

Ladies and Gentlemen,

It gives me great pleasure to present our 2013 Annual Report. Last year was a very active time for Grupa Azoty, and ushered in a host of enormous challenges, spurring the creation of entirely new values in the Polish economy. In the consolidation of Poland's chemical industry, the Grupa Azoty Group emerged as national champion with almost 30 entities under its belt. The Group now has four strong pillars, planted firmly in Tarnów, Kędzierzyn, Police and Puławy. Last year, we successfully completed the merger with Grupa Azoty Puławy, and further expanded our business with the acquisitions of Siarkopol and AIG Senegal.



Faced with the need to ensure this vast conglomerate's efficient working, our deployment of a new management and operating model was of paramount importance. Consistent with the Group Strategy for 2013-2020, updated last August, the new model's primary direction steers toward growth of Group value, operating as a unified corporate entity. Our new organisational methodology centralises those functions which offer the most synergies, economies of scale and operating efficiency. Core business processes will be managed at the Group level, leaving the subsidiaries' identity, location and legal autonomy intact. The new management framework runs on process leaders, defined decision paths, decision-making transparency, and an incentive system.

We also want to better facilitate the exchange of knowledge and experience within the Group, so in December 2013 we established the Grupa Azoty Council. The Council, composed of presidents and management board members from across the Group, as well as the managing director of the Parent, serves as an opinion-making and advisory body, and also proposes its own initiatives.

Naturally, the consolidation process has also had its financial dimension. Last year alone, the intra-Group joined working teams identified synergies totalling PLN 90m, chiefly from the adoption of common policies on sales, logistics, energy and procurement of key raw materials. Further synergy gains are also in the works, and look likely to exceed the target levels. And in the years to come, we will be seeking to make efficiency gains through our operational excellence programme, the first benefits of which I will hopefully be able to reveal in the next report.

In fertilizers and chemicals, 2013 posed some challenge for both the Grupa Azoty Group and other leading companies around the world too, with sagging prices squeezing everybody's profit margins. But despite the hardships, we managed to secure a number of significant long-term fertilizer supply contracts with customers in South America, and with conditions in the fertilizer market now improving, the year ahead looks promising. Over in the chemical segment, the situation is tougher, as the supply of caprolactam and plastics on the Chinese market essentially determines their global market dynamics. But our vision for the segment's future will be articulated through concrete actions, including investment projects that we will soon be embarking on.

To ensure the continued success of the Group in the future, we have been engaged in a large-scale investment programme, encompassing both new fertilizer formulations and upgrades at our processing plants that will greatly improve their efficiency. In 2013, the Group spent close to PLN 670m of its total capex budget of over PLN 900m, and soon we will be announcing a long-term investment programme to further boost development of our processing plants.

2013 also saw the continuation of our work with external partners in various future-oriented projects. Preliminary analysis of a joint petrochemical project with Grupa LOTOS and Polskie Inwestycje Rozwojowe returned promising results. Later this year, the project's feasibility study will help us make the final investment decisions. And if it too comes back positive, we will be entering into a project that could ignite growth in other petrochemical-based industries in Poland. We also took time last year to create new feedstock alliances. KGHM, has extensive capabilities in exploration for and extraction of minerals for the fertilizer industry, which goes hand-in-hand with our global marketing and logistics capabilities for finished products. We are also closely following the upstream projects pursued by PGNiG around the world.

In closing, I would like to briefly comment on our capital market presence in 2013. What must not go unnoticed is that since September 23rd, Grupa Azoty has been a part of the Warsaw Stock Exchange's new WIG30 index, realising one of our key strategic ambitions of being a constituent of a blue-chip index. I can also proudly state that Grupa Azoty has again secured a coveted place within the WSE's prestigious Respect Index. In 2013, our shares were trading at all-time highs, and although industrial stocks lost momentum towards the end of the year, the signs of recovery are all there.

Ladies and Gentlemen, after this brief presentation of our 2013 highlights, it only remains for me to wish you a pleasant read.



Paweł Jarczewski

President of the Management Board
Grupa Azoty S.A.