

CIECH S.A.

Opinion and Report  
of the Independent Certified Auditor  
Financial year ended  
31 December 2013

The opinion contains 2 pages  
The supplementary report contains 10 pages  
Opinion of the independent certified auditor  
and supplementary report  
on the audit of the separate financial statements  
for the financial year ended  
31 December 2013

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## **OPINION OF THE INDEPENDENT CERTIFIED AUDITOR**

*To the General Meeting of CIECH S.A.*

### **Opinion on the Separate Financial Statements**

We have audited the accompanying separate financial statements of CIECH S.A., with its registered office in Warsaw, ul. Puławska 182 (“the Company”), which comprise the separate statement of financial position as at 31 December 2013, the separate statement of profit or loss, 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 comprising a summary of significant accounting policies and other explanatory information.

### ***Management’s and Supervisory Board’s Responsibility for the Consolidated 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 CIECH 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 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, No. 33 item 259) and the information is consistent with the financial statements.

On behalf of KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Registration No. 3546  
ul. Chłodna 51  
00-867 Warsaw

Zbigniew Libera  
Key certified auditor  
Registration No. 90047  
Limited Liability Partner with power of attorney

20 March 2014

CIECH S.A.

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

The supplementary report contains 10 pages  
The supplementary report on the audit of the separate financial statements  
for the financial year ended  
31 December 2013

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## **1. General**

### **1.1. General information about the Company**

#### **1.1.1. Company name**

CIECH S.A.

#### **1.1.2. Registered Office**

ul. Puławska 182  
02-670 Warsaw

#### **1.1.3. Registration in the register of entrepreneurs of the National Court Register**

Registration court: District Court for the Capital City of Warsaw in Warsaw, 13<sup>th</sup> Commercial Division of the National Court Register  
Date: 25 May 2001  
Registration number: KRS 0000011687  
Share capital as at the end of reporting period: PLN 263,500,965.00

#### **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:

- Dariusz Krawczyk – President of the Management Board,
- Andrzej Kopeć – Member of the Management Board,
- Artur Osuchowski – Member of the Management Board.

## **1.2. Key Certified Auditor and Audit Firm Information**

### **1.2.1. Key Certified Auditor information**

Name and surname: Zbigniew Libera  
Registration number: 90047

### **1.2.2. Audit Firm information**

Name: KPMG Audyty Spółka z ograniczoną odpowiedzialnością sp.k.  
Address of registered office: ul. Chłodna 51, 00-867 Warsaw  
Registration number: KRS 0000339379  
Registration court: District Court for the Capital City of Warsaw in Warsaw, 12<sup>th</sup> Commercial Division of the National Court Register  
NIP number: 527-26-15-362

KPMG Audyty Spółka z ograniczoną odpowiedzialnością sp.k. is entered in the register of audit firms, maintained by the National Council of Certified Auditors, under number 3546.

### **1.3. Prior financial year separate 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 22 May 2013 where it was resolved to cover the net loss for the prior financial year of PLN 484,776,191.69 from reserve capital.

The separate financial statements were submitted to the Registry Court on 4 June 2013.

### **1.4. Audit scope and responsibilities**

This report was prepared for the General Meeting of CIECH S.A. with its registered office in Warsaw, ul. Puławska 182 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, the separate statement of 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 no 4 of the Extraordinary General Shareholders' Meeting of CIECH S.A. dated 31 January 2007.

The separate financial statements were audited in accordance with the contract dated 11 June 2013, concluded on the basis of the resolution of the Supervisory Board dated 4 June 2013 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 25 to 29 November 2013 and from 27 January 2014 to 4 February 2014.

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.

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	% of total
<b>Non-current assets</b>				
Property, plant and equipment	3,209	0.1	5,104	0.2
Right of perpetual usufruct	-	-	843	-
Intangible assets	6,208	0.2	5,664	0.2
Investment property	-	-	6,073	0.2
Non-current receivables	-	-	19,908	0.7
Non-current loans granted	375,318	14.6	713,596	26.8
Long-term investments in related entities	1,747,848	68.2	1,136,093	42.6
Other long-term investments	-	-	30,561	1.2
Deferred income tax assets	39,047	1.6	-	-
<b>Total non-current assets</b>	<b>2,171,630</b>	<b>84.7</b>	<b>1,917,842</b>	<b>71.9</b>
<b>Current assets</b>				
Inventory	7,865	0.3	19,263	0.7
Short-term investments	26,122	1.0	90,787	3.5
Income tax receivables	3,498	0.1	262	-
Trade and other receivables	303,825	11.9	539,582	20.2
Cash and cash equivalents	50,499	2.0	31,322	1.2
Non-current assets held for sale	-	-	66,930	2.5
<b>Total current assets</b>	<b>391,809</b>	<b>15.3</b>	<b>748,146</b>	<b>28.1</b>
<b>TOTAL ASSETS</b>	<b>2,563,439</b>	<b>100.0</b>	<b>2,665,988</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	287,614	11.2	287,614	10.8
Share premium	470,846	18.3	507,835	19.0
Cash flow hedge	78	-	-	-
Other reserve capital	76,199	3.0	76,199	2.9
Retained earnings	100,695	3.9	(36,989)	1.4
<b>Total equity</b>	<b>935,432</b>	<b>36.5</b>	<b>834,659</b>	<b>31.3</b>
<b>Liabilities</b>				
Credits, loans and other debt instruments	1,305,439	50.9	1,286,264	48.3
Other non-current liabilities	360	-	22,346	0.8
Employee benefits	495	-	717	-
Deferred income tax liability	-	-	6,193	0.2
<b>Total non-current liabilities</b>	<b>1,306,294</b>	<b>50.9</b>	<b>1,315,520</b>	<b>49.3</b>
Credits, loans and other debt instruments	31,443	1.2	33,303	1.3
Trade and other liabilities	268,287	10.5	456,901	17.1
Income tax liabilities	14	-	321	-
Provisions (short-term provisions for employee benefits and other provisions)	21,969	0.9	25,133	1.0
Liabilities related to non-current assets held for sale	-	-	151	-
<b>Total current liabilities</b>	<b>321,713</b>	<b>12.6</b>	<b>515,809</b>	<b>19.4</b>
<b>Total liabilities</b>	<b>1,628,007</b>	<b>63.5</b>	<b>1,831,329</b>	<b>68.7</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,563,439</b>	<b>100.0</b>	<b>2,665,988</b>	<b>100.0</b>

## 2.1.2. Separate statement of profit or loss

	<b>01.01.2013- 31.12.2013 PLN '000</b>	<b>% of total sales</b>	<b>01.01.2012- 31.12.2012 PLN '000</b>	<b>% of total sales</b>
<b>CONTINUING OPERATIONS</b>				
Net sales revenues	1,621,201	100.0	1,794,630	100.0
Cost of sales	(1,330,386)	82.1	(1,532,467)	85.4
<b>Gross profit on sales</b>	<b>290,815</b>	<b>17.9</b>	<b>262,163</b>	<b>14.6</b>
Other operating income	8,998	0.5	7,469	0.4
Selling costs	(129,376)	8.0	(141,726)	7.9
General and administrative expenses	(62,632)	3.8	(50,008)	2.7
Other operating expenses	(45,564)	2.8	(50,884)	2.8
<b>Operating profit</b>	<b>62,241</b>	<b>3.8</b>	<b>27,014</b>	<b>1.5</b>
Financial income	397,392	24.5	57,255	3.2
Financial expenses	(326,044)	20.1	(393,959)	22.0
<b>Net financial income/expenses</b>	<b>71,348</b>	<b>4.4</b>	<b>(336,704)</b>	<b>18.8</b>
<b>Profit/(loss) before tax</b>	<b>133,589</b>	<b>8.2</b>	<b>(309,690)</b>	<b>17.3</b>
Income tax	73,063	4.5	21,581	1.2
<b>Profit/(loss) from continuing operations</b>	<b>206,652</b>	<b>12.8</b>	<b>(288,109)</b>	<b>16.1</b>
<b>DISCONTINUED OPERATIONS</b>				
Profit/(loss) from discontinued operations	(105,959)	6.5	(196,667)	11.0
<b>Net profit/(loss)</b>	<b>100,693</b>	<b>6.2</b>	<b>(484,776)</b>	<b>27.0</b>
<b>Profit/(loss) per share</b>				
Basic	1.91		(9.20)	
Diluted	1.91		(9.20)	

### 2.1.3. Separate statement of other comprehensive income

	01.01.2013 - 31.12.2013 PLN '000	% of net profit	01.01.2012 - 31.12.2012 PLN '000	% of net profit
<i>Net profit/(loss)</i>	<i>100,693</i>	<i>100.0</i>	<i>(484,776)</i>	<i>100.0</i>
<b>CONTINUING OPERATIONS</b>				
<b>Other comprehensive income before tax that may be reclassified to profit or loss</b>				
Cash flow hedge	96	0.1	-	-
<b>Other comprehensive income before tax that may not be reclassified to profit or loss</b>				
Actuarial gains/losses	2	0.0	-	-
<b>Income tax attributable to other comprehensive income</b>				
Income tax attributable to other comprehensive income that may be reclassified to profit or loss	(18)	0.0	-	-
Income tax attributable to other comprehensive income that may not be reclassified to profit or loss	-	-	-	-
<i>Other net comprehensive income</i>	<i>80</i>	<i>0.1</i>	<i>-</i>	<i>-</i>
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>100,773</b>	<b>100.1</b>	<b>(484,776)</b>	<b>100.0</b>

## 2.2. Selected financial ratios

	2013	2012	2011
<b>1. Return on sales from continuing operations</b>			
<u>net profit from continuing operations x 100%</u> sales revenues from continuing operations	12.7%	negative value	18.8%
<b>2. Return on equity from continuing operations</b>			
<u>net profit from continuing operations x 100%</u> equity - net profit from continuing operations	12.1%	negative value	36.3%
<b>3. Debtors turnover from continuing operations</b>			
<u>average trade receivables (gross) x 365 days</u> sales revenues from continuing operations	80 days	54 days	51 days
<b>4. Debt ratio</b>			
<u>liabilities x 100%</u> equity and liabilities	63.5%	68.7%	52.6%
<b>5. Current ratio</b>			
<b>current assets</b> <b>current liabilities</b>	1.2	1.5	0.4

- Sales revenues include 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 constitutes an integral part of 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 Spółka z ograniczoną odpowiedzialnością sp.k.  
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20 March 2014