

**POLSKIE GÓRNICtwo NAFTOWE
I GAZOWNICTWO S.A.
WARSAW, UL. M. KASPRZAKA 25**

**FINANCIAL STATEMENTS
FOR THE 2012 FINANCIAL YEAR**

**WITH
AUDITOR'S OPINION
AND
AUDIT REPORT**

TABLE OF CONTENTS

AUDITOR'S OPINION	3
REPORT SUPPLEMENTING THE OPINION ON THE AUDIT OF THE FINANCIAL STATEMENTS OF POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A. FOR THE 2012 FINANCIAL YEAR.....	5
I. GENERAL INFORMATION	5
1. Details of the audited Company	5
2. Information about the financial statements for the previous financial year	9
3. Details of the authorized entity and the key certified auditor acting on its behalf.....	10
4. Availability of data and the Company's management representations	10
II. ECONOMIC AND FINANCIAL POSITION OF THE COMPANY	11
III. DETAILED INFORMATION	12
1. Evaluation of the accounting system.....	12
2. Information about the audited financial statements.....	13
3. Information about selected material items of the financial statements	13
4. Completeness and correctness of the notes and explanations and the report on the activities of the Company	14
IV. FINAL NOTES.....	15

**FINANCIAL STATEMENTS OF POLSKIE GÓRNICTWO NAFTOWE
I GAZOWNICTWO S.A. FOR THE 2012 FINANCIAL YEAR**

1. Statement of Financial Position
2. Income Statement
3. Statement of Comprehensive Income
4. Statement of Changes in Equity
5. Statement of Cash Flows
6. Notes, comprising a summary of significant accounting policies and other explanatory information

**REPORT ON THE ACTIVITIES OF POLSKIE GÓRNICTWO NAFTOWE
I GAZOWNICTWO S.A. FOR THE 2012 FINANCIAL YEAR**

AUDITOR'S OPINION

To the Shareholders and Supervisory Board of Polskie Górnictwo Naftowe i Gazownictwo S.A.

We have audited the attached financial statements of Polskie Górnictwo Naftowe i Gazownictwo with registered office in Warsaw at M. Kasprzaka 25, including the statement of financial position prepared as at 31 December 2012, the income statement and statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the financial year from 1 January 2012 to 31 December 2012 and notes, comprising a summary of significant accounting policies and other explanatory information.

Preparation of financial statements and a report on the activities in line with the law is the responsibility of the Management Board of the Company.

The Management Board of the Company and members of its Supervisory Board are obliged to ensure that the financial statements and the report on the activities meet the requirements of the Accounting Act of 29 September 1994 (Journal of Laws of 2009, No. 152, item 1223, as amended), hereinafter referred to as the "Accounting Act".

Our responsibility was to audit and express an opinion on compliance of the financial statements with the accounting principles (policy) adopted by the Company, express an opinion whether the financial statements present fairly and clearly, in all material respects, the financial and economic position as well as the financial result of the Company and an opinion on the correctness of the underlying accounting records.

Our audit of the financial statements has been planned and performed in accordance with:

- section 7 of the Accounting Act;
- national auditing standards, issued by the National Council of Statutory Auditors in Poland.

We have planned and performed our audit of the financial statements in such a way as to obtain reasonable assurance to express an opinion on the financial statements. Our audit included, in particular, verification of the correctness of the accounting principles (policy) and material estimates applied by the Company, verification – largely on a test basis – of the accounting evidence and records supporting the amounts and disclosures in the financial statements, as well as overall evaluation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited financial statements in all material respects:

- present fairly and clearly the information material to evaluate the economic and financial position of the Company as at 31 December 2012, as well as its profit/loss for the financial year from 1 January 2012 to 31 December 2012;
- have been prepared in accordance with the International Accounting Standards, International Financial Reporting Standards and related interpretations published as European Commission regulations, and in all matters not regulated in the standards – in accordance with the provisions of the Accounting Act, secondary legislation to the Act and based on properly kept accounting records;
- comply with the provisions of law and the by-laws of the Company which affect the contents of the financial statements.

The report on the activities of the Company for the 2012 financial year is complete within the meaning of Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009, on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states and consistent with underlying information disclosed in the audited financial statements.

Piotr Sokołowski
Key certified auditor
conducting the audit
No. 9752

On Behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Deloitte Audyt Sp. z o.o.) – an entity authorized to audit financial statements recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors:

Piotr Sokołowski – Deputy Chairman of the Management Board of Deloitte Polska Sp. z o.o. – general partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Deloitte Audyt Sp. z o.o.)

Warsaw, 5 March 2013

The above audit opinion together with audit report is a translation from the original Polish version. In case of any discrepancies between the Polish and English version, the Polish version shall prevail.

**REPORT SUPPLEMENTING THE OPINION ON THE AUDIT
OF THE FINANCIAL STATEMENTS
OF POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A.
FOR THE 2012 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited Company

The Company operates under the business name Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG S.A.", "the Company"). The Company's registered office is located in Warsaw, at M. Kasprzaka 25.

The Company operates as a joint stock company established by a notarized deed on 21 October 1996 before Paweł Błaszczak, Notary Public in Warsaw (Repertory A No. 18871/96). The Company was recorded in the Commercial Register kept by the District Court, XVI Business-Registry Division in Warsaw, section B, under number 48382, based on the decision of 27 December 2001. Currently, the Company is recorded in the Register of Entrepreneurs kept by the District Court, XII Business-Registry Division in Warsaw, under KRS number 0000059492.

The Company's tax identification number NIP: 525-000-80-28 assigned by Second Tax Office Warszawa Śródmieście on 22 November 1996.

The REGON number assigned by the Statistical Office on 14 November 1996 is: 012216736.

The Company operates in accordance with the provisions of the Code of Commercial Companies.

In accordance with the Company's by-laws, the scope of its activities includes:

- trading of gaseous fuels through mains;
- extraction of natural gas;
- extraction of crude oil;
- geological and engineering drillings and excavations;
- construction of pipelines, and transmission networks;
- services related to exploitation of crude oil and natural gas fields;
- other mining and extraction supporting services;
- production of minerals for the chemical industry and production of fertilizers;
- other mining and extraction, n.e.c.;
- producing and reprocessing crude oil and refined products;
- production of gas fuels;
- wholesale of chemical products;
- wholesale of other intermediate products;
- retail sale of automotive fuel in specialized stores;
- wholesale of fuels and related products;
- plumbing, heat, gas and air conditioning installation;
- repair and maintenance of machines;
- maintenance and repair of motor vehicles excluding motorcycles;
- transport of gaseous fuels via pipelines;
- other transport via pipelines;
- freight transport by road;
- warehousing and storage of gas fuels;
- warehousing and storage of other goods;
- production of technical gases;
- production of other chemical products, n.e.c.;

- wholesale of waste and scrap;
- research and development in other natural and technical sciences;
- engineering activities and related technical consultancy;
- other professional, scientific and technical activities, n.e.c.;
- other technical testing and analysis;
- installation of industrial machinery and equipment;
- steam, hot water and air conditioning supply and manufacturing;
- other specialized construction activities n.e.c.;
- wire telecommunications;
- wireless telecommunications, excluding satellite telecommunications;
- satellite telecommunications;
- other telecommunications services;
- production of electricity;
- distribution of electricity;
- trade of electricity;
- renting and leasing of other machinery, equipment and tangible goods n.e.c.;
- finance lease;
- other financial services, n.e.c. excluding insurance and pension funds, including trade of receivables on its own account;
- other activities auxiliary to financial services, except insurance and pension funding;
- other credit granting;
- trading of entrusted funds on financial markets (e.g. stockbroker) and similar services;
- agency in trade of securities;
- agency in trade of stock exchange merchandise;
- other activities supporting insurance and pension funds;
- management on financial markets;
- accounting, bookkeeping and auditing activities; tax consultancy;
- head offices and holdings, excluding financial holdings;
- agents involved in the sale of fuels, ores, metals and industrial chemicals;
- agents involved in the sale of a variety of goods;
- wholesale trade of metal products and equipment as well as additional plumbing and heating equipment;
- activities related to IT hardware management;
- data processing, website hosting and similar activities;
- other information technology and computer service activities;
- computer programming;
- reproduction of data carriers;
- repair of electronic and optical equipment;
- repair of electrical equipment;
- wholesale of computers, peripheral products and software;
- wholesale of electronic and telecommunications equipment and parts;
- wholesale of other machines and office equipment;
- wholesale of other machines and equipment;
- publishing of directories and mailing lists;
- other software publishing;
- IT advisory activities;
- Web portals;
- other information related services, n.e.c.;
- engineering activities and related technical consultancy;
- rental and lease of office machinery and equipment (including computers);
- lease of intellectual property and similar products except from copyright-protected works;
- repair and maintenance of computers and peripherals;
- repair and maintenance of telecommunications devices;

- repair and maintenance of general use electronics;
- other services, n.e.c.;
- call center services;
- other publishing activities;
- printing preparation services;
- other printing;
- photocopying, document preparation and other specialised office support activities;
- other human resources provision;
- other business support service activities n.e.c.;
- water collection, treatment and supply;
- non-specialized wholesale;
- library activities;
- archive activities;
- museum activities;
- buying and selling of own real estate;
- management of real estate on a fee or contract basis;
- renting and operating of own or leased real estate;
- other education n.e.c.;
- rental and lease of passenger cars and vans;
- rental and lease of other motor vehicles, excluding motorcycles;
- travel agency and tour operator activities;
- hotels and similar facilities;
- holiday and other short-stay accommodation facilities;
- camping areas (including fields for campers) and camping fields;
- other accommodation;
- retail sale in non-specialized stores selling mostly food, beverages and tobacco products;
- other retail sale in non-specialized stores;
- other retail sale not in stores, stalls or markets;
- organization of fairs, exhibitions and congresses;
- amusement and recreation activities.

In the audited period, the Company conducted the activities involving mainly trade of natural gas and crude oil, exploration and exploitation of crude oil and gas fields, general construction work regarding pipelines and mines, sales of crude oil and natural gas, lease of the Company's assets used for transmission of energy and gas.

As at 31 December 2012, the Company's share capital amounted to PLN 5,900,000,000 and was divided into 5,900,000,000 shares with a face value of PLN 1 each.

As at 31 December 2012, the Company's shareholders were:

- State Treasury – 72.40% of shares;
- others – 27.60 of shares.

As at 31 December 2011, the Company's shareholders were:

- State Treasury – 72.41% of shares;
- others – 27.59% of shares.

During the financial year the shares held by the State Treasury in the Company decreased by 0.01% due to the pending process of issuance of shares to the entitled employees. The State Treasury is possession of the shares that have not been issued yet to the entitled employees.

No changes in the Company's share capital other than listed above took place in the financial year, after the balance sheet date and by the opinion date.

As at 31 December 2012, the Company's equity was PLN 21,981 million.

The Company's financial year is the calendar year.

As at 31 December 2012 the Company had the following related parties:

- Direct subsidiaries
 - Karpacka Spółka Gazownictwa Sp. z o.o. 100% of shares;
 - Górnośląska Spółka Gazownictwa Sp. z o.o. 100% of shares;
 - Mazowiecka Spółka Gazownictwa Sp. z o.o. 100% of shares;
 - Wielkopolska Spółka Gazownictwa Sp. z o.o. 100% of shares;
 - Pomorska Spółka Gazownictwa Sp. z o.o. 100% of shares;
 - Dolnośląska Spółka Gazownictwa Sp. z o.o. 100% of shares;
 - PGNiG Poszukiwania S.A. (presently: Exalo Drilling S.A.) 100% of shares;
 - GEOFIZYKA Kraków S.A. 100% of shares;
 - GEOFIZYKA Toruń S.A. 100% of shares;
 - INVESTGAS S.A. 100% of shares;
 - PGNiG Energia S.A. 100% of shares;
 - Operator Systemu Magazynowania Sp. z o.o. 100% of shares;
 - BUD-GAZ Sp. z o.o. 100% of shares;
 - PGNiG Technologie S.A. 100% of shares;
 - Geovita S.A. 100% of shares;
 - Polish Oil And Gas Company – Libya B.V. 100% of shares;
 - PGNiG Norway AS 100% of shares;
 - PGNiG Sales & Trading GmbH 100% of shares;
 - PGNiG Finance AB 100% of shares;
 - PGNIG TERMIKA S.A.* 71% of shares;
 - PGNIG Serwis Sp. z o.o. 100% of shares;
 - PGNIG SPV 4 Sp. z o.o. 100% of shares;
 - Polskie Elektrownie Gazowe Sp. z o.o. 100% of shares;
 - BSiPG Gazoprojekt S.A. 75% of shares;
 - NYSAGAZ Sp. z o.o. 66% of shares;
- Indirect subsidiaries
 - Poszukiwania Nafty i Gazu Jasło S.A. 100% of shares;
 - Poszukiwania Nafty i Gazu Kraków S.A. 100% of shares;
 - Poszukiwania Nafty i Gazu NAFTA S.A. 100% of shares;
 - Poszukiwania Naftowe Diament Sp. z o.o. 100% of shares;
 - Zakład Robót Górniczych Krosno Sp. z o.o. 100% of shares;
 - Oil Tech International F.Z.E. 100% of shares;
 - Zakład Gospodarki Mieszkaniowej Sp. z o.o. 100% of shares;
 - Biogazownia Ostrowiec Sp. z o.o. 100% of shares;
 - Powiśle Park Sp. z o.o. (Warsaw) 100% of shares;
 - Poltava Services LLC 99% of shares;
 - CHEMKOP Sp. z o.o. Krakow 85% of shares;
 - GAZ Sp. z o.o. 80% of shares;
 - PT Geofizyka Toruń Indonezja LLC in liquidation 55% of shares;
 - XOOD GmbH 100% of shares;
- Co-subsidiaries
 - InterTransGas GmbH 50% of shares;
 - SGT EUROPOL GAZ S.A. 48% of shares;
- Associates
 - Sahara Petroleum Technology Llc in liquidation 49% of shares;
 - PFK GASKON S.A. 46% of shares;
 - GAZOMONTAŻ S.A. 45% of shares;

- GAS - TRADING S.A.	43% of shares;
- ZRUG Sp. z o.o. (in Poznań)	40% of shares;
- ZWUG INTERGAZ Sp. z o.o.	38% of shares;
- Dewon ZSA	36% of shares;
- ZRUG TORUŃ S.A. in bankruptcy liquidation	25% of shares.

* Share of PGNiG S.A. in the capital of PGNiG TERMIKA S.A. – right to votes at shareholders meeting 99.99%.

After the balance sheet a legal combination of PGNiG Poszukiwania S.A. (presently Exalo Drilling S.A.) with the following entities was registered:

- Poszukiwania Nafty i Gazu Jasło S.A.
- Poszukiwania Nafty i Gazu Kraków S.A.
- Poszukiwania Nafty i Gazu NAFTA S.A.
- Poszukiwania Naftowe Diament Sp. z o.o.
- Zakład Robót Górniczych Krosno Sp. z o.o.

As the result of the combinations PGNiG Poszukiwania S.A. (presently: Exalo Drilling S.A.) became the Acquirer.

Composition of the Management Board as at the date of the opinion:

- Grażyna Piotrowska-Oliwa – Chairman of the Management Board;
- Radosław Dudziński – Vice-Chairman of the Management Board;
- Sławomir Hinc – Vice-Chairman of the Management Board;
- Mirosław Szkałuba – Vice-Chairman of the Management Board.

Changes in the composition of the Management Board during the audited period, after the balance sheet date and before the date of the opinion:

- On 7 March 2012, the Supervisory Board appointed Grażyna Piotrowska-Oliwa the Chairman of the Management Board of PGNiG S.A. effective as of 19 March 2012.
- On 11 May 2012 Marek Karabuła resigned from the position of the Member of the Management Board. By the decision of the Supervisory Board since 1 January 2012 until the completion of the Chairman of the Management Board position recruitment process Marek Karabuła acted the Chairman of the Management Board of the Company, including chairing of the Management Board of PGNiG S.A.
- On 22 January 2013 Sławomir Hinc resigned from the position of the Member of the Management Board effective as at 31 March 2013.
- On 27 February 2013, the Supervisory Board appointed Krzysztof Bocian for the position of Vice-Chairman of the Management Board in charge of Search & Exploration and Jacek Murawski for the position of Vice-Chairman of the Management Board in charge of Finance effective as at 1 April 2013.

The aforesaid changes have been reported and registered in a competent registry court with the exception of the resignation of Sławomir Hinc and appointment of Krzysztof Bocian and Jacek Murawski, which will be reported and registered in accordance with the applicable laws.

2. Information about the financial statements for the previous financial year

The activities of the Company in 2011 resulted in a net profit of PLN 1,615,691 thousand. The financial statements of the Company for 2011 were audited by a certified auditor. The audit was performed by authorized entity Deloitte Audyt Sp. z o.o. On 1 March 2012, the certified auditor issued an unqualified opinion on these financial statements with the following emphasis of matter:

“Without raising any qualifications to the correctness and fairness of the audited financial statements, we would like to emphasize the information presented Note 36.6 and the uncertainty related to the current political situation in Libya and therefore possibility of loss of control over company’s undertaking’s equity interest in subsidiary POGC Libya BV.”

The General Shareholders Meeting, which approved the financial statements for the 2011 financial year, was held on 6 June 2012. The General Shareholders’ Meeting decided to allocate the entire total net profit for 2011 to increase the supplementary capital.

In accordance with applicable laws, the financial statements for the 2011 financial year were submitted to the National Court Register (KRS) on 15 June 2012 and filed for publication in Monitor Polski B on 20 June 2012. They were published in Monitor Polski B No. 2001 on 10 September 2012.

3. Details of the authorized entity and the key certified auditor acting on its behalf

The audit of the financial statements was conducted in accordance with the agreement of 28 June 2010 concluded between Polskie Górnictwo Naftowe i Gazownictwo S.A. and Deloitte Audyt Sp. z o.o. (presently: Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k.), with its registered office in Warsaw, al. Jana Pawła II 19, recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors. On behalf of the authorized entity, the audit of the financial statements was conducted under the supervision of Piotr Sokołowski, key certified auditor, (No. 9752), in the registered office of the Company from 22 October to 2 November 2012 and from 28 January to 5 March 2013.

The entity authorized to audit the financial statements was appointed by the resolution of the Supervisory Board of 12 May 2010 based on authorization included in Article 33 of the Company’s articles of association.

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Deloitte Audyt Sp. z o.o.) and Piotr Sokołowski, key certified auditor, confirm that they are authorized to carry out audits and meet the requirements of Article 56 of the Act on statutory auditors and their self-governing body, auditing firms and on public oversight (Journal of Laws of 2009, No. 77, item 649, as amended) to express an unbiased and independent opinion on the financial statements of Polskie Górnictwo Naftowe i Gazownictwo S.A.

4. Availability of data and the Company’s management representations

The scope of our audit was not limited.

During the audit, all necessary documents and data as well as detailed information and explanations were provided to the authorized entity and the key certified auditor, as confirmed e.g. in the written representation of the Management Board of 5 March 2013.

II. ECONOMIC AND FINANCIAL POSITION OF THE COMPANY

Presented below are the main items from the profit and loss account as well as financial ratios describing the financial performance of the Company and its economic and financial position compared to the prior year.

<u>Main items from the income statement (in PLN millions)</u>	<u>2012</u>	<u>2011*</u>
Sales revenue	25,539	21,821
Operating expenses	(23,727)	(20,625)
Financial revenue	728	1,027
Financial expenses	(280)	(261)
Income tax	(342)	(229)
Net profit (loss)	1,918	1,733
Total comprehensive income	1,707	1,809

<u>Profitability ratios</u>	<u>2012</u>	<u>2011</u>
– gross profit margin	7%	5%
– net profit margin	8%	8%
– net return on equity	10%	9%

<u>Effectiveness ratios</u>		
– assets turnover ratio	0.70	0.75
– receivables turnover in days	48	22
– liabilities turnover in days	18	(11)
– inventories turnover in days	33	(17)

<u>Liquidity/Net working capital</u>		
– debt ratio	40%	31%
– equity to fixed assets ratio	60%	69%
– net working capital (PLN millions)	1,470	(499)
– current ratio	1.20	0.93
– quick ratio	0.87	0.65

* Due to amendment of the accounting policy in 2012 the data for the 2011 financial year was presented after being adjusted to ensure comparability.

An analysis of the above figures and ratios indicated the following trends in 2012:

- an increase in profitability ratios;
- a decrease in the assets turnover ratio;
- an increase in turnover of receivables, liabilities and inventory in days;
- an increase of the debt ratio;
- an increase in the current and quick ratios.

III. DETAILED INFORMATION

1. Evaluation of the accounting system

The Company has valid documentation required by Article 10 of the Accounting Act of 29 September 1994 (Journal of Laws of 2009, No. 152, item 1223, as amended), hereinafter referred to as the "Accounting Act", referring in particular to: definition of the financial year and reporting periods thereof, methods of measuring assets and liabilities and determining the financial result, method of keeping the accounting records and the system of data and file protection. The documentation of the accounting policy was developed in line with the Accounting Act and with respect to the measurement of assets and liabilities plus equity as well as presentation of the financial statements – in line with International Financial Reporting Standards and approved for use as of 1 January 2010 by resolution of the Management Board No. 38/2010 of 23 December 2010, amended by resolution of the Management Board No. 690/2011 of 20 December 2011, and resolution of the Management Board No. 849/2012 of 11 December 2012. The principal methods for measurement of assets, liabilities and profit/loss have been presented in the notes.

The accounting principles which the Company may choose pursuant to IFRS have been selected in such a way so as to properly reflect the nature of the Company's business, its financial position and financial results. In the audited financial year the Company changed the applicable accounting policy by:

1. capitalizing seismic testing costs under tangible fixed assets in the statement of financial positions, which before were recognized under profit/loss of the current financial period;
2. capitalizing license purchase costs under intangible assets in the statement of financial positions, which before were recognized under profit/loss of the current financial period;
3. presentation of the right to geological information and geological usufruct under intangible assets in the statement of financial positions, which before were recognized under non-current assets;
4. presentation of employee liabilities and provisions under liabilities due to employee benefits and corresponding expenses under employee benefits in the income statement.

The Company's Management Board has justified that change and claimed that it will better reflect the Company's financial standing and financial profit/loss. The Company provided a description of that change in notes 2.5 of additional information and explanations to the financial statements.

The Company uses SAP computerized accounting system to record all business transactions. The Company also uses Payroll & HR module developed by Warsoft. The system is password-protected against unauthorized access and has functional access controls. The description of the IT system complies with the requirements of Article 10.1.3c of the Accounting Act.

The opening balance resulting from the approved financial statements for the prior financial year with consideration of the changes resulting from accounting policy changes described above has been properly introduced into the accounting records of the audited period.

In the part we have audited, documentation of business transactions, accounting records and the relationships between accounting entries, documents and financial statements complied with the requirements of section 2 of the Accounting Act.

The accounting records and evidence, the documentation of the accounting system and the approved financial statements of the Company are stored in compliance with section 8 of the Accounting Act.

The Company performed a physical count of assets and liabilities within the scope, timing and frequency required by the Accounting Act. Identified differences have been recorded and settled in the accounting records for the audited period.

2. Information about the audited financial statements

The audited financial statements were prepared as at 31 December 2012 and comprise:

- the statement of financial position prepared as at 31 December 2012, with total assets, equity and liabilities of PLN 36,641 million;
- the income statement for the period from 1 January 2012 to 31 December 2012, disclosing a net profit of PLN 1,918 million;
- statement of comprehensive income for the period from 1 January 2012 to 31 December 2012, disclosing a total comprehensive income of PLN 1,707 million;
- the statement of changes in equity for the period from 1 January 2012 to 31 December 2012, disclosing an increase in equity of PLN 1,708 million;
- statement of cash flows for the period from 1 January 2012 to 31 December 2012, showing a cash inflow of PLN 99 million;
- notes, comprising a summary of significant accounting policies and other explanatory information.

The structure of assets and liabilities plus equity as well as items affecting the financial result has been presented in the financial statements.

3. Information about selected material items of the financial statements

Property, plant and equipment

The Company's property, plant and equipment include:

- fixed assets of PLN 7,637 million;
- other fixed assets under construction of PLN 4,310 million;
- assets related to search and assessment of mineral resources of PLN 2,151 million.

The notes correctly describe changes in fixed assets and fixed assets under construction and disclose any impairment losses on such assets.

Financial assets

The Company's financial assets include:

- shares in controlled entities of PLN 7,263 million;
- loans granted of PLN 5,729 million.

The notes correctly describe changes in assets during the financial year.

Inventories

The structure of inventories has been correctly presented in the relevant explanatory note to the statement of financial position.

Receivables

Ageing of trade receivables has been correctly presented in the relevant note to the balance sheet. The audited sample did not include past-due or redeemed receivables.

Liabilities

Ageing and structure of liabilities have been correctly presented in the relevant explanatory note to the statement of financial position.

Key items of the Company's liabilities include:

- long-term credit facilities and loans of PLN 4,390 million;
- short-term credit facilities and loans of PLN 3,879 million.

Prepayments, accruals and provisions for liabilities

The explanatory notes to prepayments, accruals and provisions for liabilities correctly present the structure of these items. Deferred expenses and income have been correctly classified with respect to the audited financial period. Provisions for liabilities have been determined at reliably estimated amounts. The items have been recognized completely and correctly in all material respects in relation to the financial statements as a whole.

4. Completeness and correctness of the notes and explanations and the report on the activities of the Company

The Company confirmed the validity of the going concern basis in preparation of the financial statements. The notes give a correct and complete description of measurement principles regarding assets, liabilities, profit/loss and principles of preparation of the financial statements.

Limitations imposed on individual assets disclosed in the statement of financial position arising from security granted to creditors have been described.

The notes give a complete description of the reporting items and clearly present other information required pursuant to IFRS.

The Management Board prepared and supplemented the financial statements with a report on the activities of the Company in 2012. The Report on the activities of the Capital Group is complete within the meaning of Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance of 19 February 2009 on current and periodic information published by issuers of securities and the rules of equal treatment of the information required by the laws of non-member states. We have audited the report with respect to the disclosed information derived directly from the audited financial statements.

IV. FINAL NOTES

Management Board's Representation

Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Deloitte Audyt Sp. z o.o.) and the key certified auditor received a representation letter from the Company's Management Board, in which the Board stated that the Company complied with the laws in force.

Piotr Sokołowski
Key certified auditor
conducting the audit
No. 9752

On Behalf of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Deloitte Audyt Sp. z o.o.) – an entity authorized to audit financial statements recorded under number 73 on the list of entities authorized to provide audit services kept by the National Council of Statutory Auditors:

Piotr Sokołowski – Deputy Chairman of the Management Board of Deloitte Polska Sp. z o.o. – general partner of Deloitte Polska Spółka z ograniczoną odpowiedzialnością Sp. k. (formerly: Deloitte Audyt Sp. z o.o.)

Warsaw, 5 March 2013