

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

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE 2009 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 THE CAPITAL GROUP  
POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A. FOR THE 2009  
FINANCIAL YEAR ..... 6**

**I. GENERAL INFORMATION..... 6**

1. Details of the audited Company ..... 6  
2. Information about the consolidated financial statements for the previous  
financial year ..... 11  
3. Details on the authorized entity and the certified auditor acting on its behalf ..... 12  
4. Availability of data and management's representations ..... 12  
5. Economic and financial position of the Capital Group ..... 13

**II. DETAILED INFORMATION ..... 13**

1. Information on the audited consolidated financial statements ..... 14  
2. Consolidation documentation ..... 14  
3. Justification of the opinion issued ..... 15  
4. Completeness and correctness of drawing up notes and explanations and  
the report on the activities of the Capital Group ..... 15  
5. Final information and findings ..... 16

**CONSOLIDATED FINANCIAL STATEMENTS OF THE CAPITAL GROUP  
POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A. FOR THE 2009  
FINANCIAL YEAR**

1. Consolidated statement of financial position  
2. Consolidated income statement  
3. Statement of changes in consolidated equity  
4. Consolidated statement of cash flow  
5. Additional information and explanations

**REPORT ON ACTIVITIES OF THE CAPITAL GROUP**

## **AUDITOR'S OPINION**

### **To the Shareholders, Supervisory Board and Management Board of Polskie Górnictwo Naftowe i Gazownictwo S.A.**

We have audited the attached consolidated financial statements of the Capital Group the Capital Group Polskie Górnictwo Naftowe i Gazownictwo S.A. with the registered office in Warsaw, ul. M. Kasprzaka 25, acting as a parent, including:

- consolidated statement of financial position prepared as of 31 December 2009, with total assets and liabilities plus equity of PLN 31,082,170 thousand,
- consolidated income statement for the period from 1 January 2009 to 31 December 2009, disclosing a net profit of PLN 1,203,606 thousand,
- consolidated statement of comprehensive income for the period from 1 January 2009 to 31 December 2009, disclosing a comprehensive income of PLN 1,217,327 thousand,
- statement of changes in consolidated equity for the period from 1 January 2009 to 31 December 2009, disclosing an increase in equity of PLN 686,123 thousand,
- consolidated cash flow statement for the period from 1 January 2009 to 31 December 2009, showing a net cash outflow of PLN 224,547 thousand,
- additional information and explanations.

Preparation of these financial statements is the responsibility of the Management Board of the Parent. Our responsibility was to audit and express an opinion on the accuracy, correctness and clarity of these consolidated financial statements.

The consolidated financial statements were drawn up using the full method for 23 subsidiaries (including one indirect subsidiary) and the equity method for one associate and one indirect subsidiary. The financial statements of 14 subsidiaries, one associate and one indirect subsidiary were subject to review by other entities authorized to audit financial statements. We received financial statements of these subsidiaries and associates as well as opinions resulting from audit of these financial statements. Our opinion on the audit of the consolidated financial statements in respect to the data of these entities is based on opinions of certified auditors authorized to perform their audit. The data from the financial statements of subsidiaries in the case of which our audit was fully based on opinions of other certified auditors account for 4.66% and 9.58% of consolidated assets and consolidated sales revenues before consolidation adjustments, respectively.

Our audit of the consolidated financial statements was planned and performed in accordance with:

- section 7 of the Accounting Act of 29 September 1994 (Journal of Laws from 2009, No. 152, item 1223 with subsequent amendments),
- auditing standards issued by the National Council of Certified Auditors in Poland

in such a way as to obtain reasonable and sufficient basis for expressing an opinion as to whether the consolidated financial statements were free of material misstatements. Our audit included in particular examination of the consolidation documentation supporting the amounts and disclosures in the consolidated financial statements, assessment of the accounting principles (policy) applied in the preparation of the consolidated financial statements, related material estimates as well as evaluation of the overall presentation of the financial statements.

We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the audited consolidated financial statements of Capital Group Polskie Górnictwo Naftowe i Gazownictwo S.A. for the 2009 financial year were prepared in all material respects in accordance with the International Financial Reporting Standards as endorsed by the European Union and give true and fair view of all information essential for evaluation of the economic and financial standing as well as the financial profit/loss of the Capital Group as at and for the period of 12 months ended 31 December 2009.

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 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 Report on the Capital Group's activities in the 2009 financial year is complete in the meaning of Article 49 clause 2 of the Accounting Act and Finance Minister's 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 and consistent with the underlying information disclosed in the audited consolidated financial statements.

.....  
 Maria Rzepnikowska  
 Certified Auditor  
 No. 3499/1028

.....  
 represented by

.....  
 Entity entitled to audit  
 financial statements entered under  
 number 73 on the list kept by the  
 National Council of Certified Auditors

Warsaw, 3 March 2010

*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 THE CONSOLIDATED  
FINANCIAL STATEMENTS OF THE CAPITAL GROUP POLSKIE  
GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A.  
FOR THE 2009 FINANCIAL YEAR**

**I. GENERAL INFORMATION**

**1. Details of the audited Company**

The Capital Group's Parent Entity operates under the name Polskie Górnictwo Naftowe i Gazownictwo S.A. The Company's registered office is located in Warsaw, ul. M. Kasprzaka 25.

The Company operates as a joint stock company established by the notarized deed of 1 October 1996 before notary public Paweł Błaszczak in Warsaw (Repertory A No. 18871/96).

The Company was registered in the Commercial Register kept by the District Court, XVI Business and Registry Department in Warsaw, RHB number 48382, based on the decision of 27 December 2001. Currently, the Company is recorded in the enterprise register kept by the District Court of the capital city of Warsaw, XII Business Registry Division of the National Court Register in Warsaw under number KRS 0000059492.

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

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

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

The scope of the Company's business activities in accordance with its Articles of Association includes:

- production of crude oil,
- production of natural gas,
- services related to mining of crude oil and natural gas fields,
- mining of sulphur-bearing materials,
- other mining, n.e.c.,
- manufacturing of crude oil refined products,
- processing of crude oil refined products,
- services related to installation, repair and maintenance of plant for mining and building industry,
- production of electricity,
- transmission of electricity,
- distribution of electricity,
- production of gas fuels,
- distribution of gas fuels through a network,
- production of heat (steam and hot water),
- distribution of heat (steam and hot water),
- geological and engineering excavations and drillings,

- general construction work in respect to line structures: pipelines, power lines, electrical traction and telecommunication– transmission lines,
- general construction work in respect to line structures: pipelines, power lines, electrical traction and telecommunication– industry lines,
- central heating and ventilation installations,
- gas installations,
- service and repair of motor vehicles,
- retail fuel sales,
- wholesale of solid, liquid and gas fuels as well as derivative products,
- wholesale of semi-finished products,
- other specialized wholesale,
- hotels and motels with restaurants,
- hotels and motels without restaurants,
- cargo road transport with specialized vehicles,
- cargo road transport with 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 science,
- geological and exploration activity,
- surveying and mapping,
- rental of real property on own account,
- management of residential property,
- management of non-residential property,
- buying and selling of property on own account,
- non-public libraries,
- archive services,
- museums,
- technical tests and analyses,
- lease of the Company's assets dedicated to the transmission of energy and gas,
- other financial brokerage services,
- holdings,
- other printing operations, n.e.c.,
- 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,
- brokerage sales of miscellaneous 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,

- database related services,
- other IT-related services,
- accounting and bookkeeping services,
- advertising,
- 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 business activity included 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 dedicated to transmission of energy and gas.

As at 31 December 2009, the Company's equity amounted to PLN 5,900,000,000 and was divided into:

- 1) 4,250,000,000 A series bearer shares with face value of PLN 1 each,
- 2) 750,000,000 A1 series bearer shares with face value of PLN 1 each,
- 3) 900,000,000 B series bearer shares with face value of PLN 1 each.

As at 31 December 2009, the Company's shareholders included:

- State Treasury – 72,94% of shares,
- Publicly traded shares – 27,06% of shares.

No changes in the Company's share capital took place during the financial year.

No changes other than the aforementioned in the Company's shareholding structure took place in the audited period.

No changes in the Company's share capital took place after the balance sheet date.

As of 31 December 2009, the Capital Group's total equity amounted to PLN 21,402,048 thousand.

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

As at the opinion date, the composition of the Company's Management Board was as follows:

- Michał Szubski - Chairman of the Board,
- Mirosław Dobrut – Vice Chairman of the Management Board, in Charge of Gas Production and Trade,
- Radosław Dudziński – Vice Chairman of Management Board in Charge of Strategy,
- Sławomir Hinc – Vice Chairman of the Management Board in Charge of Finance,
- Mirosław Szałuba – Vice Chairman of the Board in Charge of HR and Restructuring,
- Waldemar Wójcik – Vice Chairman of the Board in Charge of Oil Mining.

The following change in the composition of the Management Board of PGNiG S.A. took place in 2009:

On 28 January 2009, the Supervisory Board of PGNiG S. A. appointed Waldemar Wójcik a Member of the Management Board.

The above change was filed and recorded in the proper court register.

As of 31 December 2009 Polskie Górnictwo Naftowe i Gazownictwo Capital Group included:



- The Parent - Polskie Górnictwo Naftowe i Gazownictwo S.A., and
- Subsidiaries:
  - Geofizyka Kraków Sp. z o.o. - 100% of shares,
  - Geofizyka Toruń Sp. z o.o. - 100% of shares,
  - Poszukiwania Nafty i Gazu Jasło Sp. z o.o. - 100% of shares,
  - Poszukiwania Nafty i Gazu Kraków Sp. z o.o. - 100% of shares,
  - Poszukiwania Nafty i Gazu NAFTA Sp. z o.o. in Piła—100% of shares,
  - Dolnośląska Spółka Gazownictwa Sp. z o.o. - 100% of shares,
  - Górnośląska Spółka Gazownictwa Sp. z o.o. - 100% of shares,
  - Karpacka Spółka Gazownictwa Sp. z o.o. - 100% of shares,
  - Mazowiecka Spółka Gazownictwa Sp. z o.o. - 100% of shares,
  - Pomorska Spółka Gazownictwa Sp. z o.o. - 100% of shares,
  - Wielkopolska Spółka Gazownictwa Sp. z o.o. - 100% of shares,
  - Budownictwo Urządzeń Gazowniczych Gazobudowa Sp. z o.o. - 100% of shares,
  - Budownictwo Naftowe Naftomontaż Sp. z o.o. - 88.83% of shares,
  - Zakład Urządzeń Naftowych Naftomet Sp. z o.o. - 100% of shares,
  - PN Diament Sp. z o.o. - 100% of shares,
  - Biuro Studiów i Projektów Gazownictwa Gazoprojekt S.A.— 75% of shares,
  - Polish Oil and Gas Company - Libya B.V. - 100% of shares,
  - ZRUG Sp. z o.o. Pogórska Wola - 100% of shares,
  - Górnictwo Naftowe Sp. z o.o. - 100% of shares,
  - Geovita Sp. z o.o. - 100% of shares,
  - Bud-Gaz PPUiH Sp. z o.o. in Warsaw - 100% of shares,
  - Zakład Robót Górniczych Krosno Sp. z o.o. - 100% of shares,
  - Investgas S.A.— 100% of shares,
  - PPUiH TURGAZ Sp. z o.o. - 51.14% of shares,
  - Nysagaz Sp. z o.o. - 51% of shares,
  - PGNiG Norway AS - 100% of shares;.
  - PNIG Energia SA – 100% of shares
- Co-subsidary:
  - InterTransGas GmbH- 50% of shares,
- Indirect subsidiaries:
  - Naft-Stal Sp. z o.o. 67.40% of shares held by Budownictwo Naftowe Naftomontaż Sp. z o.o.,
  - Zakład Gospodarki Mieszkaniowej Sp. z o.o. Piła – 100% of shares held by PNiG Nafta Sp. z o.o.,
  - Oil Tech International F.Z.E. United Arab Emirates – 100% of shares held by PNiG Kraków Sp. z o.o.,
  - GAZ Sp. z o.o. - 51% of shares held by MSG Sp. z o.o.,
  - Gaz Media Sp. z o.o. - 51% of shares held by MSG Sp. z o.o.,
  - Geofizyka Kraków Libia S.A.— 60% of shares held by Geofizyka Kraków Sp. z o.o.,
  - Geofizyka Toruń Kish Ltd. – 95% of shares held by Geofizyka Toruń Sp. z o.o. and 5% of shares held by PNiG Kraków Sp. z o.o.
  - Powiśle Park Sp. z o.o.- 100% of Soares held by MSG Sp. z o.o.

Additionally, the Parent held shares in the following related parties:

- Associates:

## CAPITAL GROUP POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A.

- SGT EuRoPol Gaz S.A.- 49.74% of Soares (48% - held directly by PGNiG S.A., 1.74% - indirectly through Gas Trading S.A. holding 4% of shares),
- Gas-Trading S.A.– 43.41% of shares,
- Sahara Petroleum Technology Llc in bankruptcy – 49% of shares,
- "Polskie Elektrownie Gazowe" Sp. z o.o. in bankruptcy – 48.48% of shares,
- PFK Gaskon S.A. – 45.94% of shares,
- Gazomontaż S.A. – 45.18% of shares,
- ZRUG Poznań Sp. z o.o. – 40.06% of shares,
- ZWUG Intergaz Sp. z o.o. - 38.30% of shares,
- Dewon S.A.– 36.38% of shares,
- HS Szczakowa S.A. in bankruptcy – 33.30% of shares,
- ZRUG Toruń S.A. – 31.33% of shares,
- WOC TE-MA Sp. z o.o. – 20.97% of shares,
- PI Gazotech Sp. z o.o. – 69.44% of shares.\*

*\* PGNiG S.A. holds 46.3% of the total number of votes at Shareholders Meeting of Gazotech Sp. z o.o.*

- Indirect associated entities:
  - Gazobudowa Poznań Sp. z o.o. - 49.00% of shares held by BUG Gazobudowa Sp. z o.o.,
  - Gazobudowa Kraków Sp. z o.o. - 47.20% of shares held by BUG Gazobudowa Sp. z o.o.,
  - "Naftex" Sp. z o.o. in Krosno – 44.00% of shares held by BN Naftomontaż Sp. z o.o.;
  - PPU "Pertomin " Wołomin – 40.00% of shares held by PNiG Jasło Sp. z o.o.,
  - "Geotermia" Stargard Szczeciński – 25.00% of shares held by PNiG Jasło Sp. z o.o.,
  - PolGazTelekom S.A.– 32,00% of shares held by SGT Europol Gaz S.A.,
  - Alfa – Center Sp. z o.o.– 100% of shares held by PFK Gaskon S.A.,
  - Mazowiecki Dom Inwestycyjny Sp. z o.o.– 44.44% of shares held by Gazomontaż S.A.,
  - Gas-Trading Podkarpacie Sp. z o.o.– 99.04% of shares held by Gas-Trading S.A.
  - BioGas Trading Dunaj Sp. z o.o. – 80% of Soares held by Gas-Trading S.A.

The consolidated financial statements as of 31 December 2009 included the following entities:

- a) The 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 2009. Following the audit, on 3 March 2010, we issued an unqualified opinion on these financial statements.

- b) Subsidiaries subject to full consolidation:

Name and address of the Company	Share in the share capital (in %)	Entity that audited the financial statements and type of opinion issued	Opinion date
GK GEOFIZYKA Kraków Sp. z o.o.	100,00%	Strategia Consulting Sp. z o.o. Unqualified opinion	12.02.2010
GEOFIZYKA Toruń Sp. z o.o.	100,00%	Grant Thornton Frąckowiak Sp. z o.o. Unqualified opinion	22.02.2010
Poszukiwania Nafty i Gazu Jasło Sp. z o.o.	100,00%	ECA Seredyński i Partnerzy Sp. z o.o. Unqualified opinion	12.02.2010
GK Poszukiwania Nafty i Gazu Kraków Sp. z o.o.	100,00%	As at the opinion date, no opinion	
Poszukiwania Nafty i Gazu NAFTA Sp. z	100,00%	Grant Thornton Frąckowiak Sp. z o.o	26.02.2010

## CAPITAL GROUP POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A.

o.o.		Unqualified opinion	
Dolnośląska Spółka Gazownictwa Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	03.03.2010
Górnośląska Spółka Gazownictwa Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	03.03.2010
Karpacka Spółka Gazownictwa Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	03.03.2010
Mazowiecka Spółka Gazownictwa Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. As at the opinion date, no opinion	
Pomorska Spółka Gazownictwa Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	03.03.2010
Wielkopolska Spółka Gazownictwa Sp. z o.o.	100,00%	Deloitte Audyt Sp. z o.o. Unqualified opinion	03.03.2010
Budownictwo Urzędów Gazowniczych Gazobudowa Sp. z o.o.	100,00%	ECA Seredyński i Partnerzy Sp. z o.o. Unqualified opinion	19.02.2010
Budownictwo Naftowe Naftomontaż Sp. z o.o.	88,83%	Moore Stephens Jozef Krol Sp. z o.o. Unqualified opinion	18.02.2010
Naft-Stal Sp. z o.o. Krosno	59,88%	Moore Stephens Jozef Krol Sp. z o.o. Unqualified opinion	12.02.2010
Zakład Urzędów Naftowych Naftomet Sp. z o.o.	100,00%	Moore Stephens Józef Król Sp. z o.o. Unqualified opinion	05.02.2010
Poszukiwania Naftowe „Diamant” Sp. z o.o.	100,00%	Firma Auditingu i Rachunkowosci Sp. z o.o. w Zielonej Gorze Unqualified opinion	01.03.2010
ZRG Krosno Sp. z o.o.	100,00%	PKF Consult Sp. z o.o. Unqualified opinion	24.02.2010
Biuro Studiów i Projektów Gazownictwa „Gazoprojekt” S.A.	75,00%	Eliks Audytorska Sp. z o.o. Unqualified opinion	23.02.2010
Geovita Sp. z o.o.	100,00%	PKF Audyt Sp. z o.o. Unqualified opinion	24.02.2010
POGC Libya B.V.	100,00%	Deloitte Accountant B.V. Unqualified opinion	01.03.2010
Investgas S.A.	100,00%	ACA Partner Auditing Consulting Accounting Sp z o.o. Unqualified opinion	01.03.2010
PGNiG Norway A/S	100,00%	Deloitte AS Unqualified opinion	25.02.2010
PGNiG Energia S.A.	100,00%	The company is not audited as at 2009/12/31	

c) Subsidiaries subject to consolidation in accordance with the equity method:

Name and address of the Company	Share in the share capital (in %)	Entity that audited the financial statements and type of opinion issued	Opinion date
SGT EuRoPol Gaz S.A.	49,74%	As at the opinion date, no opinion	
Gas-Trading S.A.	43,41%	As at the opinion date, no opinion	

## 2. Information on the consolidated financial statements for the previous financial year

The activities of the Capital Group in 2008 resulted in a net profit of PLN 865,742 thousand. Consolidated financial statements of the Capital Group for the 2008 financial year were audited by a certified auditor. The audit was performed by authorized entity Deloitte Audyt Sp. z o.o. On 7 April 2009, the certified auditor issued an unqualified opinion on these financial statements with the following comment:

*“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 2008 financial year was held on 23 June 2009

The financial statements for the 2008 financial year were submitted in accordance with the law to the National Court Register on 1 July 2009 and for publication in Monitor Polski B on 1 July 2009. The financial statements were published in Monitor Polski B no. 2051 on 27 October 2009.

### **3. Details on the authorized entity and the Certified Auditor acting on its behalf**

The audit of the financial statements was performed based on the agreement of 16 August 2007 concluded between Polskie Górnictwo Naftowe i Gazownictwo S.A. and Deloitte Audyt Sp. z o. o. with 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 was conducted under the supervision of a certified auditor Maria Rzepnikowska (No. 3499/1028), at the Company’s premises from 14 January to 3 March 2010.

The authorized entity was appointed by the Supervisory Board by resolution of 26 July 2007 based on authorization presented in Article 33 the Parent’s Articles of Association.

Deloitte Audit Sp. z o.o. and the certified auditor Maria Rzepnikowska confirm that they are authorized to carry out audits and meet the requirements of Article 66 clauses 2 and 3 of the Accounting Act to express an unbiased and independent opinion on the financial statements of Capital Group Polskie Górnictwo Naftowe i Gazownictwo.

### **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 certified auditor, as confirmed in a written representation of the Management Board of the Parent of 3 March 2010.

## 5. Economic and financial position of the Capital Group

Presented below are the main items from the income statement as well as financial ratios describing the financial profit/loss of the Capital Group and its economic and financial situation compared with the previous years.

<u>Main items from the income statement (PLN '000)</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Sales revenue	19,290,441	18,432,048	16,652,134
Operating expenses	17,956,668	17,631,370	15,791,152
Financial revenue	203,315	213,238	248,264
Financial expenses	94,626	78,771	90,492
Share in profits/(losses) of entities measured using the equity method	(359)	221	(16,026)
Income tax	238,497	69,624	86,663
Net profit	1,203,606	865,742	916,065
Consolidated statement of comprehensive income	1,217,327	815,266	-

<u>Profitability ratios</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
– gross profit margin	7%	4%	5%
– net profit margin	6%	5%	6%
– net return on equity	6%	4%	5%

### Effectiveness ratios

– assets turnover ratio	0.62	0.62	0.59
– receivables turnover in days	70	70	64
– liabilities turnover in days	61	58	53
– inventory turnover in days	30	30	30

### Liquidity/Net working capital

– debt ratio	31%	30%	26%
– equity to fixed assets ratio	69%	70%	74%
– net working capital (PLN '000)	516,655	2,200,964	2,770,241
– current ratio	1.09	1.44	1.79
– quick ratio	0.87	1.10	1.44

The analysis of the above figures and ratios indicated the following trends occurring in 2009:

- an increase in gross profit margin and net return on equity
- an increase in liabilities turnover in days
- an increase in debt ratio
- a decrease in current ratio and equity to fixed assets ratio

## II, DETAILED INFORMATION

## **1, Information on the audited consolidated financial statements**

The audited consolidated financial statements were prepared as of 31 December 2009 and include:

- consolidated statement of financial position prepared as of 31 December 2009, with total assets and liabilities plus equity of PLN 31,082,170 thousand,
- consolidated income statement for the period from 1 January 2009 to 31 December 2009, disclosing a net profit of PLN 1,203,606 thousand,
- consolidated statement of comprehensive income for the period from 1 January 2009 to 31 December 2009, disclosing a comprehensive income of PLN 1,217,327 thousand,
- statement of changes in consolidated equity for the period from 1 January 2009 to 31 December 2009, disclosing an increase in equity of PLN 686,123 thousand,
- consolidated cash flow statement for the period from 1 January 2009 to 31 December 2009, showing a net cash outflow of PLN 224,547 thousand,
- additional information and explanations.

The structure of assets and liabilities as well as items affecting the financial result were presented in the consolidated financial statements,

The audit covered the period from 1 January 2009 to 31 December 2009 and focused mainly on:

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

The audit of the consolidated financial statements was conducted in line with the relevant applicable laws as well as auditing standards issued by the National Council of Certified Auditors,

## **2, Consolidation documentation**

The Parent presented the consolidation documentation including:

- 1) financial statements of affiliated entities, including:
  - a) individual (original) financial statements of related parties,
  - b) financial statements of controlled entities adjusted to the accounting principles (policy) applied in consolidation,
  - c) restatement of previously published consolidated financial statements to principles of International Financial Reporting Standards,
- 2) all adjustments and eliminations made during the consolidation, necessary for the preparation of the consolidated financial statements,
- 3) calculations of goodwill.

### Basis of the preparation of the consolidated financial statements

The consolidated financial statements of the Capital Group for the 2009 financial year were prepared in accordance with the International Financial Reporting Standards in the form adopted by the European Union,

### Determination of entities within the Capital Group

When determining relationship between group entities, as well as consolidation scope and methods, the International Financial Reporting Standards criteria were applied,

### Reporting period

The consolidated financial statements were prepared as of the same balance sheet date and the same financial year as the financial statements of The Parent – Polskie Górnictwo Naftowe i Gazownictwo S.A. Subsidiaries and the associate included in consolidation prepared financial statements as of the same balance sheet date as The Parent. The financial year of all subsidiaries and the associate included in consolidation ended on 31 December 2009.

### Consolidation method

The consolidation of the financial statements of the Capital Group was carried out in line with the full method by summing up individual items of respective financial statements of subsidiaries and the Parent included in the consolidation.

After summing the value, consolidation adjustments and exclusions were applied to:

- the value of purchase of shares held by The Parent in subsidiaries and part of net assets of subsidiaries, corresponding to The Parent's interest in the ownership of these companies,
- mutual receivables and liabilities of entities included in consolidation,
- material revenues and expenses related to transactions between entities included in consolidation.

In the case of associates the equity method was applied. The value of The Parent's interest in the associated entity was adjusted by increases or decreases in net assets of these companies The Parent was entitled to, which occurred in the period covered by consolidation and decreased by dividends due from these companies.

### **3, Justification of the opinion issued**

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 has also explained reasons of impairment write-downs on these shares.

Our opinion on the audit of the consolidated financial statements in respect to data of 14 subsidiaries, one associates, and 1 indirect subsidiary is based on opinions of other certified auditors authorized to perform their audit.

### **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 principle applied to the financial statements. The notes give a correct and complete description of valuation principles regarding assets and liabilities, principles of measuring the financial profit/loss and preparing the consolidated financial statements.

The Parent prepared the additional information and explanations consisting of tabular notes to individual consolidated balance sheet and consolidated income statement items as well as narrative descriptions.

Explanatory notes describing: property, plant and equipment, intangible assets, investments, liabilities and provisions correctly presented increases and decreases as well as their basis during the financial year.

Limitations imposed on individual assets disclosed in the balance sheet arising from security for the benefit of creditors were described.

Individual assets and liabilities as well as revenues and expenses were correctly presented by the Parent in the consolidated financial statements. The consolidated balance sheet, consolidated income statement, statement of changes in consolidated equity and consolidated cash flow statement with additional notes, information and explanations constituting their integral part, contain all items, whose disclosure in the consolidated financial statements is required by the provisions of IFRS.

The financial statements are supplemented with the Management Board's Report on the activities of the Bank in the 2009 financial year. The Report contains all information required under Article 49 clause 2 of the Accounting Act and the Minister of Finance's ordinance of 19 February 2009 on current and periodical information submitted by issuers of securities. We have audited the Report in respect to the disclosed information derived directly from the audited consolidated financial statements.

## **5, Final information and findings**

### **Management Board's Representation**

Deloitte Audyt Sp. z o.o. and the 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.

.....,  
Maria Rzepnikowska  
Certified Auditor  
No, 3499/1028

.....,  
Represented by

.....,  
Entity entitled to audit  
financial statements entered under  
number 73 on the list kept by the



Warsaw, 3 March 2010