

LOTOS CAPITAL GROUP

**LONG-FORM AUDITORS' REPORT
ON THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012**

I. GENERAL NOTES

1. Background

The holding company of LOTOS Capital Group (hereinafter 'the Group' or 'the Capital Group') is Grupa LOTOS S.A. ('the holding company', 'the Company').

The holding company was incorporated on the basis of a Notarial Deed dated 18 September 1991. The Company's registered office is located in Gdańsk at 135 Elbląska Street.

The holding company is an issuer of securities as referred to in art. 4 of the Regulation (EC) No 1606/2002 of the European Parliament and of the Council of the European Union of 19 July 2002 on the application of international accounting standards (EC Official Journal L243 dated 11 September 2002, page 1, polish special edition chapter 13, title 29 page 609) and, based on the article 55.5 of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223 with subsequent amendments – 'the Accounting Act'), prepares consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU. This requirement relates to the consolidated financial statements for the financial year beginning in 2005 and later.

The holding company was entered in the Register of Entrepreneurs of the National Court Register under no. KRS 0000106150 on 10 April 2002.

The Company was issued with tax identification number (NIP) 5830000960 on 9 June 1993 and statistical number (REGON) 190541636 on 25 February 1998.

The principal activities of the holding company are as follows:

- production of crude oil and natural gas (PKD 06)
- manufacturing and processing of coke and crude oil refined products (PKD 19),
- manufacturing of technical gases (PKD 20.11),
- production of other basic inorganic chemicals (PKD 20.13),
- production of other basic organic chemicals (PKD 20.14),
- production of basic plastics (PKD 20.16),
- production and supply of electricity, gas, steam, hot water and air for air-conditioning systems (PKD 35),
- uptake, treatment, and supply of water (PKD 36),
- works relating to pipeline, telecommunication line and Power line construction (PKD 42.2),
- electrical, water and sewage as well as other construction installations (PKD 43.2),
- wholesale of fuels and derivatives products (PKD 46.71),
- wholesale of chemical products (PKD 46.75),
- railway transport of goods (PKD 49.2),
- pipeline transport (PKD 49.5),
- reloading of goods (PKD 52.24),
- warehousing and storage of goods (PKD 52.1),
- technical test and analyses (PKD 71.2),
- other scientific and technical research and development (PKD 72.19).

The scope of activities of the Group's subsidiaries, jointly controlled entities and associates are similar to this of the holding company.

1. Background (continued)

As at 31 December 2012, the Company's issued share capital amounted to 129.873 thousand zlotys. Equity as at that date amounted to 9.062.439 thousand zlotys.

In accordance with article 69 Act on the public offer and conditions for introduction of financial instruments to the organized trading system and public companies dated 25 July 2005 (Journal of Law No. 184 from 2005, item 1539, with amendments), the ownership structure of the Company's issued share capital as at 31 December 2012 was as follows:

	Number of shares	Number of votes	Par value of shares	% of issued share capital
State Treasury	69 076 392	69 076 392	69 076 392	53,19%
Other Shareholders	60 796 970	60 796 970	60 796 970	46,81%
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Total	129 873 362	129 873 362	129 873 362	100,00%
	=====	=====	=====	=====

There were no changes in the ownership structure of the holding company during the reporting period as well as during the period from the balance sheet date to the date of the opinion.

There were no movements in the share capital in the reporting period.

As at 19 March 2013, the holding company's Management Board was composed of:

Paweł Olechnowicz	- President, General Director
Marek Sokołowski	- Vice-President, Director of Production and Development
Mariusz Machajewski	- Vice-President, Finance Director
Maciej Szozda	- Vice-President, Sales Director
Zbigniew Paszkowicz	- Vice-President, Director of Exploration and Production

There were one change in the Company's Management Board composition during the reporting period as well as from the balance sheet date to the date of the opinion – on 21 June 2012 Zbigniew Paszkowicz was appointed as a Vice-President of the Company's Management Board.

2. Group Structure

As at 31 December 2012, LOTOS Capital Group consisted of the following subsidiaries (direct or indirect):

Entity name	Consolidation method	Type of opinion	Name of authorised entity that audited financial statements	Balance sheet date
LOTOS Oil S.A.	Purchase accounting	Unqualified opinion	Ernst & Young Audit sp. z o.o.	31.12.2012
LOTOS Paliwa Sp. z o.o.	Purchase accounting	Unqualified opinion	Ernst & Young Audit sp. z o.o.	31.12.2012
LOTOS Asfalt Sp. z o.o.	Purchase accounting	Unqualified opinion	Ernst & Young Audit sp. z o.o.	31.12.2012
LOTOS Kolej Sp. z o.o.	Purchase accounting	Unqualified opinion	Ernst & Young Audit sp. z o.o.	31.12.2012
LOTOS Petrobaltic S.A. (holding company has its own capital group)	Purchase accounting	Unqualified opinion with an emphasis of matter	Ernst & Young Audit sp. z o.o.	31.12.2012
Energobaltic Sp. z o.o.	Purchase accounting	Unqualified opinion	Ernst & Young Audit sp. z o.o.	31.12.2012
LOTOS Exploration and Production Norge AS	Purchase accounting	Unqualified opinion with an emphasis of matter	Ernst & Young AS, Norway	31.12.2012
AB LOTOS Geonafta (holding company has its own capital group)	Purchase accounting	Unqualified opinion	Ernst & Young Baltic UAB, Lithuania	31.12.2012
LOTOS Czechowice S.A. (holding company has its own capital group)	Purchase accounting	Unqualified opinion with an emphasis of matter	Rewit Południe Sp. z o.o.	31.12.2012
LOTOS Jasło S.A. (holding company has its own capital group)	Purchase accounting	Unqualified opinion with an emphasis of matter	Kancelaria biegłych rewidentów Rewido Sp. z o.o. sp.k	31.12.2012

2. Group structure (continued)

LOTOS Serwis Sp. z o.o.	Purchase accounting	Unqualified opinion	FY Audit Sp. z o.o	31.12.2012
LOTOS Lab Sp. z o.o.	Purchase accounting	Unqualified opinion	FY Audit Sp. z o.o.	31.12.2012
LOTOS Tank Sp. z o.o.	Purchase accounting	Unqualified opinion	FY Audit Sp. z o.o .	31.12.2012
RCEkoenergia Sp. z o.o.	Purchase accounting	Unqualified opinion	Rewit Południe Sp. z o.o.	31.12.2012
LOTOS Biopaliwa Sp. z o.o.	Purchase accounting	Unqualified opinion with an emphasis of matter	Rewit Południe Sp. z o.o.	31.12.2012
Miliana Shipping Company Ltd. ¹ (holding company has its own capital group)	Purchase accounting	Unqualified opinion	Savvides Audit Limited, Cyprus	31.12.2012
LOTOS Gaz S.A. company in liquidation	Purchase accounting	No audit obligation	No audit obligation	31.12.2012
LOTOS Straż Sp. z o.o.	Purchase accounting	No audit obligation	No audit obligation	31.12.2012
LOTOS Ochrona Sp. z o.o.	Purchase accounting	No audit obligation	No audit obligation	31.12.2012
LOTOS Park Technologiczny Sp. z o.o.	Purchase accounting	No audit obligation	No audit obligation	31.12.2012
Aphrodite Offshore Services N.V.	Purchase accounting	No audit obligation	No audit obligation	31.12.2012

As at December 2012 percentage share in the total number of votes held by the Group in the subsidiaries and associates equal to the share of the Group in the share capital of the respective subordinate entity.

¹ On 23 January 2012 roku was registered name change from Miliana Shipping Company Limited to Miliana Shipholding Company Limited.

2. Group structure (continued)

As at 31 December 2012 shares in the following joint-venture (direct and indirect) were recognised in the Group's consolidated financial statements using the proportionate consolidation method:

Entity name	Registered office	Type of activity
UAB Minijos Nafta	Gargzdai, Lithuania	oil exploration, prospecting and production

Details of the type and impact of changes in entities included in the consolidation as compared to the prior year may be found in Note 2 of the additional notes and explanations to the consolidated financial statements of the Group for the year ended 31 December 2012.

3. Consolidated Financial Statements

3.1 Auditors' opinion and audit of consolidated financial statements

Ernst & Young Audit sp. z o.o. with its registered office in Warsaw, at Rondo ONZ 1, is registered on the list of entities authorised to audit financial statements under no. 130.

Ernst & Young Audit sp. z o.o. was appointed by Supervisory Board on 17 December 2009 to audit the Group's financial statements.

Ernst & Young Audit sp. z o.o. and the key certified auditor in charge of the audit meet the conditions required to express an impartial and independent opinion on the financial statements, as defined in Art. 56.3 and 56.4 of the Act on statutory auditors and their self-governance, audit firms authorized to audit financial statements and public oversight, dated 7 May 2009 (Journal of Laws 2009, No. 77, item 649 with subsequent amendments).

Under the contract executed on 18 May 2010 with the holding company's Management Board, we have audited the consolidated financial statements for the year ended 31 December 2012.

Our responsibility was to express an opinion on the consolidated financial statements based on our audit. The auditing procedures applied to the consolidated financial statements were designed to enable us to express an opinion on the consolidated financial statements taken as a whole. Our procedures did not extend to supplementary information that does not have an impact on the consolidated financial statements taken as a whole.

Based on our audit, we issued an unqualified auditors' opinion with an emphasis of matter dated 19 March 2013, stating the following:

'To the Supervisory Board of Grupa LOTOS S.A.

1. We have audited the attached consolidated financial statements of LOTOS Capital Group ('the Group'), for which the holding company is Grupa LOTOS S.A. ('the Company') located in Gdańsk at 135 Elbląska Street, for the year ended 31 December 2012 containing , the consolidated statement on financial position as at 31 December 2012, the consolidated statement of comprehensive income, the consolidated statement of cash flow, the consolidated statement of changes in equity for the period from 1 January 2012 to 31 December 2012 and the additional notes and explanations ('the attached consolidated financial statements').
2. The truth and fairness² of the attached consolidated financial statements, the preparation of the attached consolidated financial statements in accordance with the required applicable accounting policies and the proper maintenance of the consolidation documentation are the responsibility of the Company's Management Board. In addition, the Company's Management Board and Members of the Supervisory Board are required to ensure that the attached consolidated financial statements and the Directors' Report meet the requirements of the Accounting Act dated 29 September 1994 (2009 Journal of Laws No. 152 item 1223

² Translation of the following expression in Polish: '*rzetelność i jasność*'

3.1 Auditors' opinion and audit of consolidated financial statements (continued)

with subsequent amendments – ‘the Accounting Act’). Our responsibility was to audit the attached consolidated financial statements and to express an opinion on whether, based on our audit, these financial statements comply, in all material respects, with the required applicable accounting policies and whether they truly and fairly³ reflect, in all material respects, the financial position and results of the operations of the Group.

3. We conducted our audit of the attached consolidated financial statements in accordance with:

- chapter 7 of the Accounting Act,
- national auditing standards issued by the National Council of Statutory Auditors,

in order to obtain reasonable assurance whether these financial statements are free of material misstatement. In particular, the audit included examining, to a large extent on a test basis, documentation supporting the amounts and disclosures in the attached consolidated financial statements. The audit also included assessing the accounting principles adopted and used and significant estimates made by the Management Board, as well as evaluating the overall presentation of the attached consolidated financial statements. We believe our audit has provided a reasonable basis to express our opinion on the attached consolidated financial statements treated as a whole.

4. The consolidated financial statements for the prior financial year ended 31 December 2011 were subject to our audit and on 17 April 2012 we have issued an unqualified opinion with an emphasis of matter on these financial statements concerning the uncertainty indicated by the Company's Management relating to the recoverability of the assets recognized due to the purchase of interest and exploration expenses incurred in respect of the YME oil field.
5. In our opinion, the attached consolidated financial statements, in all material respects:
- present truly and fairly all information material for the assessment of the results of the Group's operations for the period from 1 January 2012 to 31 December 2012, as well as its financial position⁴ as at 31 December 2012;
 - have been prepared in accordance with International Financial Reporting Standards as adopted by the EU;
 - are in respect of the form and content, in accordance with the legal regulations governing the preparation of financial statements.
6. As disclosed in the note 13 of the additional notes and explanations to the attached consolidated financial statements, during 2012 the Group recognized an impairment allowance of assets relating to YME development project in Norway, in the amount of 928 million zloty (with an impact on the net financial result after deferred tax amounted to 285 million zloty). As of 31 December 2012 the Group calculated the recoverable value of YME project based on its expected fair value less costs to sell and on that basis it did not recognize further impairment of the assets amounting to 589 million zloty presented in the

³ Translation of the following expression in Polish: ‘*rzetelne i jasne*’

⁴ Translation of the following expression in Polish: ‘*sytuacja majątkowa i finansowa*’

3.1 Auditors' opinion and audit of consolidated financial statements(continued)

attached consolidated financial statement. Due to the previously recognized write-offs of capital expenditures incurred on YME project as well as previously incurred tax losses, as at 31 December 2012 deferred tax asset recognized in the consolidated financial statement of financial position amounts to 1077 million zloty. Without qualifying our opinion, we draw attention to the uncertainties indicated by the Company's Management concerning recoverability of the remaining assets recognized in the attached consolidated financial statements in respect of the YME project due to the fact that the forecasts and the Company's plans are determined by a series of futures events, in particular, by estimates of market values of hydrocarbons' reserves on YME field as well as the results of the final agreement announced on 12 March 2013 between YME Operator and the supplier and contractor of a drilling platform, which is described in note 38 of explanatory notes relating to post balance sheet events.

7. We have read the 'Directors' Report for the period from 1 January 2012 to 31 December 2012 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, item 259 with subsequent amendments)."

We conducted the audit of the consolidated financial statements during the period from 23 July 2012 to 19 March 2013. We were present at the holding company's head office from 23 July 2012 to 10 August 2012, from 12 November 2012 to 23 November 2012 and from 18 February 2013 to 8 March 2013.

3.2 Representations provided and data availability

The Management Board of the holding company confirmed its responsibility for the truth and fairness⁵ of the consolidated financial statements and the preparation of the financial statements in accordance with the required applicable accounting policies, and the correctness of consolidation documentation. The Board stated that it provided us with all financial statements of the Group companies included in the consolidated financial statements consolidation documentation and other required documents as well as all necessary explanations. We also obtained a written representation dated 19 March 2013, from the Management Board of the holding company confirming that:

- the information included in the consolidation documentation was complete,
- all contingent liabilities had been disclosed in the consolidated financial statements, and
- all material events from the balance sheet date to the date of the representation letter had been disclosed in the consolidated financial statements,

and confirmed that the information provided to us was true and fair to the best of the holding company Management Board's knowledge and belief, and included all events that could have had an effect on the consolidated financial statements. At the same time declare that during the audit of the financial statements, there were no limitations of scope.

3.3 Consolidated financial statements for prior financial year

The consolidated financial statements of the Group for the year ended 31 December 2011 were audited by Marcin Zieliński, key certified auditor no. 10402, acting on behalf of Ernst & Young Audit Sp. z o.o, with its registered office in Warsaw, at Rondo ONZ 1, registered on the list of entities authorised to audit financial statements conducted by National Chamber of Statutory Auditors under no. 130. The key certified auditor issued an unqualified opinion with an emphasis of matter on the consolidated financial statements for the year ended 31 December 2011. The emphasis of matter concerned the uncertainty indicated by the holding company's Management relating to the recoverability of the assets recognized due to the purchase of interest and exploration expenses incurred in respect of the YME oil field.

The consolidated financial statements for the year ended 31 December 2011 were approved by the General Shareholders' Meeting of Grupa LOTOS S.A. on 28 June 2012.

The consolidated financial statements of the Group for the financial year ended 31 December 2011, together with the auditors' opinion, a copy of the resolution approving the consolidated financial statements and the Directors' Report, were filed on 4 July 2012 with the National Court Register.

The consolidated statement of financial situation as at 31 December 2011, the consolidated statement of comprehensive income, the consolidated statements of cash flow and the consolidated statement of changes in equity for the year ended 31 December 2011, together with the auditors' opinion and a copy of the resolution approving the financial statements were published in Monitor Polski B number 2796 on 6 November 2012.

⁵ Translation of the following expression in Polish: "rzetelność i jasność"

4. Analytical Review

4.1 Basic data and financial ratios

Presented below are selected financial ratios indicating the economic or financial performance of the Company for the years 2010 – 2012. The ratios were calculated on the basis of financial information included in the financial statements for years ended 31 December 2011 and 31 December 2012.

	2012	2011	2010
Total assets	20 056 379	20 423 220	17 727 364
Shareholders' equity	9 062 439	7 782 383	7 513 477
Net profit	922 970	649 322	681 353
Return on assets (%)	4,6%	3,2%	3,8%
$\frac{\text{Net profit} \times 100\%}{\text{Total assets}}$			
Return on equity (%)	11,9%	8,6%	10,0%
$\frac{\text{Net profit} \times 100\%}{\text{Shareholders' equity at the beginning of the period}}$			
Profit margin (%)	2,8%	2,2%	3,5%
$\frac{\text{Net profit} \times 100\%}{\text{Sales of finished goods, goods for resale and raw materials}}$			
Liquidity I	1,53	1,29	1,33
$\frac{\text{Current assets}}{\text{Short-term creditors}}$			
Liquidity III	0,05	0,06	0,07
$\frac{\text{Cash and cash equivalents}}{\text{Short-term creditors}}$			
Debtors days	18 days	26 days	32 days
$\frac{\text{Trade debtors} \times 365 \text{ days}}{\text{Sales of finished goods, goods for resale and raw materials}}$			

LOTOS CAPITAL GROUP
Long-form auditors' report
for the year ended 31 December 2012
(in thousand zlotys)

	2012	2011	2010
Creditors days	25 days	37 days	36 days
Trade creditors x 365 days	<hr/>		
Costs of finished goods, goods for resale and raw materials sold	<hr/>		
Inventory days	68 days	76 days	89 days
Inventory x 365 days	<hr/>		
Costs of finished goods, goods for resale and raw materials sold	<hr/>		
Stability of financing (%)	72,2%	66,7%	70,9%
(Equity + long-term provisions and liabilities) x 100%	<hr/>		
Total liabilities, provisions and equity	<hr/>		
Debt ratio (%)	54,8%	61,9%	57,6%
(Total liabilities and provisions) x 100%	<hr/>		
Total assets	<hr/>		
Rate of inflation:			
Yearly average	3,7%	4,3%	2,6%
December to December	2,4%	4,6%	3,1%

4.2 Comments

The following trends may be observed based on the above financial ratios:

All of the profitability indices increased in 2012 in comparison to 2011. It was caused by the increase in net profit and sales revenues together with simultaneous slight decrease of the total assets and significant equity increase.

Return on assets ratio amounted to 3.8% in 2010, then has decreased by 0.6 percentage point to the level of 3.2% in 2011, and increased in 2012 to the level of 4.6%. Return on equity ratio has increased to the level of 11.9% in 2012 from the level of 8.6% in 2011 (in relation to 2010 year increase by 1.9 percentage point). Profit margin amounted to 2.8% in 2012 and it was higher than in 2011 (2.2%) and lower than in 2010, when amounted to 3.5%.

Liquidity I ratio increased to the level of 1.53 at 31 December 2012 in comparison to previous year, when it amounted to 1.29 at 2011 year end and 1.33 at 2010 year end. The increase was caused by a decrease in short term payables combined with a slight decrease in working capital.

4.2. Comments (continued)

Liquidity III ratio was declining systematically from 2010, when at the years 2010, 2011 and 2012 amounted to: 0.07, 0.06 and 0.05 respectively. The decrease of this ratio mainly resulted from lower level in short term liabilities and cash which was caused by partial repayment of capital of inventory facility.

Debtors days ratio decreased in years 2010-2012, it amounted to 32 days in 2010, 26 days in 2011 and 18 days in 2012. The reason behind these trend is increase in net sales in comparison to the amount of short term receivables which decreased in 2012. Credit days ratio was shortened: in 2010 and 2011 it remained at a similar level (36 and 37 days), whereas in 2012 it amounted to 25 days, due to the decrease in current liabilities with simultaneous increase in operating costs. The inventory days ratio maintain the similar trend- decrease over 2010-2012, from 89 days in 2010, 76 days in 2011 and 68 days in 2012. Indicated trend is the result of faster growth in the level of operating expenses in relation to the increase in the value of inventories.

The Group's stability of financing ratio and the debt ratio at 31 December 2012 indicate decreasing debt financing level in comparison with the prior periods. The debt ratio was increasing years 2010-2011 from the level of 57.6 % at 2010 year end to the level of 61.9% in 2011 and it decreased to the level of 54.8% at 31 December 2012 as the result of the decrease in total liabilities.

The Group's stability of financing ratio and the debt ratio at 31 December 2012 indicates the higher share of the constant capital in the Group's financing structure in comparison to the comparable position at the end of previous years . The Group's stability of financing ratio at 2010 year end amounted to 70,9%, then decreased by 4.2 percentage point to 66.7% at 2011 year end and at 31 December 2012 increased to the level of 72,2%.

4.3 Going concern

Nothing came to our attention during the audit that caused us to believe that the holding company is unable to continue as a going concern for at least twelve months subsequent to 31 December 2012 as a result of an intended or compulsory withdrawal from a substantial limitation in its current operations.

The Management Board of the holding company has stated that the financial statements of the Group entities included in the consolidated financial statements were prepared on the assumption that these entities will continue as a going concern for a period of at least twelve months subsequent to 31 December 2012 and that there are no circumstances that would indicate a threat to its continued activity.

II. DETAILED REPORT

1. Completeness and accuracy of consolidation documentation

During the audit no material irregularities were noted in the consolidation documentation which could have a material effect on the audited consolidated financial statements, and which were not subsequently adjusted. These would include matters related to the requirements applicable to the consolidation documentation (and in particular eliminations relating to consolidation adjustments).

2. Accounting policies for the valuation of assets and liabilities

The Group's accounting policies and rules for the presentation of data are detailed in note 7 of the additional notes and explanations to the Group's consolidated financial statements for the year ended 31 December 2012.

3. Structure of assets, liabilities and equity

The structure of the Group's assets and equity and liabilities is presented in the audited consolidated financial statements for the year ended 31 December 2012.

The data disclosed in the consolidated financial statements reconcile with the consolidation documentation.

3.1 Goodwill on consolidation and amortisation

The method of determining goodwill on consolidation, the method on determining impairment of goodwill, the impairment charged in the financial year and up to the balance sheet date were presented in note 7.7 of the additional notes and explanations to the consolidated financial statements.

3.2 Shareholders' funds including non-controlling interest

The amount of shareholders' funds is consistent with the amount stated in the consolidation documentation and appropriate legal documentation. Non-controlling interest amounted to 699 thousand zlotys as at 31 December 2012. It was correctly calculated and is consistent with the consolidation documentation.

Information on shareholders' funds has been presented in notes 22 - 26 of the additional notes and explanations to the consolidated financial statements.

3.3 Financial year

The financial statements of all Group companies forming the basis for the preparation of the consolidated financial statements were prepared as at 31 December 2012 and include the financial data for the period from 1 January 2012 to 31 December 2012.

4. Consolidation adjustments

4.1 Elimination of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of consolidated entities.

All eliminations of inter-company balances (receivables and liabilities) and inter-company transactions (revenues and expenses) of the consolidated companies reconcile with the consolidation documentation.

4.2 Elimination of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends

All eliminations of unrealised gains/losses of the consolidated companies, included in the value of assets, as well as relating to dividends reconcile with the consolidation documentation.

5. Disposal of all or part of shares in a subordinated entity

The effects of the sale of 100% shares of LOTOS Parafiny Sp. z o.o. were disclosed in the Group's consolidated financial statements in accordance with the appropriate legal documents and consolidation documentation.

6. Items which have an impact on the group's result for the year

Details of the items which have an impact on the Group's result for the year have been included in the audited consolidated financial statements for the year ended 31 December 2012.

7. The appropriateness of the departures from the consolidation methods and application of the equity accounting as defined in International Financial Reporting Standards as adopted by the EU

During the process of preparation of the consolidated financial statements there were no departures from the consolidation methods or application of the equity accounting.

8. Additional Notes and Explanations to the Consolidated Financial Statements

The additional notes and explanations to the consolidated financial statements for the year ended 31 December 2012 were prepared, in all material respects, in accordance with International Financial Reporting Standards as adopted by the EU.

9. Directors' Report

We have read the 'Directors' Report for the period from 1 January 2012 to 31 December 2012 and the rules of preparation of annual statements' ('the Directors' Report') and concluded that the information derived from the attached consolidated financial statements reconciles with these financial statements. The information included in the Directors' Report corresponds with the relevant regulations of the Decree of the Minister of Finance dated 19 February 2009 on current and periodic information published by issuers of securities and conditions for recognition as equivalent the information required by laws of non-EU member states (Journal of Laws No. 33, item 259 with subsequent amendments).

10. Conformity with Law and Regulations

We have obtained a letter of representations from the Management Board of the holding company confirming that no laws, regulations or provisions of the Group entities' Articles of Association were breached during the financial year.

11. Work of Experts

During our audit we have taken into account the results of the work of the following independent experts:

- independent actuaries responsible for the calculation of the present value of the Group's future liabilities towards employees, other than salaries.
- specialists in the oil reserves' estimates for production licenses held
- independent valuation experts responsible for valuation of the acquired shares in UAB Manifoldas.

on behalf of
Ernst & Young Audit sp. z o.o.
Rondo ONZ 1, 00-124 Warsaw
Reg. No. 130

Key Certified Auditor

Marcin Zieliński
certified auditor
No. 10402

Warsaw, 19 March 2013