phone: +48 22 543 16 00
fax: +48 22 543 16 01
email: office@bdo.pl
www.bdo.pl

BDO spółka z ograniczoną odpowiedzialnością sp.k.
ul. Postępu 12
02-676 Warsaw,
Poland

Auditor's Report
for the General Meeting and Supervisory Board of Grupa Azoty S.A.

Auditor's report on the full-year consolidated financial statements

Opinion

We have audited the full-year consolidated financial statements of a group whose parent is Grupa Azoty S.A. (the "Parent" or the "Company") (the "Group"), containing the consolidated statement of financial position as at December 31st 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the financial year January 1st–December 31st 2020, and notes to the financial statements, comprising a description of adopted accounting policies and other explanatory information (the "consolidated financial statements") (the "Full-Year Report").

In our opinion, the accompanying consolidated financial statements:

- give a true and fair view of the Group's assets and financial position as at December 31st 2020, as well as of its financial result and cash flows for the year then ended, in accordance with applicable International Financial Reporting Standards as endorsed by the European Union and the adopted accounting policies;
- comply with the form and content requirements laid down in the laws and regulations applicable to the Group and the Parent's Articles of Association;

This opinion is consistent with the additional report for the Audit Committee, which we issued on April 12th 2021.

Basis for opinion

We conducted our audit in accordance with National Standards on Auditing compliant with International Standards on Auditing, adopted by resolution of the National Council of Statutory Auditors (the "NSA") and pursuant to the Act on Statutory Auditors, Audit Firms and Public Oversight of May 11th 2017 (the "Act on Statutory Auditors" – consolidated text: Dz.U. of 2020, item 1415) and EU Regulation No. 537/2014 of April 16th 2014 on specific requirements regarding statutory audit of public-interest entities (the "EU Regulation" – OJEU L158). Our responsibility under these standards is further described in the *Auditor's responsibility for audit of the financial statements* section of our report.

We are independent of the Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (the "IESBA Code") adopted by resolution of the National Council of Statutory Auditors and with other ethical requirements applicable to the audit of financial statements in Poland. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. During the audit, the lead auditor and the audit firm were independent of the Company in accordance with the independence criteria set out in the Act on Statutory Auditors and in the EU Regulation.

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

Key audit matters

Key audit matters are those which, according to our professional judgement, were the most significant during our audit of the consolidated financial statements for the reporting period under analysis. They cover the most significant assessed risks of material misstatement, including material misstatement due to fraud. We addressed those matters in the context of our audit of the consolidated financial statements as a whole and when formulating our opinion, and we also summarised our response to those risks. Where we considered it relevant, we included key observations arising with respect to the particular risks. We do not express a separate opinion on those matters.

1. Analysis of impairment of property, plant and equipment, intangible assets and goodwill

In the consolidated financial statements prepared as at December 31st 2020, the Parent presented:

– property, plant and equipment of PLN 11,407,794 thousand (including right-of-use assets), representing 62.7% of the total assets,

– intangible assets of PLN 1,027,310 thousand, including intangible assets with indefinite useful lives of PLN 412,115 thousand, representing 5.6% of the total assets,

– goodwill of PLN 332,456 thousand, representing 1.8% of the total assets,

with a total value of PLN 12,766,787 thousand, representing 70.1% of the total assets.

In accordance with IAS 36 *Impairment of Assets*, goodwill and intangible assets with indefinite useful lives are tested annually for impairment. The other assets are tested for impairment if there are indications of impairment. As indications of impairment, related mainly to market conditions, were identified as at December 31st 2020, the Parent's Management Board performed an impairment test and estimated the recoverable amount of cash-generating units.

Impairment testing of property, plant and equipment, intangible assets and goodwill largely relies on estimates made by the Parent's Management Board, including those relating to the strategy, revenue and cost forecasts, planned capital expenditure, weighted average cost of capital and the marginal growth rate. The estimates are largely forward-looking and therefore subject to a significant risk of change due to changing market conditions. Given the inherent uncertainty as to the future realisation of material assumptions and the materiality of those assets, we considered the analysis of impairment of property, plant and equipment and goodwill to be a key audit matter.

Disclosures in the financial statements

Details of the accounting policy applied by the Group with respect to measurement of property, plant and equipment, right-of-use assets, intangible assets and goodwill are disclosed in the notes to the consolidated financial statements:

– in Note 10 with respect to property, plant and equipment,

– in Note 11 with respect to the right-of-use assets, and

– in Note 12 with respect to intangible assets and goodwill.

In addition, in the notes specified above, the Parent disclosed the figures relating to the identified key audit matter and the key assumptions underlying the impairment test.

Audit procedures conducted in response to the identified risk

Our audit procedures in relation to the described key audit matter included:

- assessment of compliance of the Group's accounting policies for measurement of property, plant and equipment, rights-of-use assets, intangible assets, including goodwill, with the applicable financial reporting standards;
- obtaining an understanding and making a critical assessment of the principles and process of recognising impairment losses;
- assessment of the Parent's Management Board's analysis of indications of impairment;
- obtaining impairment tests for identified cash-generating units with impairment risk, conducted as at December 31st 2020;
- with the support of our valuation specialists – assessment of the macroeconomic assumptions used in the model by the Parent's Management Board, including the discount rate, by comparing them with publicly available information, and verification of key assumptions and rationality of business projections, regarding in particular sales, production and operating expenses, by comparing them with historical data, and in the case of forecast prices – with publicly available external projections;
- assessment of the analysis submitted by the Parent's Management Board of the effect of COVID-19 and events after the reporting date on prudent valuation;
- discussion of material components with the auditors, analysis of their audit files and reporting for group audit purposes.
- assessment of the adequacy of impairment testing disclosures in light of the requirements of IAS 36 *Impairment of Assets* and IAS 1 *Presentation of Financial Statements*.

2. Investment agreement executed under the Polimery Police project by subsidiary Grupa Azoty Polyolefins S.A.

Grupa Azoty S.A. is a shareholder in Grupa Azoty Polyolefins S.A. ("GA Polyolefins"), which is implementing the Polimery Police project. The Shareholders' Agreement (the "Agreement") concluded by the original sponsors (Grupa Azoty S.A. and Grupa Azoty Zakłady Chemiczne Police S.A.) and GA Polyolefins with Co-Sponsors (Lotos, Hyundai and KIND), setting out the terms and conditions of financing the project, provides for mechanisms enabling the Co-Sponsors to exit the investment in GA Polyolefins. Given their legal and economic character, the mechanisms are treated as financial instruments (put/call options and the obligation to repurchase and cancel shares).

In the consolidated financial statements prepared as at December 31st 2020, the Parent presented the following financial instruments as a consequence of accounting for the exit mechanisms:

- the share of non-controlling interests on account of the shares covered by the put option was reduced by PLN 212,426 thousand, other financial liabilities were increased by PLN 229,521 thousand, and PLN 17,700 thousand was charged to other capital reserves,
- the share of non-controlling interests on account of the shares to be repurchased and cancelled was reduced by PLN 333,890 thousand.

The valuation of rights and obligations under the Shareholders' Agreement was considered a key audit matter given the significant effect of management's judgments on the amounts disclosed in the financial statements and the significant complexity of the economic transaction.

Disclosures in the financial statements

Details of the accounting policies applied by the Group with respect to the financial instruments identified in the Agreement are presented in Notes 21.6 and 21.7 to the consolidated financial statements.

In addition, in Notes 21.6, 21.7 and 24 to the consolidated financial statements, the Parent disclosed figures relating to the identified key audit matter.

Audit procedures conducted in response to the identified risk

Our audit procedures in relation to the described key audit matter included:

- analysis of the Shareholders' Agreement and the rights and obligations of each of its parties in the context of the exit mechanisms;
- obtaining an understanding of the Agreement's business objectives;
- assessing the correctness of identification by the Parent's Management Board of financial instruments embedded in the Agreement;
- assessing the correctness of recognising the accounting effects of the performance of the Agreement;
- engaging a specialist in measurement of financial instruments and:
  - analysing the pricing model of the options embedded in the Agreement, provided by the Company,
  - verifying the correctness of the model and the calculation,
- verifying the completeness of disclosures required to be made in the consolidated financial statements for compliance with IFRS 7 *Financial Instruments: Disclosures* and IAS 1 *Presentation of Financial Statements.*

Other matter

The consolidated financial statements of the Group for the year ended December 31st 2019 were audited by an auditor acting on behalf of another audit firm. The auditor issued an unqualified opinion on those financial statements on April 7th 2020.

Responsibility of the Management Board and Supervisory Board of the parent for the consolidated financial statements

The Management Board of the Parent is responsible for the preparation of consolidated financial statements which give a true and fair view of the Group's assets, financial position and financial performance in accordance with International Financial Reporting Standards as endorsed by the European Union, the adopted accounting policies, the laws applicable to the Group and the Articles of Association, as well as for the internal control that the Management Board of the Parent deems necessary to enable the preparation of consolidated financial statements that are free of any material misstatement, whether due to fraud or error.

When preparing the consolidated financial statements, the Management Board of the Parent is responsible for assessing the Group's ability to continue as a going concern, for disclosing, if applicable, any issues pertaining to its continuation as a going concern, and for adoption of the going concern basis of accounting, unless the Management Board intends either to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Management Board of the Parent and members of its Supervisory Board are also required to ensure that the consolidated financial statements comply with the requirements set forth in the Accounting Act of September 29th 1994 (the “Accounting Act” – consolidated text: Dz.U. of 2021, item 217). Members of the Parent’s Supervisory Board are responsible for supervising the financial reporting process.

Auditor’s responsibility for audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the NSA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the auditor’s opinion. Accordingly, all opinions and statements contained in the audit report are made taking into account the qualitative and quantitative materiality levels determined in accordance with the auditing standards and the auditor’s professional judgement.

The scope of the audit does not include assurance on the future viability of the Group or on the efficiency or effectiveness with which the Parent’s Management Board has conducted or will conduct the affairs of the Group.

In auditing financial statements in accordance with the NSA, we apply professional judgement and maintain professional scepticism, as well as:

- identify and assess risks of material misstatement of the consolidated financial statements, whether due to fraud or error, plan and perform audit procedures adequate to the identified risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain understanding of internal controls relevant to the audit 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 Group’s internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent’s Management Board;
- draw a conclusion as to the appropriateness of application of the going concern basis of accounting by the Parent’s Management Board and, based on the audit evidence obtained, a conclusion as to whether any material uncertainty exists related to any events or conditions which may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor’s report to the disclosures in the consolidated financial statements about the material uncertainty or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group’s audit. We remain solely responsible for our audit opinion.

We communicate with the Supervisory Board of the Parent regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Supervisory Board of the Parent with a statement that we have complied with relevant ethical requirements regarding independence and that we will communicate with the Supervisory Board all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

From the matters communicated with the Supervisory Board of the Parent, we determined those matters that were of most significance in the audit of the consolidated financial statements for the reporting period under analysis and were therefore considered key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Information, including the Directors' Report

Other Information includes the Directors' Report on the Company's and the Group's operations in the financial year ended December 31st 2020 (the "Directors' Report"), together with the statement of compliance with corporate governance standards and the non-financial statement referred to in Art. 49b.1 of the Accounting Act, which are separate sections of the Directors' Report.

Responsibility of the Management Board and the Supervisory Board

The Management Board of the Parent is responsible for preparing Other Information in accordance with the law.

The Management Board of the Parent and members of its Supervisory Board are also required to ensure that the Directors' Report and its separate sections as well as the separate non-financial statement comply with the requirements of the Accounting Act.

Auditor's responsibility

Our opinion on the audited consolidated financial statements does not cover Other Information.

In connection with our audit of the consolidated financial statements, it is our responsibility to read Other Information and consider whether it is not materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of Other Information, we are required to report that fact. In accordance with the Act on Statutory Auditors, our responsibility is also to issue an opinion on whether the Directors' Report was prepared in accordance with applicable laws and whether it is consistent with the information appearing in the financial statements. We are also required to issue an opinion on whether the Group has included the required information in its statement of compliance with corporate governance standards.

We received the Directors' Report prior to the date of this audit report, and the Full-Year Report will be available after that date. Should we identify a material misstatement in the Full-Year Report, we are required to report this fact to the Company's Supervisory Board.

Opinion on the Directors' Report

Based on the work we performed as part of our audit, we believe that the Directors' Report:

- was prepared in accordance with Art. 49 of the Accounting Act and Par. 70 of the Minister of Finance's Regulation on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a nonmember state, dated March 29th 2018 (the 'Regulation on Current Information' – Dz.U. of 2018, item 757);

- contains information consistent with information disclosed in the consolidated financial statements.

We further represent that, based on our knowledge of the Company, the Group and their environment obtained during the audit, we did not identify any material misstatements in the Directors' Report.

Opinion on the statement of compliance with corporate governance standards

In our opinion, in the statement of compliance with corporate governance standards, the Company included the information specified in Par. 70.6.5 of the Regulation on Current Information. Furthermore, in our opinion, the information specified in Par. 70.6.5.c–f, h and i of the Regulation on Current Information, contained in the statement of compliance with corporate governance standards, complies with the applicable regulations and is consistent with the information contained in the financial statements.

Non-financial statement

In accordance with the requirements of the Act on Statutory Auditors, we confirm that the Company has prepared a non-financial statement, referred to in Art. 49b.1 of the Accounting Act, as a separate section of the Directors' Report.

We did not perform any assurance work regarding the non-financial statement and we do not give any assurance about it.

Report on other legal and regulatory requirements

Opinion about compliance of the consolidated financial statements prepared in a single electronic reporting format with the requirements of the Regulation on regulatory technical standards on the specification of a single electronic reporting format

In connection with the audit of the consolidated financial statements, we have been engaged to provide an assurance service giving reasonable assurance in order to express an opinion on whether the Group's consolidated financial statements for the year ended December 31st 2020, prepared using a single electronic reporting format, contained in the ESEF_grupaazoty-2020-12-31.zip file (the 'ESEF consolidated financial statements'), have been marked up in accordance with the requirements laid down in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a single electronic reporting format and other Commission Delegated Regulations (EU) with regard to the update of taxonomy to be used for the purposes of a single electronic reporting format, hereinafter jointly referred to as the "ESEF Regulation", and comply with the technical requirements for the specification of a single electronic reporting format set out in those regulations.

Identification of the criteria and description of the service

The ESEF consolidated financial statements have been prepared by the Parent's Management Board to meet the mark-up requirements and technical requirements for the specification of a single electronic reporting format as set out in the ESEF Regulation.

The purpose of our assurance engagement was to check the compliance of the ESEF consolidated financial statements with the requirements of the ESEF Regulation, and we believe that the requirements set out in those regulations represent appropriate criteria to form our opinion.

Responsibility of the Management Board and the Supervisory Board of the Parent

The Management Board is responsible for the preparation of the ESEF consolidated financial statements in accordance with the mark-up requirements and technical requirements for the specification of a single electronic reporting format as set out in the ESEF Regulation. This responsibility includes the selection and application of appropriate XBRL tags, using the taxonomy specified in those regulations.

The Management Board's responsibility also includes the design, implementation and maintenance of internal control to ensure the preparation of the ESEF consolidated financial statements that are free from any significant non-compliance with the ESEF requirements.

Members of the Parent's Supervisory Board are responsible for supervising the financial reporting process, including also the preparation of financial statements in accordance with the format required under applicable laws.

Auditor's responsibility

Our objective was to express an opinion based on our assurance service that would provide reasonable assurance as to whether the ESEF consolidated financial statements have been marked up in accordance with the requirements of the ESEF Regulation and whether they comply with the technical standards for the specification of a single electronic reporting format as set out in those regulations.

We performed our service in accordance with National Standard on Assurance Engagements Other than Audits and Reviews 3000 (Z) compliant with International Standard on Assurance Engagements 3000 (Revised) – "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" ("NSAE 3000 (Z)"). The Standard requires the auditor to plan and perform the procedures to obtain reasonable assurance that the ESEF consolidated financial statements have been prepared in accordance with certain criteria.

Reasonable assurance is a high level of assurance, but is not a guarantee that an assurance engagement conducted in accordance with NSAE 3000 (Z) will always detect a material misstatement when it exists.

The selection of procedures depends on the auditor's judgement, including the auditor's assessment of the risk of material misstatement due to fraud or error. In making the risk assessment, the auditor considers internal control relevant to the preparation of the ESEF consolidated financial statements in order to design appropriate procedures to provide the auditor with sufficient and appropriate evidence in the circumstances. The assessment of internal control was not performed to issue an opinion on its effectiveness.

Summary of work performed

The procedures we designed and performed included:

- obtaining an understanding of the process of preparation of the ESEF consolidated financial statements including the process of selection and application of XBRL tags by the Company and ensuring compliance with the ESEF Regulation, including an understanding of the internal control mechanisms relevant to that process;
- reconciliation of the marked-up information contained in the ESEF consolidated financial statements with the audited consolidated financial statements;
- assessment, with the use of specialist IT tools, of compliance with the technical standards for the specification of a single electronic reporting format, including the use of the XHTML format;
- assessment of completeness of marking up the information contained in the ESEF consolidated financial statements with XBRL tags;
- assessment of whether the applied XBRL tags from the taxonomy specified in the ESEF Regulation were applied properly and that taxonomy extensions were used in situations where no appropriate elements were identified in the core taxonomy specified in the ESEF Regulation;
- assessment of the correctness of anchoring the applied taxonomy extensions in the core taxonomy specified in the ESEF Regulation.

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

Ethical requirements, including independence

In performing the service, the auditor and the audit firm complied with the independence requirements and other ethical requirements set forth in the IFAC Code. The IFAC Code is based on the fundamental principles of integrity, objectivity, professional competence, due care, confidentiality and professional behaviour. We also complied with other independence and ethical requirements applicable to this assurance service in Poland.

Quality control requirements. The audit firm applies national standards on quality control (the “NSQC”) complaint with International Quality Control Standard 1 – “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” as adopted by resolution of the National Council of Statutory Auditors.

In accordance with the requirements of the NSQC, the audit firm maintains a comprehensive quality control system including documented policies and procedures for compliance with ethical requirements, professional standards and the applicable laws and regulations.

Opinion

The auditor’s opinion is formed on the basis of the matters described above and should therefore be read considering those matters.

In our opinion, the ESEF consolidated financial statements have been prepared in all material respects in accordance with the requirements of the ESEF Regulation.

Representation on the provided non-audit services

To the best of our knowledge and belief, we hereby represent that the non-audit services that we provided to the Group are compliant with the laws and regulations applicable in Poland and we did not provide any non-audit services that are prohibited under Article 5(1) of the EU Regulation or Art. 136 of the Act on Statutory Auditors.

The non-audit services we provided to the Parent and its subsidiaries in the audited period are specified in Note 9.1. of the Directors’ Report.

Selection of audit firm

We were selected to audit the Group’s financial statements by resolution of the Company’s Supervisory Board of September 12th 2019.

It is our first audit of the Group’s financial statements.

The lead auditor responsible for the audit the outcome of which is this auditor’s report is Marcin Krupa.

BDO spółka z ograniczoną odpowiedzialnością sp.k. of Warsaw
entered in the list of audit firms under Reg. No. **3355**

on behalf of which the lead auditor acts

Signed with qualified electronic signature	*Signed with qualified electronic signature*
Marcin Krupa Auditor registered under No. 11142	**André Helin, PhD** President of the General Partner’s Management Board Auditor registered under No. 90004

Kraków, April 12th 2021