

**CAPITAL GROUP
POLSKIE GÓRNICTWO NAFTOWE
I GAZOWNICTWO S.A.
WARSAW, UL. M. KASPRZAKA 25**

**CONSOLIDATED 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 CONSOLIDATED FINANCIAL STATEMENTS OF POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A. CAPITAL GROUP FOR THE 2012 FINANCIAL YEAR	5
I. GENERAL INFORMATION	5
1. Details of the audited Parent	5
2. Information about the consolidated financial statements for the prior financial year..	11
3. Details of the authorized entity and the key certified auditor acting on its behalf.....	12
4. Availability of data and the Company's management representations	12
II. ECONOMIC AND FINANCIAL POSITION OF THE CAPITAL GROUP.....	13
III. DETAILED INFORMATION	14
1. Information about the audited consolidated financial statements	14
2. Consolidation documentation.....	14
3. Completeness and correctness of drawing up the notes and the report on the activities of the Capital Group.....	15
IV. FINAL NOTES.....	16

CONSOLIDATED FINANCIAL STATEMENTS OF THE POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A. CAPITAL GROUP FOR THE 2012 FINANCIAL YEAR

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

REPORT ON THE ACTIVITIES OF THE POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A. CAPITAL GROUP 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 consolidated financial statements of the Polskie Górnictwo Naftowe i Gazownictwo S.A. Capital Group, with Polskie Górnictwo Naftowe i Gazownictwo S.A., with its registered office in Warsaw at M. Kasprzaka 25, as the Parent Company, including consolidated statement of financial position prepared as of 31 December 2012, consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated 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 the consolidated financial statements and a report on the activities of the Capital Group in line with the law is the responsibility of the Management Board of the Parent.

The Management Board of the Parent and members of its Supervisory Body are obliged to ensure that the consolidated financial statements and the report on the activities of the capital group 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 consolidated financial statements with the accounting principles (policy) adopted by the Capital Group, express an opinion whether the consolidated financial statements present fairly and clearly, in all material respects, the financial and economic position as well as the financial result of the Capital Group.

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 consolidated 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 Parent and subsidiaries, verification – largely on a test basis – of the accounting evidence and records supporting the amounts and disclosures in the consolidated financial statements, as well as overall evaluation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

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

- present fairly and clearly the information material to evaluate the economic and financial position of the Capital Group as at 31 December 2012, as well as its financial result in 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 Commission regulations, and in all matters not regulated in the standards – in accordance with the provisions of the Accounting Act and secondary legislation to the Act;
- comply with the provisions of law applicable to the Capital Group which affect the contents of the consolidated financial statements.

The Report on the activities of the Capital Group 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 consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS OF
POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A. CAPITAL GROUP
FOR THE 2012 FINANCIAL YEAR**

I. GENERAL INFORMATION

1. Details of the audited Parent

The Parent of the Capital Group operates under the business name Polskie Górnictwo Naftowe i Gazownictwo S.A. ("the Company"; "PGNiG S.A."). The Parent'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 Capital Group's equity amounted to PLN 27,247 million.

The Capital Group's financial year is the calendar year.

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.

Composition of the Polskie Górnictwo Naftowe i Gazownictwo S.A. Capital Group as at 31 December 2012:

- Polskie Górnictwo Naftowe i Gazownictwo S.A. as Parent, and
- 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 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;
- PGNIG TERMIKA S.A.* 71% 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;
 - XOOD GmbH 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.

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

The consolidated financial statements as at 31 December 2012 included the following entities:

a) Parent – Polskie Górnictwo Naftowe i Gazownictwo S.A.

We have audited the financial statements of Polskie Górnictwo Naftowe i Gazownictwo S.A., the Parent, for the period from 1 January to 31 December 2012. As a result of our audit, on 5 March 2013 we issued an unqualified opinion.

b) Companies subject to full consolidation:

Name and address of the Company	Interest in capital (%)	Name of entity that audited the financial statements and type of opinion issued	Balance sheet date of the consolidated entity	Opinion date
GEOFIZYKA Kraków S.A.	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified opinion	31 December 2012	27 February 2013
GEOFIZYKA Toruń S.A.	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified opinion	31 December 2012	15 February 2013
PGNiG Poszukiwania S.A. (presently: Exalo Drilling S.A.)	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified, emphasis of matter opinion	31 December 2012	28 February 2013
PGNiG Norway AS	100.00%	Deloitte AS Unqualified opinion	31 December 2012	20 February 2013
Polish Oil And Gas Company – Libya B.V.	100.00%	Deloitte Accountants B.V.	31 December 2012	(1)
INVESTGAS S.A.	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified opinion	31 December 2012	28 February 2013
Dolnośląska Spółka Gazownictwa Sp. z o.o.	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified opinion	31 December 2012	1 March 2013
Górnośląska Spółka Gazownictwa Sp. z o.o.	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified opinion	31 December 2012	1 March 2013
Karpacka Spółka Gazownictwa Sp. z o.o.	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified opinion	31 December 2012	1 March 2013
GK Mazowiecka Spółka	100.00%	Deloitte Polska Sp. z o.o. Sp. k.	31 December	1 March 2013

Gazownictwa		Unqualified opinion	2012	
Pomorska Spółka Gazownictwa Sp. z o.o.	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified opinion	31 December 2012	1 March 2013
Wielkopolska Spółka Gazownictwa Sp. z o.o.	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified opinion	31 December 2012	1 March 2013
Geovita S.A.	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified, emphasis of matter opinion	31 December 2012	28 February 2013
PGNiG Technologie S.A.	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified opinion	31 December 2012	1 March 2013
PGNiG Energia S.A.	100.00%	Deloitte Polska Sp. z o.o. Sp. k.	31 December 2012	25 February 2013
GK PGNiG Sales&Trading GmbH	100.00%	PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft Unqualified opinion	31 December 2012	21 February 2013
PGNiG Finance AB	100.00%	Deloitte AB Unqualified opinion	31 December 2012	22 February 2013
PGNiG Termika S.A.	99.99%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified opinion	31 December 2012	1 March 2013
Operator Systemu Magazynowania Sp. z o.o.	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified opinion	31 December 2012	25 February 2013
PGNiG Serwis Sp. z o.o.	100.00%	CHE Consulting sp. z o.o.	31 December 2012	(1)
Biuro Studiów i Projektów Gazownictwa Gazoprojekt S.A.	75.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified opinion	31 December 2012	28 February 2013
Poszukiwania Nafty i Gazu Jasło S.A.	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified, emphasis of matter opinion	31 December 2012	4 March 2013
GK Poszukiwania Nafty i Gazu Kraków S.A.	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified, emphasis of matter opinion	31 December 2012	4 March 2013
Poszukiwania Nafty i Gazu NAFTA S.A.	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified, emphasis of matter opinion	31 December 2012	28 February 2013
Poszukiwania Naftowe Diament Sp. z o.o.	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Unqualified, emphasis of matter opinion	31 December 2012	28 February 2013
Zakład Robót Górniczych Krosno Sp. z o.o.	100.00%	Deloitte Polska Sp. z o.o. Sp. k. Emphasis of matter opinion	31 December 2012	28 February 2013

(1) By the date of opinion on the audit of the consolidated financial statements of the Polskie Górnictwo Naftowe i Gazownictwo S.A. Capital Group the opinion had not been issued.

c) Companies subject to equity method of consolidation:

Name and address of the Company	Interest in capital (%)	Name of entity that audited the financial statements and type of opinion issued	Balance sheet date of the consolidated entity	Opinion date
SGT EuRoPol Gaz S.A.	48%	PricewaterhouseCoopers Sp. z o.o.	31 December 2012	(1)
Gas-Trading S.A.	43%	-	31 December 2012	(1)

(1) By the date of opinion on the audit of the consolidated financial statements of the Polskie Górnictwo Naftowe i Gazownictwo S.A. Capital Group the opinion had not been issued.

The Parent preparing the consolidated financial statements has not applied any material simplifications and exceptions to the consolidation principles with respect to the controlled entities.

In the audited financial year and as at 31 December 2012 the Company included the following entities in consolidation:

- PGNiG Poszukiwania S.A. (presently: Exalo Drilling S.A.)
- PGNiG Termika S.A.
- PGNiG Serwis Sp. z o.o.

Additionally, PGNiG SPV1 Sp. z o.o. was merged with PGNiG Termika S.A.

d) Companies excluded from the financial statements for immateriality:

Direct subsidiaries

– BUD-GAZ 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;
– Zakład Gospodarki Mieszkaniowej Sp. z o.o.	100% of shares;
– Biogazownia Ostrowiec Sp. z o.o.	100% of shares;
– CHEMKOP Sp. z o.o. Krakow	85% of shares;
– NYSAGAZ Sp. z o.o.	66% of shares;
– PT Geofizyka Toruń Indonezja LLC in liquidation	55% of shares;

Indirect subsidiaries

– GAZ Sp. z o.o.	80% 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;
– 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.

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.

2. Information about the consolidated financial statements for the prior financial year

The activities of the Capital Group in 2011 resulted in a net profit of PLN 1,626,184 thousand. The consolidated financial statements of the Capital Group 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 with the following emphasis of matter:

“Without raising any qualifications to the correctness and fairness of the audited consolidated financial statements, we would like to emphasize:

- Note 6.2 to the consolidated financial statements in which the Management Board of the Parent pointed out factors affecting the accuracy of assumptions adopted while measuring shares in co-subsidiary SGT EuRoPol Gaz S.A. The measurement of the shares was based on assumptions and future events – completely independent of the Parent – the result of which as at the date of preparation of the consolidated financial statements could not be properly forecasted. The Management Board of the Parent also explained the reasons of impairment of shares in that company.
- Note 37.8 to the consolidated financial statements in which the Management Board of the Parent pointed the uncertainty related to the current political situation in Libya and therefore the uncertainty of future operating activity in this country.”

The General Shareholders Meeting, which approved the consolidated financial statements for the 2011 financial year, was held on 6 June 2012.

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 consolidated 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 consolidated financial statements was conducted under the supervision of Piotr Sokołowski, key certified auditor, (No. 9752), in the registered office of the Parent 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 consolidated financial statements of the Polskie Górnictwo Naftowe i Gazownictwo S.A. Capital Group.

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 the Parent dated 5 March 2013.

II. ECONOMIC AND FINANCIAL POSITION OF THE CAPITAL GROUP

Presented below are the main items from the consolidated profit and loss account as well as financial ratios describing the financial performance of the Capital Group 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	28,730	23,004
Operating expenses	(26,197)	(21,132)
Financial revenue	216	135
Financial expenses	(380)	(152)
Share in profits/(losses) of entities measured using the equity method	173	43
Income tax	(308)	(143)
Net profit (loss)	2,234	1,755
Total comprehensive income	2,030	1,820
<u>Profitability ratios</u>	<u>2012</u>	<u>2011</u>
- gross profit margin	9%	8%
- net profit margin	8%	8%
- net return on equity	9%	7%
<u>Effectiveness ratios</u>		
- assets turnover ratio	0.60	0.59
- receivables turnover in days	55	51
- liabilities turnover in days	18	21
- inventories turnover in days	36	27
<u>Liquidity/Net working capital</u>		
- debt ratio	43%	35%
- equity to fixed assets ratio	57%	65%
- net working capital (PLN millions)	1,220	(322)
- current ratio	1.13	0.96
- quick ratio	0.81	0.69

* 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 gross profit margin and the net return on equity;
- a decrease in the assets turnover ratio;
- an increase in receivables, liabilities and inventory turnover in days;
- an increase of the debt ratio.

III. DETAILED INFORMATION

1. Information about the audited consolidated financial statements

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

- the consolidated statement of financial position prepared as at 31 December 2012, with total assets, equity and liabilities of PLN 47,917 million;
- consolidated income statement for the period from 1 January 2012 to 31 December 2012, disclosing a net profit of PLN 2,234 million;
- consolidated statement of comprehensive income for the period from 1 January 2012 to 31 December 2012, disclosing a total comprehensive income of PLN 2,030 million;
- consolidated statement of changes in equity for the period from 1 January 2012 to 31 December 2012, disclosing an increase in equity of PLN 2,029 million;
- consolidated statement of cash flows for the period from 1 January 2012 to 31 December 2012, showing a cash inflow of PLN 443 million;
- notes, comprising a summary of significant accounting policies and other explanatory information.

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

The audit covered the period from 1 January 2012 to 31 December 2012 and focused mainly on:

- verification of the correctness and fairness of the consolidated financial statements prepared by the Management Board of the Parent;
- verification of the consolidation documentation;
- evaluation of the correctness of the consolidation methods and procedures applied during consolidation;
- review of opinions and reports on audits of financial statements of subsidiaries and associated companies included in consolidation, prepared by other certified auditors.

2. Consolidation documentation

The Parent Company presented the consolidation documentation including:

- 1) financial statements of entities included in the consolidated financial statements;
- 2) financial statements of controlled entities, adjusted to the accounting principles (policy) applied during consolidation;
- 3) financial statements of controlled entities translated into the Polish currency;
- 4) all consolidation adjustments and eliminations necessary for preparation of the consolidated financial statements;
- 5) calculation of the fair value of the net assets of controlled entities;
- 6) calculation of goodwill and negative goodwill as well as their write-downs, also due to impairment;
- 7) calculation of minority interest;
- 8) calculation of exchange differences arising from translation of the financial statements of controlled entities denominated in foreign currencies.

Basis for the preparation of the consolidated financial statements

The consolidated financial statements of the Capital Group for the 2012 financial year were prepared in accordance with IFRS.

Entities in the Capital Group

The scope and methods of consolidation as well as relationship between the entities have been determined based on the criteria specified in IFRS.

Financial period

The consolidated financial statements have been prepared as of the same balance sheet date and for the same financial year as the financial statements of the Parent – Polskie Górnictwo Naftowe i Gazownictwo S.A. Subsidiaries and associated companies included in consolidation prepared their financial statements as at the same balance sheet date as the Parent. The financial year of all subsidiaries and associated companies included in the consolidation ended on 31 December 2012.

Consolidation method

The financial statements of the subsidiaries were consolidated using the full method, i.e. full amounts of all relevant items of the financial statements of the Parent and the subsidiaries included in consolidation were summed up.

Once the values had been summed up, consolidation adjustments and eliminations were applied to:

- the cost of shares held by the Parent in subsidiaries and the part of net assets of subsidiaries corresponding to the interest of the Parent in these companies;
- mutual receivables and liabilities of entities included in consolidation;
- material revenue and expenses related to transactions between entities included in consolidation.

The equity method was applied with respect to associated entities. The value of the Parent's interest in the associated company was adjusted by increases or decreases in the equity of the associated company attributable to the Parent, which occurred in the period covered by consolidation, and decreased by dividends due from such companies.

3. Completeness and correctness of drawing up the notes and the report on the activities of the Capital Group

The Parent confirmed the validity of the going concern basis in preparation of the consolidated financial statements. The notes to the consolidated financial statements give a correct and complete description of measurement principles regarding assets, liabilities, financial result and principles of preparation of the consolidated financial statements.

The Parent prepared the notes in the form of tables to individual items of the statement of financial position and statement of comprehensive income as well as narrative descriptions, in line with the principles specified in IFRS.

Notes describing property, plant and equipment, intangible assets, investments, liabilities and provisions correctly present increases and decreases as well as their basis during the financial year.

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

Individual assets and liabilities as well as revenue and expenses have been correctly presented by the Parent in the consolidated financial statements. The consolidated statement of financial position, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows as well as notes which constitute an integral part of the financial statements include all items required for disclosure in the consolidated financial statements under IFRS.

The consolidated financial statements have been supplemented with the Management Board's report on the activities of the Capital Group in the 2012 financial year. 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 consolidated 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 Parent's Management Board, in which the Board stated that the Capital Group 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