accordance with the contract dated 10 July 2012, concluded on the basis of the resolution of the Supervisory Board dated 21 May 2012 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) (“the Accounting Act”), National Standards on Auditing issued by the National Council of Certified Auditors and International Standards on Auditing.

We audited the separate financial statements at the Company during the period from 18 to 22 November 2013 and from 20 to 31 January 2014.

Management of the Company is responsible for the accuracy of the accounting records and the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations and preparation of the report on the Company’s activities.



Our responsibility is to express an opinion and to prepare a supplementary report on the audit of the separate financial statements and whether the financial statements are derived from properly maintained accounting records based on our audit.

Management of the Company submitted a statement dated as at the same date as this report as to the true and fair presentation of the accompanying separate financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the separate financial statements.

All required statements, explanations and information were provided to us by Management of the Company and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of the Audit Firm.

The Key Certified Auditor and the Audit Firm fulfill the independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and their Self-Governance, Audit Firms authorized to Audit Financial Statements and Public Oversight dated 7 May 2009 (Official Journal from 2009 No. 77, item 649 with amendments).

2. Financial analysis of the Company

2.1. Summary analysis of the separate financial statements

2.1.1. Separate statement of financial position

ASSETS	31.12.2013 PLN '000	% of total	31.12.2012 PLN '000 <i>restated</i>	% of total
Non-current assets				
Property, plant and equipment	1 000 610	18,6	998 260	34,1
Investment property	15 154	0,3	14 444	0,5
Intangible assets	40 370	0,8	40 087	1,4
Investments in subordinated entities	3 814 983	71,0	993 757	34,0
Available-for-sale financial assets	12 134	0,2	282 815	9,6
Other financial assets	-	-	4 940	0,2
Other non-current assets	690	0,0	690	0,0
Total non-current assets	4 883 941	90,9	2 334 993	79,8
Current assets				
Inventories	236 749	4,4	263 906	9,0
Other financial assets	5 649	0,1	23 850	0,8
Current tax assets	10 268	0,2	2 755	0,1
Trade and other receivables	227 114	4,2	220 012	7,5
Cash and cash equivalents	6 349	0,1	66 992	2,3
Other current assets	5 611	0,1	13 026	0,5
Assets held for sale	125	0,0	347	0,0
Total current assets	491 865	9,1	590 888	20,2
TOTAL ASSETS	5 375 806	100,0	2 925 881	100,0
EQUITY AND LIABILITIES				
	31.12.2013 PLN '000	% of total	31.12.2012 PLN '000 <i>restated</i>	% of total
Equity				
Share capital	495 977	9,2	320 577	11,0
Share premium	2 418 270	45,0	680 688	23,3
Fair value reserve	-	-	37 221	1,3
Retained earnings	1 069 634	19,9	1 176 649	40,2
Total equity	3 983 881	74,1	2 215 135	75,8
Liabilities				
Loans	513 827	9,6	172 473	5,9
Employee benefits	41 873	0,8	38 409	1,3
Provisions	22 781	0,4	22 324	0,8
Government grants	3 463	0,1	3 614	0,1
Deferred tax liabilities	33 381	0,6	61 740	2,1
Other financial liabilities	1 842	0,0	1 314	0,0
Total non-current liabilities	617 167	11,5	299 874	10,2
Loans	402 883	7,5	43 742	1,5
Employee benefits	2 369	0,0	2 528	0,1
Trade and other payables	257 177	4,8	255 417	8,7
Provisions	40 145	0,7	34 631	1,2
Government grants	533	0,0	16 384	0,5
Deferred income	3 669	0,1	-	-
Other financial liabilities	67 982	1,3	58 170	2,0
Total current liabilities	774 758	14,4	410 872	14,0
Total liabilities	1 391 925	25,9	710 746	24,2
TOTAL EQUITY AND LIABILITIES	5 375 806	100,0	2 925 881	100,0

2.1.2. Separate statement of profit or loss and other comprehensive income

	1.01.2013 - 31.12.2013	% of total sales	1.01.2012 - 31.12.2012	% of total sales
	PLN '000		PLN '000	
Revenue	1 846 127	100,0	1 996 173	100,0
Cost of sales	(1 654 524)	(89,6)	(1 634 916)	(81,9)
Gross profit	191 603	10,4	361 257	18,1
Selling and distribution expenses	(60 583)	(3,3)	(63 989)	(3,2)
Administrative expenses	(149 122)	(8,1)	(147 731)	(7,4)
Other income	5 841	0,3	9 817	0,5
Other expenses	(66 725)	(3,6)	(25 837)	(1,3)
Results from operating activities	(78 986)	(4,3)	133 517	6,7
Finance income	134 548	7,3	161 402	8,1
Finance costs	(30 788)	(1,7)	(18 776)	(0,9)
Net finance income	103 760	5,6	142 626	7,2
Profit before tax	24 774	1,3	276 143	13,9
Income tax	19 343	1,1	(25 451)	(1,3)
Profit for the year	44 117	2,4	250 692	12,6
OTHER COMPREHENSIVE INCOME				
Items that will never be reclassified to profit or loss				
Remeasurements of defined benefit liability	(2 888)	(0,2)	-	-
Tax on items that will never be reclassified to profit or loss	549	0,0	-	-
	(2 339)	(0,2)	-	-
Items that are or may be reclassified to profit or loss				
Effective portion of changes in fair value of cash flow hedges	-	-	423	0,0
Net change in fair value of cash flow hedges reclassified to profit or loss	-	-	1 594	0,1
Net change in fair value of available-for-sale financial assets	(18 696)	(1,0)	45 952	2,3
Net change in fair value of available-for-sale financial assets reclassified to profit or loss	(27 256)	(1,5)	-	-
Tax on items that are or may be reclassified to profit or loss	8 731	0,5	(9 114)	(0,5)
	(37 221)	(2,0)	38 855	1,9
Other comprehensive income for the year, net of tax	(39 560)	(2,2)	38 855	1,9
Profit or loss and other comprehensive income for the year	4 557	0,2	289 547	14,5

2.2. Selected financial ratios

	2013	2012 <i>restated</i>
1. Return on sales		
$\frac{\text{profit for the period}}{\text{revenue}} \times 100\%$	2.4%	12.6%
2. Return on equity		
$\frac{\text{profit for the period}}{\text{equity - profit for the period}} \times 100\%$	1.1%	12.8%
3. Debtors' days		
$\frac{\text{average trade receivables (gross)}}{\text{revenue}} \times 365 \text{ days}$	31 days	31 days
4. Debt ratio		
$\frac{\text{liabilities}}{\text{equity and liabilities}} \times 100\%$	25.9%	24.2%
5. Current ratio		
$\frac{\text{current assets}}{\text{current liabilities}}$	0.6	1.4

- Revenue includes revenue from sales of finished products, merchandise and raw materials.
- Average trade receivables represent the average of trade receivables at the beginning and at the end of the period, with no deduction made for allowances.

3. Detailed report

3.1. Accounting system

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

During the audit of the separate financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified any material irregularities in the accounting system, which have not been corrected and that could have a material effect on the separate financial statements. Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Company performed a physical verification of its assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act, and reconciled and recorded the result thereof in the accounting records.

3.2. Notes to the separate financial statements

All information included in the notes to the separate financial statements, comprising of a summary of significant accounting policies and other explanatory notes, is, in all material respects, presented accurately and completely. This information should be read in conjunction with the separate financial statements.

3.3. Report on the Company's activities

The report on the Company's activities includes, in all material respects, information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2009 No 33, item 259 with amendments) and the information is consistent with the separate financial statements.

On behalf of KPMG Audyt Sp. z o.o.
Registration No. 458
ul. Chłodna 51
00-867 Warsaw

Signed on the Polish original

.....
Marcin Domagała
Key Certified Auditor
Registration No. 90046
Director

12 March 2014

Signed on the Polish original

.....
Jakub Panek
Certified Auditor
Registration No. 11327