PGNiG

Polskie Górnictwo Naftowe i Gazownictwo SA

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30TH 2012

Members of the Management Board

President of the Management Board	Grażyna Piotrowska-Oliwa	....
Vice-President of the Management Board	Radosław Dudziński	....
Vice-President of the Management Board	Sławomir Hinc	....
Vice-President of the Management Board	Mirosław Szkałuba	....

Warsaw, August 13th 2012

TABLE OF CONTENTS

FINANCIAL HIGHLIGHTS
for the period ended June 30th 2012

	PLN		EUR	
	Jan 1–Jun 30 2012	**Jan 1–Jun 30 2011**	**Jan 1–Jun 30 2012**	**Jan 1–Jun 30 2011**
I. Sales revenue	13,168,064	11,023,462	3,116,997	2,778,580
II. Operating profit/loss	(627,843)	626,767	(148,616)	157,983
III. Pre-tax profit/loss	(296,779)	1,321,874	(70,250)	333,192
IV. Net profit/loss	(204,076)	1,186,243	(48,307)	299,005
V. Comprehensive income	(303,376)	1,278,933	(71,812)	322,369
VI. Net cash provided by/used in operating activities	(31,708)	1,135,076	(7,506)	286,108
VII. Net cash provided by/used in investing activities	(3,866,677)	(1,296,953)	(915,276)	(326,911)
VIII. Net cash provided by/used in financing activities	3,678,707	(94,328)	870,782	(23,776)
IX. Total net cash flow	(219,678)	(256,205)	(52,000)	(64,579)
X. Earnings/loss and diluted earnings/loss per ordinary share (PLN/EUR)	(0.03)	0.20	(0.01)	0.05
	As at Jun 30 2012	**As at Dec 31 2011**	**As at Jun 30 2012**	**As at Dec 31 2011**
XI. Total assets	31,852,945	28,486,740	7,474,936	6,449,633
XII. Liabilities and provisions for liabilities	12,508,714	8,839,132	2,935,422	2,001,252
XIII. Non-current liabilities	6,641,104	2,019,362	1,558,469	457,200
XIV. Current liabilities	5,867,610	6,819,770	1,376,953	1,544,052
XV. Equity	19,344,231	19,647,608	4,539,514	4,448,381
XVI. Share capital	5,900,000	5,900,000	1,384,554	1,335,809
XVII. Weighted average number of shares ('000)	5,900,000	5,900,000	5,900,000	5,900,000
XVIII. Book value per share and diluted book value per share (PLN/EUR)	3.28	3.33	0.77	0.75
XIX. Dividend per share declared or paid (PLN/EUR)	-	0.12	-	0.03

Items of the income statement, statement of comprehensive income and statement of cash flows were translated using the EUR exchange rate computed as the arithmetic mean of mid-exchange rates quoted by the National Bank of Poland (NBP) for the last day of each calendar month in the given reporting period.

Items of the statement of financial position were translated using the EUR mid-exchange rate quoted by the NBP as at the end of the given financial period.

Average EUR/PLN exchange rates quoted by the National Bank of Poland

	Jun 30 2012	Dec 31 2011	Jun 30 2011
Average exchange rate for the period	4.2246	4.1401	3.9673
Exchange rate at end of the period	4.2613	4.4168	3.9866

(PLN '000)

INCOME STATEMENT
for the period ended June 30th 2012

	Note	Jan 1–Jun 30 2012 unaudited	Jan 1–Jun 30 2011 unaudited
Sales revenue	**3**	**13,168,064**	**11,023,462**
Raw and other materials used	4	(9,677,291)	(6,625,656)
Employee benefits	4	(401,258)	(457,184)
Depreciation and amortisation		(274,174)	(279,160)
Contracted services	4	(3,020,784)	(3,027,843)
Cost of products and services for own needs		5,502	5,760
Other operating expenses, net	4	(427,902)	(12,612)
Total operating expenses		**(13,795,907)**	**(10,396,695)**
Operating profit/loss		**(627,843)**	**626,767**
Finance income	5	492,205	734,724
Finance expenses	5	(161,141)	(39,617)
Pre-tax profit/loss		**(296,779)**	**1,321,874**
Income tax	6	92,703	(135,631)
Net profit/loss		**(204,076)**	**1,186,243**
Earnings/loss and diluted earnings/loss per share attributable to holders of ordinary shares		(0.03)	0.20

STATEMENT OF COMPREHENSIVE INCOME
for the period ended June 30th 2012

	Note	Jan 1–Jun 30 2012 unaudited	Jan 1–Jun 30 2011 unaudited
Net profit/loss		**(204,076)**	**1,186,243**
Currency translation differences on foreign operations		(344)	(2,147)
Valuation of hedging instruments		(122,168)	169,803
Valuation of financial instruments		-	(52,720)
Deferred tax related to other comprehensive income		23,212	(22,246)
Other		-	-
Other comprehensive income, net		**(99,300)**	**92,690**
Total comprehensive income		**(303,376)**	**1,278,933**

(PLN '000)

STATEMENT OF FINANCIAL POSITION
as at June 30th 2012

	Note	Jun 30 2012	Dec 31 2011
		unaudited	audited
ASSETS			
Non-current assets			
Property, plant and equipment	8	12,555,188	12,281,120
Investment property		2,057	2,819
Intangible assets		114,895	91,641
Financial assets available for sale	9	7,267,866	6,460,328
Other financial assets	10	5,371,680	2,900,850
Deferred tax assets		462,759	347,462
Other non-current assets		76,943	76,339
Total non-current assets		**25,851,388**	**22,160,559**
Current assets			
Inventories	11	2,157,249	1,897,387
Trade and other receivables	12	2,848,109	3,170,305
Current income tax receivable		-	5,320
Prepayments and accrued income		82,644	33,291
Financial assets available for sale		63	-
Derivative financial instrument assets		197,845	284,531
Cash and cash equivalents		714,937	934,615
Non-current assets held for sale		**710**	**732**
Total current assets		**6,001,557**	**6,326,181**
Total assets		**31,852,945**	**28,486,740**
EQUITY AND LIABILITIES			
Equity			
Share capital		5,900,000	5,900,000
Currency translation differences on foreign operations		8,644	8,988
Share premium account		1,740,093	1,740,093
Other capital reserves		11,899,570	10,310,364
Retained earnings/(deficit)		(204,076)	1,688,163
Total equity		**19,344,231**	**19,647,608**
Non-current liabilities			
Loans, borrowings and debt securities	13	4,421,376	-
Provisions	14	1,381,731	1,250,587
Deferred income		323,571	256,544
Deferred tax liabilities		495,048	495,665
Other non-current liabilities		19,378	16,566
Total non-current liabilities		**6,641,104**	**2,019,362**
Current liabilities			
Trade and other payables	15	2,206,326	2,674,902
Loans, borrowings and debt securities	13	3,067,400	3,590,802
Derivative financial instrument liabilities		399,059	416,836
Current tax liabilities		-	-
Provisions	14	191,627	135,113
Deferred income		3,198	2,117
Total current liabilities		**5,867,610**	**6,819,770**
Total liabilities		**12,508,714**	**8,839,132**
Total equity and liabilities		**31,852,945**	**28,486,740**

(PLN ‘000)

STATEMENT OF CASH FLOWS
for the period ended June 30th 2012

	Jan 1–Jun 30 2012 unaudited	Jan 1–Jun 30 2011 unaudited
Cash flows from operating activities		
Net profit/loss	(204,076)	1,186,243
Adjustments:		
Depreciation and amortisation	274,173	279,160
Net foreign exchange gains/losses	41,782	(24,750)
Net interest and dividend	(298,641)	(73,999)
Profit/loss from investing activities	(121,624)	(52,477)
Current income tax	(92,703)	135,631
Income tax paid/received	5,320	(249,318)
Other items, net	94,417	107,502
Net cash provided by/(used in) operating activities before changes in working capital	**(301,352)**	**1,307,992**
Change in working capital:		
Change in receivables, net	839,393	1,051,318
Change in inventories	(259,862)	(447,834)
Change in provisions	56,616	11,815
Change in current liabilities	(313,988)	(771,029)
Change in prepayments	(56,069)	(61,887)
Change in deferred income	3,554	44,701
Net cash provided by/(used in) operating activities	**(31,708)**	**1,135,076**
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	139,885	11,092
Sale of shares in related entities	-	-
Sale of shares in other entities	150	153,339
Sale of short-term securities	81	524
Acquisition of property, plant and equipment and intangible assets	(566,913)	(1,443,947)
Acquisition of shares in related entities	(791,005)	(14,239)
Decrease in loans advanced	29,694	89,345
Increase in loans advanced	(2,664,036)	(164,030)
Inflows from forward and futures contracts	61,295	22,327
Outflows on forward and futures contracts	(151,078)	-
Interest received	9,649	6,427
Dividends received	2,050	1,264
Proceeds from finance lease	2,416	1,228
Other items, net	61,135	39,717
Net cash provided by/(used in) investing activities	**(3,866,677)**	**(1,296,953)**
Cash flows from financing activities		
Increase in loans and borrowings	2,084,694	-
Issue of debt securities	5,325,415	1,145,438
Repayment of loans and borrowings	-	-
Redemption of debt securities	(3,580,181)	(1,210,229)
Decrease in finance lease liabilities	(255)	(1,400)
Inflows from forward and futures contracts	-	-
Outflows on forward and futures contracts	-	-
Dividends paid	-	-
Interest paid	(149,103)	(26,239)
Other items, net	(1,863)	(1,898)
Net cash provided by/(used in) financing activities	**3,678,707**	**(94,328)**
Net change in cash	**(219,678)**	**(256,205)**
Net foreign exchange gains/losses	-	-
Cash and cash equivalents at beginning of period	**934,615**	**565,854**
Cash and cash equivalents at end of the period	**714,937**	**309,649**

STATEMENT OF CHANGES IN EQUITY
for the period ended June 30th 2012

	Equity					
	Share capital	Currency translation differences on foreign operations	Share premium account	Other capital reserves	Retained earnings/deficit	**Total**
	(PLN '000)					
As at Jan 1 2012 (audited)	**5,900,000**	**8,988**	**1,740,093**	**10,310,364**	**1,688,162**	**19,647,607**
Transfers	-	-	-	1,688,162	(1,688,162)	**-**
Payment of dividend to owners	-	-	-	-	-	**-**
Net profit/loss for H1 2012	-	-	-	-	(204,076)	**(204,076)**
Other comprehensive income, net, for H1 2012	-	(344)	-	(98,956)	-	**(99,300)**
As at Jun 30 2012 (unaudited)	**5,900,000**	**8,644**	**1,740,093**	**11,899,570**	**(204,076)**	**19,344,231**
As at Jan 1 2011 (audited)	**5,900,000**	**(749)**	**1,740,093**	**9,245,707**	**1,778,661**	**18,663,712**
Transfers	-	-	-	998,189	(998,189)	**-**
Payment of dividend to owners	-	-	-	-	(708,000)	**(708,000)**
Net profit/loss for H1 2011	-	-	-	-	1,186,243	**1,186,243**
Other comprehensive income, net, for H1 2011	-	(2,147)	-	94,837	-	**92,690**
As at Jun 30 2011 (unaudited)	**5,900,000**	**(2,896)**	**1,740,093**	**10,338,733**	**1,258,715**	**19,234,645**

NOTES TO THE FINANCIAL STATEMENTS OF PGNiG SA
as at June 30th 2012

1. GENERAL INFORMATION

1.1. Company name, core business and key registry data

Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna ("PGNIG SA", "Company"), registered office at ul. Marcina Kasprzaka 25, Warsaw, was established as a result of transformation of state-owned enterprise Przedsiębiorstwo Państwowe PGNiG into a state-owned stock company pursuant to Art. 6.1 of the Act on Privatisation of State-Owned Enterprises, dated July 13th 1990 (Dz. U. of 1990, No. 51, item 298, as amended), and the Regulation of the President of the Council of Ministers on transformation of the state-owned public utility enterprise Polskie Górnictwo Naftowe I Gazownictwo of Warsaw into a state-owned stock company, dated September 30th 1996 (Dz. U. No. 116, item 553). Based on the above Regulation, on October 21st 1996 the Deed of Transformation was executed.

On October 30th 1996, the Company was entered in the commercial register maintained by the District Court for the Capital City of Warsaw, XVI Commercial Division, under No. RHB 48382. On November 14th 2001, by virtue of the decision of the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register, PGNIG SA was entered into the Register of Entrepreneurs of the National Court Register under No. KRS 0000059492.
The Company's Industry Identification Number REGON is 012216736 and its Tax Identification Number NIP is 525-000-80-28.

By virtue of the decision of the Warsaw Stock Exchange of September 16th 2005, Series A and Series B shares as well as rights to Series B shares of PGNIG SA have been admitted to stock-exchange trading on the main market. The rights to Series B ordinary bearer shares were listed for the first time on September 23rd 2005. On October 18th 2005, the Warsaw Stock Exchange introduced Series A and Series B shares of PGNIG SA to stock-exchange trading on the main market. The shares were listed for the first time on October 20th 2005.

Pursuant to the Articles of Association of PGNIG SA, the Company performs activities aimed at ensuring energy security of Poland. These relate in particular to the following:
1) ensuring continuity of gas supplies to consumers and maintaining necessary reserves,
2) ensuring safe operation of gas networks,
3) ensuring gas fuels balance, managing operations and capacity of power equipment connected to the common gas distribution network,
4) natural gas production.

Pursuant to its Articles of Association, the Company engages in production, service and trade activities in the following areas:
1) extraction of crude petroleum,
2) extraction of natural gas,
3) service activities incidental to oil and gas extraction,
4) mining of sulphur-bearing ores,
5) other mining and quarrying n.e.c.,
6) production of refined petroleum products,
7) processing of refined petroleum products,
8) service activities in the area of installing, repair and maintenance of machinery for mining, quarrying and construction,
9) production of electricity,
10) transmission of electricity,
11) distribution of electricity,
12) production of gas fuels,
13) distribution of gas fuels through a network,
14) production of heat (steam and hot water),
15) distribution of heat (steam and hot water),
16) test drilling and boring,
17) general construction work related to linear engineering structures: pipelines, power supply lines, electric traction lines and telecommunication transmission lines,
18) construction of central heating and ventilation installations,

19) construction of gas installations,
20) maintenance and repair of motor vehicles,
21) retail sale of fuels,
22) wholesale of solid, liquid and gas fuels and related products,
23) wholesale of intermediate products,
24) other specialised wholesale,
25) hotels and motels, with restaurant,
26) hotels and motels, without restaurant,
27) freight transport by road by specialised vehicles,
28) freight transport by road by universal vehicles,
29) transport via pipelines,
30) cargo storage and warehousing at other storage facilities,
31) activities of travel agencies,
32) wireline telecommunications,
33) mobile telecommunications,
34) data transmission and communication,
35) radio communication,
36) research and experimental development on technical sciences,
37) geological and exploration activities,
38) geodetic and cartographic activities,
39) letting of own property,
40) management of residential real estate,
41) management of non-residential real estate,
42) buying and selling of own real estate,
43) activities of libraries other than public libraries,
44) archive activities,
45) museums activities,
46) technical testing and analysis,
47) lease of particular items of the Company's property used for electricity and gas transmission,
48) other financial intermediation,
49) management activities of holding companies,
50) printing n.e.c.,
51) service activities related to printing,
52) auxiliary graphic activities,
53) services related to installation, repair and maintenance of measuring, controlling, checking, testing and navigating instruments and appliances,
54) construction of heating, water, ventilation and gas installations,
55) activities of agents involved in the sale of fuels, ores, metals and industrial chemicals,
56) activities of agents involved in the sale of a variety of goods,
57) wholesale of hardware, plumbing and heating equipment and supplies,
58) other retail sale in non-specialised stores,
59) financed lease
60) activities auxiliary to financial intermediation related to insurance and pension funding,
61) renting of machinery and equipment,
62) data processing,
63) database activities,
64) other computer related activities,
65) accounting and book-keeping activities,
66) advertising,
67) call centre activities,
68) miscellaneous business activities n.e.c.,
69) management of real estate on a fee or contract basis,
70) other provision of lodging n.e.c.

1.2. Duration of the Company

The duration of the Company is unspecified.

(PLN '000)

1.3. Period covered by these financial statements

These condensed interim separate financial statements present data as at June 30th 2012 and for the period from January 1st to June 30th 2012, as well as the comparative data for the corresponding period of 2011.

1.4. Statement whether these financial statements contain combined data

PGNIG SA has a number of branches. As at June 30th 2012, PGNIG SA 's corporate structure comprised the Head Office, based in Warsaw, and the following branches:

- Lower Silesian Gas Trading Branch and its gas sales units,
- Upper Silesian Gas Trading Branch and its gas sales units,
- Carpathian Gas Trading Branch and its gas sales units,
- Mazovian Gas Trading Branch and its gas sales units,
- Pomeranian Gas Trading Branch and its gas sales units,
- Greater Poland Gas Trading Branch and its gas sales units,
- Odolanów Branch,
- Sanok Branch,
- Zielona Góra Branch,
- Central Measurement and Testing Laboratory in Warsaw,
- Well Mining Rescue Station in Kraków,

  as well as the following foreign branches:
- Operator Branch in Pakistan,
- Egypt Branch,
- Denmark Branch.

These financial statements of PGNIG SA, which cover all of the above entities, have been prepared based on financial data derived from the integrated accounting books of the Company's Polish branches and two foreign branches, and based on the financial statements of the Operator Branch in Pakistan. As at the balance-sheet date, data derived from the statement of financial position of the Pakistan Operator Branch was translated into the Polish złoty using the mid-exchange rate quoted by the National Bank of Poland (NBP) for a given currency as at the balance-sheet date, while items of the income statement were translated using the exchange rate computed as the arithmetic mean of mid-exchange rates as at the last day of each month in the financial year. The resulting currency translation differences were posted to revaluation capital reserve.

PGNIG SA, as the Parent, also prepares consolidated financial statements containing the data of PGNiG SA, its 26 subsidiaries (including three which are parents of their own groups and one indirect subsidiary), one associate and one jointly-controlled entity.

1.5. Composition of the PGNiG Management Board

For changes in the composition of the management and supervisory bodies, see the interim consolidated financial statements.

1.6. Shareholder structure of PGNIG SA

As at the date of release of these financial statements for H1 2012, the State Treasury was the only shareholder holding 5% or more of the total vote at the General Meeting of PGNiG SA.

PGNIG SA 's shareholder structure was as follows:

Entity	Registered office	Number of shares	% of share capital held	% of total vote
As at Jun 30 2012				
State Treasury	Warsaw	4,271,911,724	72.41%	72.41%
Other shareholders	-	1,628,088,276	27.59%	27.59%
Total	**-**	**5,900,000,000**	**100.00%**	**100.00%**
As at Dec 31 2011				
State Treasury	Warsaw	4,272,063,451	72.41%	72.41%
Other shareholders	-	1,627,936,549	27.59%	27.59%
Total	**-**	**5,900,000,000**	**100.00%**	**100.00%**

1.7. Going-concern assumption

These interim financial statements have been prepared based on the assumption that the Company will continue as a going concern for the foreseeable future. As at the date of approval of these financial statements, no circumstances were identified which would indicate any threat to Company's continuing functioning as a business entity.

1.8. Mergers of commercial-law companies

In the first half of 2012, there were no mergers involving PGNiG SA and any other companies under commercial law.

1.9. Comparability of financial data for previous period with financial statements for the reporting period

The aggregate financial statements of PGNiG SA for the current and comparative reporting periods have been prepared using the same accounting policies.

1.10. Corrections made due to any qualifications contained in opinions issued by entities qualified to audit financial statements for the years for which the financial statements and the comparative financial data are presented

The H1 2011 financial statements were reviewed, and the 2011 financial statements were audited by Deloitte Audyt Sp. z o.o. The auditor's opinion and report were unqualified. Consequently, no corrections which would result from such qualifications were made in the financial statements for H1 2011 or 2011.

1.11. Approval of the financial statements

These financial statements will be submitted to the PGNiG Management Board for approval on August 23rd 2012.

2. ACCOUNTING POLICIES

2.1. Basis for the preparation of the financial statements

These financial statements have been prepared in accordance with the historical cost convention, except with respect to financial assets available for sale and financial derivatives measured at fair value.

These financial statements are presented in the złoty (PLN), and unless indicated otherwise, all values are expressed in thousands of złoty (PLN '000). Differences, if any, between the totals and the sum of particular items are due to rounding off.

2.1.1. Compliance statement

These financial statements have been prepared in accordance with the International Financial Reporting Standards(IFRS) as endorsed by the European Union ("EU") as at June 30th 2012.

According to IAS 1 Presentation of Financial Statements, the IFRSs comprise the International Financial Reporting Standards (IFRS), the International Accounting Standards (IAS) and the Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The scope of information disclosed in these financial statements is consistent with the provisions of the IFRS and the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz. U. No. 33, item 259).

2.1.2. Effect of new standards and interpretations on the Company's financial statements

The effect of new standards and interpretations on the financial statements has been discussed in the interim consolidated financial statements.

2.2. Presentation changes in the financial statements

The Company has not introduced any presentation changes in the financial statements.

2.3. Accounting policies

The accounting policies adopted in the preparation of these interim separate financial statements are consistent with the policies described in the interim consolidated financial statements of the PGNiG Group, prepared in accordance with the IFRS, for the six months ended June 30th 2012 (see Note 2.3. to the interim consolidated financial statements of the Group).

(PLN '000)

3. SALES REVENUE

The Company's business activity focuses on the domestic market (Poland). In H1 2012, revenue from export sales of products, goods for resale and materials to external customers accounted for 2.43% (1.97% in H1 2011) of the total net revenue from sales of products, goods for resale and materials to external customers. The main export sales directions include Switzerland, Germany and the USA.

	Jan 1 – Jun 30 2012	Jan 1– Jun 30 2011
Domestic sales	**12,848,526**	**10,806,503**
High-methane gas	11,596,329	9,713,115
Nitrogen-rich gas	718,746	629,158
Crude oil	325,133	311,219
Helium	18,128	9,028
Propane-butane gas	31,227	24,477
Natural gasoline	3,755	1,716
LNG	23,576	15,056
Electricity	151	288
Heat	23	140
Gas storage services	15,885	15,253
Other services	92,293	80,647
Other products	18,811	2,592
Materials and goods for resale	4,469	3,814
Export sales	**319,538**	**216,959**
High-methane gas	317	33,048
Crude oil	264,519	161,126
Helium	48,365	17,329
Other services	5,614	5,047
Other products	723	409
Total	**13,168,064**	**11,023,462**

A majority of the Company's non-current assets (other than financial instruments) are located in Poland. The value of non-current assets located abroad as at June 30th 2012 represented 0.71% of the total non-current assets (0.82% as at December 31st 2011).

	Jun 30 2012	Dec 31 2011
Value of non-current assets other than financial instruments located in Poland	13,117,654	12,694,176
Value of non-current assets other than financial instruments located abroad	94,188	105,205
Total	**13,211,842**	**12,799,381**

3.1. Key customers

The Company does not have any single external customer which would account for 10% or more of the total revenue generated by the Company.

(PLN '000)

4. OPERATING EXPENSES

4.1. Raw and other materials used

	Jan 1 – Jun 30 2012	Jan 1– Jun 30 2011
Cost of gas sold	(9,614,231)	(6,561,965)
Other raw and other materials used	(63,060)	(63,691)
Total	**(9,677,291)**	**(6,625,656)**

4.2. Employee benefits

	Jan 1 – Jun 30 2012	Jan 1– Jun 30 2011
Salaries and wages	(283,583)	(325,884)
Social security and other benefits	(117,675)	(131,300)
Total	**(401,258)**	**(457,184)**

4.3. Contracted services

	Jan 1 – Jun 30 2012	Jan 1– Jun 30 2011
Purchases of transmission and distribution services	(2,585,478)	(2,519,598)
Costs of dry wells written off	(31,319)	(139,714)
Other contracted services	(403,987)	(368,531)
Total	**(3,020,784)**	**(3,027,843)**

4.4. Other operating expenses, net

	Jan 1 – Jun 30 2012	Jan 1– Jun 30 2011
Change in provisions, net	(70,668)	(841)
Change in impairment losses, net	(13,716)	16,261
Taxes and charges	(103,371)	(114,159)
Interest related to operating activities	23,063	36,904
Net foreign exchange differences related to operating activities	(123,591)	(1,926)
Net gain/loss on valuation and settlement of hedging transactions related to operating activities	(180,788)	(17,741)
Value of goods for resale and materials sold	(4,047)	(3,469)
Income from current settlement of deferred income recognised in the statement of financial position	902	703
Net gains/losses on disposal of non-financial non-current assets	67,237	4,185
Property insurance	(14,926)	(9,460)
Domestic and international business trips	(6,545)	(7,143)
Change in products	31,985	46,124
Income from compensations, penalties, fines, etc.	3,095	49,010
Cost of compensations, penalties, fines, etc.	(481)	(986)
Other expenses, net	(36,051)	(10,074)
Total	**(427,902)**	**(12,612)**

5. FINANCE INCOME AND EXPENSES

	Jan 1 – Jun 30 2012	Jan 1– Jun 30 2011
Finance income	**492,205**	**734,724**
Gain on valuation and execution of forwards and futures	72,387	22,327
Interest income	155,016	74,138
Foreign exchange gains	-	25,654
Investment revaluation	-	1,931
Gain on disposal of investments	222	73,064
Dividends and other profit distributions	252,142	534,908
Other finance income	12,438	2,702

(PLN '000)

Finance expenses	**(161,141)**	**(39,617)**
Loss on valuation and execution of forwards and futures	-	(34,768)
Interest expenses	(85,841)	(222)
Foreign exchange losses	(65,050)	-
Investment revaluation	-	(258)
Loan commissions	(6,553)	(2)
Costs related to guarantees issued	(1,922)	(1,704)
Other finance expenses	(1,775)	(2,663)
Net finance income/expenses	**331,064**	**695,107**

6. INCOME TAX

	Note	Jan 1 – Jun 30 2012	Jan 1– Jun 30 2011
Pre-tax profit/loss		(296,779)	1,321,874
Tax rate applicable in the period		19%	19%
Tax calculated at the applicable tax rate		56,388	(251,155)
Permanent differences between pre-tax profit/loss and tax base		36,315	115,524
Corporate income tax disclosed in the income statement		**92,703**	**(135,631)**
Current income tax	6.1.	-	(157,116)
Deferred income tax	6.2.	92,703	21,485
Effective tax rate		-31%	10%

6.1. Current income tax

	Jan 1 – Jun 30 2012	Jan 1– Jun 30 2011
Profit/loss before tax	**(296,779)**	**1,321,874**
Differences between profit/loss before tax and tax base	(291,828)	(494,945)
Taxable revenue not recognised as revenue for accounting purposes	97,787	65,122
Tax deductible expenses, not recognised as expenses for accounting purposes	(984,765)	(905,491)
Revenue not included in taxable income	593,789	180,860
Non-tax deductible expenses	(1,188,939)	(527,316)
Deductions from income	-	1,032
Income tax base	**(588,607)**	**826,929**
Tax rate applicable in period	19%	19%
Corporate income tax	-	(157,116)
Current income tax disclosed in tax return for period	-	(157,116)
Current income tax disclosed in income statement	**-**	**(157,116)**

Current income tax has been calculated based on the income tax rate of 19% applicable in Poland in the reporting period.
The income tax rate has not changed relative to the comparative period of 2011.

Foreign branches of PGNiG SA are subject to tax regulations in force in the countries where they conduct their business activities and the provisions of double tax treaties. The applicable income tax rates in such countries range from 25% to 41%. As the foreign branches earned no income, no such rates were used to calculate current income tax.

(PLN '000)

6.2. Deferred income tax

	Jan 1 – Jun 30 2012	Jan 1– Jun 30 2011
Origination and reversal of deferred tax due to deductible temporary differences	**115,298**	**(2,295)**
Provisions for future liabilities	7,540	50
Impairment losses on financial assets, receivables and tangible assets under construction	61	(2,395)
Cost of FX risk, interest rate risk and commodity price risk hedges	(11,401)	1,299
Foreign exchange losses	-	-
Costs related to sales taxable in subsequent month	-	-
Tax loss for current period	111,835	-
Other	7,263	(1,249)
Origination and reversal of deferred tax due to taxable temporary differences*	**(22,595)**	**23,780**
Difference between tax and accounting value of non-current assets	1,107	16,426
Positive valuation of FX risk, interest rate risk and commodity price risk hedges	(9,183)	(5,608)
Foreign exchange gains	-	-
Accrued interest	(23,920)	(4,525)
Income related to tax obligation arising in subsequent month	11,379	17,606
Other	(1,978)	(119)
Deferred income tax disclosed in income statement	**92,703**	**21,485**

* Excluding the change in deferred income tax charged directly to equity (reduction by PLN 23,212 thousand), related to valuation of financial instruments (H1 2011: reduction of equity by PLN 22,245 thousand).

The change in the difference between tax and accounting value of assets and liabilities relative to the figure reported as at December 31st 2011 was reflected in the amount of deferred tax assets and liabilities recognised as at June 30th 2012.
Deferred income tax was determined at the rate of 19%, as the basis for its calculation included only those items that are subject to current income tax in Poland.

As at June 30th 2012, deferred tax assets were PLN 462,759 thousand and deferred tax liabilities stood at PLN 495,048 thousand.
Deferred tax assets included, among other items, income tax amounts recoverable in future periods in respect of unused tax losses carried forward.
As at the end of the reporting period, the net balance of deferred tax assets and liabilities was PLN 32,289 thousand.

In H1 2012, deferred tax assets, positively affecting the Company's *net profit/loss for the period*, were up by PLN 115,298 thousand.

Deferred tax liabilities, negatively affecting the Company's net profit/loss for the period, rose by PLN 22,595 thousand.

The net effect of deferred tax changes on the Company's net profit/loss for the period was PLN 92,703 thousand.

7. DIVIDEND PAID AND PROPOSED

Dividends declared in the period	Jan 1 – Jun 30 2012	Jan 1 – Jun 30 2011
Dividend per share declared (PLN)	-	0.12
Number of shares ('000)	5,900,000	5,900,000
Dividend declared (PLN '000), including:	-	708,000
- in-kind dividend for the State Treasury	-	30,104
- cash dividend for the State Treasury	-	482,587
- cash dividend for other shareholders	-	195,309

On June 6th 2012, by virtue of Resolution No. 16/VI/2012, the Annual General Meeting of PGNiG SA decided to allocate the 2011 profit of PLN 1,615,691 thousand and retained earnings of PLN 72,472 thousand to the Company's statutory reserve funds. Therefore, no dividend will be paid for 2011.

The dividend for 2010 was paid on October 6th 2011.

8. PROPERTY, PLANT AND EQUIPMENT

	Jun 30 2012	Dec 31 2011
Land	26,524	23,775
Buildings and structures	5,229,310	5,236,333
Plant and equipment	1,331,931	1,347,183
Vehicles and other	79,721	78,661
Total tangible assets	**6,667,486**	**6,685,952**
Tangible assets under construction	5,887,702	5,595,168
Total property, plant and equipment	**12,555,188**	**12,281,120**

PGNiG SA's property, plant and equipment includes mainly hydrocarbon production assets and assets of underground gas storage facilities.

To ensure compliance with the requirements of Directive 2009/73/EC concerning separation of storage and trading activities, PGNiG SA has established Operator Systemu Magazynowania Sp. z o.o., a special purpose vehicle set up to act as a storage system operator. Operator Systemu Magazynowania Sp. z o.o. commenced its licensed activities on June 1st 2012, based on the agreement with PGNiG SA concerning exclusive operation of storage facilities and assignment of the role of storage system operator (the "Agreement").

In accordance with the Agreement, PGNiG SA remains the owner of all the storage facilities.

(PLN '000)

8.1 TANGIBLE ASSETS

Jun 30 2012	Land	Buildings and structures	Plant and equipment	Vehicles and other	**Total**
As at Jan 1 2012, net of accumulated depreciation and impairment losses	23,775	5,236,333	1,347,183	78,661	**6,685,952**
Increase	16	100,325	6	-	**100,347**
Decrease	(218)	(91,641)	(2,062)	(629)	**(94,550)**
Transfers from tangible assets under construction and between groups	2,461	164,782	48,472	8,247	**223,962**
Impairment losses	490	(3,224)	13,465	1,147	**11,878**
Depreciation for financial year	-	(177,265)	(75,133)	(7,705)	**(260,103)**
As at Jun 30 2012, net of accumulated depreciation and impairment losses	**26,524**	**5,229,310**	**1,331,931**	**79,721**	**6,667,486**
As at Jan 1 2012					
Gross value	26,095	8,705,140	2,548,850	185,562	**11,465,647**
Accumulated depreciation and impairment losses	(2,320)	(3,468,807)	(1,201,667)	(106,901)	**(4,779,695)**
Net carrying amount as at Jan 1 2012	**23,775**	**5,236,333**	**1,347,183**	**78,661**	**6,685,952**
As at Jun 30 2012					
Gross value	28,354	8,874,428	2,591,124	185,721	**11,679,627**
Accumulated depreciation and impairment losses	(1,830)	(3,645,118)	(1,259,193)	(106,000)	**(5,012,141)**
Net carrying amount as at Jun 30 2012	**26,524**	**5,229,310**	**1,331,931**	**79,721**	**6,667,486**

(PLN '000)

Dec 31 2011	Land	Buildings and structures	Plant and equipment	Vehicles and other	**Total**
As at Jan 1 2011, net of accumulated depreciation and impairment losses	23,597	5,171,059	1,354,023	85,226	**6,633,905**
Increase	113	111,025	544	776	**112,458**
Decrease	(399)	(194,298)	(12,279)	(1,724)	**(208,700)**
Transfers from tangible assets under construction and between groups	599	444,145	172,195	16,587	**633,526**
Impairment losses	(135)	77,371	(10,706)	(1,690)	**64,840**
Depreciation for financial year	-	(372,969)	(156,594)	(20,514)	**(550,077)**
As at Dec 31 2011, net of accumulated depreciation and impairment losses	**23,775**	**5,236,333**	**1,347,183**	**78,661**	**6,685,952**
As at Jan 1 2011					
Gross value	25,781	8,380,885	2,413,776	184,210	**11,004,652**
Accumulated depreciation and impairment losses	(2,184)	(3,209,826)	(1,059,753)	(98,984)	**(4,370,747)**
Net carrying amount as at Jan 1 2011	**23,597**	**5,171,059**	**1,354,023**	**85,226**	**6,633,905**
As at Dec 31 2011					
Gross value	26,095	8,705,140	2,548,850	185,562	**11,465,647**
Accumulated depreciation and impairment losses	(2,320)	(3,468,807)	(1,201,667)	(106,901)	**(4,779,695)**
Net carrying amount as at Dec 31 2011	**23,775**	**5,236,333**	**1,347,183**	**78,661**	**6,685,952**

(PLN '000)

8.2. Impairment losses on property, plant and equipment

	Land	Buildings and structures	Plant and equipment	Vehicles and other	**Total tangible assets**	Tangible assets under construction	**Total property, plant and equipment**
As at Jan 1 2012	2,320	445,733	111,129	7,798	**566,980**	429,056	**996,036**
Increase	150	110,294	16,058	602	**127,104**	88,641	**215,745**
Decrease	(640)	(107,070)	(29,523)	(1,749)	**(138,982)**	(165,353)	**(304,335)**
As at Jun 30 2012	**1,830**	**448,957**	**97,664**	**6,651**	**555,102**	**352,344**	**907,446**
As at Jan 1 2011	2,185	523,104	100,423	6,108	**631,820**	447,951	**1,079,771**
Increase	135	34,558	14,260	2,083	**51,036**	-	**51,036**
Decrease	-	(111,929)	(3,554)	(393)	**(115,876)**	(18,895)	**(134,771)**
As at Dec 31 2011	**2,320**	**445,733**	**111,129**	**7,798**	**566,980**	**429,056**	**996,036**

As at the beginning of the period, impairment losses on tangible assets stood at PLN 566,980 thousand, of which:
- PLN 332,191 thousand were impairment losses on assets used directly in hydrocarbon production,
- PLN 38,438 thousand were impairment losses on underground gas storage facilities,
- PLN 196,351 thousand were impairment losses on other tangible assets.

The first half of 2012 saw a PLN 127,104 thousand increase and a PLN 138,982 thousand decrease in impairment losses. The changes included:
- a PLN 110,550 thousand increase and a PLN 99,305 thousand decrease in impairment losses on assets used directly in hydrocarbon production,
- a PLN 1,624 thousand increase and a PLN 143 thousand decrease in impairment losses on underground gas storage facilities,
- a PLN 14,930 thousand increase and a PLN 39,534 thousand decrease in impairment losses on other tangible assets.

Changes in impairment losses on the particular categories of assets were connected with the update of adopted assumptions, review of impairment indicators, disposal of assets or their reclassification between asset groups.

As at the end of the period, impairment losses on tangible assets stood at PLN 555,102 thousand, of which:
- PLN 380,958 thousand were impairment losses on assets used directly in hydrocarbon production,
- PLN 2,058 thousand were impairment losses on underground gas storage facilities,
- PLN 172,086 thousand were impairment losses on other tangible assets.

Out of the total amount of impairment losses on tangible assets under construction as at the end of H1 2012, PLN 334,807 thousand related to capitalised cost of drilling work (at the end of 2011: PLN 401,924 thousand).

(PLN '000)

9. NON-CURRENT FINANCIAL ASSETS AVAILABLE FOR SALE

	Jun 30 2012	Dec 31 2011
Unlisted shares (gross)	8,929,142	8,120,929
Listed shares available for sale (gross)	-	-
Other financial assets available for sale (gross)	-	-
Total, gross	**8,929,142**	**8,120,929**
Unlisted shares (net)*	7,267,866	6,460,328
Listed shares available for sale (net)*/**	-	-
Other financial assets available for sale (net)*	-	-
Total, net	**7,267,866**	**6,460,328**

* Net of impairment losses.
** Measured at market value.

Under "Unlisted shares", the Company discloses, among other items, shares in POGC Libya BV. As at June 30th 2012, the Company's equity interest in POGC Libya BV was EUR 65,520 thousand and USD 4,830 thousand (PLN 295,567 thousand, translated at the exchange rates quoted by the National Bank of Poland for June 29th 2012). As at June 30th 2012, the value of the interest as disclosed in the Company's books was PLN 307,713 thousand.

Given the developments in Libya, which is POGC Libya BV's principal place of business, the risk that shares in this company might become permanently impaired has substantially lowered compared with the situation seen at the end of 2011.
After the outbreak of the civil war in Libya in the second half of February 2011, the Company suspended its activities under the Exploration and Production Sharing Agreement (EPSA) due to the occurrence of a force majeure event. In H1 2012, the Company took steps aimed at declaring the cessation of the force majeure event and resuming its activities in Libya, which is planned for the second half of 2012. To this end, in H1 2012 the Company reopened its Tripoli office and commenced implementation of safety procedures. Before declaring the cessation of the force majeure event, the Company has held a number of meetings with the representatives of National Oil Corporation (NOC) in order to discuss in detail the terms of the planned resumption of exploration activities. Currently, the parties are engaged in negotiations as to when cessation of the force majeure event could be officially declared, which also requires extension of the time limit for completion of exploration work under the EPSA, and are discussing safety-related issues. Discussions have also been held on technical issues related to NOC's approval for well drilling and for the second phase of the 3D seismic data acquisition project.

Considering the above, as at June 30th 2012 the Company did not recognise any impairment losses on the POGC Libya BV shares.

10. OTHER FINANCIAL ASSETS

	Jun 30 2012	Dec 31 2011
Finance lease receivables (Note 10.1.)	43,252	44,432
Loans advanced	5,321,702	2,849,187
Amounts receivable for sale of tangible assets	6,663	7,165
Non-current deposits	-	-
Non-current financial receivables (security deposits, guarantees and other)	-	-
Other	63	66
Total, gross	**5,371,680**	**2,900,850**
Impairment losses	-	-
Total, net	**5,371,680**	**2,900,850**

On August 23rd 2011, PGNiG SA and PGNiG SPV 1 Sp. z o.o. executed a loan agreement for up to PLN 3,780,000 thousand. The term of the loan expires on December 31st 2012. The loan bears interest at the 3M WIBOR rate + margin.
Funds advanced under the loan have been used by SPV 1 Sp z o.o. to finance the acquisition of shares in Vattenfall Heat Poland S.A. of Warsaw, including all the related costs.

(PLN '000)

As at June 30th 2012, the amount outstanding under the loan was PLN 2,344,471 thousand, including a non-current portion of PLN 2,121,744 thousand and a current portion of PLN 222,727 thousand.

10.1. Finance lease

Agreement between PGNiG S.A and Wielkopolska Spółka Gazownictwa Sp. z o.o.

On October 27th 2011, PGNiG SA and Wielkopolska Spółka Gazownictwa Sp. z o.o. concluded an Agreement for the Lease of Gas Pipelines and Land in the Coastal Strip. The agreement was executed for a term of twenty years and provides the lessee with an option to purchase the leased assets. The value of the leased assets was determined based on a valuation prepared by an independent appraiser. As per the agreement, the lease payment comprises principal and interest. The interest portion is determined on a quarterly basis by reference to the 3M WIBOR effective as at the last day of the quarter preceding the quarter for which the lease payment is charged, plus a margin. The interest portion required to determine the monthly lease payments for the land throughout the lease term was set at a fixed rate based on the 3M WIBOR effective as at the Agreement date.

Proceeds under the lease agreement*:

	Jun 30 2012	Jun 30 2011
Interest payment	1,236	1,093
Principal payment	1,180	1,228
Total	**2,416**	**2,321**

*The data for the comparative period refer to the transmission system lease agreement which expired in 2011.

11. INVENTORIES

	Jun 30 2012	Dec 31 2011
Materials		
at cost, including:	2,219,726	1,893,807
- gaseous fuel	1,999,400	1,761,777
at net realisable value, including:	2,150,197	1,890,505
- gaseous fuel	1,933,460	1,761,777
Semi-finished products and work in progress	-	-
at cost	-	-
at net realisable value	-	-
Finished products		
at cost	6,595	6,524
at net realisable value	6,595	6,524
Goods for resale		
at cost	457	358
at net realisable value	457	358
Total inventories at acquisition or production cost	**2,226,778**	**1,900,689**
Total inventories, at the lower of cost and net realisable value	**2,157,249**	**1,897,387**

11.1. Change in inventories in period

	Period from Jan 1 – Jun 30 2012	Period from Jan 1 – Jun 30 2011
Inventories at cost at beginning of the period	1,900,689	882,581
Purchase	10,931,401	7,966,195
Other increases	531	2,127
Inventories charged to expenses for period	(10,554,613)	(7,398,289)
Sale	(4,047)	(3,701)
Other decreases	(47,183)	(118,171)
Inventories at cost at end of the period	**2,226,778**	**1,330,742**
Impairment losses on inventories	**(69,529)**	**(3,559)**
Inventories at net realisable value	**2,157,249**	**1,327,183**

(PLN '000)

11.2. Impairment losses on inventories

	Jun 30 2012	Dec 31 2011
Impairment losses at beginning of the period	(3,302)	(3,231)
Increase	(66,318)	(751)
Reversal of impairment loss	92	680
Impairment losses at end of the period	**(69,529)**	**(3,302)**

In the first half of 2012, the Company recognised an impairment loss of PLN 65,940 thousand on gas stocks. The impairment loss was recognised due to the fact that the value of the stocks of gas at acquisition (production) cost exceeded their net realisable value.

12. TRADE AND OTHER RECEIVABLES

	Jun 30 2012	Dec 31 2011
Trade receivables	2,168,010	3,037,957
Trade receivables from related entities	81,666	32,207
VAT receivable	237,651	256,427
Other taxes, customs duties and social security receivable	8,517	8,333
Matured portion of loans advanced to related entities	587,299	303,006
Finance lease receivables	2,850	2,854
Other receivables from related entities	341,163	105,524
Other receivables	118,372	117,441
Total gross receivables	**3,545,528**	**3,863,749**
Impairment loss on doubtful receivables (Note 12.1)	**(697,419)**	**(693,444)**
Total net receivables	**2,848,109**	**3,170,305**
Including:		
Trade receivables	1,696,484	2,564,877
Trade receivables from related entities	81,502	32,199
VAT receivable	237,651	256,427
Other taxes, customs duties and social security receivable	8,517	8,333
Matured portion of loans advanced to related entities	557,184	274,184
Finance lease receivables	2,850	2,854
Other receivables from related entities	256,484	19,843
Other receivables	7,437	11,588

The standard payment deadline applied by the Company with respect to receivables in the usual course of sale is 14 days.

12.1. Impairment losses on receivables

	Jun 30 2012	Dec 31 2011
Impairment losses, at beginning of period	(693,444)	(1,018,230)
Increase	(139,030)	(47,490)
Impairment losses reversed	125,871	201,664
Impairment losses used	9,184	172,262
Transfers between current and non-current portions	-	(1,650)
Impairment losses at end of the period	**(697,419)**	**(693,444)**

(PLN '000)

13. BANK LOANS, BORROWINGS AND DEBT SECURITIES

	Currency	Jun 30 2012	Dec 31 2011	Effective interest rate (%)	Maturity date	Jun 30 2012	Dec 31 2011
Non-current		Amount in original currency				Amount in PLN	
Loan	EUR	485,610	-	4.0640%	Feb 14 2017	2,069,330	-
Notes/bonds	PLN	2,352,046	-	6M Wibor+1.25%	Jun 19 2017	2,352,046	-
Total non-current						**4,421,376**	**-**

	Currency	Jun 30 2012	Dec 31 2011	Effective interest rate (%)	Maturity date	Jun 30 2012	Dec 31 2011
Current		Amount in original currency				Amount in PLN	
Notes/bonds	PLN	-	2,296,857	1M Wibor+0.8%	Jan 09 2012	-	2,296,856
Notes/bonds	PLN	-	498,786	1M Wibor+0.8%	Jan 16 2012	-	498,785
Notes/bonds	PLN	-	497,949	1M Wibor+0.8%	Jan 27 2012	-	497,949
Notes/bonds	PLN	-	39,971	1M Wibor+0.6%	Jan 5 2012	-	39,971
Notes/bonds	PLN	-	59,908	1M Wibor+0.6%	Jan 09 2012	-	59,908
Notes/bonds	PLN	-	24,949	1M Wibor+1.5%	Jan 12 2012	-	24,949
Notes/bonds	PLN	-	15,469	2T/1M Wibor+1.5%	Jan 12 2012	-	15,469
Notes/bonds	PLN	-	54,851	2T/1M Wibor+1.5%	Jan 16 2012	-	54,851
Notes/bonds	PLN	-	8,965	2T/1M Wibor+1.5%	Jan 23 2012	-	8,965
Notes/bonds	PLN	-	14,987	2T Wibor+1.5%	Jan 5 2012	-	14,987
Notes/bonds	PLN	-	47,960	2T Wibor+1.5%	Jan 5 2012	-	47,960
Notes/bonds	PLN	-	29,872	1M Wibor+1.5%	Jan 25 2012	-	29,872
Notes/bonds	PLN	152,697	-	6M Wibor+1.25%	Jun 19 2017	152,697	-
Notes/bonds	PLN	14,973	-	3M Wibor+0.6%	Jul 12 2012	14,973	-
Notes/bonds	PLN	14,955	-	3M Wibor+0.6%	Jul 20 2012	14,955	-
Notes/bonds	PLN	15,954	-	3M Wibor+0.6%	Jul 19 2012	15,954	-
Notes/bonds	PLN	3,985	-	3M Wibor+0.6%	Jul 25 2012	3,985	-
Notes/bonds	PLN	34,969	-	1M/3M Wibor+0.6%	Jul 6 2012	34,969	-
Notes/bonds	PLN	9,951	-	1M/3M Wibor+0.6%	Aug 1 2012	9,951	-
Notes/bonds	PLN	69,979	-	1M Wibor+0.6%	Jul 2 2012	69,979	-
Notes/bonds	PLN	15,968	-	1M/3M Wibor+0.6%	Jul 13 2012	15,968	-
Notes/bonds	PLN	19,994	-	1M Wibor+0.6%	Jul 2 2012	19,994	-
Notes/bonds	PLN	19,450	-	1M/3M Wibor+0.6%	Jul 17 2012	19,450	-

(PLN '000)

	Currency	Jun 30 2012	Dec 31 2011	Effective interest rate (%)	Maturity date	Jun 30 2012	Dec 31 2011
Current		Amount in original currency				Amount in PLN	
Notes/bonds	PLN	5,944	-	1M/3M Wibor+0.6%	Aug 30 2012	5,944	-
Notes/bonds	PLN	46,373	-	1M/3M Wibor+0.6%	Jul 18 2012	46,373	-
Notes/bonds	PLN	64,912	-	1M Wibor+0.6%	Jul 9 2012	64,912	-
Notes/bonds	PLN	18,913	-	1M/3M Wibor+0.6%	Jul 30 2012	18,913	-
Notes/bonds	PLN	17,484	-	2T/1M Wibor+0.6%	Jul 6 2012	17,484	-
Notes/bonds	PLN	19,909	-	1M/3M Wibor+0.6%	Jul 30 2012	19,909	-
Notes/bonds	PLN	79,711	-	1M Wibor+0.6%	Jul 24 2012	79,711	-
Notes/bonds	PLN	19,919	-	1M/3M Wibor+0.6%	Jul 27 2012	19,919	-
Notes/bonds	PLN	49,812	-	1M Wibor+0.6%	Jul 25 2012	49,812	-
Notes/bonds	PLN	39,849	-	1M Wibor+0.6%	Jul 25 2012	39,849	-
Notes/bonds	PLN	29,865	-	1M Wibor+0.6%	Jul 30 2012	29,865	-
Notes/bonds	PLN	24,899	-	1M Wibor+0.6%	Jul 27 2012	24,899	-
Notes/bonds	PLN	2,196,226	-	1M Wibor+0.8%	Jul 11 2012	2,196,226	-
Loan	EUR	18,934	-	4.0640%	Feb 13 2013	80,684	-
Finance lease	PLN	-	10	10.00%	Mar 25 2012	-	10
Finance lease	PLN	-	222	0.83%	May 30 2012	-	222
Finance lease	PLN	25	48	1M Wibor	Dec 15 2012	25	48
Total current						**3,067,400**	**3,590,802**

(PLN '000)

The Company also had access to other credit facilities, which are presented in the note below.

13.1. Credit facilities available and amounts undrawn under the credit facilities

Bank	Jun 30 2012		Dec 31 2011	
	Credit facilities obtained	Undrawn amounts	Credit facilities obtained	Undrawn amounts
Pekao SA	40,000	40,000	40,000	40,000
PKO BP S.A.	40,000	40,000	40,000	40,000
Bank Handlowy SA	40,000	40,000	40,000	40,000
Societe Generale	40,000	40,000	40,000	40,000
Millennium S.A.	40,000	40,000	40,000	40,000
BRE BANK S.A.	40,000	40,000	40,000	40,000
ING Bank Śląski SA	40,000	40,000	40,000	40,000
Total	**280,000**	**280,000**	**280,000**	**280,000**

These credit facilities, though they remained unused as at June 30th 2012, enhance the Company's safety in meeting its current liabilities.

13.2. Maturity of finance lease liabilities (disclosed in liabilities)

	Jun 30 2012		
Maturing in:	(Discounted) payments disclosed in the statement of financial position	Interest	Actual lease payments due
up to 1 year	25	3	28
from 1 to 5 years	-	-	-
over 5 years	-	-	-
Total	**25**	**3**	**28**

	Dec 31 2011		
Maturing in:	(Discounted) payments disclosed in the statement of financial position	Interest	Actual lease payments due
up to 1 year	280	12	292
from 1 to 5 years	-	-	-
over 5 years	-	-	-
Total	**280**	**12**	**292**

(PLN '000)

14. PROVISIONS

	Provision for length-of-service awards and retirement severance pays	Provision for well decommissioning costs (including: Mining Facilities Decommissioning Fund)	Provision for environmental liabilities	Central Restructuring Fund	Provision for claims under extra-contractual use of land	Liabilities to the PBG S.A.-led consortium	Provision for the employment streamlining and voluntary termination programme	Provision for penalty imposed by the Office for Competition and Consumer Protection	Other	**Total**
As at Jan 1 2012	**115,611**	**1,116,117**	**42,429**	**19,590**	**23,026**	**21,773**	**8,636**	**-**	**38,518**	**1,385,700**
Increase	2,609	140,184	3,724	-	21	-	-	60,016	8,538	**215,092**
Decrease	-	-	-	-	-	-	-	-	-	**-**
Use	(3,964)	(9,741)	-	(1,309)	(7,800)	-	(4,411)	-	(209)	**(27,434)**
As at Jun 30 2012	**114,256**	**1,246,560**	**46,153**	**18,281**	**15,247**	**21,773**	**4,225**	**60,016**	**46,847**	**1,573,358**
Non-current	95,831	1,232,105	38,538	-	-	-	-	-	15,257	**1,381,731**
Current	18,425	14,455	7,615	18,281	15,247	21,773	4,225	60,016	31,590	**191,627**
As at Jun 30 2012	**114,256**	**1,246,560**	**46,153**	**18,281**	**15,247**	**21,773**	**4,225**	**60,016**	**46,847**	**1,573,358**
Non-current	96,731	1,101,894	37,128	-	-	-	-	-	14,834	**1,250,587**
Current	18,880	14,223	5,301	19,590	23,026	21,773	8,636	-	23,684	**135,113**
As at Dec 31 2011	**115,611**	**1,116,117**	**42,429**	**19,590**	**23,026**	**21,773**	**8,636**	**-**	**38,518**	**1,385,700**

The technical rate adopted to calculate the discounted value of the future retirement severance pay obligations was 3.2%, as the resultant of the 5.22% annual return on assets and the 2.0% forecast annual salary growth (at the end of 2011 the adopted technical rate was 2.8%, as the resultant of 5.87% and 3.0%, respectively).

In H1 2012, the discount rate adopted to calculate the provision for well decommissioning costs was 2.65%, as the resultant of the 5.22% rate of return on assets and the inflation rate assumed at the National Bank of Poland's continuous inflation target of 2.5% (as at the end of 2011, the adopted discount rate was 3.29%, as the resultant of 5.87% and 2.5%, respectively).

In connection with the decision issued by the President of the Polish Office of Competition and Consumer Protection of July 5th 2012, imposing on the Company a fine of PLN 60,016 thousand, in H1 2012 the Company created a provision in the amount of the fine.

The fine was related to the anti-trust proceedings concerning abuse of dominant position on the domestic natural gas wholesale market by PGNiG SA, instigated by the President of the Polish Office of Competition and Consumer Protection ex officio on December 28th 2010. On July 24th 2012, PGNiG SA appealed against that decision to the Regional Court of Warsaw.

(PLN '000)

14.1. Actuarial income statement for the provision for length-of-service awards and retirement severance pays

	Jun 30 2012	Dec 31 2011
Length-of-service awards		
Value of obligation shown in the statement of financial position at beginning of the period	66,527	68,985
Interest cost	665	2,070
Current service cost	1,258	2,605
Benefits paid	(7,382)	(18,015)
Actuarial gain/loss	3,694	10,882
Gains/losses due to curtailments or settlements	-	-
Value of obligation shown in the statement of financial position at end of the period	**64,762**	**66,527**
Retirement severance pays		
Value of obligation shown in the statement of financial position at beginning of the period	49,083	45,260
Current service cost	1,390	2,879
Interest cost	718	1,796
Net actuarial gain/loss recognised during the year	988	477
Benefits paid	(3,051)	(2,060)
Past service cost	366	732
Gains/losses due to curtailments or settlements	-	-
Value of obligation shown in the statement of financial position at end of the period	**49,494**	**49,084**
Total value of obligation shown in the statement of financial position at end of the period	**114,256**	**115,611**

15. TRADE AND OTHER PAYABLES

	Jun 30 2012	Dec 31 2011
Trade payables to other entities	996,584	761,927
Trade payables to related entities	216,211	514,119
VAT payable	616,222	904,130
Other taxes, customs duties and social security contributions payable	75,600	54,815
Wages and salaries payable	413	1,043
Amounts payable for unused holidays	4,376	14,071
Amounts payable to other entities in connection with purchase of non-financial non-current assets	50,006	185,575
Amounts payable to related entities in connection with purchase of non-financial non-current assets	65,936	82,142
Additional contribution to equity payable under a relevant resolution	84,552	84,552
Other amounts payable to related entities	1,793	1,475
Other amounts payable to other entities	18,862	22,780
Accruals and deferred income and prepaid deliveries	75,771	48,273
Total	**2,206,326**	**2,674,902**
Including related entities (Note 18.2.)	**368,493**	**682,290**

(PLN ‘000)

16. CONTINGENT LIABILITIES AND RECEIVABLES

16.1. Contingent receivables

	Jun 30 2012	Dec 31 2011
From related entities:		
under promissory notes received	13,701,589	12,775,417
Total contingent receivables from related entities	13,701,589	12,775,417
From other entities:		
under guarantees and sureties received	238,656	340,369
under promissory notes received	101,744	90,103
Total contingent receivables from other entities	340,400	430,472
Total contingent assets	**14,041,989**	**13,205,889**

16.2. Contingent liabilities

	Jun 30 2012	Dec 31 2011
To other entities		
under guarantees and sureties issued*	10,202,138	10,540,950
under promissory notes issued	116,651	620,282
Total contingent liabilities to other entities	10,318,790	11,161,232
Total contingent liabilities	**10,318,790**	**11,161,232**

* Contingent liabilities in foreign currencies were translated into the złoty at the exchange rates quoted by the National Bank of Poland respectively for June 29th 2012 and December 30th 2011.

In the first half of 2012, contingent liabilities decreased. Appreciation of the złoty against the euro brought about a PLN 97,585 thousand decrease in the value of the guarantee (value of the guarantee of EUR 627,556 thousand) provided by PGNiG SA to the government of Norway and a PLN 233,250 thousand decrease in the value of the guarantee (value of the guarantee of EUR 1,500,000) for liabilities under the Euronotes issue.

16.3. Other contingent liabilities

Real estate tax

In previous years, the Zielona Góra Branch recognised provisions for claims raised by the local authorities with respect to real estate tax in the amount of PLN 821.3 thousand. However, following favourable outcomes of court cases regarding such claims in the past, PGNiG SA reassessed the related risk and, having considered it low, released the provision in 2007. Local authorities in the Podkarpacie region have never filed any such claims so far. Therefore, the mining facilities located in Podkarpacie did not declare or account for real estate tax on underground workings for the period from 2001 to the first half of 2012.

The related liability, if any, including interest, which is not past due and is not recognised in the financial statements, was PLN 168,483 thousand as at June 30th 2012 (at the end of 2011: PLN 151,150 thousand).

However, taking into consideration the ruling issued by the Polish Constitutional Tribunal on September 13th 2011, there is no doubt that mining workings, understood as spaces in land properties or in rock masses, and not constituting structures, may not be subject to real estate tax either on their own (understood as workings in the physical sense) or together with the devices fitted within them (understood as mining workings in the broader sense).

Pursuant to the said ruling (court docket No. P 33/09) concerning imposition of real estate tax on mining workings, mining workings are not structures within the meaning of the Polish Building Law (and consequently within the meaning of the Local Taxes and Charges Act). Pursuant to the grounds for the ruling, mining workings are considered to be areas in land properties or in rock masses, created as a result of performance of mining work, and boreholes (wells) are to be treated as a special type of mining workings (c.f. ruling of the Provincial Administrative Court of Wrocław of January 31st 2006, court docket No. I SA/Wr 1064/04, and ruling of the Supreme Administrative Court of September 20th 2007, court docket No. II FSK 1016/06).

(PLN '000)

Therefore, mining workings understood in this way may not be subject to real estate tax, either as such or with the installations located inside them. In its ruling, the Polish Constitutional Tribunal concludes however that there are no plausible reasons which would generally be against the possibility to recognise facilities located in mining workings as structures, and that it is within the powers of tax authorities and administrative courts to resolve the matter. The judging panel made a reservation however, that only the following may be considered structures within the meaning of the Local Taxes and Charges Act:

1. buildings explicitly listed as such in the Polish Building Law,
2. installations described in Art. 3.9 of the Polish Building Law, which ensure the possibility to use a structure for the purpose for which it is intended, subject to the reservation that mining workings as such are not structures.

To note, it is extremely difficult to identify in wells any structures which are explicitly named as such in the Polish Building Law, therefore the risk that real estate tax could be imposed on any installations located inside the wells is low.

17. OFF-BALANCE SHEET LIABILITIES

17.1. Operating lease liabilities

	Jun 30 2012	Dec 31 2011
Payable in up to 1 year	7,670	5,333
Payable in 1 to 5 years	9,128	7,976
Payable in over 5 years	2	-
Total	**16,800**	**13,309**

17.2. Investment commitments under executed agreements (not yet disclosed in the statement of financial position)

	Jun 30 2012	Dec 31 2011
Commitments under executed agreements	4,505,619	4,677,585
Completion of agreements as at the balance-sheet date	(3,153,041)	(3,131,819)
Commitments under executed agreements subsequent to the balance-sheet date	**1,352,578**	**1,545,766**

18. RELATED ENTITIES

PGNiG SA holds shares in production and service companies. As at June 30th 2012, PGNiG SA had 51 related entities, including:
- 29 subsidiaries;
- 22 other related entities.

18.1 Consolidated entities of the Group in H1 2012

Company name	Based in	Equity interest held by PGNiG SA (%)	
PGNiG SA (Parent)	Poland		
PGNiG SA 's subsidiaries		**Jun 30 2012**	**Jun 30 2011**
GEOFIZYKA Kraków S.A.	Poland	100.00%	100.00%
GEOFIZYKA Toruń S.A.	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu Jasło S.A.	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu Kraków Group[1)]	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu NAFTA S.A.	Poland	100.00%	100.00%
Zakład Robót Górniczych Krosno Sp. z o.o.	Poland	100.00%	100.00%
Poszukiwania Naftowe Diament Sp. z o.o.	Poland	100.00%	100.00%
PGNiG Norway AS	Norway	100.00%	100.00%
Polish Oil And Gas Company – Libya B.V.	The	100.00%	100.00%
Dolnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%

(PLN '000)

Górnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Karpacka Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Mazowiecka Spółka Gazownictwa Group[2)]	Poland	100.00%	100.00%
Pomorska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Wielkopolska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Geovita S.A.	Poland	100.00%	100.00%
INVESTGAS S.A.	Poland	100.00%	100.00%
PGNiG Energia S.A.	Poland	100.00%	100.00%
PGNiG Technologie S.A.	Poland	100.00%	100.00%
Operator Systemu Magazynowania Sp. z o.o.	Poland	100.00%	100.00%
GK PGNiG Sales&Trading [3)]	Germany	100.00%	100.00%
PGNiG SPV1 Sp. z o.o.	Poland	100.00%	-
PGNiG Serwis Sp. z o.o.	Poland	100.00%	-
PGNiG Finance AB	Sweden	100.00%	-
Biuro Studiów i Projektów Gazownictwa Gazoprojekt S.A.	Poland	75.00%	75.00%
PGNiG SA's indirect subsidiaries			
BUG Gazobudowa Sp. z o.o. Zabrze[4)]	Poland	-	100.00%
Zakład Urządzeń Naftowych Naftomet Sp. z o.o.[4)]	Poland	-	100.00%
ZRUG Sp. z o.o. (Pogórska Wola)[4)]	Poland	-	100.00%
Budownictwo Naftowe Naftomontaż Sp. z o.o. [4)]	Poland	-	88.83%
PGNiG Termika S.A.[5)]	Poland	99.89 %	-
Equity-accounted jointly-controlled and associated entities			
SGT EUROPOL GAZ S.A. [6)]	Poland	49.74%	49.74%
GAS - TRADING S.A.	Poland	43.41%	43.41%

[1)] The Poszukiwania Nafty i Gazu Kraków Group comprises Poszukiwania Nafty i Gazu Kraków S.A. and its subsidiaries: Oil Tech International - F.Z.E. and Poltava Services LLC.

[2)] The Mazowiecka Spółka Gazownictwa Group comprises Mazowiecka Spółka Gazownictwa Sp. z o.o. and its subsidiary Powiśle Park Sp. z o.o.

[3)] The PGNiG Sales &Trading Group comprises PGNiG Sales &Trading GmbH and its subsidiary XOOL GmbH.

[4)] As of December 22nd 2011, these have operated as branches of PGNiG Technologie S.A.

[5)] On January 11th 2012, PGNiG SPV 1 Sp. z o. o. acquired 99.89% of shares in Vattenfall Heat Poland S.A. (currently PGNiG Termika S.A.), and then, in the first half of 2012, PGNiG SPV1 additionally acquired shares from minority shareholders,
as a result of which its interest in the company's share capital increased to 99.89%.

[6)] Including a 48.00% direct interest and a 1.74% interest held indirectly through GAS-TRADING S.A.

(PLN '000)

18.2. Related-party transactions

Related party		Sales to related parties	Purchases from related parties	Balance as at	Receivables from related parties, gross	Receivables from related parties, net	Loans to related parties, gross	Loans to related parties, net	Trade and other payables to related parties	Amounts payable to related parties under loans, borrowings and debt securities
Fully consolidated or equity accounted entities	Jun 30 2012	367,701	2,895,967	Jun 30,2012	339,672	339,515	5,803,796	5,803,796	283,383	718,452
	Jun 30 2011	173,690	2,392,149	Dec 31,2011	55,054	54,050	3,123,371	3,123,371	595,962	296,931
Other related entities – non-consolidated	Jun 30 2012	4,636	4,298	Jun 30,2012	86,006	1,321	105,205	75,090	85,110	-
	Jun 30 2011	2,894	6,457	Dec 31,2011	85,531	846	28,822	-	86,328	-
Related entities – total	**Jun 30 2012**	**372,337**	**2,900,265**	**Jun 30,2012**	**425,678**	**340,836**	**5,909,001**	**5,878,886**	**368,493**	**718,452**
	Jun 30 2011	**176,584**	**2,398,606**	**Dec 31,2011**	**140,585**	**54,896**	**3,152,193**	**3,123,371**	**682,290**	**296,931**

In the first half of 2012, the Company did not enter into any material transactions with related parties otherwise than on arm's length terms.

The Company prepares documentation for related-party transactions in accordance with Art. 9a of the Corporate Income Tax Act. The procedure is applied each time the PGNiG Group entities execute agreements (including framework agreements), annexes to agreements, orders (detailed agreements) or orders placed under framework agreements with related entities - if the total amounts payable/receivable (to/from one contractor under one agreement) or their equivalent in the złoty exceed in a calendar year the equivalent of EUR 100 thousand in the case of transactions involving goods or EUR 30 thousand in the case of transactions involving provision of services, sale or delivery of intangible assets.

(PLN '000)

18.3. Transactions with entities in which the State Treasury holds equity interests

With respect to the required detail of presentation of transactions entered into with parties related through shareholder State Treasury, the Company takes advantage of the exemption provided for in paragraphs 25-27 of IAS 24. As there are no special transactions with such entities, the Company is authorised to present the minimum scope of information required in accordance with the revised IAS 24 (presented below).

The main transactions with entities in which the State Treasury holds equity interests are executed in the course of the Company's day-to-day operations, i.e. natural gas trading and sale of crude oil.

In H1 2012, PGNIG SA generated the highest turnovers with the following entities in which the State Treasury (directly or indirectly) holds equity interests: Polski Koncern Naftowy ORLEN S.A., Zakłady Azotowe PUŁAWY S.A., Zakłady Chemiczne POLICE S.A., PGE Górnictwo i Energetyka Konwencjonalna S.A., Zakłady Azotowe w Tarnowie-Mościcach S.A., Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A., KGHM Polska Miedź S.A., Grupa LOTOS S.A., Krośnieńskie Huty Szkła KROSNO S.A. w upadłości (in bankruptcy), and Huta Cynku „Miasteczko Śląskie" S.A.

In H1 2011, the Company generated the highest turnovers with the following entities in which the State Treasury holds equity interests: Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A., Polski Koncern Naftowy ORLEN S.A., Rafineria Trzebinia S.A., Zakłady Azotowe ANWIL S.A., Zakłady Azotowe PUŁAWY S.A., Zakłady Azotowe KĘDZIERZYN S.A., Zakłady Chemiczne POLICE S.A., Zakłady Azotowe w Tarnowie-Mościcach S.A., and PGE Elektrociepłownia Lublin-Wrotków Sp. z o.o.

18.4. Remuneration paid, loans and other similar benefits granted to members of management and supervisory bodies

	Jan 1 – Jun 30 2012	Jan 1 – Jun 30 2011
Remuneration paid to management staff	1,450	1,696
Remuneration paid to supervisory staff	177	145
Total	**1,627**	**1,841**

In H1 2012, the Company did not enter into any other material transactions with members of its managing or supervisory bodies, their spouses, persons related to them through blood or marriage up to the second degree in the kinship line, persons related through adoption, custody or guardianship to a member of the Company's management or supervisory bodies, or companies in which such persons are major shareholders. The Company did not advance any loans to such persons.

18.5. Joint ventures

In H1 2012, PGNiG SA collaborated with other entities in areas covered by licences awarded to PGNiG SA, FX Energy Poland Sp. z o.o., and Aurelian Oil & Gas PLC (through subsidiaries Energia Karpaty Zachodnie Sp. z o.o. Sp. k. and Energia Karpaty Wschodnie Sp. z o.o. Sp. k.).

Under licences awarded to PGNiG SA, work continued in the following areas:

- "Płotki" – under the Agreement for Joint Operations dated May 12th 2000; licence interests: PGNiG SA – 51%, FX Energy Poland – 49%;
- "Płotki" – "PTZ" (the Extended Zaniemyśl Area) – under the Operating Agreement of Mining Users dated October 26th 2005; licence interests: PGNiG SA – 51%, FX Energy Poland Sp. z o.o. – 24.5%, Calenergy Resources Poland Sp. z o.o. – 24.5%;
- "Poznań" – under the Agreement for Joint Operations dated June 1st 2004; licence interests: PGNiG SA – 51%, FX Energy Poland Sp. z o.o. – 49%;
- "Bieszczady" – under the Agreement for Joint Operations dated June 1st 2007; licence interests: PGNiG SA – 51%, Eurogas Polska Sp. z o.o. – 24% and Energia Bieszczady Sp. z o.o. – 25%;
- "Sieraków" – under the Agreement for Joint Operations dated June 22nd 2009; licence interests: PGNiG SA – 51%, Orlen Upstream Sp. z o.o. – 49%.

In the first half of 2012, production continued from the Roszków field in the "Płotki" area, and from the Zaniemyśl field in the "Płotki" – "PTZ" area.

In the "Poznań" licence area, in H1 2012 gas production continued from the Środa Wielkopolska, Kromolice and Kromolice S fields. Work continued on development of the Winna Góra gas field, and development of the Lisewo field commenced. In the Pławce-2 tight gas exploration borehole preparations were under way to carry out a well stimulation operation. In the Żerków-Pleszew area, processing of the second stage 3D seismic data was completed and work began on interpretation of the data. Furthermore, drilling of the Komorze-3K borehole commenced; its depth is 4,075 m. Drilling concluded in July 2012; the well will be tested in H2 2012.

In the "Bieszczady" area, 2D field work in the Jaśliska-Baligród zone was completed. In the Hoczew-Lutowiska zone, gravimetric field work and interpretation of the acquired data were completed. Partners in the project were also in discussions on the selection of the optimum procedure for testing the Niebieszczany-1 deep borehole.

In the "Sieraków" area, in H1 2012, after a revision of the scope of exploration work, the Sieraków-3 borehole was sited. The Sieraków-3 borehole will be drilled in the second half of 2012 instead of the earlier planned Sieraków-2 borehole.

FX Energy Poland Sp. z o.o., registered office at ul. Chałubińskiego 8, 00-613 Warsaw

Under licences awarded to FX Energy Poland Sp. z o.o., work was conducted in the following areas:

- "Warszawa-Południe" (blocks 234, 235, 254, 255, and 274N) – under the Agreement for Joint Operations dated May 26th 2011; licence interests: FX Energy Poland Sp. z o.o. – 51%, PGNiG SA – 49%;
- "Ostrowiec" (blocks 163 and 164) – under the Agreement for Joint Operations dated February 27th 2009; licence interests: FX Energy Poland Sp. z o.o. – 51%, PGNiG SA – 49%;
- "Kutno" – under the Agreement for Joint Operations dated September 30th 2010; licence interests: FX Energy Poland Sp. z o.o. – 50%, PGNiG SA – 50%.

In the first half of 2012, 235 km of 2D seismic was acquired in the "Warszawa-Południe" area. Analytical work continued for the "Ostrowiec" area. In the "Kutno" area, drilling of the Kutno-2 deep exploration borehole was carried on.

Aurelian Oil & Gas PLC, registered office at 4 Grosvenor Place, SW1X 7HJ, London, UK
Energia Karpaty Zachodnie Sp. z o.o. Sp. k. (a subsidiary of Aurelian Oil & Gas PLC), registered office at ul. Śniadeckich 17, 00-654 Warsaw
Energia Karpaty Wschodnie Sp. z o.o. Sp. k. (a subsidiary of Aurelian Oil & Gas PLC), registered office at ul. Śniadeckich 17, 00-654 Warsaw

Under licences awarded to Aurelian Oil & Gas PLC, work was performed in the following areas:

- "Karpaty Zachodnie" under the Agreement for Joint Operations with Energia Karpaty Zachodnie Sp. z o.o. Sp. k. (a subsidiary of Aurelian Oil & Gas PLC) dated December 17th 2009; licence interests: Energia Karpaty Zachodnie Sp. z o.o. Sp. k. – 60%, PGNiG SA – 40%;
- "Karpaty Wschodnie" under the Agreement for Joint Operations with Energia Karpaty Wschodnie Sp. z o.o. Sp. k. (a subsidiary of Aurelian Oil & Gas PLC) dated December 17th 2009; licence interests: Energia Karpaty Wschodnie Sp. z o.o. Sp. k. – 80%, PGNiG SA – 20%.

In H1 2012, a prospectivity analysis was carried out in the "Karpaty Zachodnie" area in preparation for the planned future drilling work, and 2D field seismic work in the Bestwina zone commenced. In the "Karpaty Wschodnie" area, the 2D seismic acquired from the Jordanów zone was processed, and its interpretation began.

On July 4th 2012, PGNiG SA entered into a framework agreement concerning shale oil and gas exploration,
appraisal and production in the Wejherowo licence area with four other Polish companies: Tauron Polska Energia S.A., KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A. and Enea S.A. Under the agreement, joint work will be conducted on a part of the Wejherowo licence area held by PGNiG, and specifically in the Kochanowo, Częstkowo and Tępcz zones, where preliminary surveys and analyses have confirmed the presence of unconventional gas. The joint effort will cover about 160 km^2 in the Wejherowo licence area. Expenditure on the Kochanowo-Częstkowo-Tępcz (KCT) project is estimated at up to PLN 1.7bn. PGNiG will be the licence operator throughout the exploration and appraisal phase.

19. OTHER IMPORTANT INFORMATION

19.1. Restructuring process

In H1 2012, the Programme for Employment Streamlining and Redundancy Payments to the Employees of the PGNiG Group for 2009–2011 (Stage 3) (the "Programme"), adopted by the Extraordinary General Meeting of PGNiG SA on December 11th 2008, was continued. Introduced in January 2009, the Programme operates on a stand-by basis and requires all the participating companies to follow a uniform procedure. Any decisions regarding its implementation can only be made if justified by the scope of planned restructuring involving workforce downsizing and/or job shedding.

The Programme will expire on December 31st 2015, unless one of the Parties (the PGNiG Management Board or the Social Partner) terminates the Programme earlier.

The costs of redundancy payments to which laid-off employees are entitled under the Programme are covered from a capital reserve designated as Central Restructuring Fund, which is at the disposal of the General Meeting of PGNiG SA, or with other funds accumulated for that purpose by entities participating in the Programme.

Pursuant to Resolution No. 2/XII/2011 of the Extraordinary General Meeting of PGNiG SA dated December 7th 2011, the Central Restructuring Fund will cease to be available on December 31st 2015.

In the reporting period, three companies, including PGNiG SA (the Head Office), Zakład Robót Górniczych Krosno Sp. z o.o. and PGNiG Technologie S.A., applied to be granted financing under the Programme (PLN 6,986 thousand in total).

19.2. Contracts for supplies of gas fuel and crude oil

In H1 2012, the Company did not enter into any material long-term agreements for supplies of gas fuel or crude oil.

19.3. Contracts for purchases of gas fuel

In H1 2012, PGNiG SA purchased gas mainly under the agreements and contracts discussed below, namely the long-term contract for imports of gas from Russia and medium-term and short-term agreements for supplies of gas from European suppliers.

- Contract with OOO Gazprom Export for sales of natural gas to the Republic of Poland, dated September 25th 1996, which remains in force until 2022;
- Agreement with VNG-Verbundnetz Gas AG for sales of the Lasów natural gas, dated August 17th 2006, which remains in force until October 1st 2016;
- Standard EFET terms agreement, executed on September 21st 2011 with GDF SUEZ Trading, providing for supplies of natural gas to VTP Gaspool (the gas is transported by PGNiG SA to the Polish system entry point in Lasów) between 6.00 am on October 1st 2011 and 6.00 am on April 1st 2012, in a total quantity of 1,888,560 MWh (ca. 170m m^3);
- Framework agreement with Vitol S.A., dated September 30th 2009. Under the agreement, the following transactions were executed:
  - Individual Transaction of May 13th 2011 for natural gas supplies to a cross-border terminal on the Polish-Czech border in the Cieszyn area, in a total quantity of approximately 550m m^3 per year, in the period from October 1st 2011 to October 1st 2014;
  - Individual Transaction of September 21st 2011 for supplies of natural gas to VTP Gaspool (the gas was transported by PGNiG SA to the Polish system entry point in Lasów) in the period from October 1st 2011 to April 1st 2012, in a total quantity of 1,888,560 MWh (ca. 170m m^3);

PGNiG SA supplies gas to individual regions of Poland under the following agreements and contracts:

- Agreement on integrated gas supply services, executed between PGNiG SA and Severomoravská plynárenská a.s., dated March 27th 2008. By way of an annex, the agreement has been extended until December 31st 2012. Gas imported under the agreement is supplied to consumers in the municipality of Branice;
- Agreement for supplies of natural gas executed with NAK Naftogaz Ukrainy, dated October 26th 2004, in force until 2020. Gas imported under the agreement is supplied to consumers in the Hrubieszów area (on January 1st 2011, NAK Naftogaz Ukrainy suspended the supplies);
- Natural gas sale-purchase agreement of September 28th 2011, executed on standard EFET terms with GDF Suez Trading, providing for sale of natural gas to VTP Gaspool (the gas is transported by PGNiG SA to the Polish system's entry point in Gubin). The agreement provides for supplying approximately 55,339,200 kWh (ca. 5m m^3) from 6.00 am on October 1st 2011 to 6.00 am on October 1st 2012. The gas is supplied to consumers in the municipality of Gubin.

In H1 2012, PGNiG SA purchased domestically produced nitrogen-rich gas (types Ls and Lw) from non-PGNiG Group entities under the following agreements:

- Natural gas supplies agreement between PGNiG SA and FX Energy Poland Sp. z o.o., dated December 8th 2005 (gas from the Zaniemyśl field);
- Natural gas supplies agreement between PGNiG SA and Calenergy Resources Poland Sp. z o.o., dated December 8th 2005 (gas from the Zaniemyśl field);
- Natural gas supplies agreement between PGNiG SA and DPV Service Sp. z o.o., dated January 13th 2009 (gas from the Antonin field);
- Natural gas supplies agreement between PGNiG SA and FX Energy Poland Sp. z o.o., dated June 19th 2009 (gas from the Roszków field);
- Natural gas supplies agreement between PGNiG SA and FX Energy Poland Sp. z o.o., dated December 8th 2010 (gas from the Kromolice-Środa Wielkopolska-Kromolice field).

On June 4th 2012, the Company entered into an agreement with FX Energy Poland Sp. z o.o. concerning purchase of gas produced from the Winna Góra field. The launch of production and supplies from the field is scheduled for H2 2012.

All the agreements listed above will remain in force until the fields are depleted.

New agreements:

1. Supplies of natural gas by way of using the reverse flow service on the Yamal Pipeline:
    - In order to reduce its gas acquisition costs, PGNiG SA submitted an application to GAZ-SYSTEM S.A. requesting provision of the virtual reverse flow service on the Yamal Pipeline in the period from January 1st 2012 to December 31st 2015. Having carried out the procedure required for allocation of the available capacity of the Polish section of the Yamal Pipeline to the long-term reverse flow service, GAZ-SYSTEM S.A. entered into an agreement with PGNiG SA to provide this service on an intermittent basis.
    - Under the standard EFET terms Framework Agreement executed by PGNiG SA and PGNiG Sales&Trading GmbH on October 27th 2011, individual transactions organised into 11 bunches were concluded, providing for supplies of natural gas by way of using the reverse flow service on the Yamal Pipeline, for a total of 5,632,231 MWh (approximately 510m m^3 (PN)) in the period from January 9th 2012 to June 1st 2012.
2. In H1 2012, PGNiG SA and Operator Systemu Magazynowania Sp. z o.o. entered into the following contracts:
    - Long-Term Agreement for the Provision of Gas Storage Services, dated May 31th 2012;
    - Framework Agreement for the Provision of Gas Storage Services, dated May 31th 2012;
    - Long-Term Agreement for the Provision of Gas Storage Services in the Wierzchowice Underground Gas Storage Facility, dated June 29th 2012;
    - Short-Term Agreement for the Provision of Gas Storage Services, dated May 31st 2012.

Amendments to the existing contracts:

1. Renegotiation of the price of gas supplied under the Yamal Contract:

   In its letter of March 31st 2011, PGNiG SA requested OOO Gazprom Export to renegotiate the price of gas supplied under the Yamal Contract. During the negotiations, the Russian partner did not demonstrate the flexibility that was expected, which prevented the parties from reaching an agreement. In October 2011, PGNiG SA gained the right to refer the dispute for arbitration. As renegotiation of the terms of the Yamal Contract with OOO Gazprom Export failed to bring the expected results, the PGNiG Management Board resolved to initiate the arbitration procedure against OAO Gazprom/OOO Gazprom Export. On November 7th 2011, the Company gave a notice of arbitration to OAO Gazprom/OOO Gazprom Export. In line with the schedule adopted by arbitrators, on February 20th 2012 PGNiG SA filed a statement of claim against OAO Gazprom/OOO Gazprom Export. On May 24th 2012, OAO Gazprom/OOO Gazprom Export provided their response to the statement of claim in which they dismissed all the arguments put forward by PGNiG SA. The proceedings continue. PGNiG SA does not rule out the possibility of reaching an agreement in commercial negotiations. By June 30th 2012, the Yamal Contract was not amended;

2. Renegotiation of the price under the Lasów Gas Sales Agreement of August 17th 2006:

   On March 19th 2012, taking advantage of its contractual rights, PGNiG SA applied to VNG-Verbundnetz Gas AG to change the price terms under the Lasów Gas Sales Agreement of August 17th 2006 so as to lower the price. On March 29th 2012, VNG-Verbundnetz Gas AG applied to PGNiG SA demanding a price terms revision so as to increase the price. By June 30th 2012, the Lasów Gas Sales Agreement of August 17th 2006 has not been amended. Renegotiations are pending..

20. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

1. On July 4th 2012, PGNiG SA entered into a framework agreement concerning shale hydrocarbon exploration and production (the "Agreement"). The Agreement was executed between Polskie Górnictwo Naftowe i Gazownictwo SA, KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A. and ENEA S.A. (hereinafter jointly referred to as the "Parties").

   Pursuant to the Agreement, the Parties will cooperate in the area of exploration for, appraisal and production of hydrocarbons from geological formations covered by PGNiG SA's licence for oil and gas exploration and appraisal in the Wejherowo area (the "Wejherowo Licence"). Close cooperation between the partners in the Wejherowo Licence area will cover about 160 km^2 (the "Cooperation Area"). In addition, the Agreement gives preference to the Parties as regards cooperation in the rest of the Wejherowo Licence area (except where PGNiG SA conducts hydrocarbon exploration, appraisal and production on its own, and excluding the vicinity of Opalino and Lubocino, where PGNiG SA already conducts exploration operations).

   The Agreement provides that cooperation would ultimately take the form of a limited partnership which would carry out hydrocarbon production following a successful exploration phase. It is the Parties' intention that once obtained by PGNiG SA, the hydrocarbon production licence would be transferred onto the partnership. Each Party would be guaranteed involvement in supervising the project, in particular through participation in an operating committee appointed for the purpose.

   Estimated expenditure on gas exploration, appraisal and production at the first three Cooperation Area sites (the Kochanowo, Częstkowo and Tępcz pads) will amount to PLN 1,720,000 thousand. Detailed terms of the cooperation, including the detailed project budget and schedule, the share of expenditure to be incurred by individual Parties under the agreed budget, distribution of profits generated by the project and provisions concerning liability (including contractual penalties) incurred in the case of non-performance of certain contractual obligations (especially by PGNiG SA), are to be determined by the Parties within four months of the Agreement date. If the detailed arrangements are not made, the Agreement may be terminated by any of the Parties. If the Parties fail to secure all the required corporate approvals within three months of the date when the detailed arrangements are made or if relevant concentration clearances are not obtained by December 30th 2012, the Agreement will expire.

2. On July 30th 2012, the notes issued by PGNiG SA in June were floated on the Catalyst market, on the multilateral trading facility operated by BondSpot.

The notes were issued under the five-year PLN 4,500,000 thousand Note Issuance Programme of May 22nd 2012. The issue arrangers include ING Bank Śląski S.A. and Bank Polska Kasa Opieki S.A.

The notes have been subscribed for by pension funds (53.44%), insurance companies (32%), banks (10%) and investment funds (4.56%).