

**Ciech Capital Group**

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

The opinion contains 2 pages  
The supplementary report contains 15 pages  
Opinion of the independent certified auditor  
and supplementary report on the audit  
of the consolidated financial statements  
for the financial year ended  
31 December 2013

**KPMG Audyt**  
**Spółka z ograniczoną**  
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## **OPINION OF THE INDEPENDENT CERTIFIED AUDITOR**

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

### **Opinion on the Consolidated Financial Statements**

We have audited the accompanying consolidated financial statements of the Ciech Group, whose parent entity is CIECH S.A. with its registered office in Warsaw, ul. Puławska 182 (“the Group”, “CIECH Group”), which comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated 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 Parent Entity is responsible for the preparation and fair presentation of these consolidated 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 Group’s activities. Management of the Parent Entity is also responsible for such internal control as management determines is necessary to enable the preparation of consolidated 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 Parent Entity and members of the Supervisory Board are required to ensure that the consolidated financial statements and the report on the Group’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 consolidated financial statements 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 Parent Entity, as well as evaluating the overall presentation of the consolidated 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 consolidated financial statements of CIECH Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union, and are in compliance with the respective regulations that apply to the consolidated financial statements, applicable to the Group.

### **Specific comments on other legal and regulatory requirements**

#### *Report on the Group's Activities*

As required under the Accounting Act, we report that the accompanying report on the Group'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 consolidated 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 Capital Group**

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

The supplementary report contains 15 pages  
Supplementary report on the audit  
of the consolidated financial statements  
for the financial year ended  
31 December 2013

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## **1. General**

### **1.1. Identification of the Group**

#### **1.1.1. Name of the Group**

Ciech Capital Group

#### **1.1.2. Registered office of the Parent Company**

ul. Puławska 182  
02-670 Warsaw

#### **1.1.3. Registration of the Parent Company 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 Parent Company**

The Management Board is responsible for management of the Parent 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. Information about companies comprising the Group**

#### **1.2.1. Companies included in the consolidated financial statements**

As at 31 December 2013, the following companies were consolidated by the Group:

Parent Company:

- CIECH S.A.

Subsidiaries consolidated on the full consolidation basis:

- S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.,
- Janikowskie Zakłady Sodowe JANIKOSODA S.A.,
- Inowrocławskie Zakłady Chemiczne „SODA MĄTWY” S.A.,
- „VITROSILICON” S.A.,
- Przedsiębiorstwo Transportowo - Usługowe TRASCLEAN Sp. z o.o.,
- Ciech - Polsin Private Limited,
- CIECH FINANCE Sp. z o.o.,

- Ciech Trading S.A. (until 26 February 2013 under the name Przedsiębiorstwo Chemiczne CHEMAN S.A.),
- Ciech Pianki Sp. z o.o.,
- Ciech Group Financing AB,
- Verbis ETA Sp. z o.o.,
- Verbis ETA Spółka z ograniczoną odpowiedzialnością SKA,
- Ciech Trademarks Sp. z o.o. (until 15 January 2014 under the name Turia Sp. z o.o.),
- Soda Polska Ciech S.A.,
- TRANSODA Sp. z o.o.,
- Sagrera Sp. z o.o.,
- Infrastruktura Kapuściska S.A. (until 14 August 2013 under the name ZACHEM S.A.),
- ZACHEM Epichlorohydryna Sp. z o.o. in liquidation
- ZACHEM Energetyka Sp. z o.o.
- ZACHEM Park Sp. z o.o. in liquidation
- Soda Deutschland Ciech GmbH,
- Sodawerk Holding Stassfurt GmbH,
- Sodawerk Stassfurt Verwaltungs GmbH,
- Sodawerk Stassfurt GmbH&Co. KG,
- KWG - Kraftwerksgesellschaft Stassfurt mbH,
- Zakłady Chemiczne „Organika - Sarzyna” S.A.,
- Verbis KAPPA Sp. z o.o.,
- Verbis KAPPA Spółka z ograniczoną odpowiedzialnością spółka SKA
- Algete Sp. z o.o.

The following subsidiaries were consolidated for the first time during the year ended 31 December 2013, as a result of the Parent Company acquiring a controlling interest:

- Verbis ETA Sp. z o.o. – subject to consolidation for the period from 3 October 2013 to 31 December 2013,
- Verbis ETA Spółka z ograniczoną odpowiedzialnością SKA – subject to consolidation for the period from 3 October 2013 to 31 December 2013,
- Ciech Trademarks Sp. z o.o. – subject to consolidation for the period from 21 October 2013 to 31 December 2013,
- Sagrera Sp. z o.o. – subject to consolidation for the period from 6 November 2013 to 31 December 2013,
- Verbis KAPPA Sp. z o.o. – subject to consolidation for the period from 30 October 2013 to 31 December 2013,

- Verbis KAPPA Spółka z ograniczoną odpowiedzialnością SKA – subject to consolidation for the period from 30 October 2013 to 31 December 2013,
- Algete Sp. z o.o. – subject to consolidation for the period from 30 October 2013 to 31 December 2013,

The following subsidiaries were consolidated until the date control by the Parent ceased:

- BORUTA - Zachem KOLOR Sp. z o.o. – subject to consolidation for the period from 1 January 2013 to 8 March 2013,
- Zakłady Chemiczne „Alwernia” S.A – subject to consolidation for the period from 1 January 2013 to 25 July 2013.

### **1.2.2. Entities excluded from consolidation**

As at 31 December 2013, the following subsidiaries of the Group were not consolidated:

- Chemia.com S.A. in liquidation
- Nordiska Unipol AB,
- Polcommerce Handel- und Vertretungs GmbH,
- Calanda Polska Sp. z o.o. in liquidation
- KPG Kavern\_Projekt - Beteiligungsgesellschaft m.b.H i.L
- Komunalna Biologiczna Oczyszczalnia Ścieków Sp. z o.o.

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

### **1.3.1. Key Certified Auditor information**

Name and surname: Zbigniew Libera  
Registration number: 90047

### **1.3.2. Audit Firm information**

Name: KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.  
Address of registered office: ul. 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 Audyt 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.

## **1.4. Prior financial year consolidated financial statements**

The consolidated 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 consolidated financial statements were approved at the General Meeting of the Parent Entity on 22 May 2013.

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



## **1.5. 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 consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2013, the consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

The consolidated 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 consolidated financial statements at the Group entities during the period from 24 February 2014 to 14 March 2014.

Management of the Parent Company is responsible for the preparation and fair presentation of the consolidated 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 Group’s activities.

Our responsibility is to express an opinion based on our audit and to prepare a supplementary report on the audit of the financial statements.

The Management Board of the Parent Company submitted a statement, dated as at the same date as this report, as to the true and fair presentation of the accompanying consolidated financial statements, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the consolidated financial statements for the audited year.

All required statements, explanations and information were provided to us by Management of the Group 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).

## **1.6. Information on audits of the financial statements of the consolidated companies**

### **1.6.1. Parent Company**

The separate financial statements of the Parent Company for the year ended 31 December 2013 were audited by KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k., certified auditor number 3546, and received an unqualified opinion.

## 1.6.2. Other consolidated entities

Entity's name	Authorised auditor	Balance sheet date	Type of auditor's opinion
S.C. Uzinele Sodice Govora - Ciech Chemical Group S.A.	KPMG Romania SRL	31 December 2013	in progress
Janikowskie Zakłady Sodowe JANIKOSODA S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k	31 December 2013	in progress
Inowrocławskie Zakłady Chemiczne SODA MĄTWY SA	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	unqualified opinion
"VITROSILICON" S A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	unqualified opinion
Przedsiębiorstwo Transportowo - Usługowe TRANSCLEAN Sp. z o.o.	Audit4 Business Sp. z o.o.	31 December 2013	unqualified opinion
Ciech - Polsin Private Limited	Deloitte & Touche LLP	31 December 2013	unqualified opinion
CIECH FINANCE Sp. z o.o.	not subject to audit	31 December 2013	
Ciech Trading S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	in progress
Ciech Pianki Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	unqualified opinion
Ciech Group Financing AB	KPMG AB	31 December 2013	unqualified opinion
Verbis ETA Sp. z o.o.	not subject to audit	31 December 2013	
Verbis ETA Spółka z ograniczoną odpowiedzialnością SKA	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	in progress
Ciech Trademarks Sp. z o.o.	not subject to audit	31 December 2013	
Soda Polska Ciech S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	unqualified opinion
TRANSODA Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	unqualified opinion
Sagrera Sp. z o.o.	not subject to audit		
Infrastruktura Kapuściska S.A.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	in progress
Soda Deutschland Ciech GmbH	not subject to audit	31 December 2013	
Sodawerk Holding Stassfurt GmbH	not subject to audit	31 December 2013	
Sodawerk Stassfurt Verwaltungs GmbH	not subject to audit	31 December 2013	
Sodawerk Stassfurt GmbH&Co. KG	KPMG AG Wirtschaftsprüfungsgesellschaft	31 December 2013	unqualified opinion
KWG - Kraftwerksgesellschaft Stassfurt mbH	KPMG AG Wirtschaftsprüfungsgesellschaft	31 December 2013	unqualified opinion
Zakłady Chemiczne "Organika - Sarzyna" SA	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	unqualified opinion
Verbis KAPPA Sp.z o.o.	not subject to audit	31 December 2013	
Verbis KAPPA Sp. z o.o. SKA	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	unqualified opinion
Algete Sp. z o.o.	KPMG Audyt Spółka z ograniczoną odpowiedzialnością sp.k.	31 December 2013	unqualified opinion

## 2. Financial analysis of the Group

### 2.1. Summary analysis of the consolidated financial statements

#### 2.1.1. Consolidated 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	1,863,012	38.1	2,099,395	56.3
Right of perpetual usufruct	47,083	1.5	57,134	1.5
Intangible assets	134,190	4.2	129,167	3.5
Investment property	91,497	2.8	113,018	3.1
Non-current receivables	69,728	2.2	65,534	1.8
Investments in associates and jointly-controlled entities measured under the equity method	4,769	0.1	4,971	0.1
Other long-term investments	12,415	0.4	44,661	1.2
Deferred income tax assets	77,622	2.4	31,884	0.9
<b>Total non-current assets</b>	<b>2,300,316</b>	<b>71.6</b>	<b>2,545,764</b>	<b>68.3</b>
<b>Current assets</b>				
Inventory	217,338	6.8	279,126	7.5
Short-term investments	621	-	946	-
Income tax receivables	17,590	0.5	4,086	0.1
Trade and other receivables	566,562	17.6	705,136	18.9
Cash and cash equivalents	105,593	3.3	81,177	2.2
Non-current assets held for sale	2,708	0.1	111,800	3.0
<b>Total current assets</b>	<b>910,412</b>	<b>28.4</b>	<b>1,182,271</b>	<b>31.7</b>
<b>TOTAL ASSETS</b>	<b>3,210,728</b>	<b>100.0</b>	<b>3,728,035</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>				
	<b>31.12.2013</b>	<b>% of total</b>	<b>31.12.2012</b>	<b>% of total</b>
			(*)	
<b>Equity</b>				
Share capital	287,614	9.0	287,614	7.7
Share premium	470,844	14.7	507,835	13.6
Cash flow hedge	(6,395)	0.2	2,722	0.1
Actuarial gains	74	-	-	-
Other reserve capital	78,521	2.4	78,521	2.1
Currency translation reserve	(76,951)	2.4	(62,022)	1.6
Retained earnings	157,781	4.9	71,330	1.9
<b>Equity attributable to shareholders of the parent</b>	<b>911,488</b>	<b>28.3</b>	<b>886,000</b>	<b>23.8</b>
Non-controlling interest	(14,199)	0.4	(5,812)	0.2
<b>Total equity</b>	<b>897,289</b>	<b>27.9</b>	<b>880,188</b>	<b>23.6</b>
<b>Liabilities</b>				
Credits, loans and other debt instruments	1,303,154	40.6	1,291,660	34.6
Finance sale-and-lease-back liabilities	-	-	204,231	5.5
Lease liabilities	4,840	0.2	3,235	0.1
Other non-current liabilities	160,728	5.0	122,213	3.3
Employee benefits	18,743	0.6	20,560	0.5
Provisions (other long-term)	44,785	1.4	40,422	1.1
Deferred income tax liability	84,578	2.6	104,170	2.8
<b>Total non-current liabilities</b>	<b>1,616,828</b>	<b>50.4</b>	<b>1,786,491</b>	<b>47.9</b>
Credits, loans and other debt instruments	7,388	0.2	6,543	0.2
Finance sale-and-lease-back liabilities	929	-	48,740	1.3
Lease liabilities	2,805	0.1	7,855	0.2
Trade and other liabilities	562,297	17.5	768,404	20.6
Income tax liabilities	24,605	0.8	23,749	0.6
Provisions (short-term provisions for employee benefits and other provisions)	98,587	3.1	172,474	4.7
Liabilities related to non-current assets held for sale	-	-	33,591	0.9
<b>Total current liabilities</b>	<b>696,611</b>	<b>21.7</b>	<b>1,061,356</b>	<b>28.5</b>
<b>Total liabilities</b>	<b>2,313,439</b>	<b>72.1</b>	<b>2,847,847</b>	<b>76.4</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,210,728</b>	<b>100.0</b>	<b>3,728,035</b>	<b>100.0</b>

(\*) restated data

## 2.1.2. Consolidated statement of profit or loss

	1.01.2013 - 31.12.2013 PLN '000	% of total sales	1.01.2012 - 31.12.2012 PLN '000	% of total sales
<b>CONTINUING OPERATIONS</b>				
Net sales revenues	3,229,700	100.0	3,386,905	100.0
Cost of sales	(2,658,053)	82.3	(2,874,173)	84.9
<b>Gross profit on sales</b>	<b>571,647</b>	<b>17.7</b>	<b>512,752</b>	<b>15.1</b>
Other operating income	87,528	2.7	85,181	2.5
Selling costs	(202,618)	6.3	(222,146)	6.6
General and administrative expenses	(147,146)	4.6	(154,379)	4.6
Other operating expenses	(128,130)	4.0	(170,119)	5.0
<b>Operating profit</b>	<b>181,281</b>	<b>5.6</b>	<b>51,269</b>	<b>1.5</b>
Financial income	31,539	1.0	6641	<b>0.2</b>
Financial expenses	(166,323)	5.1	(284,632)	8.4
<b>Net financial income/expenses</b>	<b>(134,784)</b>	<b>4.2</b>	<b>(277,991)</b>	<b>8.2</b>
Share in net profit of equity-accounted subsidiaries	354	-	<b>801</b>	-
<b>Profit/(loss) before tax</b>	<b>46,851</b>	<b>1.5</b>	<b>(225,921)</b>	<b>6.7</b>
Income tax	95,654	3.0	10,755	0.3
<b>Profit/(loss) from continuing operations</b>	<b>142,505</b>	<b>4.4</b>	<b>(215,166)</b>	<b>6.4</b>
<b>DISCONTINUED OPERATIONS</b>				
Profit/(loss) from discontinued operations	(102,945)	3.1	(222,545)	6.6
<b>Net profit/(loss)</b>	<b>39,560</b>	<b>1.2</b>	<b>(457,711)</b>	<b>12.9</b>
including:				
Net profit/(loss) attributable to shareholders of the parent	49,447	1.5	(430,584)	12.7
Net profit/(loss) attributed to non-controlling interest	(9,887)	0.3	(7,127)	0.2
<b>Profit/(loss) per share:</b>				
Basic (PLN)	0.94	-	(8.17)	-
Diluted (PLN)	0.94	-	(8.17)	-

### 2.1.3. Consolidated statement of other comprehensive income

	1.01.2013- 31.12.2013 PLN '000	% of total sales	1.01.2012 - 31.12.2012 PLN '000 (*)	% of total sales
<i>Net profit/(loss)</i>	39,560	100.0	(437,711)	100.0
<b>CONTINUING OPERATIONS</b>				
<b>Other comprehensive income before tax that may be reclassified to profit or loss</b>				
Currency translation differences (foreign companies)	(14,554)	36.3	(7,125)	1.6
Cash flow hedge	(11,256)	28.5	13,373	3.1
<b>Other comprehensive income before tax that may not be reclassified to profit or loss</b>				
Actuarial gains/losses	74	0.2	-	-
<b>Income tax attributable to other comprehensive income</b>				
Income tax attributable to other comprehensive income that may be reclassified to profit or loss	2,186	5.5	(3,139)	0.7
Income tax attributable to other comprehensive income that may not be reclassified to profit or loss	-	-	-	-
<i>Other net comprehensive income</i>	(23,350)	59.0	3,109	0.7
<b>TOTAL COMPREHENSIVE INCOME</b>	<b>16,210</b>	<b>41.0</b>	<b>(434,602)</b>	<b>99.3</b>
<b>Total comprehensive income attributable to:</b>				
Shareholders of the parent	25,475	64.3	(430,373)	98.3
Non-controlling interest	(9,265)	23.4	(4,229)	1.0

## 2.2. Selected financial ratios

	2013	2012	2011
<b>1. Return on sales in continuing operations</b>			
$\frac{\text{net profit from continuing operations} \times 100\%}{\text{sales revenues from continuing operations}}$	4.4%	negative value	negative value
<b>2. Return on equity</b>			
$\frac{\text{net profit} \times 100\%}{\text{equity} - \text{net profit}}$	4.6%	negative value	0.2%
<b>3. Debtors turnover</b>			
$\frac{\text{average trade receivables (gross)} \times 365 \text{ days}}{\text{sales revenues}}$	52 days	48 days	52 days
<b>4. Debt ratio</b>			
$\frac{\text{liabilities} \times 100\%}{\text{equity and liabilities}}$	72.1%	76.4%	67.7%
<b>5. Current ratio</b>			
$\frac{\text{current assets}}{\text{current liabilities}}$	1.3	1.2	0.7

- 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 principles**

The Parent Company maintains current documentation describing the accounting principles applied by the Group and adopted by the Management Board of the Parent Company.

The accounting principles are described in the notes to the consolidated financial statements to the extent required by International Financial Reporting Standards as adopted by the European Union.

In view of the fact that not all entities being part of the Group apply common accounting principles consistent with the accounting principles applied by the Parent Company, appropriate adjustments to the financial statements of those entities were made to ensure consistency with the accounting principles applied by the Parent Company.

The financial statements of the entities included in the consolidated financial statements were prepared at the end of the same reporting period as the financial statements of the Parent Company.

#### **3.2. Basis of preparation of the consolidated financial statements**

The consolidated financial statements of the Ciech Group were prepared in accordance with International Financial Reporting Standards as adopted by the European Union and with other applicable regulations.

The consolidated financial statements were prepared on the basis of the consolidation documentation prepared in accordance with the requirements the Decree of the Ministry of Finance dated 25 September 2009 on principles for the preparation of consolidated financial statements of a group by companies other than banks and insurance companies (Official Journal from 2009 No. 169, item 1327).

#### **3.3. Method of consolidation**

The method of consolidation is described in note 2.1 to the consolidated financial statements.

#### **3.4. Goodwill arising on consolidation**

The method of calculating goodwill arising on consolidation is described in note 2.5 to the consolidated financial statements.

### **3.5. Consolidation of equity and calculation of non-controlling interest**

The share capital of the Group is equal to the share capital of the Parent Company.

Other equity items of the Group are determined by adding the equity balances of subsidiaries included in the consolidated financial statements in the proportion reflecting the Parent Company's share in the subsidiaries' equity as at the end of the reporting period to the corresponding positions of the equity of the Parent Company.

Only equity of subsidiaries arising after the Parent Company obtained control of the subsidiary is included in the equity of the Group.

Non-controlling interests in subsidiaries included in the consolidated financial statements were determined based on the non-controlling interests' share in the subsidiaries' equity as at the end of the reporting period.

### **3.6. Consolidation eliminations**

Intercompany balances within the Group were eliminated on consolidation.

Sales between entities and other intercompany operating revenues and expenses and financial revenues and expenses were eliminated on consolidation.

The consolidation eliminations were based on the accounting records of Ciech S.A. (or subsidiary entities) and reconciled with information received from subsidiaries.

### **3.7. Notes to the consolidated financial statements**

All information included in the notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information, is, in all material respects, presented correctly and completely. This information constitutes an integral part of the consolidated financial statements.



### **3.8. Report on the Group's activities**

The report on the Group'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 consolidated financial statements.

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