



*OPINION AND REPORT OF INDEPENDENT
AUDITOR*
on audit of financial statements of
Polskie Górnictwo Naftowe i Gazownictwo S.A.
seated in
Warsaw
for the financial year ended 31.12.2014

The opinion contains 3 pages
The report contains 13 pages
Opinion of the independent auditor
and report on the financial statements
for the financial year ended
31 December 2014

Polskie Górnictwo Naftowe i Gazownictwo S.A.*Opinion on audit of the financial statements**For the financial year ended 31 December 2014*

This document is a free translation of the Polish original. Terminology current in Anglo-Saxon countries has been used where practicable for the purposes of this translation in order to aid understanding. The binding Polish original should be referred to in matters of interpretation.

OPINION OF THE INDEPENDENT AUDITOR***To the Shareholders and Supervisory Board of
Polskie Górnictwo Naftowe i Gazownictwo S.A.***

We have audited the accompanying financial statements of Polskie Górnictwo Naftowe i Gazownictwo S.A., seated in Warsaw at M. Kasprzaka 25 ("the Company"), which comprise the separated statement of financial position as at 31 December 2014, the separated statement of comprehensive income, the separated statement of changes in equity and the separated cash flow statement for the year then ended and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

Management's and Supervisory Board's Responsibility for the Financial Statements

Management of the Company is responsible for the correctness of the accounting records, the preparation and fair presentation of these financial statements in accordance with in accordance with International Financial Reporting Standards, as adopted by European Union the requirements for issuers of securities admitted to trading on an official stock-exchange listing market and other applicable regulations and preparation of the Report on the Company's activities. Management of the Company is also responsible for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

According to the Accounting Act dated 29 September 1994 (Official Journal from 2013, item 330 with amendments) ("the Accounting Act"), Management of the Company and members of the Supervisory Board are required to ensure that the financial statements and the Report on the Company's activities are in compliance with the requirements set forth in the Accounting Act.

Auditor's Responsibility

Our responsibility, based on our audit, is to express an opinion on these financial statements and whether the financial statements are derived from properly maintained

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accounting records. We conducted our audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by Polish National Council of Certified Auditors and in matters not regulated by the national standards on auditing, when determining the detailed methodology for the planning and performing the audit and if in doubt - International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the accounting records from which they are derived are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying financial statements of Polskie Górnictwo Naftowe i Gazownictwo S.A. have been prepared and present fairly, in all material respects, the financial position of the Company as at 31 December 2014 and its financial performance and its cash flows for the year then ended in accordance with International Accounting Standards, International Financial Reporting Standards as adopted by the European Union and related interpretations issued in form of regulation of European Commission and to the extent not regulated by those standards – in accordance the Accounting Act and related bylaws the requirements for issuers of securities admitted to trading on an official stock-exchange listing market, are in compliance with the respective regulations and the provisions of the Company's articles of association that apply to the Company's financial statements and have been prepared from accounting records that, in all material respects, have been properly maintained.

The financial information presented in Section 3.4 of the notes to the financial statements comply in any material respect to the requirements of Article 44 paragraph 2 of the Energy law, resulting from the accounting records to enable separate calculation of costs and revenues, profits and losses for the performed business activity as defined in Article 44 paragraph 1 point 1 and 2 of the Energy law.

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According to the data presented in Note 3.4, i.e. loss of EUR 39 million achieved from gaseous fuels trade within the regulated activity in 2013 and a loss of EUR 17 million achieved from electricity trade in 2014 caused that regulated trade between the other activities of PGNiG S.A. occurred by cross-subsidization which refers to Article 44 of the Act 1 point 1 of the Energy Law.

Other Matters

As required under the Accounting Act, we also report that the Report on the Company's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the financial statements.

Signed on the Polish original

Mariusz Kuciński
Certified Auditor No. 9802

Key Certified Auditor
On behalf of PKF Consult Sp. z o.o.
registration number 477

6/1B Orzycka Street
02-695 Warsaw

Warsaw, 19 February 2015



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1. General

1.1. General information about the Company

1.1.1. Company name

Polskie Górnictwo Naftowe i Gazownictwo S.A.

1.1.2. Registered office

M. Kasprzaka 25 Street, Warsaw

1.1.3. Registration in the National Court Register

Registration court:	District Court in Warsaw, XII Commercial Department of the National Court Register
Date:	14.11.2001
Registration number:	KRS 59492
REGON:	012216736
NIP:	525-000-80-28

The main business of the Company are:

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

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- production of electricity,
- distribution of electricity,
- trade of electricity,
- renting and leasing of the other machinery, equipment and tangible goods n.e.c.,
- finance lease,
- other finance services, n.e.c. excluding insurance and pension fund, including trade of receivables on its own account,
- other activities auxiliary to financial services, except insurance and pension funding,
- other credit granting,
- agency in trade of securities,
- agency in trade of stock exchange merchandise,
- other activities supporting insurance and pension funds,
- management on financial markets,
- accounting, bookkeeping and auditing activities, tax consultancy,
- head offices and holdings, excluding financial holdings,
- agents involved in the sale of fuels, ores, metals and industrial chemicals,
- agents involved in the sale of a variety of goods,
- activities related to IT hardware management,
- data processing, website hosting and similar activities,
- other information technology and computer service activities,
- computer programming,
- reproduction of data carries,
- repair of electronic and optical equipment,
- repair of electrical equipment,
- IT advisory activities,
- Web portals,
- other information related services, n.e.c.,
- rental and lease of office machinery and equipment (including computers),
- call center services,
- library activities,
- archive activities,
- museum activities,
- buying and selling of own real estate,
- management of real estate on a fee or contract basis,
- renting and operating of own or leased real estate,
- other education n.e.c.,
- hotels and similar facilities,
- organization of fairs, exhibitions and congresses,
- amusement and recreation activities.

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1.1.4. Share capital structure and related parties

At 31 December 2014 the share capital of the Company in amount of 5,900,000,000.00 PLN was divided as follows:

Name of the Shareholder	Number of shares	Voting rights (%)	Nominal Value PLN '000	Percentage of share
State Treasury	4,271,717,836	72.40%	4,271,717.84	72.40%
Others <5%	1,628,282,164	27.60%	1,628,282.16	27.60%
	5,900,000,000	100.00%	5,900,000.00	100.00%

The share capital is consistent with the National Court Register.

The Company as at 31 December 2014:

➤ Direct subsidiaries

- GEOFIZYKA Kraków S.A.	100.00 % of shares,
- GEOFIZYKA Toruń S.A.	100.00 % of shares,
- Exalo Drilling S.A.	100.00 % of shares,
- PGNiG Upstream International AS	100.00 % of shares,
- Polish Oil And Gas Company – Libya B.V.	100.00 % of shares,
- Geovita S.A.	100.00 % of shares,
- PGNiG Technologie S.A.	100.00 % of shares,
- GK PGNiG Sales&Trading GmbH	100.00 % of shares,
- PGNiG Finance AB	100.00 % of shares,
- PGNiG Termika S.A.	100.00 % of shares,
- Operator Systemu Magazynowania Sp. z o.o.	100.00 % of shares,
- PGNiG Serwis Sp. z o.o.	100.00 % of shares,
- Polska Spółka Gazownictwa Sp. Z o.o.	100.00 % of shares,
- PGNiG Obrót Detaliczny Sp. z o.o.	100.00 % of shares,
- PGNiG SPV 5 Sp. z o.o.	100.00 % of shares,
- PGNiG SPV 6 Sp. z o.o.	100.00 % of shares,
- PGNiG SPV 7 Sp. z o.o.	100.00 % of shares,
- BUD-GAZ P.P.U.H. Sp. z o.o. in liquidation	100.00 % of shares,
- Polskie Elektrownie Gazowe Sp. z o.o. in liquidation	100.00 % of shares,
- Biuro Studiów i Projektów Gazownictwa Gazoprojekt S.A.	75.00 % of shares,
- NYSAGAZ Sp. z o.o.	66.28 % of shares.

➤ Indirect subsidiaries

- Oil Tech International F.Z.E.	100.00 % of shares,
- Zakład Gospodarki Mieszkaniowej Sp. z o.o.	100.00 % of shares,
- Gas Assets Management Sp. z o.o. in organization	100,00 % of shares,
- Powiśle Park Sp. z o.o. (Warszawa)	100.00 % of shares,
- Poltava Services LLC	99.00 % of shares,
- CHEMKOP Sp. z o.o. Kraków	85.51 % of shares,
- GAZ Sp. z o.o.	80.00 % of shares,
- XOOOL GmbH	100.00 % of shares,

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-	NAFT-STAL Sp. z o.o. in bankruptcy liquidation	67.40 % of shares,
-	Elektrociepłownia Stalowa Wola S.A.	50.00 % of shares,
-	Zakład Separacji Popiołów Siekierki Sp. z o.o.	70.00 % of shares,
-	Gazobudowa Kraków Sp. z o.o. in bankruptcy liquidation	47.17 % of shares,
-	Geotermia Sp. z o.o.	25.00 % of shares.
➤	Co-subsidiaries	
-	SGT EUROPOL GAZ S.A.	49.74 % of shares,
-	InterTransGas GmbH in liquidation	50.00 % of shares.
➤	Associates	
-	GAS – TRADING S.A.	43.41 % of shares,
-	Sahara Petroleum Technology LLC in liquidation	49.00 % of shares,
-	PFK GASKON S.A.	45.94 % of shares,
-	"GAZOMONTAŻ" S.A. in bankruptcy liquidation	45.18 % of shares,
-	"ZRUG" Sp. z o.o. (in Poznań)	40.06 % of shares,
-	ZWUG "INTERGAZ" Sp. z o.o.	38.30 % of shares,
-	"Dewon" ZSA	36.38 % of shares,
-	"ZRUG TORUŃ" S.A. in bankruptcy liquidation	25.24 % of shares.

1.1.5. Management of the Company

The Management Board is responsible for management of the Company.

At 31 December 2014, the Management Board of the Company was comprised of the following members:

- Mariusz Zawisza – Chairman of the Management Board;
- Jarosław Bauc – Vice-Chairman of the Management Board;
- Zbigniew Skrzypkiewicz – Vice-Chairman of the Management Board;
- Waldemar Wójcik – Vice-Chairman of the Management Board.

Changes in the Management Board during the reporting period to the date of this opinion are described in the notes to the financial statements, see Note 1.5.

1.2. Auditor information

1.2.1. Key certified auditor information

Name and surname: Mariusz Kuciński
 Registration number: 9802

1.2.2. Authorized auditor information

Name: PKF Consult Sp. z o.o.
 Address: 6/1B Orzycka Street, 02-695 Warsaw
 Registration number: KRS 00000043774
 Registration court: District Court for the Capital City Warsaw in Warsaw, XIII Commercial Department of the National Court Register
 Share capital: PLN 128,050.00
 NIP number: 521-05-27-710

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PKF Consult Sp. z o.o. is entered in the register of entities authorised to audit financial statements under number 477.

The financial statements have been audited in accordance with the contract dated 05.02.2013, with subsequent annexes, concluded on the basis of the resolution of the Supervisory Board dated 23 January 2013 on the appointment of the auditor.

We audited the financial statements in the Company's head office and its selected branches during the period from 12 January 2015 to 19 February 2015.

Key certified auditor and PKF Consult Sp. z o.o. fulfill independence requirements as described in Art. 56 points 3 and 4 of the Act on certified auditors and their government, audit firms and public oversight dated 7 May 2009 (Official Journal No. 77, item 649 as amended).

1.3. Prior period financial statements

The financial statements as at and for the year ended 31 December 2013 were audited by PKF Consult Sp. z o.o. and received an unqualified opinion.

The financial statements were approved at the Shareholders' Meeting on 15.05.2014 where it was resolved to allocate the profit for the prior financial year of PLN 1,688,580,961.97 as follows:

- the amount of PLN 797,011,646.89 for increase the supplementary capital of the Company,
- the amount of PLN 6,569,315.08 for cover the accumulated losses acquired by PGNiG S.A. as a result of the merger with PGNiG Energia S.A.,
- the amount of PLN 885,000,000.00 for the dividend payment.

The financial statements were submitted to the Registry Court on 22.05.2014.

1.4. Audit scope and responsibilities

This report was prepared for the the Shareholders and the Supervisory Board of Polskie Górnictwo Naftowe i Gazownictwo S.A. seated in Warsaw at M. Kasprzaka 25 and relates to the separated statement of financial position as at 31 December 2014, the separated statement of comprehensive income, the separated statement of changes in equity and the separated cash flow statement for the year then ended and notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory information.

The audited Company prepares its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union on the basis of the decision of the General Meeting dated 15.12.2006.

We conducted the audit in accordance with section 7 of the Accounting Act, national standards on auditing issued by Polish National Council of Certified Auditors and in matters not regulated by the national standards on auditing, when determining the detailed methodology for the planning and performing the audit and if in doubt - International Standards on Auditing.

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Management of the Company is responsible for the correctness of the accounting records and the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, the requirements for issuers of securities admitted to trading on an official stock-exchange listing market and with other applicable regulations and preparation of the Report on the Company's activities.

Our responsibility is to express an opinion and to prepare a supplementing report on the financial statements and whether the financial statements have been prepared from properly maintained accounting records based on our audit.

Management of the Company submitted a statement, dated the same date as this report, as to the true and fair presentation of the financial statements presented for audit, which confirmed that there were no undisclosed matters which could significantly influence the information presented in the financial statements.

All required statements, explanations and information and all our requests for additional documents and information necessary for expressing our opinion and preparing the report have been fulfilled.

The scope of the work planned and performed has not been limited in any way. The method and scope of our audit is detailed in working papers prepared by us and retained in the offices of PKF Consult Sp. z o.o.

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2. Financial analysis of the Company

2.1. Statement of financial position

ASSETS	12/31/2014	% of total	12/31/2013	% of total	The change in % (BZ - BO) BO)
	mIn PLN		mIn PLN		
Non-current assets					
Property, plant and equipment	13,520	38.24%	13,775	38.89%	-1.85%
Investment property	1	0.00%	1	0.00%	-20.30%
Intangible assets	254	0.72%	282	0.80%	-9.86%
Shares	8,611	24.36%	7,796	22.01%	10.46%
Other financial assets	4,403	12.45%	4,668	13.18%	-5.67%
Deferred tax assets	469	1.33%	380	1.07%	23.47%
Other non-current assets	129	0.37%	44	0.12%	193.70%
	27,387	77.46%	26,946	76.07%	1.64%
Current assets					
Inventories	2,506	7.09%	2,707	7.64%	-7.42%
Trade and other receivables	1,307	3.70%	3,368	9.51%	-61.20%
Other assets	20	0.06%	18	0.05%	11.11%
Current financial assets	1,805	5.11%	327	0.92%	452.11%
Derivative financial instrument assets	388	1.10%	307	0.87%	26.46%
Cash and cash equivalents	1,942	5.49%	1,683	4.75%	15.42%
Assets held for sale	1	0.00%	68	0.19%	-97.99%
	7,969	22.54%	8,478	23.93%	-6.00%
Total assets	35,356	100.00%	35,424	100.00%	-0.19%

LIABILITIES AND EQUITY	12/31/2014	% of total	12/31/2013	% of total	The change in % (BZ - BO) BO)
	mIn PLN		mIn PLN		
Equity					
Share capital	5,900	16.69%	5,900	16.66%	0.00%
Share premium	1,740	4.92%	1,740	4.91%	0.00%
Accumulated other comprehensive income	-185	-0.52%	14	0.04%	-1421.43%
Retained earnings/(deficit)	16,325	46.17%	15,315	43.23%	6.59%
	23,780	67.26%	22,969	64.84%	3.53%
Non-current liabilities					
Borrowings and other debt instruments	4,498	12.72%	4,432	12.51%	1.49%
Employee benefit obligations	134	0.38%	154	0.43%	-12.99%
Provisions	1,414	4.00%	1,156	3.26%	22.32%
Deferred income	690	1.95%	621	1.75%	11.11%
Deferred tax liabilities	580	1.64%	609	1.72%	-4.76%
Other non-current liabilities	69	0.20%	51	0.14%	35.29%
	7,385	20.89%	7,023	19.83%	5.15%
Current liabilities					
Trade and other payables	2,414	6.83%	2,888	8.15%	-16.41%
Borrowings and other debt instruments	656	1.86%	1,691	4.77%	-61.21%
Derivative financial instrument liabilities	423	1.20%	123	0.35%	243.90%
Current tax liabilities	181	0.51%	175	0.49%	3.43%
Employee benefit obligations	43	0.12%	117	0.33%	-63.25%
Provisions	472	1.33%	434	1.23%	8.76%
Deferred income	2	0.01%	4	0.01%	-50.00%
	4,191	11.85%	5,432	15.33%	-22.85%
Total liabilities and equity	35,356	100.00%	35,424	100.00%	-0.19%

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2.2. Income statement and statement of comprehensive income

	2014	% of total	2013	% of total	The change in %
	mIn PLN	sales	mIn PLN	sales	(BO - BZ) BO
Revenue	23,738	100.00%	27,110	100.00%	-12.44%
Raw material and consumables used	-15,101	-63.62%	-16,985	-62.65%	-11.09%
Employee benefits expense	-750	-3.16%	-970	-3.58%	-22.68%
Depreciation and amortisation expense	-722	-3.04%	-731	-2.70%	-1.23%
Services	-4,156	-17.51%	-5,665	-20.90%	-26.64%
Work performed by the entity and capitalised	10	0.04%	11	0.04%	-9.09%
Other income and expenses	-1,386	-5.84%	-637	-2.35%	117.58%
Total operating expenses	-22,105	-93.12%	-24,977	-92.13%	-11.50%
Operating profit/(loss)	1,633	6.88%	2,133	7.87%	-23.44%
Finance income	966	4.07%	1,020	3.76%	-5.29%
Finance costs	-377	-1.59%	-1,040	-3.84%	-63.75%
Profit/(loss) before tax	2,222	9.36%	2,113	7.79%	5.16%
Income tax	-327	-1.38%	-425	-1.57%	-23.06%
Net profit/(loss)	1,895	7.98%	1,688	6.23%	12.26%
	2014	% of total	2,013	% of total	The change in %
	mIn PLN	sales	mIn PLN	sales	(BO - BZ) BO
Net profit/(loss)	1,895	7.98%	1,688	6.23%	12.26%
Other comprehensive income that will be reclassified to profit or loss once specific conditions are met, relating to:	-192	-0.81%	52	0.19%	-469.23%
Exchange differences on translating foreign operations	22	0.09%	-6	-0.02%	-466.67%
Hedge accounting	-264	-1.11%	72	0.27%	-466.67%
Deferred tax	50	0.21%	-14	-0.05%	-457.14%
Other comprehensive income that will not be reclassified to profit or loss, relating to:	-7	-0.03%	27	0.10%	-125.93%
Actuarial gains/(losses) on employee benefits	-8	-0.03%	34	0.13%	-123.53%
Deferred tax	1	0.00%	-7	-0.03%	-114.29%
Other comprehensive income, net	-199	-0.84%	79	0.29%	-351.90%
Total comprehensive income	1,696	7.14%	1,767	6.52%	-4.02%

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2.3. Selected financial ratios

		2014	2013	2012
1. Return on sales	%	8.0%	6.2%	7.4%
(result on sale / net revenues) *100				
2. Return on equity	%	8.0%	7.3%	8.7%
(net result / average equity) *100				
3. Debtor's days	days	12	40	59
(average trade receivables net *365 days) / net revenues				
4. Debt ratio	%	32.7%	35.2%	40.1%
(liabilities and provisions for liabilities / total equity and liabilities) *100				
5. Current ratio		1.9	1.6	1.2
(current assets / current liabilities)				

3. Detailed report

3.1. Proper operation of the accounting system

The Company maintains current documentation describing the applied accounting principles adopted by the Management Board to the extent required by Art. 10 of the Accounting Act.

During the audit of the financial statements, we tested, on a sample basis, the operation of the accounting system.

On the basis of the work performed, we have not identified material irregularities in the accounting system which have not been corrected and that could have a material impact on the financial statements, including:

- reasonableness and continuity of the applied accounting policies,
- documentation of business transactions,
- reliability, accuracy and verifiability of accounting records and connections in accounting records,
- correctness of the opening balance in accounting books on the basis of audited balances for prior year,
- connections of accounting records with accounting documents and financial statements,
- reasonableness of methods used to secure access to data and processing system in computer,
- fulfillment of the requirements for securing accounting documents and archiving the accounting books and financial statements.

Our audit was not conducted for the purpose of expressing a comprehensive opinion on the operation of the accounting system.

The Company performed a physical verification of assets in accordance with the requirements and time frame specified in Art. 26 of the Accounting Act.

3.2. Notes to the financial statements

All information included in the notes to the financial statements, comprising of a summary of significant accounting policies and other explanatory notes, is, in all material respects, presented correctly and completely. This information should be read in conjunction with the financial statements.

3.3. Report on the Company's activities

The Report on the Company's activities includes, in all material respects, the information required by Art. 49 of the Accounting Act and by the Decree of the Ministry of Finance dated 19 February 2009 on current and periodic information provided by issuers of securities and the conditions for recognition as equivalent information required by the law of a non-Member State (Official Journal from 2014, item 133) and the information is consistent with the financial statements.

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3.4. Information on the opinion of the independent auditor

Based on our audit of the financial statements of the Company as at and for the year ended 31 December 2014, we have issued an unqualified opinion.

Signed on the Polish original

Mariusz Kuciński
Certified Auditor No. 9802

Key Certified Auditor
On behalf of PKF Consult Sp. z o.o.
registration number 477

6/1B Orzycka Street
02-695 Warsaw

Warsaw, 19 February 2015