



**Grupa Azoty S.A.**

Opinion and Report  
of the Independent Auditor  
Financial Year ended  
31 December 2014

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 2014



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  
Email 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 2014, 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 2014 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 accompanying 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 2014, item 133) 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

10 March 2015

**Grupa Azoty S.A.**

Supplementary report  
on the audit of the separate  
financial statements  
Financial Year ended  
31 December 2014

The supplementary report contains 9 pages  
The supplementary report on the audit  
of the separate financial statements  
for the financial year ended  
31 December 2014

*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 register of entrepreneurs of 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	4
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 register of entrepreneurs of 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 2014, 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 Kopeć          | – Member 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 2013 were audited by KPMG Audyt Sp. z o.o. and received an unmodified opinion.

The separate financial statements were approved at the General Meeting on 10 June 2014 where it was resolved to allocate the net profit for the prior financial year of PLN 44,117,265.64 as follows:

- PLN 19,839,096.80 to distribute as a dividend,
- PLN 24,278,168.84 to reserve capital.

The separate financial statements were submitted to the Registry Court on 30 June 2014.

### **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 2014, 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.

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 17 to 21 November 2014 and from 26 January to 6 February 2015.

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	31.12.2014 PLN '000	% of total	31.12.2013 PLN '000	% of total
<b>Non-current assets</b>				
Property, plant and equipment	997 948	18,5	1 000 610	18,6
Investment property	13 407	0,3	15 154	0,3
Intangible assets	43 214	0,8	40 370	0,8
Investments in subordinated entities	3 814 993	70,6	3 814 983	71,0
Available-for-sale financial assets	12 134	0,2	12 134	0,2
Other assets	210	0,0	690	0,0
<b>Total non-current assets</b>	<b>4 881 906</b>	<b>90,4</b>	<b>4 883 941</b>	<b>90,9</b>
<b>Current assets</b>				
Inventories	238 378	4,4	236 749	4,4
Other financial assets	829	0,0	5 649	0,1
Current tax assets	2 133	0,0	10 268	0,2
Trade and other receivables	241 476	4,5	227 114	4,2
Cash and cash equivalents	27 431	0,5	6 349	0,1
Other assets	8 302	0,2	5 611	0,1
Assets held for sale	107	0,0	125	0,0
<b>Total current assets</b>	<b>518 656</b>	<b>9,6</b>	<b>491 865</b>	<b>9,1</b>
<b>TOTAL ASSETS</b>	<b>5 400 562</b>	<b>100,0</b>	<b>5 375 806</b>	<b>100,0</b>
<b>EQUITY AND LIABILITIES</b>				
	<b>31.12.2014 PLN '000</b>	<b>% of total</b>	<b>31.12.2013 PLN '000</b>	<b>% of total</b>
<b>Equity</b>				
Share capital	495 977	9,2	495 977	9,2
Share premium	2 418 270	44,8	2 418 270	45,0
Retained earnings	1 260 094	23,3	1 069 634	19,9
<b>Total equity</b>	<b>4 174 341</b>	<b>77,3</b>	<b>3 983 881</b>	<b>74,1</b>
<b>Liabilities</b>				
Loans	347 263	6,4	513 827	9,6
Employee benefits	49 741	0,9	41 873	0,8
Provisions	24 374	0,5	22 781	0,4
Government grants	3 313	0,1	3 463	0,1
Deferred tax liabilities	22 363	0,4	33 381	0,6
Other financial liabilities	1 114	0,0	1 842	0,0
<b>Total non-current liabilities</b>	<b>448 168</b>	<b>8,3</b>	<b>617 167</b>	<b>11,5</b>
Loans	442 976	8,2	402 883	7,5
Employee benefits	2 683	0,1	2 369	0,0
Trade and other payables	225 052	4,2	257 177	4,8
Provisions	36 203	0,6	40 145	0,7
Government grants	791	0,0	533	0,0
Deferred income	20	0,0	3 669	0,1
Other financial liabilities	70 328	1,3	67 982	1,3
<b>Total current liabilities</b>	<b>778 053</b>	<b>14,4</b>	<b>774 758</b>	<b>14,4</b>
<b>Total liabilities</b>	<b>1 226 221</b>	<b>22,7</b>	<b>1 391 925</b>	<b>25,9</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5 400 562</b>	<b>100,0</b>	<b>5 375 806</b>	<b>100,0</b>

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

	<b>1.01.2014 - 31.12.2014</b>	<b>% of total sales</b>	<b>1.01.2013 - 31.12.2013</b>	<b>% of total sales</b>
	<b>PLN '000</b>		<b>PLN '000</b>	
Revenue	1 847 250	100,0	1 846 127	100,0
Cost of sales	(1 625 949)	(88,0)	(1 654 524)	(89,6)
<b>Gross profit</b>	<b>221 301</b>	<b>12,0</b>	<b>191 603</b>	<b>10,4</b>
Selling and distribution expenses	(82 348)	(4,5)	(60 583)	(3,3)
Administrative expenses	(154 189)	(8,4)	(149 122)	(8,1)
Other income	5 164	0,3	5 841	0,3
Other expenses	(19 171)	(1,0)	(66 725)	(3,6)
<b>Results from operating activities</b>	<b>(29 243)</b>	<b>(1,6)</b>	<b>(78 986)</b>	<b>(4,3)</b>
Finance income	270 738	14,6	134 548	7,3
Finance expenses	(37 554)	(2,0)	(30 788)	(1,7)
<b>Net finance income</b>	<b>233 184</b>	<b>12,6</b>	<b>103 760</b>	<b>5,6</b>
<b>Profit before tax</b>	<b>203 941</b>	<b>11,0</b>	<b>24 774</b>	<b>1,3</b>
Income tax	10 692	0,6	19 343	1,1
<b>Profit for the year</b>	<b>214 633</b>	<b>11,6</b>	<b>44 117</b>	<b>2,4</b>

### OTHER COMPREHENSIVE INCOME

#### Items that will never be reclassified to profit or loss

Remeasurments of defined benefit liability	(5 350)	(0,3)	(2 888)	(0,2)
Tax on items that will never be reclassified to profit or loss	1 016	0,1	549	0,0
	<b>(4 334)</b>	<b>(0,2)</b>	<b>(2 339)</b>	<b>(0,2)</b>

#### Items that are, or may be reclassified to profit or loss

Net change in fair value of available-for-sale financial assets	-	-	(18 696)	(1,0)
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
	<b>-</b>	<b>-</b>	<b>(37 221)</b>	<b>(2,0)</b>
<b>Other comprehensive income for the year</b>	<b>(4 334)</b>	<b>(0,2)</b>	<b>(39 560)</b>	<b>(2,2)</b>
<b>Total comprehensive income for the year</b>	<b>210 299</b>	<b>11,4</b>	<b>4 557</b>	<b>0,2</b>

## 2.2. Selected financial ratios

	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>1. Return on sales</b>			
<u>profit for the period x 100%</u> revenue	11,6%	2,4%	12,6%
<b>2. Return on equity</b>			
<u>profit for the period x 100%</u> equity - profit for the period	5,4%	1,1%	12,8%
<b>3. Debtors' days</b>			
<u>average trade receivables (gross) x 365 days</u> revenue	34 days	31 days	31 days
<b>4. Debt ratio</b>			
<u>liabilities x 100%</u> equity and liabilities	22,7%	25,9%	24,2%
<b>5. Current ratio</b>			
<u>current assets</u> current liabilities	0,7	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 2014, item 133) 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

10 March 2015

*Signed on the Polish original*

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