

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

**CONSOLIDATED
FINANCIAL STATEMENTS
FOR THE 2010 FINANCIAL YEAR**

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

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**CONSOLIDATED FINANCIAL STATEMENTS OF THE POLSKIE
GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A. CAPITAL GROUP FOR
THE 2010 FINANCIAL YEAR**

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**REPORT ON THE ACTIVITIES OF THE POLSKIE GÓRNICTWO NAFTOWE I
GAZOWNICTWO S.A. CAPITAL GROUP FOR THE 2010 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 Street 25, as the parent, including consolidated statement of financial position prepared as of 31 December 2010, 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 2010 to 31 December 2010 and notes comprising a summary of significant accounting policies and other explanatory information.

Preparation of 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 Board 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 and 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 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) applied by the Parent and the subsidiaries, verification – largely on a test basis – of the basis for 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 of 31 December 2010 as well as its profit or loss in the financial year from 1 January 2010 to 31 December 2010,
- 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 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.

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

- The information presented in Note 6, Note 6, in which the Parent's Management Board has presented factors resulting in uncertainty of assumptions on which measurement of shares in SGT EuRoPol Gas S.A. co-subsiary was based. Measurement of the shares was based on assumptions and future events beyond control of the Parent, whose effects could not have been clearly projected as at the date of the consolidated financial statements. The Parent's Management Board explained also reasons of having made impairment write-downs on the shares of the co-subsiary.
- The information presented in Note 37.8, in which the Parent's Management Board has informed about the uncertainty related to the current political situation in Libya and therefore the uncertainty of future operating activity in this country.

The Report on the activities of the Capital Group for the 2010 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

Piotr Sokołowski

Vice President of the Management Board
Certified auditor
No. 9752

Marta Towpik

Member of the Management Board
Certified auditor
No. 90113

Deloitte Audyt Sp. z o.o.

Al. Jana Pawła II 19
00-754 Warszawa

.....
represented by

.....
entity authorized to audit
financial statements entered under
number 73 on the list kept by the
National Council of Statutory Auditors

Warsaw, 3 March 2011

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 ON THE AUDIT OF THE CONSOLIDATED FINANCIAL
STATEMENTS OF THE POLSKIE GÓRNICTWO NAFTOWE I
GAZOWNICTWO S.A. CAPITAL GROUP FOR THE 2010 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's registered office is located in Warsaw, at M. Kasprzaka Street 25.

The Company operates as a joint stock company established by a notarized deed on 1 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 assigned by the Second Tax Office on 22 November 1996 is 525-000-80-28.

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

The Company operates based on the provisions of the Code of Commercial Companies.

In accordance with the Company's articles of association, the scope of its activities includes:

- production of crude oil,
- production of natural gas,
- services related to exploration of crude oil and natural gas fields,
- mining of sulphur-bearing materials,
- other mining, n.e.c.,
- production of crude oil and refined products,
- reprocessing crude oil and refined products,
- services related to installation, repair and maintenance of machines for mining and building industry,
- production of electricity,
- transmission of electricity,
- distribution of electricity,
- production of gas fuels,
- distribution of gas fuels through the network,
- production of heat (steam and hot water),
- distribution of heat (steam and hot water),
- geological and engineering excavations and drilling,
- execution of general construction works in respect to line structures: pipelines, power lines, electrical traction lines as well as telecommunication and transmission lines ,
- central heating and ventilation installations,
- gas installations,
- service and repair of motor vehicles,
- retail sale of fuels,

- wholesale of solid, liquid and gas fuels and derivative products,
- wholesale of semi-finished products,
- other specialized wholesale trade,
- hotels and motels with restaurant,
- hotels and motels without restaurants,
- cargo road transport by specialized vehicles,
- cargo transport by road, using general-purpose vehicles,
- pipeline transport,
- warehousing and storage of goods in other storage areas,
- travel agencies,
- fixed line telephony and telegraphy,
- mobile telephony,
- data transmission, information and communication technology,
- radio communications,
- research and development work in technical sciences,
- geological and exploration activity,
- surveying and mapping,
- rental of real property on own account,
- management of residential real property,
- management of non-residential real property,
- purchase and sales of real property on own account,
- non-public libraries,
- archives,
- museums,
- technical tests and analyses,
- leasing of the Company's assets dedicated to transmission of energy and gas,
- other financial brokerage services,
- holdings,
- other printing operations, not elsewhere classified,
- DTP and typesetting services,
- auxiliary graphics services,
- service activity related to installation, repair and maintenance of measurement, control, research, testing and navigation instruments and equipment,
- heating, water, ventilation and gas installations,
- brokerage sales of fuels, ore, metals and industrial chemicals,
- activities of agents involved in the sales of various goods,
- wholesale trade of metal products and equipment as well as additional plumbing and heating equipment,
- other retail sale in non-specialized stores,
- finance lease,
- auxiliary financial services related to insurance and pension-retirement funds,
- rental of machines and equipment,
- data processing,
- activity related to databases,
- other IT-related services,
- accounting and bookkeeping services,
- advertisement,
- Call Center services,
- other commercial activity, n.e.c.,
- property management services,
- other short-term accommodation, n.e.c.

In the audited period, the Company conducted the following business activities:

As of 31 December 2010, the Company's share capital amounted to PLN 5.900.000.000 and was divided into:

- 4,250,000,000 A series bearer shares with face value of PLN 1 each,
- 750,000,000 A1 series bearer shares with face value of PLN 1 each,
- 900,000,000 B series bearer shares with face value of PLN 1 each

As at 31 December 2010, the Company's shareholders included:

- State Treasury – 72,43% of shares,
- Publicly traded shares – 27,57% of shares.

During the financial year there were no changes in the share capital of the Company.

During the audited period, the shareholding structure of the Company's share capital did not undergo any changes.

After the balance-sheet date there were no changes in the Company's share capital.

As of 31 December 2010, the Capital Group's equity amounted to PLN 23.519.470 thousand.

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

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

- Michał Szubski - Chairman of the Management Board,
- Radosław Dudziński - Vice Chairman of Management Board in Charge of Strategy,
- Sławomir Hinc - Vice Chairman of the Management Board in Charge of Finance,
- Mirosław Szkałuba - Vice Chairman of the Management Board in Charge of Trade,
- Marek Karabula - Vice Chairman of the Management Board in Charge of Oil Mining.

Changes in the composition of the Management Board during the audited period:

On April 26th 2010, Mirosław Dobrut resigned from his position as Vice-President of the Management Board for Gas and Trade, with effect from April 30th 2010. The reason for Mirosław Dobrut's resignation was his appointment as President of the Management Board of SGT EUROPOL GAZ S.A.

On May 12th 2010, Marek Karabula, Member of the Supervisory Board, was delegated to temporarily stand in as Vice-President of the Management Board for Gas and Trade in the period from June 1st to August 31st 2010.

On July 19th 2010, the Supervisory Board of PGNiG S.A. appointed Marek Karabula as Member of the Management Board of PGNiG S.A.

On August 15th 2010, Waldemar Wójcik resigned from his position as Vice-President of the Management Board for Oil Mining.

On December 1st 2010 the Supervisory Board of PGNiG S.A. started the verification procedure for positions of Management Board members:

- Chairman of the Management Board,

- Vice Chairman of the Management Board in Charge of Finance,
- Vice Chairman of Management Board in Charge of Strategy,
- Vice Chairman of the Management Board in Charge of Oil Mining.

On January 12th 2011 the the verification procedure for positions of Management Board members ended and as a result the Supervisory Board appointed current members of Management Board - Michał Szubski, Sławomir Hinc, Radosław Dudziński and Marek Karabula - for the next joint three-year term.

On December 28th 2010 the Supervisory Board made a decision to appoint the January 4th as a start date of procedure for election by the employees a one member of the Management Board.

As a result Mirosław Szakłuba was elected by the employees to serve as a member of the Management Board for the duration of its term of office.

The above changes have been reported and registered at a relevant court register.

Composition of the Capital Group as of 31 December 2010:

- Parent – Polskie Górnictwo Naftowe i Gazownictwo S.A., and
- Direct subsidiaries:
 - Geofizyka Kraków Sp. z o.o. - 100% shares,
 - Geofizyka Toruń Sp. z o.o. - 100% shares,
 - Poszukiwania Nafty i Gazu Jasło Sp. z o.o. - 100% shares,
 - Poszukiwania Nafty i Gazu Kraków Sp. z o.o. - 100% shares,
 - Poszukiwania Nafty i Gazu Nafta Sp. z o.o. w Pile - 100% shares,
 - Dolnośląska Spółka Gazownictwa Sp. z o.o. - 100% shares,
 - Górnośląska Spółka Gazownictwa Sp. z o.o. - 100% shares,
 - Karpacka Spółka Gazownictwa Sp. z o.o. - 100% shares,
 - Mazowiecka Spółka Gazownictwa Sp. z o.o. - 100% shares,
 - Pomorska Spółka Gazownictwa Sp. z o.o. - 100% shares,
 - Wielkopolska Spółka Gazownictwa Sp. z o.o. - 100% shares,
 - PN Diament Sp. z o.o. - 100% shares,
 - Biuro Studiów i Projektów Gazownictwa Gazoprojekt S.A. - 75% shares,
 - Polish Oil and Gas Company – Libya B.V. - 100% shares,
 - PGNiG Technologie Sp. z o.o. (Górnictwo Naftowe Sp. z o.o.) - 100% shares,
 - Geovita Sp. z o.o. - 100% shares,
 - ZRG Krosno Sp. z o.o. – 100% shares,
 - Investgas S.A. - 100% shares,
 - PGNiG Norway AS - 100% udziałów,
 - PGNiG Energia S.A. – 100% shares,
 - POGC Trading GmbH – 100% shares,
 - Operator Systemu Magazynowania Sp. z o.o. - 100% shares,
 - Polskie Elektrownie Gazowe Sp. z o.o. - 100% shares,
 - NYSAGAZ Sp. z o.o. - 51% shares,
 - BUD-GAZ P.P.U.H. Sp. z o.o. - 100% shares.
- Indirect subsidiaries :
 - BUG Gazobudowa Sp. z o.o. - 100% shares,
 - Zakład Urządzeń Naftowych Naftomet Sp. z o.o. - 100% shares,
 - ZRUG Sp. z o.o. (w Pogórskiej Woli) - 100% shares,
 - Budownictwo Naftowe Naftomontaż Sp. z o.o. – 88,83% shares,

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- Geofizyka Torun Kish Ltd (Rial) - 100% shares,
- Oil Tech International F.Z.E. - 100% shares,
- Zakład Gospodarki Mieszkaniowej Sp. z o.o. (Piła) - 100% shares,
- Biogazownia Ostrowiec Sp. z o.o. - 100% shares,
- Powiśle Park Sp. z o.o. (Warszawa) - 100% shares,
- CHEMKOP Sp. z o.o. Kraków - 85% shares,
- GAZ Sp. z o.o. (Błonie) - 51% shares,
- GAZ MEDIA Sp. z o.o. (Wołomin) - 51% shares.

The consolidated financial statements as of 31 December 2010 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 2010. As a result of our audit, on March 3rd 2011 we issued an emphasis of matter opinion.

- b) Companies subject to full consolidation:

Name and address of the Company	Interest in the 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 Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified emphasis of matter opinion	31.12.2010	01.03.2011
GEOFIZYKA Toruń Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	31.12.2010	04.02.2011
Poszukiwania Nafty i Gazu Jasło Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified emphasis of matter opinion	31.12.2010	03.03.2011
GK Poszukiwania Nafty i Gazu Kraków Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	31.12.2010	03.03.2011
Poszukiwania Nafty i Gazu NAFTA Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	31.12.2010	01.03.2011
Dolnośląska Spółka Gazownictwa Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	31.12.2010	01.03.2011
Górnośląska Spółka Gazownictwa Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	31.12.2010	01.03.2011
Karpacka Spółka Gazownictwa Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	31.12.2010	01.03.2011
GK Mazowiecka Spółka Gazownictwa Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	31.12.2010	01.03.2011
Pomorska Spółka Gazownictwa Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	31.12.2010	01.03.2011
Wielkopolska Spółka Gazownictwa Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	31.12.2010	11.02.2011
Budownictwo Urzędzeń Gazowniczych Gazobudowa Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified emphasis of matter opinion	31.12.2010	03.03.2011
Budownictwo Naftowe	88,83%	Deloitte Audyt Sp. z o.o.	31.12.2010	25.02.2011

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Naftomontaż Sp. z o.o.		Unqualified opinion		
Zakład Urządzeń Naftowych Naftomet Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o.	31.12.2010	03.03.2011
Poszukiwania Naftowe „Diamant” Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	31.12.2010	01.03.2011
ZRG Krosno Sp. z o.o.	100%	Deloitte Audyt Sp. z o.o. Unqualified opinion	31.12.2010	03.03.2011
Biuro Studiów i Projektów Gazownictwa „Gazoprojekt” S.A.	75,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	31.12.2010	01.03.2011
Geovita Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Opinia bez zastrzeżeń	31.12.2010	28.02.2011
POGC Libya B.V.	100,00%	As at the opinion date, no opinion	31.12.2010	
Investgas S.A.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	31.12.2010	03.03.2011
PGNiG Norway A/S	100,00%	Deloitte AS Unqualified opinion	31.12.2010	17.02.2011
PGNiG Energia S.A.	100,00%	Deloitte AS Unqualified opinion	31.12.2010	03.03.2011
ZRUG Sp. z o.o. w Pogórskiej Woli	100%	Deloitte Audyt Sp. z o.o. Unqualified opinion	31.12.2010	25.02.2011
PGNiG Technologie Sp. z o.o. (Górnictwo Naftowe Sp. z o.o.)	100%	Skonto –Ficadex Spółka z o.o. Unqualified opinion	31.12.2010	22.02.2011
Naft-Stal Sp. z o.o. w upadłości likwidacyjnej (in bankruptcy)**	59,88%	The company is not audited as at 31.12.2010*		
POGC Trading GmbH	100%	The company is not audited as at 31.12.2010	31.12.2010	
Operator Systemu Magazynowania Sp. z o.o.	100%	The company is not audited as at 31.12.2010	31.12.2010	

*On June 29th 2010, the District Court for Krosno resolved to declare the bankruptcy of NAFT – STAL sp. z o.o. w upadłości (in bankruptcy) and to liquidate the company's assets. As a result it was excluded from the consolidation in III quarter 2010.

**In consolidation included only income statement for the period from 01.01.2010 to 30.06.2010.

c) Companies subject to equity method of consolidation:

Name and address of the Company	Interest in the 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.	49,74%	As at the opinion date, no opinion	31.12.2010	
Gas-Trading S.A.	43,41%	As at the opinion date, no opinion	31.12.2010	

The Holding Company preparing the consolidated financial statements did not simplify or alter consolidation principles in relation to the consolidated entities.

In the audited financial year, the Company included in consolidation the following entities: PGNiG Technologie Sp. z o.o. (previously Górnictwo Naftowe Sp. z o.o.), ZRUG Sp. z o.o. w Pogórskiej Woli, Operator Systemu Magazynowania Sp. z o.o., POGC Trading GmbH and in III quarter excluded from consolidation NAFT – STAL Sp. z o.o. w upadłości likwidacyjnej (in bankruptcy). Effect of the decision on the consolidated financial statements was immaterial.

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

The activities of the Capital Group in 2009 resulted in a net profit of PLN 1.236.886 thousand. The consolidated financial statements of the Capital Group for 2009 were audited by a certified auditor. The audit was performed by authorized entity Deloitte Audyt Sp. z o.o. On March 3rd 2010 the certified auditor issued a qualified emphasis of matter opinion on those financial statements, stating as follows:

“Without qualifying the accuracy and fairness of the audited consolidated financial statements, we would like to point out the information presented Note 6, in which the Parent’s Management Board have indicated factors resulting in measurement assumptions applied to shares of SGT EuRoPol Gaz. S.A. being uncertain. The measurement of the shares value was based on assumptions and future events beyond control of the Parent, whose outcome cannot be clearly predicted as at the consolidated financial statements date. Additionally, the Parent’s Management Board have also explained reasons of impairment write-downs on these shares.”

The General Shareholders’ Meeting which approved the consolidated financial statements for the 2009 financial year was held on April 29th 2010.

In accordance with applicable laws, the consolidated financial statements for the 2009 financial year were submitted to the National Court Register (KRS) on May 6th 2010 and filed for publication in Monitor Polski B on May 27th 2010. They were published in Monitor Polski B No. 1908 on October 7th 2010.

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

The audit of the consolidated financial statements was performed based on the agreement of May 28th 2010 concluded between Polskie Górnictwo Naftowe i Gazownictwo S.A. and Deloitte Audyt Sp. z o.o. 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 February 1st to March 3rd 2011.

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

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) 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 management's 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 of March 3rd 2011.

II. ECONOMIC AND FINANCIAL POSITION OF THE CAPITAL GROUP

Presented below are the main items from the consolidated income statement 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</u> <u>(PLN '000)</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Sales revenue	21.281.161	19.331.527	18.432.048
Operating expenses	18.394.472	17.956.668	17.631.370
Financial revenue	80.515	203.315	213.238
Financial expenses	30.410	94.626	78.771
Share in profits/(losses) of entities measured using the equity method	(695)	(359)	221
Income tax	478.915	246.303	69.624
Net profit (loss)	2.457.184	1.236.886	865.742
Total comprehensive income	2.537.359	1.250.607	815.266

<u>Profitability ratios</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
– gross profit margin	14%	7%	4%
– net profit margin	12%	6%	5%
– net return on equity	12%	6%	4%

<u>Effectiveness ratios</u>			
– assets turnover ratio	0,62	0,62	0,62
– receivables turnover in days	66	70	70
– liabilities turnover in days	60	61	58
– inventory turnover in days	23	30	30

Liquidity/Net working capital

– debt ratio	31%	31%	30%
– equity to fixed assets ratio	69%	69%	70%
– net working capital (PLN '000)	1 059 935	518 083	2 200 964
– current ratio	1,18	1,09	1,44
– quick ratio	1,00	0,87	1,10

An analysis of the above figures and ratios indicated the following trends in 2010:

- An increase in gross, net profit margin and net return on equity,
- A decrease in receivables, liabilities and inventory turnover,
- An improvement in current and quick ratio.

III. DETAILED INFORMATION

1. Information about the audited consolidated financial statements

The audited consolidated financial statements were prepared as of 31 December 2010 and include:

- consolidated statement of financial position prepared as of 31 December 2010, with total assets and liabilities plus equity of PLN 34.316.239 thousand,
- consolidated income statement for the period from 1 January 2010 to 31 December 2010, with a net profit of PLN 2.457.184 thousand,
- consolidated statement of comprehensive income for the period from 1 January 2010 to 31 December 2010 with a total comprehensive income of PLN 2.537.359 thousand,
- consolidated statement of changes in equity for the period from 1 January 2010 to 31 December 2010, disclosing an increase in equity of PLN 2.084.142 thousand,
- consolidated statement of cash flows for the period from 1 January 2010 to 31 December 2010, showing a cash inflow of PLN 176.602 thousand,
- 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 profit or loss has been presented in the consolidated financial statements.

The audit covered the period from 1 January 2010 to 31 December 2010 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 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 2010 financial year have been prepared in accordance with the International Financial Reporting Standards.

Entities in the Capital Group

The scope and method of consolidation as well as the relationship between entities in the capital group have been determined based on the criteria specified in the International Financial Reporting Standards.

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. S.A. Subsidiaries and associated companies included in consolidation prepared their financial statements as of the same balance sheet date as the Parent. The financial year of all subsidiaries and associated companies included in consolidation ended on 31 December 2010.

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. Justification of the opinion issued

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

- The information presented in Note 6, Note 6, in which the Parent's Management Board has presented factors resulting in uncertainty of assumptions on which measurement of shares in SGT EuRoPol Gas S.A. co-subsiidiary was based. Measurement of the shares was based on assumptions and future events beyond control of the Parent, whose effects could not have been clearly projected as at the date of the consolidated financial statements. The Parent's Management Board explained also reasons of having made impairment write-downs on the shares of the co-subsiidiary.

- The information presented in Note 37.8, in which the Parent's Management Board has informed about the uncertainty related to the current political situation in Libya and therefore the uncertainty of future operating activity in this country.

4. Completeness and correctness of drawing up notes and explanations 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, profit or loss and principles of preparation of the consolidated financial statements.

The Parent prepared notes in the form of tables to individual items of the consolidated statement of financial position and statement of comprehensive income as well as narrative descriptions, in line with the requirement of 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 [balance sheet/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 Management Board prepared and supplemented the consolidated financial statements with a report on the activities of the Capital Group in the 2010 financial year. The report contains all information required under Article 49.2 of the Accounting Act and the Ordinance of the Minister of Finance Ordinance 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. CLOSING COMMENTS

Management Board's Representation

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.

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Piotr Sokołowski
Key certified auditor
conducting the audit
No. 9752

Piotr Sokolowski
Vice President of the Management Board
Certified auditor
No. 9752

Marta Towpik
Member of the Management Board
Certified auditor
No. 90113

Deloitte Audyt Sp. z o.o.
Al. Jana Pawła II 19
00-754 Warszawa

.....
represented by

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entity authorized to audit
financial statements entered under
number 73 on the list kept by the
National Council of Statutory Auditors

Warsaw, 3 March 2011