



**Zakłady Azotowe w Tarnowie-
Mościcach S.A.**

**Opinion and Report
of the Independent Auditor
Financial Year ended
31 December 2012**

The opinion contains 3 pages
The supplementary report contains 10 pages
Opinion of the independent auditor
and supplementary report on the audit
of the separate financial statements
for the financial year ended
31 December 2012



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OPINION OF THE INDEPENDENT AUDITOR

To the General Meeting of Zakłady Azotowe w Tarnowie-Mościcach S.A.

Opinion on the Separate Financial Statements

We have audited the accompanying separate financial statements of Zakłady Azotowe w Tarnowie-Mościcach 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 2012, the separate statement of 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.

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 2009, No. 152, item 1223 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, based on our audit, is to express an opinion on these financial statements and whether the financial statements are derived from properly maintained accounting records. 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, 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 Zakłady Azotowe w Tarnowie-Mościcach S.A. have been prepared and present fairly, in all material respects, the unconsolidated financial position of the Company as at 31 December 2012 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.

Other Matters

The corresponding figures are based on the separate financial statements of the Company as of and for the year ended 31 December 2011, which were audited by another auditor who expressed an unqualified opinion on those separate financial statements on 6 March 2012.

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

6 March 2013

Signed on the Polish original

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

**Zakłady Azotowe w Tarnowie-
Mościcach S.A. □**

**Supplementary report
on the audit of the separate
financial statements
Financial Year ended
31 December 2012**

The supplementary report contains 10 pages

The supplementary report on the audit
of the separate financial statements
for the financial year ended
31 December 2012



Zakłady Azotowe w Tarnowie-Mościcach S.A.

*The supplementary report on the audit of the separate financial statements
for the financial year ended 31 December 2012*

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1. General

1.1. General information about the Company

1.1.1. Company name

Zakłady Azotowe w Tarnowie-Mościcach 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 balance sheet date: PLN 320,577,220

1.1.4. Management of the Company

The Management Board is responsible for management of the Company.

As at 31 December 2012, the Management Board of the Company was comprised of the following members:

- Jerzy Marciniak – President of the Management Board,
- Andrzej Skolmowski – Vice-President of the Management Board,
- Witold Szczypiński – Vice-President of the Management Board,
- Krzysztof Jałosiński – Vice-President of the Management Board,
- Artur Kopeć – Member of the Management Board.

Based on the resolution of the Supervisory Board dated 17 February 2012, Mr Artur Kopeć was appointed as the Member of the Management Board.

1.2. Auditor 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 in 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 2011 were audited by Deloitte Audyt Sp. z o.o. and received an unqualified opinion.

The separate financial statements were approved at the General Meeting on 27 April 2012 where it was resolved to allocate the net profit for the prior financial year of PLN 207,874,679.48 to increase the reserve capital.

The separate financial statements were submitted to the Registry Court on 8 May 2012 and were published in Monitor Polski B No. 1468 on 12 July 2012.

1.4. Audit scope and responsibilities

This report was prepared for the General Meeting of Zakłady Azotowe w Tarnowie-Mościcach 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 2012, the separate statement of 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 have been 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 2009, No. 152, item 1223 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 26 to 29 November 2012 and from 21 to 30 January 2013.

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-Government, Audit Firms 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	31.12.2012	% of total	31.12.2011	% of total
	PLN '000		PLN '000	
Non-current assets				
Property, plant and equipment	998 260	34,6	916 912	37,0
Investment property	14 444	0,5	12 622	0,5
Intangible assets	49 298	1,7	27 395	1,1
Investments in subordinated entities	993 757	34,4	993 757	40,1
Available-for-sale financial assets	282 815	9,8	12 204	0,5
Other financial assets	4 940	0,2	10 653	0,4
Other non-current assets	690	0,0	-	-
Total non-current assets	2 344 204	81,2	1 973 543	79,6
Current assets				
Inventories	216 458	7,5	177 422	7,2
Other financial assets	23 850	0,8	5 326	0,2
Current tax assets	2 755	0,1	2 453	0,1
Trade and other receivables	220 012	7,6	225 148	9,1
Cash and cash equivalents	66 992	2,3	86 289	3,5
Other current assets	13 026	0,5	6 109	0,3
Assets held for sale	347	0,0	125	0,0
Total current assets	543 440	18,8	502 872	20,4
TOTAL ASSETS	2 887 644	100,0	2 476 415	100,0



Zakłady Azotowe w Tarnowie-Mościcach S.A.
The supplementary report on the audit of the separate financial statements
for the financial year ended 31 December 2012
TRANSLATION

EQUITY AND LIABILITIES	31.12.2012	% of total	31.12.2011	% of total
	PLN '000		PLN '000	
Equity				
Share capital	320 577	11,1	320 577	12,9
Share premium	680 688	23,6	680 688	27,5
Fair value reserve	37 221	1,3	-	-
Hedging reserve	-	-	(1 634)	(0,1)
Retained earnings	1 176 649	40,7	925 958	37,4
Total equity	2 215 135	76,7	1 925 589	77,7
Liabilities				
Loans	172 473	6,0	30 135	1,2
Employee benefits	38 409	1,3	32 931	1,3
Provisions	22 324	0,8	25 289	1,0
Government grants	3 614	0,1	902	0,0
Deferred tax liabilities	61 740	2,1	54 403	2,2
Other financial liabilities	1 314	0,1	6 246	0,3
Total non-current liabilities	299 874	10,4	149 906	6,0
Loans	43 742	1,5	92 997	3,8
Employee benefits	2 528	0,1	2 420	0,1
Trade and other payables	255 417	8,9	230 832	9,3
Provisions	12 615	0,4	16 191	0,7
Government grants	163	0,0	18	0,0
Deferred income	-	-	16	0,0
Other financial liabilities	58 170	2,0	58 446	2,4
Total current liabilities	372 635	12,9	400 920	16,3
Total liabilities	672 509	23,3	550 826	22,3
TOTAL EQUITY AND LIABILITIES	2 887 644	100,0	2 476 415	100,0

2.1.2. Separate statement of comprehensive income

	1.01.2012 - 31.12.2012	% of total sales	1.01.2011 - 31.12.2011	% of total sales
	PLN '000		PLN '000	
Revenue	1 996 173	100,0	1 916 717	100,0
Cost of sales	(1 634 916)	(81,9)	(1 428 982)	(74,6)
Gross profit	361 257	18,1	487 735	25,4
Selling and distribution expenses	(63 989)	(3,2)	(69 841)	(3,6)
Administrative expenses	(147 731)	(7,4)	(122 752)	(6,4)
Other income	9 817	0,5	12 850	0,7
Other expenses	(25 837)	(1,3)	(49 747)	(2,6)
Results from operating activities	133 517	6,7	258 245	13,5
Finance income	161 402	8,1	19 355	1,0
Finance costs	(18 776)	(0,9)	(17 979)	(0,9)
Net finance income	142 626	7,2	1 376	0,1
Profit before tax	276 143	13,9	259 621	13,6
Tax expense	(25 451)	(1,3)	(51 746)	(2,7)
Profit for the year	250 692	12,6	207 875	10,9
OTHER COMPREHENSIVE INCOME				
Effective portion of changes in fair value of cash flow hedges	423	0,0	(1 124)	(0,1)
Net change in fair value of cash flow hedges reclassified to profit or loss	1 594	0,1	874	0,0
Net change in fair value of available-for-sale financial assets	45 952	2,3	-	-
Tax on other comprehensive income	(9 114)	(0,5)	47	0,0
Other comprehensive income for the year, net of tax	38 855	1,9	(203)	(0,1)
Total comprehensive income for the year	289 547	14,5	207 672	10,8

2.2. Selected financial ratios

	2012	2011
1. Return on sales		
$\frac{\text{profit for the period}}{\text{revenue}} \times 100\%$	12,6%	10,9%
2. Return on equity		
$\frac{\text{profit for the period}}{\text{equity - profit for the period}} \times 100\%$	12,8%	12,1%
3. Debtors' days		
$\frac{\text{average trade receivables (gross)}}{\text{revenue}} \times 365 \text{ days}$	31 days	28 days
4. Debt ratio		
$\frac{\text{liabilities}}{\text{equity and liabilities}} \times 100\%$	23,3%	22,3%
5. Current ratio		
$\frac{\text{current assets}}{\text{current liabilities}}$	1,5	1,3

- 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 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.
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