



**Polish Energy Partners S.A. Group**

**Opinion and Report  
of the Independent Auditor  
Financial Year ended  
31 December 2011**

The opinion contains 3 pages  
The report supplementing the auditor's opinion  
contains 15 pages  
Opinion of the independent auditor  
and report supplementing the auditor's opinion  
on the consolidated financial statements  
for the financial year ended  
31 December 2011

*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**

### **Replacing opinion of the independent auditor expressed on 22 February 2012**

*To the General Meeting Polish Energy Partners S.A.*

We have audited the accompanying consolidated financial statements of Polish Energy Partners S.A. Group, whose parent entity is seated in Warsaw, ul. Wiertnicza 169 (“the Group”), which comprise the consolidated statement of financial position as at 31 December 2011, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising of 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 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 2009, No. 152, item 1223 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, based on our audit, is to express an opinion on these consolidated financial statements. We conducted our audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by the Polish 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 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, 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 Polish Energy Partners S.A. Group have been prepared and present fairly, in all material respects, the financial position of the Group as at 31 December 2011 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.

#### *Other Matters*

As required under the Accounting Act, we also report that 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 2009, No 33, item 259 with amendments) and the information is consistent with the consolidated financial statements.

The corresponding figures presented are based on the consolidated financial statements of the Group as of and for the year ended 31 December 2010, which were audited by another auditor who expressed a qualified opinion on those consolidated financial statements, dated 10 February 2011, with a qualification regarding non-recognition of a deferred tax asset with respect to investment expenditures incurred in a Special Economic Zone.

This opinion supersedes the opinion of the independent auditor on the consolidated financial statements of Polish Energy Partners S.A. Group as of and for the year ended 31 December 2011 issued on 22 February 2012 due to changes in the information on the type of opinion issued in respect to consolidated financial statements of Polish Energy Partners S.A. Group as of and for the year ended 31 December 2010, dated 10 February 2011 by another auditor.

In the "Other Matters" section of our original opinion it was stated that another auditor on the consolidated financial statements of Polish Energy Partners S.A. Group as of and for the year ended 31 December 2010 issued an unqualified opinion rather than a qualified opinion dated 10 February 2011 regarding non-recognition of a deferred tax asset with respect to investment expenditures incurred in a Special Economic Zone.

On behalf of KPMG Audyt Sp. z o.o. registration number 458  
ul. Chłodna 51, 00-867 Warsaw

*Signed on the Polish original*

*Signed on the Polish original*

.....  
Certified Auditor No. 12298  
Anna Godlewska

.....  
Certified Auditor No. 10268  
Director  
Monika Bartoszewicz

23 March 2012  
Warsaw



**Polish Energy Partners S.A. Group**

Report supplementing  
the auditor's opinion  
on the consolidated financial  
statements

Financial Year ended  
31 December 2011

Report replacing the report  
supplementing the auditor's  
opinion on 22 February 2012

The report supplementing the auditor's opinion  
contains 15 pages

Report supplementing the auditor's opinion  
on the consolidated financial statements  
for the financial year ended  
31 December 2011



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## **1. General**

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

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

Polish Energy Partners S.A. Group

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

ul. Wiertnicza 169  
02-952 Warsaw

#### **1.1.3 Registration of the Parent Company in the National Court Register**

Registration court:	District Court for the Capital City Warsaw in Warsaw, XIII Commercial Department of the National Court Register
Date:	19 July 2001
Registration number:	KRS 0000026545
Share capital as at balance sheet date:	PLN 42,627,934.00

#### **1.1.4. Management of the Parent Company**

The Management Board is responsible for management of the Parent Company.

At 31 December 2011, the Management Board of the Parent Company was comprised of the following members:

- Zbigniew Prokopowicz – President of the Management Board,
- Michał Kozłowski – Vice President of the Management Board,
- Anna Kwarcieńska – Vice President 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 2011, the following companies were consolidated by the Group:

Parent Company:

- Polish Energy Partners S.A.

Subsidiaries consolidated on the full consolidation basis:

- Saturn Management Sp. z o.o. i Wspólnicy Spółka Komandytowa,
- Dipol Sp. z o.o.,
- Amon Sp. z o.o.,
- Talia Sp. z o.o.,
- Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.,

- Grupa PEP - Biomasa Energetyczna Północ Sp. z o.o.,
- Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.,
- Energopep Sp. z o.o., EC Jeziorna, Spółka komandytowa,
- Interpep Sp. z o.o. EC Wizów Sp. komandytowa,
- Interpep EC Zakrzów Sp. z o.o. Sp. komandytowa,
- Mercury Energia Sp. z o.o. i Wspólnicy Sp. komandytowa
- Grupa PEP - Finansowanie Projektów Sp. z o.o.,
- Interpep Sp. z o.o.,
- Grupa PEP - Farma Wiatrowa 1 Sp. z o.o.,
- Grupa PEP - Farma Wiatrowa 2 Sp. z o.o.,
- Grupa PEP - Farma Wiatrowa 3 Sp. z o.o.,
- Grupa PEP - Farma Wiatrowa 4 Sp. z o.o.,
- Grupa PEP - Farma Wiatrowa 5 Sp. z o.o.,
- Grupa PEP - Farma Wiatrowa 6 Sp. z o.o.,
- Grupa PEP - Farma Wiatrowa 7 Sp. z o.o.,
- Grupa PEP - Farma Wiatrowa 8 Sp. z o.o.,
- Grupa PEP - Farma Wiatrowa 9 Sp. z o.o.,
- Grupa PEP - Farma Wiatrowa 10 Sp. z o.o.,
- Grupa PEP - Farma Wiatrowa 11 Sp. z o.o.,
- Grupa PEP - Farma Wiatrowa 12 Sp. z o.o.,
- Grupa PEP - Farma Wiatrowa 13 Sp. z o.o.,
- Grupa PEP - Bioelektrownia 2 Sp. z o.o. Sp. komandytowa,
- Grupa PEP – Bioelektrownia 1 Sp. z o.o.,
- Grupa PEP – Bioelektrownia 2 Sp. z o.o.,
- Pepino Sp. z o.o.,
- Erato Sp. z o.o.,
- Nauto Sp. z o.o.,
- Solano Sp. z o.o.,



- Zonda Sp. z o.o.,
- Bise Sp. z o.o.,
- Morka Sp. z o.o.,
- Euros Sp. z o.o.,
- Juron Sp. z o.o.,
- Jugo Sp. z o.o.,
- Autan Sp. z o.o.,
- Arta Sp. z o.o.

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

As at 31 December 2011, the following subsidiaries of the Group were not consolidated:

- Energopep Sp. z o.o.
- Saturn Management Sp. z o.o.
- Mercury Energia Sp. z o.o.
- Interpep EC Zakrzów Sp. z o.o.
- Grupa PEP – Uprawy Energetyczne Sp. z o.o.

## **1.3 Auditor information**

### **1.3.1 Key certified auditor information**

Name and surname: Monika Bartoszewicz  
Registration number: 10268

Name and surname: Anna Godlewska  
Registration number: 12298

### **1.3.2 Audit auditor information**

Name: KPMG Audyt Sp. z o.o.  
Registered office: Warsaw  
Address: ul. Chłodna 51, 00-867 Warsaw  
Registration number: KRS 0000104753  
Registration court: District Court for the Capital City 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 in the register of audit firms under number 458.

#### **1.4 Prior period consolidated financial statements**

The consolidated financial statements for the financial year ended 31 December 2010 were audited by Ernst & Young Audit sp. z o.o. and received a qualified opinion regarding non-recognition of a deferred tax asset with respect to investment expenditures incurred in a Special Economic Zone.

The consolidated financial statements were approved at the General Meeting on 16 March 2011.

The consolidated financial statements were submitted to the Registry Court on 16 May 2011 and were published in Monitor Polski B No. 1768 on 29 September 2011.

#### **1.5 Audit scope and responsibilities**

This report was prepared for the General Meeting of Polish Energy Partners S.A. seated in Warsaw, ul. Wiertnicza 169 and relates to the consolidated financial statements comprising: the consolidated statement of financial position as at 31 December 2011, the consolidated income statement and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, comprising of a summary of significant accounting policies and other explanatory information.

The consolidated financial statements have been audited in accordance with the contract dated 13 June 2011, concluded on the basis of the resolution of Supervisory Board dated 27 May 2011 on the appointment of the auditor.

We conducted the audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by the Polish National Council of Certified Auditors and International Standards on Auditing.

We audited the consolidated financial statements in the Parent Company's head office during the period from 1 February 2012 to 21 February 2012.

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 Company's activities.

Our responsibility is to express an opinion and to prepare a supplementing report on the financial statements.

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

All required statements, explanations and information and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.



Key certified auditors and KPMG Audyt Sp. z o.o. fulfill independence requirements as described in Art. 56 points 3 and 4 of the Act on Certified Auditors and Their Government, Audit Firms and Public Oversight dated 7 May 2009 (Official Journal from 2009, No. 77, item 649).

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 KPMG Audyt Sp. z o.o.

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

### **1.6.1 Parent Company**

The financial statements of the Parent Company for the year ended 31 December 2011 were audited by KPMG Audyt Sp. z o.o., certified auditor number 458, and received an unqualified opinion.

## 1.6.2 Other consolidated entities

Entity's name	Authorised auditor	Financial year end	Type of auditor's opinion
Saturn Management Sp. z o.o. i Wspólnicy Spółka Komandytowa	KPMG Audyt Sp. z o. o.	31.12.2011	opinion not yet issued
Dipol Sp. z o.o.	KPMG Audyt Sp. z o. o.	31.12.2011	opinion not yet issued
Amon Sp. z o.o.	KPMG Audyt Sp. z o. o.	31.12.2011	opinion not yet issued
Talia Sp. z o.o.	KPMG Audyt Sp. z o. o.	31.12.2011	opinion not yet issued
Grupa PEP - Biomasa Energetyczna Południe Sp. z o.o.	KPMG Audyt Sp. z o. o.	31.12.2011	opinion not yet issued
Grupa PEP - Biomasa Energetyczna Północ Sp. z o.o.	KPMG Audyt Sp. z o. o.	31.12.2011	opinion not yet issued
Grupa PEP - Biomasa Energetyczna Wschód Sp. z o.o.	KPMG Audyt Sp. z o. o.	31.12.2011	opinion not yet issued
Energopep Sp. z o.o., EC Jeziorna, Spółka komandytowa	not subject to audit	31.12.2011	-
Interpep Sp. z o.o. EC Wizów Sp. komandytowa	not subject to audit	31.12.2011	-
Interpep EC Zakrzów Sp. z o.o. Sp. komandytowa	not subject to audit	31.12.2011	-
Mercury Energia Sp. z o.o. i Wspólnicy Sp. komandytowa	not subject to audit	31.12.2011	-
Grupa PEP - Finansowanie Projektów Sp. z o.o.	not subject to audit	31.12.2011	-
Interpep Sp. z o.o.	not subject to audit	31.12.2011	-
Grupa PEP - Farma Wiatrowa 1 Sp. z o.o.	not subject to audit	31.12.2011	-
Grupa PEP - Farma Wiatrowa 2 Sp. z o.o.	not subject to audit	31.12.2011	-
Grupa PEP - Farma Wiatrowa 3 Sp. z o.o.	not subject to audit	31.12.2011	-
Grupa PEP - Farma Wiatrowa 4 Sp. z o.o.	not subject to audit	31.12.2011	-
Grupa PEP - Farma Wiatrowa 5 Sp. z o.o.	not subject to audit	31.12.2011	-
Grupa PEP - Farma Wiatrowa 6 Sp. z o.o.	not subject to audit	31.12.2011	-
Grupa PEP - Farma Wiatrowa 7 Sp. z o.o.	not subject to audit	31.12.2011	-
Grupa PEP - Farma Wiatrowa 8 Sp. z o.o.	not subject to audit	31.12.2011	-
Grupa PEP - Farma Wiatrowa 9 Sp. z o.o.	not subject to audit	31.12.2011	-
Grupa PEP - Farma Wiatrowa 10 Sp. z o.o.	not subject to audit	31.12.2011	-
Grupa PEP - Farma Wiatrowa 11 Sp. z o.o.	not subject to audit	31.12.2011	-
Grupa PEP - Farma Wiatrowa 12 Sp. z o.o.	not subject to audit	31.12.2011	-
Grupa PEP - Farma Wiatrowa 13 Sp. z o.o.	not subject to audit	31.12.2011	-
Grupa PEP – Bioelektrownia 2 Sp. z o.o. Sp.	not subject to audit	31.12.2011	-
Grupa PEP – Bioelektrownia 1 Sp. z o.o.	not subject to audit	31.12.2011	-
Grupa PEP – Bioelektrownia 2 Sp. z o.o.	not subject to audit	31.12.2011	-
Pepino Sp. z o.o.	not subject to audit	31.12.2011	-
Erato Sp. z o.o.	not subject to audit	31.12.2011	-
Nauto Sp. z o.o.	not subject to audit	31.12.2011	-
Solano Sp. z o.o.	not subject to audit	31.12.2011	-
Zonda Sp. z o.o.	not subject to audit	31.12.2011	-
Bise Sp. z o.o.	not subject to audit	31.12.2011	-
Morka Sp. z o.o.	not subject to audit	31.12.2011	-
Euros Sp. z o.o.	not subject to audit	31.12.2011	-
Juron Sp. z o.o.	not subject to audit	31.12.2011	-
Jugo Sp. z o.o.	not subject to audit	31.12.2011	-
Autan Sp. z o.o.	not subject to audit	31.12.2011	-
Arta Sp. z o.o.	not subject to audit	31.12.2011	-

## 2 Financial analysis of the Group

### 2.1 Summary of the consolidated financial statements

#### 2.1.1 Consolidated statement of financial position

ASSETS	31.12.2011		31.12.2010	
	PLN '000	% of total	PLN '000	% of total
<b>Non-current assets</b>				
Property, plant and equipment	495,631	42.6	277,353	34.2
Intangible assets	870	0.1	971	0.1
Goodwill	881	0.1	834	0.1
Financial assets	496	-	812	0.1
Long term receivables	282,038	24.2	296,534	36.5
Deferred tax assets	1,140	0.1	848	0.1
Accruals and deferred income	70	-	141	-
<b>Total non-current assets</b>	<b>781,126</b>	<b>67.1</b>	<b>577,493</b>	<b>71.1</b>
<b>Current assets</b>				
Inventories	59,748	5.1	36,014	4.4
Trade and other receivables	125,711	10.9	85,140	10.5
Income tax receivable	11	-	25	-
Other short term receivables	62,174	5.3	63,847	7.9
Accruals and deferred income	2,989	0.2	3,346	0.4
Cash and cash equivalents	131,793	11.4	46,263	5.7
<b>Total current assets</b>	<b>382,426</b>	<b>32.9</b>	<b>234,635</b>	<b>28.9</b>
<b>TOTAL ASSETS</b>	<b>1,163,552</b>	<b>100.0</b>	<b>812,128</b>	<b>100.0</b>
<b>EQUITY AND LIABILITIES</b>				
	<b>31.12.2011</b>	<b>% of total</b>	<b>31.12.2010</b>	<b>% of total</b>
	<b>PLN '000</b>		<b>PLN '000</b>	
<b>Equity</b>				
Share capital	42,628	3.7	39,488	4.9
Share premium	78,521	6.7	38,812	4.8
Revaluation reserve	17,270	1.5	14,865	1.8
Other reserve capital	172,625	14.9	121,398	15.0
Accumulated profit from previous years	41,289	3.5	27,071	3.3
Net profit	69,633	6.0	61,563	7.6
Non-controlling interest	1,175	0.1	1,119	0.1
<b>Total equity</b>	<b>423,141</b>	<b>36.4</b>	<b>304,316</b>	<b>37.5</b>
<b>Liabilities</b>				
Bank credits and loans	463,243	39.8	370,314	45.6
Deferred tax liabilities	10,221	0.9	12,023	1.5
Provisions	961	0.1	874	0.1
Accruals and deferred income	29,541	2.5	4,425	0.5
Other liabilities	420	-	420	0.1
<b>Total non-current liabilities</b>	<b>504,386</b>	<b>43.3</b>	<b>388,056</b>	<b>47.8</b>
Bank credits and loans	147,326	12.7	62,049	7.6
Trade and other payables	19,899	1.7	21,702	2.7
Income tax payable	13,882	1.2	10,025	1.2
Other payables	18,345	1.5	14,267	1.8
Provisions	986	0.1	945	0.1
Accruals and deferred income	35,587	3.1	10,768	1.3
<b>Total current liabilities</b>	<b>236,025</b>	<b>20.3</b>	<b>119,756</b>	<b>14.7</b>
<b>Total liabilities</b>	<b>740,411</b>	<b>63.6</b>	<b>507,812</b>	<b>62.5</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,163,552</b>	<b>100.0</b>	<b>812,128</b>	<b>100.0</b>



## 2.1.2. Consolidated income statement

	<b>1.01.2011 - 31.12.2011</b>	<b>% of total sales</b>	<b>1.01.2010 - 31.12.2010</b>	<b>% of total sales</b>
	<b>PLN '000</b>		<b>PLN '000</b>	
<b>CONTINUING OPERATIONS</b>				
Revenues from sales	206,446	95.6	169,416	96.3
Revenues from certificates of origin	9,518	4.4	6,550	3.7
<b>Revenue</b>	<b>215,964</b>	<b>100.0</b>	<b>175,966</b>	<b>100.0</b>
Cost of sales	(104,342)	48.3	(73,328)	41.7
<b>Gross profit on sales</b>	<b>111,622</b>	<b>51.7</b>	<b>102,638</b>	<b>58.3</b>
Other operating income	5,569	2.6	1,291	0.7
General and administrative expenses including the valuation of management options	(22,818)	10.6	(19,046)	10.8
Other operating expenses	(918)	0.4	(5,912)	3.4
Financial income	27,860	12.9	24,024	13.7
including dividends from a subsidiary	17	0.0	22	0.0
Financial expenses	(33,713)	15.6	(23,281)	13.2
<b>Profit before taxation</b>	<b>87,602</b>	<b>40.6</b>	<b>79,714</b>	<b>45.3</b>
Income tax expense	(17,829)	8.3	(18,045)	10.3
<b>Profit for the period</b>	<b>69,773</b>	<b>32.3</b>	<b>61,669</b>	<b>35.0</b>
<b>Profit for the period attributable to:</b>				
Equity holders of the parent	69,633		61,563	
Non-controlling shareholders	140		106	
<b>Earnings per share</b>				
- basic earnings per share attributable to equity holders of the parent	3.35		3.16	
- diluted earnings per share attributable to equity holders of the parent	3.35		3.16	



### 2.1.3. Consolidated statement of comprehensive income

	1.01.2011 - 31.12.2011		1.01.2010 - 31.12.2010	
	PLN '000	% of profit	PLN '000	% of profit
<b><i>Profit for the period</i></b>	<b>69,773</b>	<b>100.0</b>	<b>61,669</b>	<b>100.0</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Cash flow hedging	3,883	5.6	(3,126)	5.1
<b><i>Other comprehensive income for the period, net of income</i></b>	<b>3,883</b>	<b>5.6</b>	<b>(3,126)</b>	<b>5.1</b>
<b><i>Total comprehensive income for the period</i></b>	<b>73,656</b>	<b>105.6</b>	<b>58,543</b>	<b>94.9</b>
<b>Profit for the period attributable to:</b>				
Equity holders of the parent	73,516		58,437	
Non-controlling shareholders	140		106	

## 2.2 Selected financial ratios

	<b>2011</b>	<b>2010</b>
<b>1. Return on sales</b>		
$\frac{\text{net profit} \times 100\%}{\text{net revenues}}$	32,3%	35,0%
<b>2. Return on equity</b>		
$\frac{\text{net profit} \times 100\%}{\text{equity} - \text{net profit}}$	19,7%	25,4%
<b>3. Debtors turnover</b>		
$\frac{\text{average trade receivables (gross)} \times 365 \text{ days}}{\text{net revenues}}$	184 days	114 days
<b>4. Debt ratio</b>		
$\frac{\text{liabilities} \times 100\%}{\text{equity and liabilities}}$	63,6%	62,5%
<b>5. Current ratio</b>		
$\frac{\text{current assets}}{\text{current liabilities}}$	1,6	2,0

- Net revenues are comprised of the sale 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, excluding allowances for receivables.



### **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 Polish Energy Partners S.A. 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 capital 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 5.9 of the notes to the consolidated financial statements.

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

The method of calculating goodwill arising on consolidation is described in note 5.9 of the notes 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 Polish Energy Partners S.A. and agreed with information received from the 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 should be read in conjunction with the consolidated financial statements.

### **3.8 Report of the Management Board of the Parent Company on the Group's activities**

The Report of the Management Board of the Parent Company 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 2009, No 33, item 259 with amendments) and the information is consistent with the consolidated financial statements.



### **3.9 Information on the opinion of the independent auditor**

Based on our audit of the consolidated financial statements of the Group as at and for the year ended 31 December 2011, we have issued an unqualified opinion.

### **3.10 Information on the report**

This report replaces the report supplementing the independent auditor's opinion on the consolidated financial statements of Polish Energy Partners S.A. Group as of and for the year ended 31 December 2011 issued on 22 February 2012 due to changes in the information on the type of opinion issued with respect to the consolidated financial statements of Polish Energy Partners S.A. Group as of and for the year ended 31 December 2010, dated 10 February 2011, by another auditor.

In point 1.4. "Prior period consolidated financial statements" of the report it was stated that Ernst & Young Audit sp. z o.o. auditing the consolidated financial statements of Polish Energy Partners S.A. Group as of and for the year ended 31 December 2010 issued an unqualified opinion rather than a qualified opinion, dated 10 February 2011, with a qualification regarding non-recognition of a deferred tax asset with respect to investment expenditures incurred in a Special Economic Zone.

On behalf of KPMG Audyt Sp. z o.o. registration number 458  
ul. Chłodna 51, 00-867 Warsaw

*Signed on the Polish original*

*Signed on the Polish original*

.....  
Certified Auditor No. 12298  
Anna Godlewska

.....  
Certified Auditor No. 10268  
Director  
Monika Bartoszewicz

23 March 2012  
Warsaw