Polskie Górnictwo Naftowe i Gazownictwo SA

# SEPARATE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED

## DECEMBER 31ST 2011

## TABLE OF CONTENTS

Members of the Management Board

| | | |
|---|---|---|
| Vice-President of the Management Board | Marek Karabuła | |
| 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, March 1st 2012

## FINANCIAL HIGHLIGHTS
## for the period ended December 31st 2011

| | PLN | | EUR | |
|---|---|---|---|---|
| | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
| I. Sales revenue | 21,820,478 | 20,415,476 | 5,270,520 | 5,098,261 |
| II. Operating profit/loss | 1,049,931 | 1,622,755 | 253,600 | 405,243 |
| III. Pre-tax profit/loss | 1,815,713 | 2,026,607 | 438,567 | 506,095 |
| IV. Net profit/loss | 1,615,691 | 1,702,121 | 390,254 | 425,063 |
| V. Comprehensive income | 1,691,895 | 1,796,009 | 408,660 | 448,509 |
| VI. Net cash provided by/used in operating activities | 730,289 | 2,385,986 | 176,394 | 595,841 |
| VII. Net cash provided by/used in investing activities | (1,940,004) | (1,336,068) | (468,589) | (333,650) |
| VIII. Net cash provided by/used in financing activities | 1,578,476 | (909,307) | 381,265 | (227,077) |
| IX. Total net cash flow | 368,761 | 140,611 | 89,071 | 35,114 |
| X. Net earnings/loss and diluted net earnings/loss per share (PLN / EUR) | 0.27 | 0.29 | 0.07 | 0.07 |
| | As at Dec 31 2011 | As at Dec 31 2010 | As at Dec 31 2011 | As at Dec 31 2010 |
| XI. Total assets | 28,486,740 | 24,877,099 | 6,449,633 | 6,281,620 |
| XII. Liabilities and provisions for liabilities | 8,839,132 | 6,213,386 | 2,001,252 | 1,568,918 |
| XIII. Non-current liabilities | 2,019,362 | 1,758,351 | 457,200 | 443,994 |
| XIV. Current liabilities | 6,819,770 | 4,455,035 | 1,544,052 | 1,124,924 |
| XV. Equity | 19,647,608 | 18,663,713 | 4,448,381 | 4,712,702 |
| XVI. Share capital | 5,900,000 | 5,900,000 | 1,335,809 | 1,489,786 |
| 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) | 3.33 | 3.16 | 0.75 | 0.80 |
| XIX. Dividend per share declared or paid (PLN / EUR) | 0.12 | 0.08 | 0.03 | 0.02 |

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

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Average exchange rate for the period | 4.1401 | 4.0044 |
| Exchange rate at end of the period | 4.4168 | 3.9603 |

## INCOME STATEMENT
## for the period ended December 31st 2011

| | Note | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|---|
| | | PLN '000 | |
| **Sales revenue** | 3 | **21,820,478** | **20,415,476** |
| Raw and other materials used | 4 | (13,522,995) | (11,148,537) |
| Employee benefits | 4 | (895,227) | (857,651) |
| Depreciation and amortisation | | (567,978) | (589,080) |
| Contracted services | 4 | (5,763,872) | (5,799,915) |
| Cost of products and services for own needs | | 33,447 | 20,674 |
| Other operating expenses, net | 4 | (53,922) | (418,212) |
| **Total operating expenses** | | **(20,770,547)** | **(18,792,721)** |
| **Operating profit/loss** | | **1,049,931** | **1,622,755** |
| Finance income | 5 | 1,026,590 | 538,696 |
| Finance expenses | 5 | (260,808) | (134,844) |
| **Pre-tax profit/loss** | | **1,815,713** | **2,026,607** |
| Income tax | 6 | (200,022) | (324,486) |
| **Net profit/loss** | | **1,615,691** | **1,702,121** |
| Net earnings/loss and diluted net earnings/loss per share attributable to holders of ordinary shares | 8 | 0.27 | 0.29 |

## STATEMENT OF COMPREHENSIVE INCOME
## for the period ended December 31st 2011

| | Note | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|---|
| | | PLN '000 | |
| **Net profit/loss** | | **1,615,691** | **1,702,121** |
| Currency translation differences on foreign operations | | 9,736 | 2,200 |
| Valuation of hedging instruments | | 134,779 | 42,036 |
| Valuation of financial instruments | | (52,720) | 71,160 |
| Deferred tax related to other comprehensive income | | (15,591) | (21,508) |
| **Other comprehensive income, net** | | **76,204** | **93,888** |
| **Total comprehensive income** | | **1,691,895** | **1,796,009** |

## STATEMENT OF FINANCIAL POSITION
## as at December 31st 2011

| | Note | Dec 31 2011 | Dec 31 2010 |
|---|---|---|---|
| | | PLN '000 | |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 10 | 12,281,120 | 10,940,921 |
| Investment property | 11 | 2,819 | 3,441 |
| Intangible assets | 12 | 91,641 | 81,941 |
| Financial assets available for sale | 13 | 6,460,328 | 6,408,689 |
| Other financial assets | 14 | 2,900,850 | 2,260,801 |
| Deferred tax assets | 15 | 347,462 | 291,447 |
| Other non-current assets | 16 | 76,339 | 51,557 |
| **Total non-current assets** | | **22,160,559** | **20,038,797** |
| **Current assets** | | | |
| Inventories | 17 | 1,897,387 | 879,349 |
| Trade and other receivables | 18 | 3,170,305 | 3,295,048 |
| Current income tax receivable | 19 | 5,320 | - |
| Prepayments and accrued income | 20 | 33,291 | 18,803 |
| Financial assets available for sale | 21 | - | - |
| Derivative financial instrument assets | 33 | 284,531 | 77,635 |
| Cash and cash equivalents | 22 | 934,615 | 565,854 |
| Non-current assets held for sale | 23 | **732** | **1,613** |
| **Total current assets** | | **6,326,181** | **4,838,302** |
| **Total assets** | | **28,486,740** | **24,877,099** |
| **EQUITY AND LIABILITIES** | | | |
| **Equity** | | | |
| Share capital | 24 | 5,900,000 | 5,900,000 |
| Currency translation differences on foreign operations | | 8,988 | (748) |
| Share premium account | | 1,740,093 | 1,740,093 |
| Other capital reserves | | 10,310,364 | 9,245,707 |
| Retained earnings/(deficit) | | 1,688,163 | 1,778,661 |
| **Total equity** | | **19,647,608** | **18,663,713** |
| **Non-current liabilities** | | | |
| Loans, borrowings and debt securities | 25 | - | 279 |
| Provisions | 26 | 1,250,587 | 1,175,485 |
| Deferred income | 27 | 256,544 | 76,193 |
| Deferred tax liabilities | 28 | 495,665 | 491,539 |
| Other non-current liabilities | 29 | 16,566 | 14,855 |
| **Total non-current liabilities** | | **2,019,362** | **1,758,351** |
| **Current liabilities** | | | |
| Trade and other payables | 30 | 2,674,902 | 2,836,374 |
| Loans, borrowings and debt securities | 25 | 3,590,802 | 1,218,692 |
| Derivative financial instrument liabilities | 33 | 416,836 | 104,443 |
| Current tax liabilities | 19 | - | 135,705 |
| Provisions | 26 | 135,113 | 156,263 |
| Deferred income | 27 | 2,117 | 3,558 |
| **Total current liabilities** | | **6,819,770** | **4,455,035** |
| **Total liabilities** | | **8,839,132** | **6,213,386** |
| **Total equity and liabilities** | | **28,486,740** | **24,877,099** |

## STATEMENT OF CASH FLOWS
## for the period ended December 31st 2011

| | Note | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|---|
| | | PLN '000 | |
| **Cash flows from operating activities** | | | |
| Net profit/loss | | 1,615,691 | 1,702,121 |
| Adjustments: | | | |
| Depreciation and amortisation | | 567,978 | 589,080 |
| Net foreign exchange gains/losses | | (262,463) | (35,880) |
| Net interest and dividend | | (687,395) | (483,576) |
| Gain/loss from investing activities | | (36,101) | 212,917 |
| Current income tax | | 200,022 | 324,486 |
| Income tax paid | | (408,526) | (80,250) |
| Other items, net | 31 | 391,170 | (19,116) |
| **Net cash provided by/(used in) operating activities before changes in working capital** | | **1,380,376** | **2,209,782** |
| Change in working capital: | | | |
| Change in receivables, net | 31 | 274,443 | (375,787) |
| Change in inventories | 31 | (1,018,037) | 230,870 |
| Change in provisions | 31 | (10,467) | (1,784) |
| Change in current liabilities | 31 | 140,496 | 317,932 |
| Change in prepayments | 31 | (31,389) | (6,616) |
| Change in deferred income | 31 | (5,133) | 11,589 |
| **Net cash provided by/(used in) operating activities** | | **730,289** | **2,385,986** |
| **Cash flows from investing activities** | | | |
| Sale of property, plant and equipment and intangible assets | | 30,302 | 2,127 |
| Sale of shares in related entities | | - | - |
| Sale of shares in other entities | | 153,339 | - |
| Sale of short-term securities | | 647 | 2,141 |
| Acquisition of property, plant and equipment and intangible assets | | (2,334,499) | (1,786,922) |
| Acquisition of shares in related entities | | (149,686) | (117,319) |
| Acquisition of short-term securities | | - | - |
| Decrease in loans advanced | | 174,278 | 2,497,261 |
| Increase in loans advanced | | (557,526) | (2,372,593) |
| Inflows from financial derivatives | | 72,577 | 110,786 |
| Outflows on financial derivatives | | - | (133,882) |
| Interest received | | 17,966 | 96,448 |
| Dividends received | | 520,570 | 292,855 |
| Proceeds from finance lease | | 2,274 | 15,865 |
| Other items, net | | 129,754 | 57,165 |
| **Net cash provided by/(used in) investing activities** | | **(1,940,004)** | **(1,336,068)** |
| **Cash flows from financing activities** | | | |
| Net proceeds from issue of shares, other equity instruments and additional contributions to equity | | - | - |
| Increase in loans and borrowings | | - | - |
| Issue of debt securities | | 3,580,181 | 1,210,229 |
| Repayment of loans and borrowings | | - | (1,900,895) |
| Redemption of debt securities | | (1,210,229) | - |
| Decrease in finance lease liabilities | | (2,343) | (3,564) |
| Inflows from forward and futures contracts | | - | - |
| Outflows on forward and futures contracts | | - | - |
| Dividends paid | | (677,895) | (132,006) |
| Interest paid | | (92,117) | (49,351) |
| Other items, net | | (19,121) | (33,720) |
| **Net cash provided by/(used in) financing activities** | | **1,578,476** | **(909,307)** |
| **Net change in cash** | | **368,761** | **140,611** |
| Net foreign exchange gains/losses | | - | - |
| **Cash and cash equivalents at beginning of period** | | **565,854** | **425,243** |
| **Cash and cash equivalents at end of period** | | **934,615** | **565,854** |

## STATEMENT OF CHANGES IN EQUITY
## for the period ended December 31st 2011

| | 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 2011** | **5,900,000** | **(748)** | **1,740,093** | **9,245,707** | **1,778,661** | **18,663,713** |
| Transfers | - | - | - | 998,189 | (998,189) | **-** |
| Payment of dividend to owners | - | - | - | - | (708,000) | **(708,000)** |
| Net profit/loss for 2011 | - | - | - | - | 1,615,691 | **1,615,691** |
| Other comprehensive income, net, for 2011 | - | 9,736 | - | 66,468 | - | **76,204** |
| **As at Dec 31 2011** | **5,900,000** | **8,988** | **1,740,093** | **10,310,364** | **1,688,163** | **19,647,608** |
| **As at Jan 1 2010** | **5,900,000** | **(2,948)** | **1,740,093** | **8,983,115** | **719,444** | **17,339,704** |
| Transfers | - | - | - | 170,904 | (170,904) | **-** |
| Payment of dividend to owners | - | - | - | - | (472,000) | **(472,000)** |
| Net profit/loss for 2010 | - | - | - | - | 1,702,121 | **1,702,121** |
| Other comprehensive income, net, for 2010 | - | 2,200 | - | 91,688 | - | **93,888** |
| **As at Dec 31 2010** | **5,900,000** | **(748)** | **1,740,093** | **9,245,707** | **1,778,661** | **18,663,713** |

**NOTES TO THE SEPARATE FINANCIAL STATEMENTS**
**as at December 31st 2011**

# 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 the state-owned enterprise under the name of 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, 16th 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) general construction work related to linear engineering structures such as pipelines, power supply lines, electric traction lines, telecommunications and industrial transmission lines,
19) construction of central heating and ventilation installations,

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

### 1.2. Duration of the Company

The duration of the Company is unspecified.

### 1.3. Period covered by these financial statements

These financial statements present data for the annual period from January 1st 2011 to December 31st 2011, as well as the comparative data for the period from January 1st to December 31st 2010.

### 1.4. Statement whether these financial statements contain combined data

PGNIG SA has a number of branches. As at December 31st 2011, 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,
- Storage System Operator in Warsaw,
- 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, were 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 branch in Pakistan. As at the balance-sheet date, data derived from the statements of financial position of the foreign branches 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 its 24 subsidiaries (including two which are parents of their own groups), one associate and one jointly-controlled entity.

### 1.5. Composition of the PGNiG Management Board

Pursuant to PGNIG SA's Articles of Association, its Management Board is composed of two to seven members. The number of Management Board members is determined by the body appointing the Management Board. Management Board members are appointed for a joint term of three years. Individual members or the entire Management Board are appointed by the Supervisory Board. Each member of the Management Board may be removed from office or suspended from duties by the Supervisory Board or the General Meeting.
As long as the State Treasury remains a shareholder of the Company and the Company's annualised average headcount exceeds 500, the Supervisory Board appoints one person elected by the Company's employees to serve on the Management Board during its term.

As at December 31st 2011, the PGNIG Management Board was composed of five members:

- Michał Szubski - President of the Management Board
- Radosław Dudziński - Vice-President, Strategy
- Sławomir Hinc - Vice-President, Finance
- Marek Karabuła – Vice-President, Petroleum Mining
- Mirosław Szkałuba – Vice-President, Trade

In January-February 2011, elections were held to appoint the Management Board member representing the employees. Mr Mirosław Szkałuba was re-elected as the employees' representative.

On December 19th 2011, Mr Michał Szubski, President of the PGNiG Management Board, resigned from his position citing important personal reasons. The PGNiG Supervisory Board accepted his resignation with effect as of December 31st 2011.

In connection with Mr Michał Szubski's resignation from the position of President of the PGNiG Management Board, pursuant to the Supervisory Board's decision, from January 1st 2012 until the completion of qualification proceedings to elect the new President of the Company's Management

Board, the performance of powers and duties of the President of the Management Board, including coordination of the Management Board's activities, have been supervised by Mr. Marek Karabuła, Vice-President for Petroleum Mining.

From December 31st 2011 to the date of these financial statements there were no changes in the composition of the PGNiG Management Board.

### 1.6. Commercial proxies of PGNIG SA

As at December 31st 2011, the following persons served as commercial proxies for PGNIG SA:

- Ewa Bernacik
- Mieczysław Jakiel
- Kazimierz Chrobak

Their powers of proxy are joint powers of proxy, i.e. for a legal action to be effective, a commercial proxy must act jointly with a member of the PGNIG Management Board.

The following change in the composition of PGNIG SA's commercial proxies occurred in 2011:

On November 29th 2011, the PGNiG Management Board made a decision to revoke the power of proxy granted to Mr Tadeusz Kulczyk.

At the same time, on November 29th 2011, the PGNiG Management Board appointed Mr Kazimierz Chrobak as the Company's commercial proxy with effect from December 1st 2011.

From December 31st 2011 to the date of these financial statements, there were no changes regarding commercial proxies for PGNiG SA.

### 1.7. Composition of the PGNiG Supervisory Board

Pursuant to the provisions of PGNIG SA's Articles of Association, its Supervisory Board is composed of five to nine members, appointed by the General Meeting for a common term of three years. As long as the State Treasury holds an interest in the Company, the State Treasury, represented by the minister competent for matters pertaining to the State Treasury, acting in consultation with the minister competent for economic affairs, has the right to appoint and remove one member of the Supervisory Board.

One member of the Supervisory Board elected by the General Meeting should satisfy the following criteria:

1) He or she should be elected in accordance with the procedure set forth in Par. 36.3 of PGNIG SA's Articles of Association;
2) He or she may not be a Related Party of the Company or any of the Company's subsidiaries;
3) He or she may not be a Related Party of the Parent or another Subsidiary of the Parent; or
4) He or she may not have any links to the Company or to any of the entities specified in items 2) and 3) above which could materially affect his/her ability to make impartial decisions in his/her capacity as a Supervisory Board member.

The links referred to above do not include the membership in the PGNiG Supervisory Board.

Pursuant to Par. 36.3 of PGNIG SA's Articles of Association, the Supervisory Board elects the member satisfying the above criteria in a separate vote. Written proposals of candidates for the position of a Supervisory Board member who satisfies these criteria may be submitted to the Chairman of the General Meeting by shareholders present at the General Meeting whose agenda includes election of such a Supervisory Board member. If no candidates for the position are proposed by the shareholders, candidates to the Supervisory Board who satisfy the above criteria are nominated by the Supervisory Board.

Two-fifths of the Supervisory Board members are appointed from among the persons nominated by the Company's employees.

As at December 31st 2011, the Supervisory Board was composed of seven members:

- Stanisław Rychlicki – Chairman of the Supervisory Board
- Marcin Moryń – Deputy Chairman of the Supervisory Board
- Mieczysław Kawecki – Secretary of the Supervisory Board
- Grzegorz Banaszek – Member of the Supervisory Board
- Agnieszka Chmielarz - Member of the Supervisory Board
- Mieczysław Puławski - Member of the Supervisory Board

(PLN '000)

- Jolanta Siergiej – Member of the Supervisory Board.

The following events relating to the composition of PGNIG SA's Supervisory Board occurred in 2011:

Following the elections held at the end of January and beginning of February 2011 to elect candidates for Supervisory Board members representing PGNIG SA's employees, Ms Agnieszka Chmielarz, Mr Mieczysław Kawecki and Ms Jolanta Siergiej were reappointed as the employee representatives.

On April 20th 2011, the Annual General Meeting of PGNIG SA reappointed the Company's then-current Supervisory Board members to serve for another three-year term of office. The new Supervisory Board formally constituted itself at its first meeting held on May 5th 2011.

From December 31st 2011 to the date of these financial statements, the following changes occurred in the composition of PGNIG SA's Supervisory Board:

On January 5th 2012, Prof. Stanisław Rychlicki, Chairman of the PGNiG Supervisory Board, tendered his resignation from the position for compelling personal reasons, with effect from January 10th 2012.

Prof. Rychlicki had been appointed by PGNIG SA's General Meeting to serve as Chairman of the Company's Supervisory Board on February 15th 2008. In April 2011, he was re-appointed for another three year term, which started on May 5th 2011.

On January 12th 2012, the Extraordinary General Meeting of PGNiG removed from the Supervisory Board, with effect from January 12th 2012:

- Grzegorz Banaszek

At the same time, the Extraordinary General Meeting of PGNiG held on January 12th 2012 appointed to the Supervisory Board of PGNiG:

- Józef Głowacki
- Wojciech Chmielewski

On January 12th 2012, by virtue of the Minister of State Treasury's decision, pursuant to Par. 35.1 of PGNiG's Articles of Association, the following person was appointed to the PGNiG Supervisory Board:

- Janusz Pilitowski

On January 13th 2012, the PGNiG Supervisory Board appointed Mr Wojciech Chmielewski as its Chairman.

As at the date of these financial statements, the Supervisory Board was composed of eight members:

- Wojciech Chmielewski - Chairman of the Supervisory Board
- Marcin Moryń – Deputy Chairman of the Supervisory Board
- Mieczysław Kawecki – Secretary of the Supervisory Board
- Agnieszka Chmielarz - Member of the Supervisory Board
- Mieczysław Puławski - Member of the Supervisory Board
- Jolanta Siergiej – Member of the Supervisory Board
- Józef Głowacki – Member of the Supervisory Board
- Janusz Pilitowski - – Member of the Supervisory Board.

### 1.8. Shareholder structure of PGNIG SA

As at the date of release of these separate financial statements for 2011, 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:

| Shareholder | Registered office | Number of shares | % of share capital held | % of total vote |
|---|---|---|---|---|
| *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%** |
| *As at Dec 31 2010* | | | | |
| State Treasury | Warsaw | 4,273,650,532 | 72.43% | 72.43% |

(PLN '000)

| | | | | |
|---|---|---|---|---|
| Other shareholders | - | 1,626,349,468 | 27.57% | 27.57% |
| **Total** | **-** | **5,900,000,000** | **100.00%** | **100.00%** |

### 1.9. Going-concern assumption

These financial statements were prepared based on the assumption that the Company would 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.

### 1.10. Mergers of commercial-law companies

In 2011, there were no mergers involving PGNIG SA and any other companies under commercial law.

### 1.11. Approval of the financial statements

These financial statements will be submitted to the PGNiG Management Board for authorisation on March 20th 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, financial derivatives measured at fair value, and loans and receivables measured at amortised cost.
These financial statements have been presented in the złoty (PLN), and unless indicated otherwise, all the 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 December 31st 2011.

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).

### 2.2. Changes in applied accounting policies and changes to the scope of disclosure

### 2.2.1. First-time adoption of standards and interpretations

In the current year, the Company has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, and endorsed by the EU, which apply to its business and are effective for annual reporting periods beginning on or after January 1st 2011. The newly adopted standards are presented below.

- Amendments to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* – endorsed by the EU on December 23rd 2009 (effective for annual periods beginning on or after February 1st 2010);
- Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards – Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters* – endorsed by the EU on June 30th 2010 (effective for annual periods beginning on or after July 1st 2010);
- Amendments to IAS 24 *Related Party Disclosures* – simplifying disclosure requirements for government-related entities and clarifying the definition of a related party – endorsed by the EU on July 19th 2010 (effective for annual periods beginning on or after January 1st 2011);
- Amendments to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement* – endorsed by the EU on July 19th 2010 (effective for annual periods beginning on or after January 1st 2011);
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – endorsed by the EU on July 23rd 2010 (effective for annual periods beginning on or after July 1st 2010);
- Amendments to various standards and interpretations *Improvements to International Financial Reporting Standards (2010)* – amendments made as part of the process of making annual improvements to the Standards, published on May 6th 2010 (IFRS1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, and IFRIC 13) aimed chiefly at eliminating any inconsistencies and clarification of wording, endorsed by the EU on February 18th 2011 (effective for annual periods beginning on or after July 1st 2010 or January 1st 2011, depending the standard/interpretation).

With the exception of the revised IAS 1, the application of the above standards and interpretations has not caused any material changes in the Company’s accounting policies or in the presentation of its financial statements.

***Application of the revised IAS 1***

The revised IAS 1 requires profit or loss and other comprehensive income, so far presented as one item, to be disclosed as separate items in the statement of changes in equity. Application of this amendment to these financial statements has not affected previously disclosed figures. The only change introduced involved singling out two items, “Net profit/loss” and “Other comprehensive income, net” from the item “Comprehensive income” in the statement of changes in equity. This separation facilitates reconciliation of changes in equity with the income statement and the statement of comprehensive income.

### 2.2.2. Standards and interpretations which have been published and approved for use in the EU but are not yet effective

As at the date of these financial statements, the Company did not apply the following standards, amendments and interpretations which have been published and endorsed for application in the EU but have not yet become effective:

- Amendment to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*, endorsed by the EU on November 22nd 2011 (effective for annual periods beginning on or after July 1st 2011).

The Company decided not to use the option of early adoption of the above standard.

### 2.2.3. Standards and interpretations not yet approved for use by the EU

The IFRSs endorsed by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, amendments and interpretations, which as at December 31st 2011 had not yet been approved for use by the EU:

- IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after January 1st 2015);
- IFRS 10 *Consolidated Financial Statements* (effective for annual periods beginning on or after January 1st 2013);
- IFRS 11 *Joint Arrangements* (effective for annual periods beginning on or after January 1st 2013);
- IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after January 1st 2013);
- IFRS 13 *Fair Value Measurement* (effective for annual periods beginning on or after January 1st 2013);
- IAS 27 (revised 2011) *Separate Financial Statements* (effective for annual periods beginning on or after January 1st 2013);
- IAS 28 (revised 2011) *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after January 1st 2013);
- Amendments to IFRS 1 *First-Time Adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (effective for annual periods beginning on or after July 1st 2011);
- Amendments to IFRS 7 Financial Instruments: *Disclosures – Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1st 2013);
- Amendments to IAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income* (effective for annual periods beginning on or after July 1st 2012);
- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (effective for annual periods beginning on or after January 1st 2012);
- Amendments to IAS 19 *Employee Benefits* – amendments to post-employment benefit accounting (effective for annual periods beginning on or after January 1st 2013);
- Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures – Mandatory Effective Date and Transitional Provisions*;
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1st 2014);
- IFRIC 20 *Stripping Costs in the Production Phase of a Surface Mine* (effective for annual periods beginning on or after January 1st 2013).

The Company estimates that the above standards, interpretations and amendments to standards would not have had any material effect on the Company's financial statements if they had been applied as at the balance-sheet date.

Hedge accounting for a portfolio of financial assets or liabilities is still not covered by EU regulations, as the EU has not endorsed the rules of hedge accounting for use.
The Company estimates that the application of hedge accounting with respect to its portfolio of financial assets or liabilities in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* would not have had any material effect on its financial statements if these regulations had been adopted for use by the EU as at the balance-sheet date.

## 2.3. Accounting policies

Below are presented the key accounting policies applied by PGNiG SA.

### 2.3.1. Property, plant and equipment

Property, plant and equipment include tangible assets and expenditure on assets under construction, which the entity is planning to use in its business activity and for administrative purposes for a period longer than one year and which are expected to generate economic benefits for such entity. Expenditure on assets include capital expenditure incurred as well as prepaid deliveries of plant, equipment and services necessary to produce such asset (prepayments made). Tangible assets include specialist spare parts which are considered an element of the asset.

Items of property, plant and equipment are initially disclosed at cost (i.e. valued at historical cost). Acquisition or production costs include any expenditure incurred to purchase or produce the asset as well as any expenditure subsequently incurred to enhance the usefulness of the asset, replace any part of or renew such asset. Interest on debt financing is also disclosed at cost (see Note 2.3.3.).

Spare parts and maintenance equipment are recorded as inventories and disclosed in the income statement as at the date of their use. Significant spare parts and maintenance equipment may be disclosed as property, plant and equipment if the Company expects to use such spare parts or equipment for a period longer than one year and they may be assigned to specific items of property, plant and equipment.

The Company does not increase the net carrying amount of property, plant and equipment items to account for day-to-day maintenance costs of the assets. Such costs are recognised in the income statement when incurred. The costs of day-to-day maintenance of property, plant and equipment, i.e. cost of repairs and maintenance works, include the cost of labour and materials used, and may also include the cost of less significant spare parts.

Property, plant and equipment, initially disclosed as assets, are recognised at cost less accumulated depreciation and impairment losses.

Depreciable amount of property, plant and equipment, except for land and tangible assets under construction, is allocated on a systematic basis using the straight-line method over estimated economic useful life of an asset:

| | |
|---|---|
| Buildings and structures | 2 - 40 years |
| Plant and equipment, vehicles and other tangible assets | 2 - 35 years |

Property, plant and equipment used under lease or similar contract and recognised by the Company as its assets are depreciated over their economic useful lives, but not longer than for the term of the contract.

Upon sale or liquidation of a tangible asset, its historical cost less cumulative depreciation is derecognised from the statement of financial position, and all gains or losses generated by such asset are charged to the income statement.

Tangible assets under construction are valued at cost or aggregate cost incurred in the course of their production, less impairment losses. Tangible assets under construction are not depreciated until completed and placed in service.

### 2.3.2. Exploration and evaluation assets

Natural gas and crude oil exploration and evaluation expenditure covers geological work performed to discover and document deposits and recognised with the successful efforts method.

The Company recognises expenditure incurred on initial land analysis (seismic work, development and drawing up of geological maps) directly under cost in the income statement in the period in which the expenditure is incurred.

(PLN '000)

The Company recognises drilling expenditure incurred during exploration and appraisal work under assets as tangible assets under construction.

Previously capitalised drilling expenditure related to wells which are evaluated as dry are fully charged to profit or loss in the period in which such wells are determined dry.

Once natural gas and/or crude oil production has been proven technically feasible and commercially viable, mineral reserve exploration and evaluation assets are reclassified as property, plant and equipment or intangible assets, depending on the type of asset.

### 2.3.3. Borrowing costs

As from January 1st 2009, the Company capitalises borrowing costs. Until the end of 2008, in line with the model recommended in IAS 23, the Company recognised borrowing costs as expenses in the period in which they were incurred.

Following the amendments to IAS 23 effective as of January 1st 2009, borrowing costs directly attributable to acquisition, construction or production of assets, which are assets that necessarily take a substantial period of time to become ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Gains earned on short-term investment of particular borrowings pending their expenditure on acquisition, construction or production of assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

The above cost capitalisation policies do not apply to:

- assets measured at fair value, and
- inventories generated in significant volumes on a continuous basis and with high turnover ratios.

### 2.3.4. Investment property

Investment property is the property (land, building, part of a building, or both) treated by the Company, as the owner or lessee under finance lease, as a source of rental income and/or held for capital appreciation.

Investment property is initially recognised at cost plus transaction costs. The Company has selected the acquisition cost model to measure its investment property and, after initial recognition, measures all its investment property in line with the requirements of IAS 16 defined for that model, i.e. at cost less accumulated depreciation and impairment losses.

Investment property is derecognised from the statement of financial position upon its sale or decommissioning if no benefits from its sale are expected in the future.

All gains or losses arising from the sale, liquidation or decommissioning of investment property are determined as the difference between proceeds from sale and the net carrying amount of the assets, and are recognised in profit or loss in the period in which such transaction is performed.

The Company depreciates investment property based on the straight-line method over the following useful economic life periods:

| | |
|---|---|
| Buildings and structures | 2 - 40 years |

### 2.3.5. Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance, controlled by the Company and which will cause an inflow of economic benefits to the Company in the future.

Intangible assets generated in the course of research and development work are recognised in the statement of financial position only if a company is able to demonstrate:

- the technical feasibility of completing the intangible asset so that it is fit for use or sale;
- its intention to complete and to use or sell the intangible asset;
- the manner in which the intangible asset will generate future economic benefits;
- the availability of appropriate technical and financial means which are necessary to complete the development work and to use or sell the intangible asset;
- the feasibility of a reliable determination of the expenditure incurred in the course of development work.

Research expense is recognised in profit or loss when incurred.

Intangible assets also include expenditure on acquisition of a perpetual usufruct right to land. Perpetual usufruct rights to land acquired for consideration (from other entities) are presented as intangible assets and amortised during their useful life.

Perpetual usufruct rights to land acquired free of charge pursuant to an administrative decision issued under the Amendment to the Act on Land Management and Expropriation of Real Estate of September 20th 1990 are presented only in off-balance-sheet records.

The Company initially recognises intangible assets at cost. As at the balance sheet date, intangible assets are measured at cost less accumulated amortisation write-offs and impairment losses.

The adopted amortisation method reflects the pattern of consumption of economic benefits associated with an intangible asset by the Company. If any other pattern of consumption of such benefits cannot be reliably determined, the straight-line method is applied. The adopted amortisation method is applied consistently over subsequent periods, unless there is a change in the expected pattern of consumption of economic benefits.

Intangible assets are amortised with the amortisation rates reflecting their expected useful economic life. The estimated amortisation period and expected amortisation method are reviewed at the end of each financial year. If the expected useful life of an asset is significantly different from previous estimates, the amortisation period is changed. If the expected pattern of consumption over time of economic benefits associated with an intangible asset has altered significantly, a different amortisation method is applied. Such transactions are recognised by the Company as revision of accounting estimates and are charged to profit or loss in the period in which such estimates are revised.

Intangible assets are amortised over the following useful economic live periods:

| | |
|---|---|
| Acquired licences, patent rights and similar items | 2-15 years |
| Acquired computer software | 2-10 years |
| Perpetual usufruct right to land | 40-99 years |

The useful life of the surplus of the first payment over the annual perpetual usufruct charge is equal to the perpetual usufruct period specified in the perpetual usufruct agreement.

The useful life of a perpetual usufruct right to land acquired for consideration from an entity other than the State Treasury or local government unit is equal to the period from the acquisition date of the perpetual usufruct right to the last day of the perpetual usufruct period set out in the perpetual usufruct agreement.

Intangible assets with an indefinite useful life are not amortised.

Intangible assets with an indefinite useful life and intangible assets not yet available for use are periodically (once a year) tested for impairment.

### 2.3.6. Leases

A lease is classified as a finance lease if the lease agreement provides for the transfer of substantially all potential benefits and risks resulting from the ownership of the leased asset onto the lessee. All other types of leases are treated as operating leases.

#### 2.3.6.1. The Company as a lessor

Finance leases are disclosed in the statement of financial position as receivables, at amounts equal to net investment in the lease less the principal component of lease payments for the given reporting period calculated based on a manner which reflects a constant periodic rate of return on the outstanding portion of net investment in respect of the finance lease.

Interest income on a finance lease is disclosed in the relevant reporting periods at a constant rate of return on the Company's net investment outstanding in respect of the finance lease.

Income from operating leases is recognised in the income statement on a straight-line basis over the lease term.

#### 2.3.6.2. The Company as a lessee

Assets used under a finance lease are recognised as the Company's assets and are measured at fair value as at the acquisition date, the fair value being no higher than the present value of the minimum lease payments. The resultant liability to the lessor is disclosed in the statement of financial position under finance lease liabilities.

Lease payments are broken down into the interest component and the principal component so as to produce a constant rate of interest on the outstanding balance of the liability. Finance expenses are charged to the income statement.

Operating lease payments are recognised in the income statement on a straight-line basis over the lease term.

### 2.3.7. Impairment of property, plant and equipment and intangible assets

As at each balance sheet date, the Company assesses whether there is any indication that any non-current or intangible asset may be impaired. If any such indication exists, the recoverable amount of a particular asset is estimated in order to determine the amount of impairment loss, if any. If a given asset does not generate any cash flows, which are largely independent of cash flows generated by other assets, the analysis is carried out for a group of cash flow generating assets to which such asset belongs.

In case of intangible assets with indefinite useful lives, a test for impairment is conducted on an annual basis. An additional test for impairment is carried out if there is any indication that any such intangible asset may be impaired.

The recoverable amount is determined as the higher of the following: fair value less selling costs or value in use. The latter corresponds to the present value of estimated future cash flows discounted using a discount rate reflecting the current market time value of money and the risk specific to a particular asset.

If the recoverable amount is lower than the net carrying amount of an asset (or group of assets), the carrying amount is decreased to the recoverable amount. Impairment loss is recognized as an expense in the period in which it was incurred.

If an impairment loss is reversed, the net value of an asset (or group of assets) is increased to the newly estimated recoverable amount, which should be no higher than the net carrying amount of the asset that would have been determined had no impairment been recognised in previous years. Reversal of impairment is credited to profit or loss as income.

### 2.3.8. Financial assets

Due to their nature and purpose, the Company's financial assets are classified to the following categories:

- financial assets measured at fair value through profit or loss
- investments held to maturity
- financial assets available for sale
- loans and receivables
- positive valuation of derivatives

When a financial asset is initially recognised, it is measured at its fair value increased by transaction costs, except any financial assets classified as measured at fair value through profit or loss.

#### 2.3.8.1. Financial assets measured at fair value through profit or loss

This category comprises financial assets held for trading and financial assets designated at initial recognition at fair value through profit or loss.

A financial asset is classified as held for trading if it is:

- acquired principally for the purpose of selling it in the near term;
- part of a portfolio of identified financial instruments that are managed together in accordance with a recent actual pattern of short-term profit-taking;
- a derivative (except for a derivative that is a designated and effective hedging instrument).

The Company classifies the following financial assets as held for trading:

- derivatives with positive valuation which are not measured pursuant to the principles of hedge accounting (e.g. interest rate swaps (IRS), currency interest rate swaps (CIRS), forward rate agreements (FRA), interest rate cap and floor transactions, options, option strategies, futures, delivery and non-delivery forward contracts as well as FX swaps);
- investments in listed shares and debt instruments held for trading;
- investment fund units;
- other financial assets.

Financial assets measured at fair value through profit or loss are disclosed at fair value and related profit or loss is recognised in the income statement. The net profit or loss disclosed in the income statement include dividend or interest generated by a given financial asset.

#### 2.3.8.2. Investments held to maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable payment terms and fixed maturity that the Company has an intention and ability to hold to maturity. Items included in this category are measured at amortised cost using the effective interest rate method after deducting any impairment whereas income is recognised using the effective income method. The effect of the valuation is charged to the income statement.

The Company classifies the following financial assets as investments held to maturity:

- debt instruments such as treasury, commercial, coupon and discount bonds, treasury and commercial bills, in each case held to maturity;
- term deposits;
- other financial assets.

#### 2.3.8.3 Financial assets available for sale

Non-derivative financial assets that are designated as available for sale or which are not included in any other category are classified as financial assets available for sale and are measured at fair value. Profit gained or loss incurred as a result of change in fair value is recognised in equity under other capital reserves. However, investments in equity instruments that do not have a quoted market price on an active market and whose fair value cannot be reliably measured are disclosed at cost. Shares in subsidiaries, jointly controlled and associates classified in this category are measured at cost even if such shares are listed on an active market.

The Company classifies the following financial assets as available for sale:

- investments in unlisted equity instruments (including shares in subsidiaries, jointly controlled and associates);
- investments in listed equity instruments not held for trading (including shares in subsidiaries, jointly controlled and associates);
- investments in debt instruments that the Company does not have a firm intention to hold to maturity;
- other financial assets.

#### 2.3.8.4. Loans and receivables

Loans and receivables comprise non-derivative financial assets with fixed or determinable payment terms which are not traded on an active market.
Loans and receivables are measured at amortised cost using the effective interest rate method less impairment losses. Interest income is recognised using the effective interest rate, except for current receivables, where the recognition of interest is immaterial.

The Company classifies the following financial assets as loans and receivables:

- all receivables (excluding taxes, grants, customs duties, social security and health insurance contributions and other benefits);
- loans advanced;
- receivables from buy sell back and reverse repo transactions.

Uncollectible receivables are recognised as loss if deemed unrecoverable. Writing off or cancellation of receivables due to their expiry or irrecoverability reduces previously recognised impairment losses on such receivables.
Receivables cancelled or written off due to their expiry or irrecoverability with respect to which no impairment losses have been recognised or the impairment losses that have been recognised were lower than the full amounts of receivables, are charged to other operating expenses or finance expenses, as appropriate.

#### 2.3.8.5. Positive valuation of derivatives

Derivative instruments (positive valuation) not considered as hedging instruments are measured at fair value through profit or loss and recognised at fair value reflecting any fair value changes in the income statement. Positive valuation of derivatives is disclosed under separate items of current assets.

### 2.3.9. Impairment of financial assets

As at each balance sheet date, the Company determines whether any financial asset may be impaired. An asset is considered impaired if an objective indication exists that the events which took place after initial recognition of such asset had an adverse effect on estimated future cash flows related to the asset.

The value of loans and receivables or investments held to maturity measured at amortised cost takes into account the probability of collection. The amount of impairment loss is the difference between the carrying amount of assets and the present value of estimated future cash flows discounted at the assets' original effective interest rate.

Depending on the type of receivables, impairment losses are determined using the statistical or individual method. Impairment losses on receivables are charged to other operating or finance expenses, as appropriate, depending on the type of receivable with respect to which an impairment loss is recognised. Impairment losses are recognised for full amounts of receivables past due by more than 90 days as well as for the entire recognised interest.

If the amount of impairment loss on financial assets, except for financial instruments held for sale, is reduced, the previously recognised loss is reversed through profit or loss. The reversal does not drive the net carrying amount of the financial asset above the amount that would have been the amortised cost of the asset as at the date of reversal had no impairment losses been recognised.

The amount of the impairment loss on investments in equity instruments is not subject to reversal through profit or loss. Any increase in fair value is made after the recognition of impairment loss and disclosed directly in equity.

### 2.3.10. Hedge accounting

As of April 1st 2009, PGNIG SA started to apply cash-flow hedge accounting with respect to foreign exchange transactions, and as of June 1st 2010 the Parent started to apply cash-flow hedge accounting with respect to commodity transactions.

The objective of the Company's activities to hedge against the EUR/PLN and USD/PLN currency risk is to guarantee a specified Polish złoty value of its expenses incurred in the euro and the US dollar on gas purchases under long-term contracts.

The type hedging applied is the hedging of future, highly probable cash flows related to the Company's expenses incurred in the euro and the US dollar.

The selected hedging instruments include purchased European call options and zero-cost option structures (collars) involving a combination of purchased European call options and issued European put options for the EUR/PLN and USD/PLN exchange rates with the identical face values and settlement dates falling on the days of an expected outflow of the hedged foreign-currency amount related to the incurred gas expenses.

The objective of the Company's activities to hedge against the risk of changes in gas prices is to guarantee a specified level of cost of gas expressed in the US dollars.

The applied hedging are hedges of future, highly probable cash flows related to gas purchases.

Instruments designated for hedge accounting include purchased commodity swaps (fix/float) and Asian commodity call options with European settlement.

Changes in the fair value of financial derivatives selected to hedge cash flows, to the extent representing an effective hedge, are posted directly to revaluation capital reserve. Changes in the fair value of financial derivatives selected to hedge cash flow, to the extent not representing an effective hedge, are credited or charged to other operating income or expenses in the reporting period.

### 2.3.11. Interests in joint ventures

A joint venture is a contractual relationship between two or more parties, under which such parties undertake an economic activity and jointly control such activity. Strategic financial, operating and political decisions concerning the joint venture need to be made unanimously by all parties.

The Company discloses assets controlled and liabilities incurred in relation to its interests in joint ventures as well as costs incurred and interests in revenues from products and services sold, generated by the joint venture.

### 2.3.12. Inventories

Inventories include assets intended to be sold in the ordinary course of business, assets in the process of production intended to be sold and assets in the form of materials or raw materials used in the production process or assets used in the course of provision of services. This asset group comprises materials, goods for resale, finished products and work in progress.

The value of inventory is established at the lower of cost and net realizable value, and reflects impairment losses for decrease of economic usefulness. Cost comprises all costs of purchase and processing, as well as other costs incurred to bring the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The gas fuel in the storage facilities is valued for all storage facilities jointly, at the weighted average acquisition cost.

Decreases in the inventories of gas fuel stored in the Underground Gas Storage Facilities due to own consumption, as well as balance-sheet differences, are measured at the average actual acquisition cost, which comprises costs of purchase of gas fuel from all foreign sources, actual costs of its production from domestic sources, costs of nitrogen removal and costs of its acquisition from other domestic sources.

Decreases in the inventories of gas fuel attributable to third-party sales are measured at cost of gas fuel, i.e. the average actual acquisition cost.

### 2.3.13. Trade and other receivables

Trade receivables are initially recognised at fair value. Following initial recognition, receivables are measured at amortised cost using the effective interest rate method. Measurement differences are charged to profit or loss. The Company does not discount receivables maturing in less than 12 months from the balance sheet date and where the discounting effect would be immaterial.

Receivables are revalued through the recognition of impairment losses based on the probability of their recovery, if there is objective evidence that the receivables will not be fully recovered

Impairment losses on receivables for gas deliveries to the customers from tariff groups 1-4 are determined using the statistical method. Impairment losses are determined based on the analysis of historical data regarding the payment of past due receivables in particular maturity groups. The results of the analysis are then used to calculate recovery ratios on the basis of which the amounts of impairment losses on receivables in each maturity group are determined.

Impairment losses on receivables from other customers are recognised based on a case-by-case analysis of the financial standing of each debtor.

A full impairment loss is recognised for receivables past due by more than 90 days and for accrued penalty charges, litigation expenses, enforcement costs and interest on past due payments.

Impairment losses on receivables are charged to other operating expenses or finance expenses, respectively, according to the type of receivable covered by the impairment loss.

Uncollectible receivables are charged to profit or loss when recognised as unrecoverable accounts. Writing off or cancellation of receivables due to their expiry or irrecoverability reduces previously recognised impairment losses on such receivables.

Receivables cancelled or written off due to their expiry or irrecoverability with respect to which no impairment losses have been recognised or the impairment losses that have been recognised were lower than the full amounts of receivables, are charged to other operating expenses or finance expenses, as appropriate.

### 2.3.14. Cash and cash equivalents

Cash and cash equivalents disclosed in the statement of financial position include cash at bank and in hand as well as short-term financial assets with high liquidity and the original maturity not exceeding three months, which are readily convertible into specific cash amounts and subject to an insignificant risk of fluctuation in value.

The balance of cash and cash equivalents disclosed in the statement of cash flows consists of the aforementioned cash and cash equivalents, less outstanding overdraft facilities. The Company discloses overdraft facilities as a decrease in cash. The amount of such overdraft facilities in excess of the amount of cash is disclosed under current liabilities.

### 2.3.15. Non-current assets held for sale

The Company classifies a non-current asset (or a disposal group) as held for sale if its net carrying amount will be recovered principally through a sale transaction rather than through continuing use. This is the case if an asset (or a disposal group) is available for immediate sale in its present condition, subject only to usual and customary terms applicable to the sale of such assets (or a group of assets for disposal), and its sale is highly probable.

An asset (or a disposal group) is classified as held for sale after an appropriate decision is made by a duly authorised body under the Company's Articles of Association – the Company's Management Board, Supervisory Board or General Meeting. In addition, an asset (or a disposal group) must be actively offered for sale at a reasonable price corresponding with its present fair value. It should also be expected that the sale will be disclosed in the accounting books within one year from the date of such classification.

Non-current assets held for sale are measured at the lower of their net carrying amount and fair value less costs to sell. If the fair value is lower than the net carrying amount, the resulting difference is recognised in profit or loss as an impairment loss. Any reversal of the difference is recognised in profit or loss, up to the amount of the previously recognised loss.

In the statement of financial position, assets held for sale (or a disposal group) are presented as a separate item of current assets and are not depreciated/amortised.

### 2.3.16. Equity

Equity is disclosed in the accounting books by type and in accordance with the rules stipulated by applicable laws and the Company's Articles of Association.

Share capital is disclosed at par value and in the amount specified in the Articles of Association of the Company and the entry in the court register.

Declared but not made contributions to equity are disclosed under "Called-up share capital not paid". Treasury shares and called-up share capital not paid reduce equity.

Share premium account is created from the surplus of the issue price of shares over their par value, less issue costs.

Share issue costs incurred upon establishment of a joint-stock company or share capital increase reduce the share premium account up to the amount of the surplus of the issue proceeds over the par value of shares, while the remaining amount is charged to other capital reserves.

The effect of measurement resulting from the first-time adoption of IAS was charged to retained earnings/deficit.

In accordance with IAS, net profit for the previous year can be allocated only to the Company's equity or dividends for shareholders. The option provided by the Polish legal system whereby profit can be allocated to the Company Social Benefits Fund, the Restructuring Fund, employee profit-sharing schemes or other purposes is not reflected in IAS. Therefore, the Company recognises the aforementioned profit reductions in profit or loss for the year in which the binding obligation to release the funds occurred. Distribution of profit among employees is recognised in payroll cost, while funds transferred to the Company Social Benefits Fund are disclosed under employee benefit costs.

### 2.3.17. Bank loans and borrowings

Interest-bearing bank loans are recognised at the value of funding received, net of any direct costs of acquiring the funds. Following initial recognition, interest-bearing loans and borrowings are recognised at adjusted acquisition cost using the effective interest rate method. The adjusted acquisition cost includes cost of obtaining the loan or borrowing as well as discounts or premiums obtained at settlement of the liability.
The difference between net funding and redemption value is disclosed under finance income or expenses over the term of the loan or borrowing.

### 2.3.18. Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) resulting from past events, and when it is probable that the discharge of this obligation will cause an outflow of funds representing economic benefits, and the amount of the obligation, whose amount and maturity date is not certain, may be reliably estimated.

The amount of recognised provisions is reviewed and revalued at each balance sheet date in order to ensure that the estimated amount is as accurate as possible.

The Company may recognise the following types of provisions:

- provision for well decommissioning costs
- provision for length-of-service awards and retirement severance pays
- provision for environmental protection liabilities
- provision for penalties
- provision for potential liability
- provision for claims under extra-contractual use of land

#### 2.3.18.1. Provision for well decommissioning costs

Being under an obligation to eliminate the effects of its geological and mining activities, the Company recognises a provision for future costs of decommissioning of wells and the auxiliary infrastructure, and makes contributions to the Mining Facilities Decommissioning Fund.

The provision for future well decommissioning costs is calculated based on the average cost of well decommissioning in the individual mining facilities over the last three years, adjusted for the projected consumer price index (CPI) and changes in the time value of money. The adoption of a three-year time horizon was due to the varied number of decommissioned wells and their decommissioning costs in the individual years.

The initial value of the provision is added to the value of the relevant asset. Any subsequent adjustments to the provision resulting from changes in estimates are also treated as an adjustment to the value of the asset.

The Mining Facilities Decommissioning Fund is created on the basis of Art. 26c of the Mining and Geological Law of February 4th 1994 (Dz.U. 05.228.1947, as amended). The Company makes contributions to the Fund in the amount of 3% to 10% of the value of the annual tax depreciation of mining assets (property, plant and equipment) with a corresponding increase in other operating expenses.

The amount of the provision for future well decommissioning costs is adjusted for any unused contributions to the Mining e Decommissioning Fund.

#### 2.3.18.2. Provision for length-of-service awards and retirement severance pays

The Company has in place a length-of-service award and retirement severance pay scheme. Payments under the scheme are charged to profit or loss, so that the costs of length-of-service awards and retirement severance pays can be amortised over the entire period of employees' service at the Company. The costs of such benefits are determined using the actuarial projected unit credit method.

The provision for length-of-service awards is disclosed at the present value of liabilities resulting from actuarial calculations. The balance of provisions for retirement severance pays is recognised in the statement of financial position at the net amount of liability, i.e. after adjustment for unrecognised actuarial gains or losses and past employment costs– non-vested benefits.

Unrecognised actuarial gains or losses as well as past employment costs are charged to profit or loss over a period of 15 years.

In the calculation of provisions for length-of-service awards and retirement severance pays, the Company made the following assumptions:

- Assumptions related to the probability of staff turnover and retirement: the calculations are based on staff turnover and retirement probability tables presented by sex, age, total years in service, years in service with the Company and remuneration, which were drawn up based on information provided by the Company companies regarding employees whose employment relationship has terminated. The turnover probability table does not include cases involving the implementation of restructuring plans and organisational changes over recent years;

- Death rate assumptions: the calculations are based on figures derived from standard life span tables;
- Salary increase assumptions: the calculations are based on market trend figures;
- Discount rate is calculated on the basis of the rate of return on assets and the forecast salary growth rate.

**2.3.18.3. Provision for environmental protection liabilities**

Future liabilities for the reclamation of contaminated soil or elimination of harmful substances, if there is a relevant legal or constructive obligation, are recognised under provisions. The provision recognised for such liabilities reflects potential costs projected to be incurred, estimated and reviewed periodically based on current prices.

**2.3.18.4. Provision for penalties**

The Company recognises such provisions for potential liabilities under penalties imposed on the Company.

**2.3.18.5. Provision for potential liability**

If there is evidence indicating that it is highly probable that events causing an increase in liabilities towards a given counterparty under delivered goods or services will occur in the future, the Company calculates the additional cost which it would incur if such events occurred and recognises a provision for that purpose.

**2.3.18.6. Provision for claims under extra-contractual use of land**

In the ordinary course of business, the Company owns technical equipment located on land properties owned by third parties, which are often natural persons.

Where possible, the Company entered into agreements establishing standard land easements, and after the amendment of the Polish Civil Code effected in 2008 – transmission easements.
Transmission easement is a new construct of civil law governed by Art. 3051–3054 of the Polish Civil Code of April 23rd 1964 (Dz.U. No. 16, item 93, as amended), which came into force in 2008.

In the last several years, the Company recorded a significant increase in the number of claims submitted by land property owners for compensation for use of transmission. Apart from the compensation paid to land property owners under the agreements on establishment of transmission easements, the Company pays compensation under extra-contractual use of land properties.

Given the above, acting in accordance with the materiality rule, in 2010 the Company estimated the amount of the provision for claims under extra-contractual use of land for the first time.

When calculating the amount of the provision, the Company took into consideration any justified claims submitted, in respect of which the exchange of correspondence has continued for the last three years.

To estimate the amount of the provision, the Company analysed the following: estimate surveys of claim amounts made by expert appraisers; the Company's own calculations based on the size of the controlled area, in which a given piece of equipment was installed, expressed in square meters; amount of annual rent per square meter for similar land in a given municipality; period of extra-contractual use of land (not more than ten years); historical data on the ratio of payments related to the submitted claims and the average amount of paid compensation.

As the amounts used in the above calculations were arrived at based on a number of variables, the final amounts of compensation for extra-contractual use of land that the Company will be required to pay may significantly differ from the amount of the recognised provision.

**2.3.18.7. Other provisions**

The Company recognised a provision in the form of the Central Restructuring Fund in order to provide redundancy-related benefits for the eligible employees under the Restructuring Programme. The detailed rules of the operation of the Fund as well as the list of mark-ups and expenses from the Fund are specified in the Company's internal resolutions.

The Company may also recognise other provisions for future and probable expenses related to the activities and operations of the Company, such as a provision for warranties, a provision of redundancy-related benefits and a restructuring provision.

The Company reviews provisions as at each balance-sheet date in order to reflect the current best estimate. If the effect of changes in the time value of money is material, provisions are discounted.

Where discounting is used, the net carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised in expenses.

Long-term provisions are discounted by the Company with a discount rate that is based on the rate of return on risk-free assets and the inflation rate as determined by the constant inflation target of the National Bank of Poland.

### 2.3.19. Accruals and deferrals

As prepayments the Company discloses costs incurred upfront that relate in full or in part to future reporting periods. Prepayments are disclosed as a separate item of assets in the statement of financial position.

Accruals are outstanding liabilities due for goods or services which have been delivered/provided, but have not yet been paid, invoiced or formally agreed upon with the supplier/provider, plus amounts due to employees (e.g. amounts related to accrued holidays). Accruals are disclosed together with trade and other payables as an item of equity and liabilities in the statement of financial position.

The Company recognises deferred income for the purposes of disclosing the income in future reporting periods at the time of income realisation.

In deferred income, PGNIG SA includes deferred income from additional charges for non-accepted gas under existing take-or-pay contracts.

Deferred income is disclosed as a separate item on the equity and liabilities side of the statement of financial position.

### 2.3.20. Trade and other payables

Trade payables are liabilities due for goods or services which have been delivered/provided and have been paid, invoiced or formally agreed upon with the supplier/provider.

Other payables mostly include liabilities contracted in the course of the Company's day-to-day operations, that is salaries and wages, and other current employee benefits, as well as accrued expenses and public dues.

### 2.3.21. Financial liabilities

Financial liabilities are measured at amortised cost, with the exception of derivatives (measured at a negative value). Derivatives measured at a negative value which are not classified as hedging instruments are measured at fair value through profit or loss and disclosed at fair value, with the changes in fair value charged to profit and loss account.

Items of financial liabilities are classified as either financial liabilities measured at fair value through profit or loss or other financial liabilities.

#### 2.3.21.1. Financial liabilities measured at fair value through profit or loss

A financial liability is classified as held for trading if:

- it is incurred principally for the purpose of selling or repurchasing it in the near term;
- a derivative (except for a derivative that is a designated and effective hedging instrument).

The Company classifies as held for trading those derivatives which are not measured according to the principles of hedge accounting and whose measured value is negative (SWAP IRS, SWAP CIRS, FRA, CAP, FLOOR, OPTIONS, option strategies, futures, forwards, FX SWAPS) etc.

Financial liabilities measured at fair value through profit or loss are disclosed at fair value, and financial gains or losses are disclosed in the profit and loss account allowing for interest paid on any given financial liability.

#### 2.3.21.2. Financial liabilities measured at amortised cost

The other financial liabilities category includes all liabilities with the exception of salaries and wages, taxes, grants, customs duties, social security and health insurance contributions and other benefits.

Upon initial recognition, liabilities included in this category are measured at fair value plus transaction cost, which may be directly attributed to the acquisition or issue of a given financial liability.

Following initial recognition, they are measured at amortised cost with the use of the effective interest rate method. The adjusted acquisition cost includes cost of obtaining the loan or borrowing as well as discounts or premiums obtained at settlement of the liability. The difference between net funding and redemption value is disclosed under finance income or expenses over the term of the loan or borrowing.

### 2.3.22. Sales revenue

Sales revenue comprises amounts receivable for products, goods and services delivered as part of ordinary business activities. Sales revenue is measured at the fair value of the consideration received or receivable, less any discounts, sales taxes (VAT, excise duty) and other charges.

#### 2.3.22.1. Sales of goods and products

Sales of goods and products are recognised upon transfer of goods and products along with the related ownership right.

In order to correctly classify revenue from gas sales to the appropriate reporting period, estimates are made – as at the balance sheet date – of the quantity and value of gas delivered but not invoiced as at the balance sheet date to retail customers.

Estimated sales, not invoiced in a given reporting period, are determined based on gas off-take characteristics by retail customers in comparable reporting periods. The value of estimated gas sales is defined as the product of quantities assigned to the individual tariff groups and the rates defined in a current tariff.

#### 2.3.22.2. Rendering of services

Revenue arising from the rendering of services is recognised by reference to the stage of completion of the transaction at the balance sheet date. If the rendering of services consists of an undeterminable number of activities performed over a specific period, revenue is recognised on a straight-line basis (in equal amounts) throughout the period. If a specific activity is more important than all other activities, revenue is not recognised before the activity is completed. When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

#### 2.3.22.3. Interest income

Interest income is recognised on a time-proportion basis by reference to the principal due, using the effective interest rate, i.e. the real interest rate calculated on the basis of all cash flows related to a transaction.

#### 2.3.22.4. Dividends

Dividend revenue is recognised when the shareholders' right to receive dividend is recorded.

#### 2.3.22.5. Lease income

Income from lease of investment property is recognised in accordance with the terms of concluded lease agreements.

### 2.3.23. Government grants

A government grant is recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received.

Grants which are contingent upon purchase or construction of long-term assets are recognised in the statement of financial position as deferred income and subsequently recognised– through equal annual write-offs – in the income statement throughout the expected useful life of the assets. Non-monetary grants are accounted for at fair value.

Other grants are recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis. A grant receivable as compensation for costs or losses already incurred or for immediate financial support, with no future related costs, should be recognised as income in the period in which it is receivable.

### 2.3.24. Employee benefits

Short-term employee benefits paid by the Company include:

- wages and social security contributions,

- short-term compensated absences,
- profit-sharing and bonus payments,
- non-monetary benefits.

Short-term employee benefits, including payments towards defined contribution plans, are recognised in the periods in which the entity receives the payment from the employee, and in the case of profit-sharing and bonus payments – when the following conditions are met:

- the entity has a legal or constructive obligation to make such payments as a result of past events, and
- a reliable estimate of the expected cost can be made.

Employee benefits related to accumulating compensated absences are recognised as the employees render service that increases their entitlement. In the case of non-accumulating absences, employee benefits are recognised when the absences occur.

Post-employment benefits in the form of defined benefit plans (retirement severance pays) and other long-term benefits ("jubilee" benefits, disability pensions) are determined using the projected unit credit method, with the actuarial valuation made as at each balance sheet date. Actuarial gains and losses are fully recognised in the income statement. Past service cost is recognised immediately to the extent that it relates to active employees already vested. Otherwise, it is amortised on a straight-line basis over the average period until the benefits become vested.

### 2.3.25. Income tax

Mandatory increases of loss/decreases of profit include current corporate income tax (CIT) and deferred tax.

Current tax is calculated based on the taxable profit/loss (tax base) for a given financial year. The profit/loss established for tax purposes differs from the net profit/loss established for accounting purposes due to the exclusion of the income which is taxable and the expenses which are deductible in future years and the expense and income items which will never be subject to deduction/taxation. Tax is calculated based on the tax rates effective in a given financial year.

Deferred tax is calculated using the balance-sheet method as future tax liability or asset, resulting from differences between balance-sheet value of assets and liabilities and their tax value used to calculate the tax base.
Deferred tax liabilities are recognised for all taxable temporary differences, while a deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. A deferred tax liability or asset is not recognised if the temporary differences arise in connection with goodwill or in connection with initial recognition of a different asset/liability in a transaction which does not affect either the accounting or the taxable profit.

Deferred tax assets are reviewed as at each balance sheet date, and if no sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the asset is written off.

Deferred tax assets and liabilities is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

Deferred tax is recognised as income or expense, except to the extent that the tax arises from a transaction or event that is recognised directly in equity. If the tax relates to items that are credited or charged directly to equity, the tax should also be charged or credited directly to equity.

### 2.3.26. Foreign currencies

The functional currency (measurement currency) and the reporting currency of PGNIG SA is the Polish złoty (PLN). Transactions denominated in foreign currencies are initially disclosed at the exchange rate of the functional currency effective as at the transaction date. Cash assets and liabilities denominated in foreign currencies are translated at the exchange rate of the functional currency effective as at the balance sheet date. All foreign exchange gains and losses are charged to the income statement, except for foreign exchange gains and losses on translation of assets, equity and liabilities of foreign entities, which, until the disposal of interests in such entities, are disclosed directly in equity. Non-cash items valued at their historical cost in a foreign currency are translated at the exchange rate effective as at the transaction date. Non-cash items valued at fair value in a foreign currency are translated at the exchange rate effective as at the date of determining the fair value.
To hedge against foreign currency risk, the Company enters into forwards and option contracts.

The functional currencies of the foreign branches are as follows: the Pakistan rupee (PKR) for the Pakistan Operator Branch, the Polish złoty (PLN) for the Egypt Branch and Denmark Branch. As at the balance sheet date, assets and liabilities of the Branch in Pakistan are translated into the reporting currency of PGNIG SA at the exchange rate effective as at the balance sheet date, and the items of their income statements are translated at the average exchange rate for a given financial year. Foreign exchange gains and losses on such translation are disclosed as a separate item directly under equity. Upon disposal of a foreign entity, accumulated deferred foreign exchange gains or losses disclosed under equity are recognised in the income statement.

#### 2.3.26. Operating segments

An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses;
- whose operating results are reviewed regularly by the entity's chief operating decision maker;
- for which discrete financial information is available.

The application of new IFRS 8 *Operating Segments* has not caused any change in the segmental division relative to that presented in the financial statements for the previous years.

PGNIG SA has adopted division into business segments as the basic division of its operations. The three Company's segments subject to reporting in accordance with the IFRS are as follows:

a) *Production.* The segment encompasses extracting hydrocarbons from reserves and preparing products for sale. The segment covers the entire process of extracting natural gas and crude oil from reserves, including development of and production from the reserves.

b) *Trade and Storage*. The segment's activities consist in sales of natural gas, either from imports or domestic sources, and operation of underground gas storage facilities for trading purposes. Following completion of the trading business integration process, sales of natural gas have been conducted by PGNiG SA.. The segment operates three underground gas storage facilities (Mogilno, Wierzchowice and Husów). The segment's activities comprise also the sale of high-methane and nitrogen-rich gas fed into the transmission and distribution system. Gas trading business is governed by the Energy Law, with prices established on the basis of tariffs approved by the President of the Energy Regulatory Office (URE).

c) *Other Activities.* The segment provides services aimed at ensuring accurate and reliable measurements of natural gas.

A segment's assets include all operating assets used by the segment: chiefly cash, receivables, inventories and property, plant and equipment, in each case net of depreciation and impairment losses. The majority of assets can be directly allocated to the particular segments, the value of assets used by two or more segments is allocated to the individual segments based on the extent to which a given segment actually uses such assets.

A segment's liabilities comprise all operating liabilities, including primarily trade payables, salaries and wages, and tax liabilities, both due and accrued, as well as any provisions for liabilities which can be assigned to a particular segment.

A segment's assets or liabilities do not include deferred tax.

Internal transactions within a segment have been eliminated.

All transactions between the segments are effected based on prices agreed internally.

### 2.4. Key reasons for uncertainty of estimates

In connection with the application by the Company of the accounting policies described in Section 2.3 of these financial statements, the Company made certain assumptions as to the uncertainty and the estimates which had the most material effect on the amounts disclosed in the financial statements. Accordingly, there is a risk that there might be significant changes in the next reporting periods, mainly concerning the areas described below.

#### 2.4.1. Additional contributions to the equity of PI GAZOTECH Sp. z o.o.

In 2011, actions were pending instituted by PGNIG SA, to rescind or assert invalidity of resolutions of the Extraordinary General Meeting of PI GAZOTECH Sp. z o.o. concerning additional contributions to this company's equity. By the date of these financial statements, no final decisions had been awarded.

PGNIG SA's action instituted against PI GAZOTECH Sp. z o.o. to rescind or assert invalidity of the resolutions of the General Meeting of PI GAZOTECH Sp. z o.o., dated April 23rd 2004, including the resolution obliging PGNIG SA to pay an additional contribution of PLN 52,000 thousand. The proceedings were held in turn before the Regional Court of Warsaw, the Warsaw Court of Appeals and the Supreme Court. On June 25th 2010, the Regional Court granted PGNIG SA's claims and declared the resolution concerning share redemption and the resolution concerning the additional contributions as invalid. On November 12th 2010, PI GAZOTECH Sp. z o.o. filed an appeal with the Regional Court, along with a petition to be exempt from court fees. The Regional Court of Warsaw accepted the appeal for consideration. On July 4th 2011, PGNIG SA filed with the Warsaw Court of Appeals a response to the appeal. By virtue of its decision of December 14th 2011, the Court of Appeals dismissed PI GAZOTECH Sp. z o.o.'s appeal against the Regional Court's ruling.

Proceedings instigated by PGNIG SA against PI GAZOTECH Sp. z o.o. to rescind or assert invalidity of the resolution of the Extraordinary General Meeting of PI GAZOTECH Sp. z o.o., dated January 19th 2005, under which PGNIG SA was obliged to pay an additional contribution of PLN 26,000 thousand, were held before the Regional Court and the Court of Appeals of Warsaw. By virtue of its ruling of October 18th 2010, the Regional Court of Warsaw rescinded the resolution on additional contributions. On November 12th 2010, PI GAZOTECH Sp. z o.o. filed an appeal with the Regional Court, along with a petition to be exempt from court fees. The Regional Court of Warsaw accepted the appeal for consideration. On June 28th 2011, PGNIG SA filed a response to the above appeal with the Warsaw Court of Appeals.

Proceedings instigated by PGNIG SA against PI GAZOTECH Sp. z o.o. to rescind or declare invalidity of the resolution of the General Meeting of PI GAZOTECH Sp. z o.o., dated October 6th 2005, under which PGNIG SA was obliged to pay an additional contribution of PLN 6,552 thousand, were brought before the Regional Court of Warsaw. On May 30th 2008, the Regional Court dismissed the Company's claim and reversed the decision concerning implementation of measures to safeguard the claim (the temporary injunction order). The proceedings to rescind or declare invalidity of the resolution on additional contributions and to maintain the safeguarding measures have been held before the Court of Appeals and the Regional Court of Warsaw since 2008. By virtue of its decision of May 25th 2010, the Court of Appeals changed the Regional Court's decision concerning maintenance of the safeguarding measures dated May 30th 2008 and dismissed the request for reversing the final decision on implementation of the safeguarding measures. During its session held on April 11th 2011, the Regional Court issued a decision suspending the proceedings to rescind or declare invalidity of the resolution on additional contributions.

In connection with the foregoing, in the financial statements for 2011 the Company retained in the accounting books a PLN 84,552 thousand liability and receivable from PI GAZOTECH Sp. z o.o. connected with the additional contribution to equity, and a PLN 84,552 thousand impairment loss recognised on that receivable.

### 2.4.2. Impairment of non-current assets

The Company's key operating assets include the mining assets and gas storage facilities. These assets were tested for impairment. The Company computed and recognised material impairment losses on the assets, based on an assessment of their current and future usefulness, planned decommissioning and sales. In the case of the mining assets, there is uncertainty connected with the estimates of natural gas and crude oil resources, on the basis of which the related cash flows are estimated. Any changes in the estimates of the resources directly affect the amount of the impairment losses on the mining assets. For information on the value of recognised impairment losses see Note 10.2.

### 2.4.3. Useful lives of tangible assets

Note 2.3.1. of these financial statements presents useful lives of key groups of tangible assets. The useful lives of the tangible assets were determined on the basis of assessments made by the engineering personnel who are in charge of their operation. Any such assessment is connected with uncertainty as to the future business environment, technology changes and market competition, which could lead to a different assessment of the economic usefulness of the assets and their remaining useful lives and ultimately have a material effect on the value of the tangible assets and the future depreciation charges.

### 2.4.4. Estimating natural gas sales

In order to correctly recognise revenue on sales of natural gas in the appropriate reporting period, as at the balance-sheet-date estimates are made of the volumes and value of natural gas supplied to retail customers.

The value of the natural gas which has been supplied to retail customers but has not been invoiced as at the balance-sheet date, is estimated on the basis of the customers' consumption patterns seen to date in comparable reporting periods. There exists a risk that the actual final volume of the gas fuel sold might differ from the estimate. Therefore result for the given period might account for a portion of the estimated sales volume which will never be realised.

### 2.4.5. Provision for decommissioning costs and environmental protection

The provision for future well decommissioning costs and the provision for environmental liabilities presented in Note 26 represent significant items among the provisions disclosed in these financial statements. These provisions are based on the estimates of future decommissioning and restoration costs, which significantly depend on the adopted discount rate and the estimated cash-flow period.

### 2.4.6. Provision for claims under extra-contractual use of land

In the ordinary course of business, the Company owns technical equipment installed on land properties owned by third parties, which are often natural persons.

Where possible, the Company entered into agreements establishing standard land easements, and after the amendment of the Polish Civil Code effected in 2008 – transmission easements.
Transmission easement is a new construct of civil law governed by Art. 3051–3054 of the Polish Civil Code of April 23rd 1964 (Dz.U. No. 16, item 93, as amended), which came into force in 2008.

In the last several years, the Company recorded a significant increase in the number of claims submitted by land property owners for compensation for use of transmission easements by the Company. Apart from the compensation paid to land property owners under the agreements on establishment of transmission easements, the Company pays compensation under extra-contractual use of land properties.
Given the above, in accordance with the materiality rule, the Company estimated the amount of the provision for claims under extra-contractual use of land.
When calculating the amount of the provision, the Company took into consideration any justified claims submitted, in respect of which the exchange of correspondence has continued for the last three years.
To estimate the amount of the provision, the Company analysed the following: estimate surveys of claim amounts made by expert appraisers; Company's own calculation based on the size of the controlled area, in which a given piece of equipment was installed, expressed in square meters; amount of annual rent per square meter for similar land in a given municipality; period of extra-contractual use of land (not more than ten years); historical data on the ratio of payments related to the submitted claims and the average amount of paid compensation.

As the amounts used in the above calculations were arrived at based on a number of variables, the final amounts of compensation for extra-contractual use of land that the Company will be required to pay may significantly differ from the recognised amount of the provision.

### 2.4.7. Proceedings before the President of the Polish Office of Competition and Consumer Protection (UOKiK)

On December 28th 2010, the President of the Polish Office of Competition and Consumer Protection (UOKiK) instigated ex officio anti-trust proceedings concerning abuse of dominant position on the domestic natural gas wholesale market by PGNIG SA, consisting in:

- inhibiting sale of gas against the interest of other business players or consumers,
- impeding the development of market conditions necessary for the emergence or growth of competition,

by refusing to sell gas fuel under a comprehensive agreement to an entrepreneur that intended to further resell the gas, i.e. Nowy Gaz Sp. z o.o. of Warsaw.
The President of UOKiK extended the deadline for closing the anti-trust proceedings until February 29th 2012.

On July 4th 2011, the President of UOKiK instigated anti-trust proceedings concerning abuse of dominant position by PGNIG SA on the domestic natural gas retail market. In the President's opinion, the abuse consisted in impeding the emergence or growth of competition on the domestic natural gas wholesale and retail markets by limiting the possibility to terminate comprehensive agreements for supplies of gas fuel. On August 1st 2011, PGNIG SA sent a letter to the President of UOKiK in which it challenged, in its entirety, the charge of abuse of dominant position by the Company on the domestic natural gas market and applied for the proceedings to be discontinued.

On February 9th 2012, the President of UOKiK instigated anti-trust proceedings concerning the use by PGNIG SA of practices infringing collective consumer interests. The President of UOKiK has charged PGNIG SA with including in its comprehensive gas fuel supply agreement a provision which is entered to the register of illegal contractual clauses.

The President of UOKiK may impose on PGNIG SA a fine of not more than 10% of the revenue earned by the company in the financial year preceding the date of the decision imposing the fine.

PGNIG SA did not recognise any provision for that purpose as at the end of 2011, as the Company believes that the above charges are groundless and that it is not likely that they will lead to an obligation causing an outflow of resources embodying economic benefits.

#### 2.4.8. Dispute with PBG S.A.

On June 27th 2011, PBG S.A. filed with the Regional Court of Warsaw, XX Commercial Division, an action against PGNIG SA for payment of a disputed amount, representing the equivalent of the contractual penalties for delays in the performance of a contract, deducted by PGNIG SA from the consideration paid to PBG S.A.

The Company believes that the claim is unjustified due to the fact that the deliverable under the contract handed over by the contractor had material defects, and due to actual, material delays in the performance of the contract, which constituted grounds for charging the contractual penalties. In addition, according to PGNIG SA, the plaintiff's claims have become prescribed. On July 27th 2011, the Company filed its response to the claim, requesting that the action be dismissed in its entirety. Until the date of these financial statements, no hearing date has been set.
Acting in accordance with the prudence principle, the Company recognised a provision for above expenses in its accounting books as at the end of 2011.

### 2.5. Presentation changes in the financial statements

#### Presentation changes in the statement of financial position

In order to ensure greater transparency of the information reported in the financial statements, the Company has introduced changes in presentation of comparative financial data.

The presentation change relates to those items which are connected with gas sales forecasts. Adjustments have affected trade receivables, deferred income and VAT liabilities. Gas sales forecast receivables corresponding to the value of gas sales presented in deferred income, have been reclassified to equity and liabilities, thus reducing deferred income and VAT liabilities.

Following this change, total assets and equity and liabilities for the comparative period decreased by PLN 673,832 thousand. Of that amount, trade and other receivables decreased by PLN 673,832 thousand, trade and other payables went down by PLN 85,261 thousand, while deferred income fell by PLN 588,571 thousand.

(PLN '000)

# 3. OPERATING SEGMENTS

## 3.1 Reportable segments

The tables below set forth data on the revenues, costs and profits/losses, as well as on certain items of assets, equity and liabilities of the Company's individual business segments for the periods ended December 31st 2011 and December 31st 2010.

| Period ended December 31st 2011 | Production | Trade and Storage | Other Activities | Eliminations | Total |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Sales to external customers | 1,853,923 | 19,963,682 | 2,873 | - | 21,820,478 |
| Sales to other segments | 1,175,319 | - | - | (1,175,319) | - |
| Total segment's revenue | 3,029,242 | 19,963,682 | 2,873 | (1,175,319) | 21,820,478 |
| Depreciation and amortisation | (437,657) | (130,092) | (229) | - | (567,978) |
| Other costs | (1,311,256) | (20,061,173) | (5,459) | 1,175,319 | (20,202,569) |
| Total segment's costs | (1,748,913) | (20,191,265) | (5,688) | 1,175,319 | (20,770,547) |
| **Operating profit/loss** | **1,280,329** | **(227,583)** | **(2,815)** | **-** | **1,049,931** |
| Net finance expenses | | | | | 765,782 |
| **Pre-tax profit/loss** | | | | | **1,815,713** |
| Income tax | | | | | (200,022) |
| **Net profit/loss** | | | | | **1,615,691** |
| **Statement of financial position** | | | | | |
| Segment's assets | 9,290,535 | 12,102,549 | 1,335 | - | 21,394,419 |
| Unallocated assets | | | | | 6,744,859 |
| Deferred tax assets | | | | | 347,462 |
| **Total assets** | | | | | **28,486,740** |
| Total equity | | | | | 19,647,608 |
| Segment's liabilities | 1,574,997 | 2,759,732 | 1,100 | - | 4,335,829 |
| Unallocated liabilities | | | | | 4,007,638 |
| Deferred tax liabilities | | | | | 495,665 |
| **Total equity and liabilities** | | | | | **28,486,740** |
| **Other information** | | | | | |
| Capital expenditure on property, plant and equipment and intangible assets | (1,719,541) | (614,958) | - | - | **(2,334,499)** |
| Impairment losses on assets | (913,434) | (780,415) | (28) | - | **(1,693,877)** |
| Impairment losses on unallocated assets | | | | | **(1,660,601)** |

(PLN '000)

| **Period ended December 31st 2010** | **Production** | **Trade and Storage** | **Other Activities** | **Eliminations** | **Total** |
|---|---|---|---|---|---|
| **Income statement** | | | | | |
| Sales to external customers | 1,479,748 | 18,932,836 | 2,892 | - | 20,415,476 |
| Sales to other segments | 1,113,243 | - | - | (1,113,243) | - |
| Total segment's revenue | 2,592,991 | 18,932,836 | 2,892 | (1,113,243) | 20,415,476 |
| Depreciation and amortisation | (446,159) | (142,603) | (318) | - | (589,080) |
| Other costs | (1,322,223) | (17,989,401) | (5,260) | 1,113,243 | (18,203,641) |
| Total segment's costs | (1,768,382) | (18,132,004) | (5,578) | 1,113,243 | (18,792,721) |
| **Operating profit/loss** | **824,609** | **800,832** | **(2,686)** | **-** | **1,622,755** |
| Net finance expenses | | | | | 403,852 |
| **Pre-tax profit/loss** | | | | | **2,026,607** |
| Income tax | | | | | (324,486) |
| **Net profit/loss** | | | | | **1,702,121** |
| **Statement of financial position** | | | | | |
| Segment's assets | 8,367,843 | 9,730,108 | 1,377 | - | 18,099,328 |
| Unallocated assets | | | | | 6,486,324 |
| Deferred tax assets | | | | | 291,447 |
| **Total assets** | | | | | **24,877,099** |
| Total equity | | | | | 18,663,713 |
| Segment's liabilities | 1,450,343 | 2,812,241 | 146 | - | 4,262,730 |
| Unallocated liabilities | - | - | - | - | 1,459,117 |
| Deferred tax liabilities | - | - | - | - | 491,539 |
| **Total equity and liabilities** | | | | | **24,877,099** |
| **Other information** | | | | | |
| Capital expenditure on property, plant and equipment and intangible assets | (1,233,850) | (552,998) | (74) | - | **(1,786,922)** |
| Impairment losses on assets | (990,233) | (1,110,288) | (6) | - | **(2,100,527)** |
| Impairment losses on unallocated assets | | | | | **(1,675,674)** |

## 3.2. Information on geographical areas

The Company's business activity focuses on domestic sales. In 2011, revenue from export sales of products, goods for resale and materials to external customers accounted for 2.49% (2.30% in 2010) 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 Belgium.

| | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| Domestic sales | **21,276,843** | **19,946,299** |
| Natural gas | 20,303,373 | 19,214,078 |
| Crude oil | 638,326 | 467,836 |
| Helium | 21,868 | 13,319 |
| Propane-butane gas | 60,460 | 50,489 |
| Natural gasoline | 5,116 | 3,227 |

(PLN '000)

| | | |
|---|---|---|
| LNG | 37,597 | 30,019 |
| Gas storage services | 31,471 | 31,702 |
| Geophysical and geological services | 57,419 | 20,809 |
| Hotel services | 3,701 | 5,449 |
| Other services | 101,747 | 94,181 |
| Other products | 7,301 | 6,104 |
| Materials and goods for resale | 8,464 | 9,086 |
| Export sales | **543,635** | **469,177** |
| Natural gas | 41,681 | 56,516 |
| Crude oil | 456,831 | 370,806 |
| Helium | 35,647 | 30,732 |
| Propane-butane gas | - | - |
| Natural gasoline | - | - |
| Decompressed LNG | 109 | 88 |
| Geophysical and geological services | 1,964 | 6,396 |
| Hotel services | - | - |
| Other services | 6,517 | 4,639 |
| Other products | 886 | - |
| Materials and goods for resale | - | - |
| **Total** | **21,820,478** | **20,415,476** |

A majority of the Company's non-current assets (other than financial instruments) are also located in Poland. The value of non-current assets located abroad as at December 31st 2011 represented 0.82% of the total non-current assets value (0.37% as at December 31st 2010).

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Value of non-current assets other than financial instruments located in Poland | 12,694,176 | 11,326,801 |
| Value of non-current assets other than financial instruments located abroad | 105,205 | 42,506 |
| **Total** | **12,799,381** | **11,369,307** |

### 3.3. 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.

## 4. OPERATING EXPENSES

### 4.1. Raw and other materials used

| | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| Cost of gas sold | (13,387,999) | (11,004,594) |
| Other raw and other materials used | (134,996) | (143,943) |
| **Total** | **(13,522,995)** | **(11,148,537)** |

### 4.2. Employee benefits

| | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| Salaries and wages | (655,373) | (613,906) |
| Social security and other benefits | (239,854) | (243,745) |
| **Total** | **(895,227)** | **(857,651)** |

(PLN '000)

### 4.3. Contracted services

| | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| Purchases of transmission and distribution services | (4,738,882) | (4,887,587) |
| Other contracted services | (1,024,990) | (912,328) |
| **Total** | **(5,763,872)** | **(5,799,915)** |

### 4.4. Other operating expenses, net

| | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| Change in provisions, net | 10,131 | (12,832) |
| Change in impairment losses, net | 48,723 | (143,116) |
| Taxes and charges | (159,041) | (151,521) |
| Interest related to operating activities | 78,339 | 90,612 |
| Net foreign exchange gains/losses related to operating activities | (75,232) | 81,355 |
| Net gain/loss on valuation and settlement of hedging transactions related to operating activities | (80,038) | (155,561) |
| Value of goods for resale and materials sold | (7,725) | (10,258) |
| Income from current settlement of deferred income recognised in the statement of financial position | (5,611) | 1,339 |
| Net gains/losses on disposal of non-financial non-current assets | (463) | (8,800) |
| Difference on valuation of assets distributed as dividend | 6,891 | 24,422 |
| Change in prepayments/accrued expenses and inventories | 8,032 | 4,224 |
| Income from compensations, penalties | 101,399 | 9,799 |
| Cost of compensations, penalties | (1,342) | (106,409) |
| Other expenses, net | 22,015 | (41,466) |
| **Total** | **(53,922)** | **(418,212)** |

(PLN '000)

## 5. FINANCE INCOME AND EXPENSES

| | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| **Finance income** | **1,026,590** | **538,696** |
| Gain on valuation and execution of forwards and futures | - | - |
| Interest income | 170,115 | 193,791 |
| Foreign exchange gains | 231,815 | 46,871 |
| Investment revaluation | 9,631 | 2,255 |
| Gain on disposal of investments | 73,188 | 2,250 |
| Dividends and other profit distributions | 534,908 | 292,855 |
| Other finance income | 6,933 | 674 |
| **Finance expenses** | **(260,808)** | **(134,844)** |
| Loss on valuation and execution of forwards and futures | (240,426) | (120,969) |
| Interest expenses | (798) | (3,538) |
| Foreign exchange losses | - | - |
| Investment revaluation | (5,046) | (2,948) |
| Commissions on loans | (47) | (693) |
| Other finance expenses | (14,491) | (6,696) |
| **Net finance income/expenses** | **765,782** | **403,852** |

## 6. INCOME TAX

| | Note | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|---|
| Pre-tax profit/loss | | 1,815,713 | 2,026,607 |
| Tax rate applicable in the period | | 19% | 19% |
| Tax calculated at the applicable tax rate | | (344,985) | (385,054) |
| Permanent differences between pre-tax profit/loss and tax base | | 144,963 | 60,568 |
| **Corporate income tax disclosed in the income statement** | | **(200,022)** | **(324,486)** |
| Current income tax | 6.1. | (267,501) | (377,501) |
| Deferred income tax | 6.2. | 67,479 | 53,015 |
| Effective tax rate | | 11% | 16% |

### 6.1. Current income tax

| | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| Profit/loss before tax | **1,815,713** | **2,026,607** |
| Differences between profit/loss before tax and tax base | (408,592) | (64,259) |
| Revenue not included in taxable income | (1,740,019) | (1,478,957) |
| Non-tax deductible expenses | 2,421,277 | 2,381,544 |
| Taxable revenue not recognised as revenue for accounting purposes | 164,130 | 152,948 |
| Tax deductible expenses, not recognised as expenses for accounting purposes | (1,249,071) | (1,049,180) |
| Deductions from income | (4,909) | (70,614) |
| Income tax base | **1,407,121** | **1,962,348** |
| Tax rate applicable in period | 19% | 19% |
| Corporate income tax | (267,353) | (372,846) |
| Increases, reliefs, exemptions, allowances and reductions in/of corporate income tax | (148) | (4,655) |
| Current income tax disclosed in tax return for period | (267,501) | (377,501) |
| **Current income tax disclosed in income statement** | **(267,501)** | **(377,501)** |

(PLN '000)

### 6.2. Deferred income tax

| | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| **Origination and reversal of deferred tax due to deductible temporary differences** | **53,061** | **3,278** |
| Provisions for future liabilities | (3,418) | 17,588 |
| Impairment losses on financial assets, receivables and tangible assets under construction | (6,398) | 3,737 |
| Costs of FX risk and interest rate risk hedges | 62,716 | (19,100) |
| Foreign exchange losses | - | - |
| Costs related to sales taxable in subsequent month | - | - |
| Tax loss for current period | - | - |
| Other | 161 | 1,053 |
| **Origination and reversal of deferred tax due to taxable temporary differences** | **14,418** | **49,737** |
| Difference between tax and accounting value of non-current assets | 34,698 | 36,094 |
| Finance lease income | (887) | 26,455 |
| Positive valuation of FX and interest rate risk hedges | (7,204) | (4,361) |
| Foreign exchange gains | - | - |
| Accrued interest | (18,373) | 68 |
| Income related to tax obligation arising in subsequent month | 8,841 | (8,518) |
| Other | (2,657) | (1) |
| **Deferred income tax disclosed in income statement** | **67,479** | **53,015** |

The current reporting period covered the tax period from January 1st to December 31st 2011. A 19% corporate income tax rate was applicable in 2011 to businesses operating in Poland. In the comparable period, i.e. 2010, the CIT rate was also 19%.

Regulations on value added tax, corporate and personal income tax or social security contributions change frequently, and as a consequence it is often not possible to rely on established regulations or legal precedents. The regulations in effect tend to be unclear, thus leading to differences in opinions as to legal interpretation of fiscal regulations, both between state authorities themselves and between state authorities and entrepreneurs. Tax and other settlements (customs duty or foreign exchange settlements) may be inspected by authorities empowered to impose high penalties, and any additional amounts assessed following an inspection must be paid together with high interest. Consequently, the tax risk in Poland is higher than in other countries where tax systems are more developed. In Poland, there are no formal procedures for the determination of the final amount of tax due. Tax settlements may be inspected for the period of five years. Therefore, the amounts disclosed in the financial statements may change at a later date, following final determination of their amount by the competent tax authorities.

Foreign branches of the Company are subject to tax regulations in force in the countries where they conduct their business activities and the provisions of double tax treaties. In the case of foreign branches, the tax rates effective in 2011 and 2010 ranged from 25% to 41% of the tax base. Foreign branches did not pay corporate income tax in 2011 and 2010.

The balance of deferred tax presented in the financial statements is reduced by a valuation adjustment due to temporary differences whose realisation for tax purposes is not entirely certain.

## 7. DISCONTINUED OPERATIONS

In 2011, the Company did not discontinue any activities and is not planning to discontinue any of its existing operations.

## 8. EARNINGS/LOSS PER SHARE

Basic earnings/loss per share are calculated by dividing the net profit/loss attributable to holders of the Company's ordinary shares for a given reporting period by the weighted average number of outstanding ordinary shares in the financial year.
Diluted earnings/loss per share are calculated by dividing the net profit/loss attributable to holders of the ordinary shares for a given reporting period (less interest on redeemable preference shares

convertible into ordinary shares) by the weighted average number of outstanding ordinary shares in the reporting period (adjusted for the effect of dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

| | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| Net profit/loss attributable to equity holders of the Company | 1,615,691 | 1,702,121 |
| Net profit/loss attributable to equity holders of the Company used for calculating diluted earnings/loss per share | 1,615,691 | 1,702,121 |
| Weighted average number of outstanding ordinary shares used for calculating basic earnings/loss per share (‘000) | 5,900,000 | 5,900,000 |
| Weighted average number of outstanding ordinary shares used for calculating diluted earnings/loss per share (‘000) | 5,900,000 | 5,900,000 |
| Basic earnings/loss per share for financial period, attributable to holders of ordinary shares of the Company (PLN) | 0.27 | 0.29 |
| Diluted earnings/loss per share for financial period, attributable to holders of ordinary shares of the Company (PLN) | 0.27 | 0.29 |

The weighted average number of shares has been computed in the manner presented in the table below.

| Start date | End date | Number of outstanding ordinary shares (‘000) | Number of days | Weighted average number of shares ('000) |
|---|---|---|---|---|
| **Dec 31 2011** | | | | |
| Jan 1 2011 | Dec 31 2011 | 5,900,000 | 365 | 5,900,000 |
| **Total** | | | **365** | **5,900,000** |
| **Dec 31 2010** | | | | |
| Jan 1 2010 | Dec 31 2010 | 5,900,000 | 365 | 5,900,000 |
| **Total** | | | **365** | **5,900,000** |

## 9. DIVIDENDS PAID AND PROPOSED

| **Dividends paid in the period** | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| Dividend per share paid (PLN) | 0.12 | 0.08 |
| Number of shares (‘000) | 5,900,000 | 5,900,000 |
| Dividend paid (PLN ‘000), including: | 708,000 | 472,000 |
| - in-kind dividend for the State Treasury | 30,104 | 339,994 |
| - cash dividend for the State Treasury | 482,587 | 2,683 |
| - cash dividend for other shareholders | 195,309 | 129,323 |

The dividend for 2010 was paid on October 6th 2011 and the dividend for 2009 – on October 4th 2010. Note 4.4 presents the effect on the net profit/loss for the individual reporting periods of the surplus of the value of assets distributed as in-kind dividend over the net carrying amount disclosed in the statement of financial position as at the dividend payment date.

Until the date of these financial statements, no decision had been made concerning the distribution of net profit for 2011.

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Land | 23,775 | 23,597 |
| Buildings and structures | 5,236,333 | 5,171,059 |
| Plant and equipment | 1,347,183 | 1,354,023 |
| Vehicles and other | 78,661 | 85,226 |
| **Total tangible assets** | **6,685,952** | **6,633,905** |
| Tangible assets under construction | 5,595,168 | 4,307,016 |
| **Total property, plant and equipment** | **12,281,120** | **10,940,921** |

PGNIG SA currently operates eight underground gas storage facilities (UGS). Seven of them are located in depleted gas reservoirs, and one, the Underground Gas Storage Cavern Facility Mogilno, is located in salt caverns (chambers lixiviated in a salt diapir).

Natural gas stored in underground gas storage facilities comprises working gas and gas necessary for the safe operation of the facility.

Working gas is gas which has been injected into a facility within its working capacity and may be withdrawn from the facility during the gas drawing cycle.

Gas necessary for the safe operation of the facility comprises gas from the local deposit (in the quantity specified in the approved geological documentation) supplemented by gas injected to achieve the technical and geological parameters required for the proper operation of the facility. This applies to UGS facilities located in depleted hydrocarbon reservoirs. In the case of the facility located in a salt diapir (UGS Mogilno), the gas necessary for safe operation of the facility was injected into the storage chambers during the first injection cycle, with concurrent debrining.

The target quantity of gas necessary for the safe operation of each facility is treated as a buffer having a constant size over the entire period of the facility's operation.

(PLN '000)

## 10.1 TANGIBLE ASSETS

| **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 loss | (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)

| **Dec 31 2010** | Land | Buildings and structures | Plant and equipment | Vehicles and other | **Total** |
|---|---|---|---|---|---|
| As at Jan 1 2010, net of accumulated depreciation and impairment losses | 22,000 | 5,071,837 | 1,293,321 | 97,412 | **6,484,570** |
| Increase | 360 | 152,832 | 539 | 6 | **153,737** |
| Decrease | (338) | (103,853) | (10,489) | (1,710) | **(116,390)** |
| Transfers from tangible assets under construction and between groups | 1,422 | 530,628 | 228,992 | 12,116 | **773,158** |
| Impairment losses | 153 | (73,687) | (12,622) | (256) | **(86,412)** |
| Depreciation for financial year | - | (406,698) | (145,718) | (22,342) | **(574,758)** |
| **As at Dec 31 2010, net of accumulated depreciation and impairment losses** | **23,597** | **5,171,059** | **1,354,023** | **85,226** | **6,633,905** |
| As at Jan 1 2010 | | | | | |
| Gross value | 24,337 | 7,857,297 | 2,216,519 | 177,650 | **10,275,803** |
| Accumulated depreciation and impairment losses | (2,337) | (2,785,460) | (923,198) | (80,238) | **(3,791,233)** |
| **Net carrying amount as at Jan 1 2010** | **22,000** | **5,071,837** | **1,293,321** | **97,412** | **6,484,570** |
| As at Dec 31 2010 | | | | | |
| 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 Dec 31 2010** | **23,597** | **5,171,059** | **1,354,023** | **85,226** | **6,633,905** |

### 10.2. 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 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 Jan 1 2010** | 2,338 | 449,417 | 87,801 | 5,852 | **545,408** | 337,276 | **882,684** |
| Increase | - | 84,652 | 15,936 | 479 | **101,067** | 110,675 | **211,742** |
| Decrease | (153) | (10,965) | (3,314) | (223) | **(14,655)** | - | **(14,655)** |
| **As at Dec 31 2010** | **2,185** | **523,104** | **100,423** | **6,108** | **631,820** | **447,951** | **1,079,771** |

As at the beginning of the period, impairment loss on tangible assets amounted to PLN 631,820 thousand, including:
- PLN 430,626 thousand on assets used directly in production,
- PLN 38,418 thousand on underground gas storage facilities,
- PLN 162,776 thousand on other tangible assets.

The current period saw a PLN 51,036 thousand increase in impairment losses (including PLN 10,695 thousand related to assets used directly in production), and a PLN 115,876 thousand decrease in impairment losses (including PLN 109,130 thousand decrease related to assets directly used in production). Changes in assets used directly in production were connected with the update of adopted assumptions, review of impairment indicators or disposal of assets.

As at the end of the period, impairment losses on tangible assets amounted to PLN 566,980 thousand, including:
- PLN 332,191 thousand on assets used directly in production,
- PLN 38,438 thousand on underground gas storage facilities,
- PLN 196,351 thousand on other tangible assets.

Out of the amount of impairment losses on tangible assets under construction as at the end of 2011, PLN 401,924 thousand related to capitalised cost of drilling work (PLN 425,464 thousand as at the end of 2010).

(PLN '000)

## 11. INVESTMENT PROPERTY

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| At beginning of period, net of accumulated depreciation and impairment losses | 3,441 | 3,778 |
| Increase | - | - |
| Decrease | - | - |
| Transfers from property, plant and equipment | (232) | 100 |
| Impairment loss | (22) | (2) |
| Depreciation for financial year | (368) | (435) |
| **At end of period, net of accumulated depreciation and impairment losses** | **2,819** | **3,441** |
| | | |
| At beginning of period | | |
| Gross value | 5,184 | 5,063 |
| Accumulated depreciation and impairment losses | (1,743) | (1,285) |
| **Net carrying amount** | **3,441** | **3,778** |
| | | |
| At end of period | | |
| Gross value | 4,987 | 5,184 |
| Accumulated depreciation and impairment losses | (2,168) | (1,743) |
| **Net carrying amount** | **2,819** | **3,441** |

The Company’s investment property includes office/amenity buildings partly held for rent, as well as industrial buildings and structures. As at the end of the reporting period, the net carrying amount of the office/amenity buildings recognised as investment property amounted to PLN 1,354 thousand (PLN 1,328 thousand in 2010), whereas the net carrying amount of industrial buildings and structures as at the end of the reporting period amounted to PLN 1,464 thousand (PLN 2,113 thousand in 2010).

In the reporting period, the Company derived PLN 1,976 thousand in revenue from rental of investment property (PLN 2,013 thousand in 2010).

Operating expenses incurred in connection with the rental of investment property amounted to PLN 730 thousand in the reporting period (PLN 1,343 thousand in 2010).

As investment property is not a significant item in the statement of financial position, the Company does not perform a valuation of the property to determine its fair value.

(PLN '000)

## 12. INTANGIBLE ASSETS

| **Dec 31 2011** | Development expense | Goodwill | Perpetual usufruct right to land – acquired against a consideration * | Other intangible assets | **Total** |
|---|---|---|---|---|---|
| As at Jan 1 2011, net of accumulated amortisation and impairment losses | - | - | 35,540 | 46,401 | **81,941** |
| Increase | - | - | 5 | 21 | **26** |
| Decrease | - | - | (72) | (100) | **(172)** |
| Transfers from tangible assets under construction and between groups | - | - | 36 | 27,481 | **27,517** |
| Impairment losses | - | - | (53) | (86) | **(139)** |
| Amortisation for financial year | - | - | (465) | (17,067) | **(17,532)** |
| **As at Dec 31 2011, net of accumulated amortisation and impairment losses** | **-** | **-** | **34,991** | **56,650** | **91,641** |
| As at Jan 1 2011 | | | | | |
| Gross value | - | - | 37,417 | 107,611 | **145,028** |
| Accumulated amortisation and impairment losses | - | - | (1,877) | (61,210) | **(63,087)** |
| **Net carrying amount as at Jan 1 2011** | **-** | **-** | **35,540** | **46,401** | **81,941** |
| As at Dec 31 2011 | | | | | |
| Gross value | - | - | 37,382 | 132,149 | **169,531** |
| Accumulated amortisation and impairment losses | - | - | (2,391) | (75,499) | **(77,890)** |
| **Net carrying amount as at Dec 31 2011** | **-** | **-** | **34,991** | **56,650** | **91,641** |

* Furthermore, the Company holds perpetual usufruct right to land obtained free of charge, which is disclosed exclusively as an off-balance-sheet item. As at December 31st 2011, the estimated value of this right amounted to PLN 338,347 thousand (PLN 338,370 thousand as at the end of 2010).

(PLN '000)

| **Dec 31 2010** | Development expense | Goodwill | Perpetual usufruct right to land – acquired against a consideration | Other intangible assets | **Total** |
|---|---|---|---|---|---|
| As at Jan 1 2010, net of accumulated amortisation and impairment losses | - | - | 36,289 | 32,665 | **68,954** |
| Increase | - | - | - | - | **-** |
| Decrease | - | - | (47) | (75) | **(122)** |
| Transfers from tangible assets under construction and between groups | - | - | 127 | 27,345 | **27,472** |
| Impairment losses | - | - | (360) | (116) | **(476)** |
| Amortisation for financial year | - | - | (469) | (13,418) | **(13,887)** |
| **As at Dec 31 2010, net of accumulated amortisation and impairment losses** | **-** | **-** | **35,540** | **46,401** | **81,941** |
| As at Jan 1 2010 | | | | | |
| Gross value | - | - | 37,339 | 80,845 | **118,184** |
| Accumulated amortisation and impairment losses | - | - | (1,050) | (48,180) | **(49,230)** |
| **Net carrying amount as at Jan 1 2010** | **-** | **-** | **36,289** | **32,665** | **68,954** |
| As at Dec 31 2010 | | | | | |
| Gross value | - | - | 37,417 | 107,611 | **145,028** |
| Accumulated amortisation and impairment losses | - | - | (1,877) | (61,210) | **(63,087)** |
| **Net carrying amount as at Dec 31 2010** | **-** | **-** | **35,540** | **46,401** | **81,941** |

### 12.1. Property, plant and equipment used under finance lease

| | Dec 31 2011 | | | | Dec 31 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| | Initial value of capitalised finance lease | Accumulated depreciation | Impairment loss | **Net carrying amount** | Initial value of capitalised finance lease | Accumulated depreciation | Impairment loss | **Net carrying amount** |
| Buildings and structures | - | - | - | **-** | - | - | - | **-** |
| Plant and equipment | - | - | - | **-** | - | - | - | **-** |
| Vehicles and other | 5,016 | (4,537) | (188) | **291** | 10,622 | (7,879) | (333) | **2,410** |
| | **5,016** | **(4,537)** | **(188)** | **291** | **10,622** | **(7,879)** | **(333)** | **2,410** |

(PLN '000)

## 12.2 Impairment losses on intangible assets

| | Development expense | Goodwill | Perpetual usufruct right to land – acquired against a consideration | Other intangible assets | **Total** |
|---|---|---|---|---|---|
| **As at Jan 1 2011** | - | - | 592 | 132 | **724** |
| Increase | - | - | 55 | 86 | **141** |
| Decrease | - | - | (2) | - | **(2)** |
| **As at Dec 31 2011** | **-** | **-** | **645** | **218** | **863** |
| **As at Jan 1 2010** | - | - | 232 | 16 | **248** |
| Increase | - | - | 360 | 116 | **476** |
| Decrease | - | - | - | - | **-** |
| **As at Dec 31 2010** | **-** | **-** | **592** | **132** | **724** |

(PLN '000)

## 13. NON-CURRENT FINANCIAL ASSETS AVAILABLE FOR SALE

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Unlisted shares (gross) | 7,994,459 | 7,811,102 |
| Listed shares available for sale (gross) | - | 78,000 |
| Other financial assets available for sale (gross) | 126,470 | 142,541 |
| **Total, gross** | **8,120,929** | **8,031,643** |
| | | |
| Unlisted shares (net)* | 6,386,736 | 6,203,823 |
| Listed shares available for sale (net)** | - | 130,720 |
| Other financial assets available for sale (net)* | 73,592 | 74,146 |
| **Total, net** | **6,460,328** | **6,408,689** |

* Net of impairment losses.
** Shares in Zakłady Azotowe of Tarnów and Centrozap Katowice, net of impairment losses.

“Other financial assets available for sale” include financial assets held for sale which could not be classified as current financial assets or non-current assets available for sale due to the fact that the time of their possible disposal was not known.

Following the sale of 4,000,001 shares in Zakłady Azotowe of Tarnów-Mościce S.A. on April 15th 2011, the item “Listed shares available for sale (gross)” decreased by PLN 78,000 thousand, which is the acquisition cost of shares in Zakłady Azotowe of Tarnów-Mościce S.A. (ZAT). In 2011, the result on valuation of the ZAT shares (a gain of PLN 64,200 thousand), previously disclosed in revaluation reserve, was charged to the income statement.

Under “Other financial assets available for sale”, the Company discloses, among other items, shares in POGC Libya BV. As at December 31st 2011, the Company's equity interest in POGC Libya BV was EUR 65,520 thousand (PLN 289,389 thousand, translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011). As at December 31st 2011, the value of the interest as disclosed in the Company’s books was PLN 291,922 thousand.

Given the current situation in Libya, which is POGC Libya BV's principal place of business, there is a risk that shares in this company might become permanently impaired.

Because of the events which have been taking place in Libya since mid-February, the Management Board of POGC Libya BV made a decision to evacuate all international personnel from the country and to set up a temporary office in Warsaw. The international personnel of most of the subcontractors was also evacuated. Meanwhile, the Tripoli office is operated by local employees and remains open. As required under the Exploration and Production Sharing Agreement (EPSA), the company notified National Oil Corporation in Libya of the occurrence of a force majeure, which provides the basis for an extension of the term to perform obligations under the agreement. Once the force majeure ceases to apply, the parties have the obligation to enter into negotiations to set a new deadline for performance of the contractual obligations. As future developments are currently difficult to predict, the Management Board of POGC Libya BV is monitoring the situation in Libya and in the region and will make appropriate decisions and take required actions depending on the circumstances.

Considering the above, as at December 31st 2011 the Company did not recognise an impairment loss on the POGC Libya BV shares.

## 14. OTHER FINANCIAL ASSETS

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Finance lease receivables (Note 14.1.) | 44,432 | 30,538 |
| Loans advanced | 2,849,187 | 2,230,126 |
| Amounts receivable under sale of tangible assets | 7,165 | 6,673 |
| Other non-current investments | 31 | 17 |
| Other | 35 | 47 |
| **Total, gross** | **2,900,850** | **2,267,401** |
| Impairment loss | - | (6,600) |
| **Total, net** | **2,900,850** | **2,260,801** |

### 14.1. Finance lease

With a view to implementing the PGNiG Restructuring and Privatisation Programme adopted by the Polish Council of Ministers on October 5th 2004, a lease agreement was executed on July 6th 2005 between PGNIG SA and OGP Gaz - System Sp. z o.o. (currently OGP Gaz - System S.A.). The transmission business was unbundled from the production and trading business by way of leasing of the transmission assets to Gaz-System SA. The leased assets include real estate, movables, and economic rights.

(PLN '000)

The agreement was concluded for 17 years. Following the adoption of “Poland's Energy Policy until 2030” by the Council of Ministers on November 9th 2009, the agreement on lease of the transmission system between PGNIG SA and OGP GAZ-SYSTEM S.A. had to be terminated early through the provision of a dividend in kind in 2011. The dividend in kind for 2010 was provided on October 6th 2011. Moreover, as PGNIG SA and OGP GAZ-SYSTEM S.A. had agreed, the Operating Lease Agreement was terminated by mutual consent on October 7th 2011 after obtaining all the required authorisations, including corporate approvals.

As at the commencement of the lease term, the present value of minimum lease payments exceeded 90% of the fair value of the leased assets. As a result, the lease was recognised as finance lease, in accordance with IAS 17. The lease payment comprised principal and interest. The interest portion was determined on the basis of 3M WIBOR effective in the month preceding the month for which the lease payment was charged, plus margin.

Proceeds under transmission system lease agreement:

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Interest payment | 1,702 | 14,414 |
| Principal payment | 1,881 | 15,865 |
| **Total** | **3,583** | **30,279** |

The table below presents finance lease receivables by payment periods.

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| - less than 1 year | 2,854 | 2,335 |
| - 1 to 5 years | 9,437 | 9,549 |
| - over 5 years | 34,995 | 20,989 |
| **Total, including:** | **47,286** | **32,873** |
| - current receivables | 2,854 | 2,335 |
| - non-current receivables | 44,432 | 30,538 |

## 15. DEFERRED TAX ASSETS

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Provisions for length-of-service awards and severance pays | 21,966 | 21,706 |
| Provision for unused holidays | 2,673 | 2,182 |
| Provision for gas pitch | 8,062 | 11,160 |
| Provision for well decommissioning costs | 116,112 | 115,765 |
| Other provisions | 18,193 | 19,611 |
| Impairment losses on tangible assets | 78,688 | 82,150 |
| Impairment losses on shares | 8,896 | 11,844 |
| Other impairment losses | 627 | 614 |
| Accrued interest on loans and liabilities | 1,966 | 1,163 |
| Unpaid salaries and wages, including contributions to the Social Insurance Institution (ZUS) | 344 | 208 |
| Valuation of forward contracts | 86,620 | 23,903 |
| Valuation of listed shares | - | - |
| Connection charge | 270 | 289 |
| Other | 3,045 | 852 |
| **Total** | **347,462** | **291,447** |

(PLN '000)

## 16. OTHER NON-CURRENT ASSETS

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Commissions on loans, borrowings, notes, guarantees, etc. | 14,346 | 10,839 |
| Charges for establishment of mining usage rights | 16,669 | 6,114 |
| Connection charge | 8,020 | 5,372 |
| Access to geological information | 33,079 | 27,877 |
| Costs of future advertising and marketing activities | 69 | 1 |
| Other prepayments and accrued income | 4,156 | 1,354 |
| **Total** | **76,339** | **51,557** |

## 17. INVENTORIES

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Materials | | |
| at cost, including: | 1,893,807 | 875,096 |
| - gas fuel | 1,761,777 | 753,078 |
| at net realisable value, including: | 1,890,505 | 871,865 |
| - gas fuel | 1,761,777 | 753,078 |
| Semi-finished products and work in progress | | |
| at cost | - | - |
| at net realisable value | - | - |
| Finished products | | |
| at cost | 6,524 | 7,064 |
| at net realisable value | 6,524 | 7,064 |
| Goods for sale | | |
| at cost | 358 | 420 |
| at net realisable value | 358 | 420 |
| **Total inventories, at the lower of cost or net realisable value** | **1,897,387** | **879,349** |

### 17.1. Change in inventories in period

| | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| **Inventories at cost, at beginning of period** | 882,580 | 1,114,300 |
| Purchase | 16,909,929 | 12,914,952 |
| Other increases | 12,847 | 13,032 |
| Inventories charged to expenses of period | (15,516,227) | (12,601,036) |
| Sale | (7,515) | (7,458) |
| Other decreases | (380,925) | (551,210) |
| **Inventories at cost, at end of period** | **1,900,689** | **882,580** |

## 18. TRADE AND OTHER RECEIVABLES

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Trade receivables from other entities | 3,037,957 | 3,605,015 |
| Trade receivables from related entities | 32,207 | 106,005 |
| VAT receivable | 256,427 | 297,765 |
| Taxes, customs duties and social security receivable | 8,333 | 4,553 |
| Matured portion of loans advanced to related entities | 303,006 | 136,989 |
| Finance lease receivables | 2,854 | 2,335 |
| Other receivables from related entities | 105,524 | 87,271 |
| Other receivables | 117,441 | 73,345 |
| **Total gross receivables** | **3,863,749** | **4,313,278** |
| **Impairment loss on doubtful receivables (Note 18.1)** | **(693,444)** | **(1,018,230)** |
| **Total net receivables** | **3,170,305** | **3,295,048** |
| including: | | |
| Trade receivables from other entities | 2,564,877 | 2,776,108 |
| Trade receivables from related entities | 32,199 | 59,429 |
| VAT receivable | 256,427 | 297,764 |

(PLN '000)

| | | |
|---|---|---|
| Taxes, customs duties and social security receivable | 8,333 | 4,553 |
| Matured portion of loans advanced to related entities | 274,184 | 112,967 |
| Finance lease receivables | 2,854 | 2,335 |
| Other receivables from related entities | 19,843 | 1,571 |
| Other receivables | 11,588 | 40,321 |

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

### 18.1. Impairment losses on receivables

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Impairment losses at beginning of period | (1,018,230) | (1,025,423) |
| Increase in impairment losses | (47,490) | (90,862) |
| Reversal of impairment losses | 201,664 | 80,538 |
| Use of impairment losses | 172,262 | 19,717 |
| Transfers between current and non-current portions | (1,650) | (2,200) |
| **Impairment losses at end of period** | **(693,444)** | **(1,018,230)** |

## 19. CURRENT INCOME TAX

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Current income tax payable at beginning of period | 135,705 | - |
| Change in current income tax receivable | 5,320 | (161,546) |
| Current income tax receivable at beginning of period | - | 161,546 |
| Current income tax receivable at end of period | 5,320 | - |
| Income tax (expense in the period) | 267,501 | 377,501 |
| Income tax paid in the period | (408,526) | (80,250) |
| **Current income tax payable at end of period** | **-** | **135,705** |

## 20. ACCRUALS AND DEFERRALS

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Property insurance | 1,896 | 268 |
| Commissions on loans, borrowings, notes, guarantees, etc. | 11,948 | 7,590 |
| Rents and lease charges payable in advance | 902 | 305 |
| Access to geological information | 4,825 | 3,763 |
| Software maintenance and upgrades | 1,812 | 3,861 |
| Charges for establishment of mining usage rights | 893 | 256 |
| Costs of future advertising and marketing activities | 394 | 825 |
| Connection charge | 8,477 | 367 |
| Hotel management | 348 | - |
| Other expenses settled over time | 1,796 | 1,568 |
| **Total** | **33,291** | **18,803** |

## 21. CURRENT FINANCIAL ASSETS AVAILABLE FOR SALE

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Unlisted shares (gross) | - | - |
| Investment fund units (gross) | - | - |
| Treasury bonds and bills (gross) | - | - |
| **Total, gross** | **-** | **-** |
| | | |
| Unlisted shares (net) | - | - |
| Investment fund units (net) | - | - |
| Treasury bonds and bills (net) | - | - |
| **Total, net** | **-** | **-** |

* Net of impairment losses.

## 22. CASH AND CASH EQUIVALENTS

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Cash in hand and at banks | 50,639 | 33,290 |
| Bank deposits | 881,770 | 530,502 |
| Highly liquid short-term securities * | - | - |
| Other cash** | 2,206 | 2,062 |
| **Total** | **934,615** | **565,854** |

* Bills (treasury, NBP bills, etc.), deposit certificates maturing in less than three months.
** Cash in transit, cheques and third-party notes maturing in less than three months.

The Company has free cash deposited in bank accounts to ensure timely payment of liabilities towards business partners and the state budget.

## 23. NON-CURRENT ASSETS HELD FOR SALE

The table below presents items classified by the Company as non-current assets held for sale:

| Item (or group) of non-current assets | Expected disposal date | Net carrying amount as at Dec 31 2010 | Terms of disposal |
|---|---|---|---|
| Land | - | - | - |
| Buildings and structures | 2012 | 725 | tender |
| Plant and equipment | 2012 | 6 | tender |
| Vehicles and other | 2012 | 1 | tender |
| **Total** | | 732 | |

As at the end of the comparative period (end of 2010), the value of non-current assets held for sale was PLN 1,612 thousand.

## 24. SHARE CAPITAL

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Total number of shares (‘000) | 5,900,000 | 5,900,000 |
| Par value per share (PLN) | PLN 1 | PLN 1 |
| **Total share capital** | 5,900,000 | 5,900,000 |

(PLN '000)

## 25. BANK LOANS, BORROWINGS AND DEBT SECURITIES

| | Currency | Dec 31 2011 | Dec 31 2010 | Effective interest rate (%) | Maturity date | Dec 31 2011 | Dec 31 2010 | Security |
|---|---|---|---|---|---|---|---|---|
| **Non-current** | | Amount in original currency | | | | Amount in PLN | | |
| Finance lease | PLN | - | 9 | 10.00% | Mar 25 2012 | - | 9 | |
| Finance lease | PLN | - | 222 | 0.83% | May 30 2012 | - | 222 | |
| Finance lease | PLN | - | 48 | 1M Wibor 3.75% | Dec 4 2012 | - | 48 | |
| **Total non-current** | | | | | | - | **279** | |

| | Currency | Dec 31 2011 | Dec 31 2010 | Effective interest rate (%) | Maturity date | Dec 31 2011 | Dec 31 2010 | Security |
|---|---|---|---|---|---|---|---|---|
| **Current** | | Amount in original currency | | | | Amount in PLN | | |
| Notes | PLN | 2,296,857 | - | 1M Wibor+0.8% | Jan 9 2012 | 2,296,856 | - | |
| Notes | PLN | 498,786 | - | 1M Wibor+0.8% | Jan 16 2012 | 498,785 | - | |
| Notes | PLN | 497,949 | - | 1M Wibor+0.8% | Jan 27 2012 | 497,949 | - | |
| Finance lease | PLN | 48 | - | 1M Wibor | Dec 15 2012 | 48 | - | |
| Finance lease | PLN | 10 | 941 | 10.00% | Mar 25 2012 | 10 | 941 | |
| Finance lease | PLN | - | 450 | 10.00% | Nov 20 2011 | - | 450 | |
| Finance lease | PLN | - | 240 | 2.77% | Jul 21 2011 | - | 240 | |
| Finance lease | PLN | 222 | 619 | 0.83% | May 30 2012 | 222 | 619 | |
| Finance lease | PLN | - | 51 | 0.83% | Nov 30 2011 | - | 51 | |
| Finance lease | PLN | - | 43 | 1M Wibor 3.75% | Dec 4 2012 | - | 43 | |
| Notes | PLN | - | 19,947 | 1M Wibor + 0.95 | Jan 21 2011 | - | 19,947 | |
| Notes | PLN | - | 59,923 | 1M Wibor + 1 | Jan 5 2011 | - | 59,923 | |
| Notes | PLN | - | 39,970 | 1M Wibor + 0.99 | Jan 6 2011 | - | 39,970 | |
| Notes | PLN | - | 597,884 | 1M Wibor+1.15 | Jan 26 2011 | - | 597,884 | |
| Notes | PLN | - | 498,624 | 1M Wibor+1.15 | Jan 21 2011 | - | 498,624 | |
| Notes | PLN | 24,949 | - | 1M Wibor+1.5% | Jan 12 2012 | 24,949 | - | |
| Notes | PLN | 29,872 | - | 1M Wibor+1.5% | Jan 25 2012 | 29,872 | - | |
| Notes | PLN | 47,960 | - | 2T Wibor+1.50% | Jan 5 2012 | 47,960 | - | |
| Notes | PLN | 39,971 | - | 1M Wibor+0.6% | Jan 5 2012 | 39,971 | - | |
| Notes | PLN | 59,908 | - | 1M Wibor+0.6% | Jan 9 2012 | 59,908 | - | |
| Notes | PLN | 14,987 | - | 2T Wibor+1.50% | Jan 5 2012 | 14,987 | - | |
| Notes | PLN | 15,469 | - | 2T/1M Wibor+1.50% | Jan 12 2012 | 15,469 | - | |

(PLN '000)

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Notes | PLN | 8,965 | - | 2T/1M Wibor+1.50% | Jan 23 2012 | 8,965 | - |
| Notes | PLN | 54,851 | - | 2T/1M Wibor+1.50% | Jan 16 2012 | 54,851 | - |
| **Total current** | | | | | | **3,590,802** | **1,218,692** |

The Company also had access to credit facilities, listed in the note below.

(PLN '000)

### 25.1 Credit facilities granted and amounts undrawn under the credit facilities

| Bank | Dec 31 2011 | | Dec 31 2010 | |
|---|---|---|---|---|
| | Credit facilities granted | Undrawn amounts | Credit facilities granted | Undrawn amounts |
| Pekao S.A. | 40,000 | 40,000 | 40,000 | 40,000 |
| PKO BP S.A. | 40,000 | 40,000 | 40,000 | 40,000 |
| Bank Handlowy S.A. | 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 | 40,000 | 40,000 | 40,000 | 40,000 |
| **Total** | **280,000** | **280,000** | **280,000** | **280,000** |

The credit facilities, while not used in full, enhance the Company's ability to meet its current liabilities.

### 25.2. Maturity of finance lease liabilities (disclosed in liabilities)

| | 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** |

| | Dec 31 2010 | | |
|---|---|---|---|
| Maturing in: | (Discounted) payments disclosed in the statement of financial position | Interest | Actual lease payments due |
| up to 1 year | 2,343 | 80 | 2,423 |
| from 1 to 5 years | 280 | 10 | 290 |
| over 5 years | - | - | - |
| **Total** | **2,623** | **90** | **2,713** |

(PLN '000)

## 26. PROVISIONS

| | Provision for length-of-service awards and retirement severance pays | Provision for well decommi-ssioning costs | Provision for environmental protection liabilities | Provision for claims under extra-contractual use of land | Central Restructuring Fund | Dispute with PBG S.A. | Provision for employment streamlining and voluntary resignation programme | Other | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| As at Jan 1 2011 | 114,245 | 1,049,996 | 58,734 | 50,685 | 21,292 | - | - | 36,796 | **1,331,748** |
| Provisions recognised during the year | 10,849 | 78,386 | - | - | 5,000 | 21,773 | 8,636 | 60,509 | **185,153** |
| Transfers | - | - | - | - | - | - | - | - | **-** |
| Provisions used | (9,483) | (12,265) | (16,305) | (27,659) | (6,702) | - | - | (58,787) | **(131,201)** |
| **As at Dec 31 2011** | **115,611** | **1,116,117** | **42,429** | **23,026** | **19,590** | **21,773** | **8,636** | **38,518** | **1,385,700** |
| Non-current | 96,731 | 1,101,894 | 37,128 | - | - | - | - | 14,834 | **1,250,587** |
| Current | 18,880 | 14,223 | 5,301 | 23,026 | 19,590 | 21,773 | 8,636 | 23,684 | **135,113** |
| **As at Dec 31 2011** | **115,611** | **1,116,117** | **42,429** | **23,026** | **19,590** | **21,773** | **8,636** | **38,518** | **1,385,700** |
| Non-current | 98,759 | 1,017,925 | 44,507 | - | - | - | - | 14,294 | **1,175,485** |
| Current | 15,486 | 32,071 | 14,227 | 50,685 | 21,292 | - | - | 22,502 | **156,263** |
| **As at Dec 31 2010** | **114,245** | **1,049,996** | **58,734** | **50,685** | **21,292** | **-** | **-** | **36,796** | **1,331,748** |

The technical rate adopted to calculate the discounted value of the future retirement severance pay obligations was 2.8%, as the resultant of the 5.87% annual return on assets and the 3.0% forecast annual salary growth (at the end of 2010 the adopted technical rate was 3%, as the resultant of 6.07% and 3.0%, respectively).

In 2011, a discount rate of 3.29% was applied to calculate the provision for well decommissioning costs incurred, as the resultant of the 5.87% 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 2010 the adopted discount rate was 3.48%, as the resultant of 6.07% and 2.5%, respectively).

(PLN '000)

The provision for the dispute with PBG S.A. is related to PBG S.A.'s claim of June 27th 2011 for payment of a disputed amount, representing the equivalent of the contractual penalties for delays in the performance of a contract, deducted by PGNIG SA from the consideration paid to PBG S.A.
The Company believes that the claim is unjustified due to the fact that the deliverable under the contract handed over by the contractor had material defects, and due to actual, material delays in the performance of the contract, which constituted grounds for charging the contractual penalties. However, acting in accordance with the prudence principle, the Company recognised a provision for above expenses in the accounting books as at the end of 2011.

As at the end of 2011, the Company carried a provision for costs of implementation of employment streamlining and voluntary resignation programmes. The provision was recognised on the basis of the Voluntary Resignation Programme and the Employment Streamlining Plan adopted and announced by the Company. The objective behind these initiatives is to enhance the efficiency of the Company's operation and reduce operating costs.

Long-term provisions have been discounted using a discount of 3.29%.

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

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| **Length-of-service awards** | | |
| Value of obligation shown in the statement of financial position at beginning of period | 68,985 | 69,259 |
| Interest cost | 2,070 | 2,078 |
| Current service cost | 2,605 | 2,904 |
| Benefits paid | (18,015) | (17,382) |
| Actuarial gain/loss | 10,882 | 12,126 |
| Gains/losses due to curtailments or settlements | - | - |
| Value of obligation shown in the statement of financial position at end of period | **66,527** | **68,985** |
| **Retirement severance pays** | | |
| Value of obligation shown in the statement of financial position at beginning of period | 45,260 | 42,506 |
| Current service cost | 2,879 | 2,323 |
| Interest cost | 1,796 | 1,735 |
| Net actuarial gain/loss recognised during the year | 477 | 490 |
| Benefits paid | (2,060) | (2,525) |
| Past service cost | 732 | 731 |
| Gains/losses due to curtailments or settlements | - | - |
| Value of obligation shown in the statement of financial position at end of period | **49,084** | **45,260** |
| **Total value of obligation shown in the statement of financial position at end of period** | **115,611** | **114,245** |

## 27. DEFERRED INCOME

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| **Non-current** | | |
| Net value of gas service lines acquired free of charge | - | 201 |
| Connection charge | 1,394 | 1,497 |
| Deferred income – uncollected gas fuel | 6,421 | 10,609 |
| Contractual penalties | - | - |
| Deferred income related to leased tangible assets | 33,673 | 25 |
| Grant | 214,199 | 63,827 |
| Other | 857 | 34 |
| **Total non-current** | **256,544** | **76,193** |
| **Current** | | |
| Gas sales forecast | - | - |
| Connection charge | 26 | 26 |
| Accrued penalties | 44 | 715 |
| Land sold | - | - |

| | | |
|---|---|---|
| Grants | 167 | 4 |
| Advance invoices | 652 | 2,665 |
| Deferred income – uncollected gas | 1,181 | 57 |
| Other | 47 | 91 |
| **Total current** | **2,117** | **3,558** |

### Grants

The Company carries out EU co-financed projects the purpose of which is to expand the capacities of gas storage facilities.

As at December 31st 2011, the Company recorded PLN 106,597 thousand (PLN 63,815 thousand as at the end of 2010) of received co-financing for the Wierzchowice Underground Gas Storage Facility, PLN 34,223 thousand of co-financing for the Strachocina Underground Gas Storage Facility and PLN 9,564 thousand of co-financing for the Kosakowo Underground Gas Storage Facility.

These amounts have been recognised in deferred income and will be released to operating income gradually in proportion to the depreciation charges on the tangible assets financed.

## 28. DEFERRED TAX LIABILITY

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Foreign exchange gains | - | - |
| Accrued interest | 24,508 | 6,135 |
| Valuation of hedging instruments | 37,172 | 4,361 |
| Income related to tax obligation arising in subsequent month | 11,379 | 20,220 |
| Difference between tax and accounting value of non-current assets | 418,858 | 450,806 |
| Valuation of financial instruments | - | 10,017 |
| Other | 3,748 | - |
| **Total** | **495,665** | **491,539** |

## 29. OTHER NON-CURRENT LIABILITIES

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Liabilities under licences, rights to geological information and mining usage rights | 15,940 | 14,829 |
| Other non-current liabilities | 626 | 26 |
| **Total** | **16,566** | **14,855** |

## 30. TRADE AND OTHER PAYABLES

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Trade payables to other entities | 761,927 | 769,238 |
| Trade payables to related entities | 514,119 | 472,398 |
| VAT payable | 904,130 | 823,836 |
| Other taxes, customs duties and social security contributions payable | 54,815 | 50,570 |
| Wages and salaries payable | 1,043 | 1,184 |
| Amounts payable for unused holidays | 14,071 | 11,482 |
| Amounts payable under purchase of non-financial non-current assets | 185,575 | 397,299 |
| Amounts payable under purchase of non-financial non-current assets from related entities | 82,142 | 170,676 |
| Additional contribution to equity payable under a relevant resolution | 84,552 | 84,552 |
| Other amounts payable to related entities | 1,475 | 1,211 |
| Other amounts payable to other entities | 22,780 | 15,762 |
| Accruals and deferred income and prepaid deliveries to other entities | 48,272 | 38,166 |
| Accruals and deferred income and prepaid deliveries to related entities | 1 | - |
| **Total** | **2,674,902** | **2,836,374** |
| Including related entities (Note 37.2.) | 682,289 | 728,837 |

(PLN '000)

## 31. CAUSES OF DIFFERENCES BETWEEN CHANGES IN CERTAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION AND CHANGES IN THESE ITEMS AS SHOWN BY THE STATEMENT OF CASH FLOWS

| **Change in cash** | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| 1) Cash in statement of financial position at beginning of period | 565,854 | 425,243 |
| a) Net foreign exchange gains (losses) on cash at beginning of period* | - | - |
| **Cash and cash equivalents in statement of cash flows at beginning of period (1-a)** | **565,854** | **425,243** |
| 2) Cash in statement of financial position at end of period | 934,615 | 565,854 |
| b) Net foreign exchange gains (losses) on cash at end of period | - | - |
| **Cash and cash equivalents in statement of cash flows at end of period (2-b)** | **934,615** | **565,854** |
| **I. Change in cash in statement of financial position (2-1)** | **368,761** | **140,611** |
| II. Change in net foreign exchange gains (losses) on cash (b-a) | - | - |
| **Change in cash in statement of cash flows (I. - II.)** | **368,761** | **140,611** |

* A negative value means net foreign exchange losses on cash which reduce the cash balance in the statement of financial position. In the statement of cash flows, these foreign exchange differences are eliminated.

| **Change in receivables** | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| **Change in net receivables and other financial assets in statement of financial position** | (515,306) | (74,431) |
| Change in lease receivables – adjustment to investment activity | 14,414 | (273,506) |
| Change in receivables under additional contributions to equity | - | - |
| Change in investment receivables under sale of intangible assets and property, plant and equipment | 3,931 | (480) |
| Change in receivables attributable to reclassification of loans | 786,878 | 7,219 |
| Change in prepayments | (29,795) | (34,589) |
| Other | 14,321 | - |
| **Change in net receivables in statement of cash flows** | **274,443** | **(375,787)** |

| **Change in inventories** | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| **Change in inventory in statement of financial position** | (1,018,037) | 230,870 |
| Tangible assets under construction transferred to inventory - adjustment to investment activity | - | - |
| **Change in inventory in statement of cash flows** | **(1,018,037)** | **230,870** |

| **Change in provisions** | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| **Change in provisions in statement of financial position** | 53,952 | 112,729 |
| Change in provision for well decommissioning costs which adjusts property, plant and equipment - adjustment to investment activity | (64,419) | (114,513) |
| **Change in provisions in statement of cash flows** | **(10,467)** | **(1,784)** |

(PLN '000)

| **Change in current liabilities** | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| **Change in current liabilities in statement of financial position** | (161,472) | 554,095 |
| Change in investment liabilities under purchase of intangible assets and property, plant and equipment | 300,258 | (234,480) |
| Change in non-current liabilities | 1,710 | (1,683) |
| Other | - | - |
| **Change in current liabilities in statement of cash flows** | **140,496** | **317,932** |

| **Change in other assets and prepayments** | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| **Change in other assets and prepayments in statement of financial position** | (39,270) | (25,098) |
| Change in lease prepayments – adjustment to investment activity | - | 54 |
| Change in prepayments under expense (fees and commissions) related to the note issuance programme – adjustment to investment activity | 7,881 | 18,428 |
| **Change in other assets and prepayments in statement of cash flows** | **(31,389)** | **(6,616)** |

| **Change in deferred income** | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| **Change in deferred income in statement of financial position** | **178,910** | **75,347** |
| Change in deferred lease income – adjustment to investment activity | (33,648) | 31 |
| Change in deferred income – contribution adjustment – adjustment to investment activity | - | 27 |
| Change in deferred income – grants received for tangible assets – adjustment to investment activity | (150,384) | (63,816) |
| Change in deferred income – tangible assets received free of charge – adjustment to investment activity | (11) | |
| **Change in deferred income in statement of cash flows** | **(5,133)** | **11,589** |

(PLN '000)

## 32. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT POLICY

### 32.1. Financial instruments by category (net carrying amounts)

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Financial assets at fair value through profit or loss | - | - |
| Financial assets available for sale (unlisted shares) | 6,460,328 | 6,277,969 |
| Financial assets available for sale (listed shares) | - | 130,720 |
| Financial investments held to maturity | - | - |
| Loans and receivables | 6,688,134 | 6,457,855 |
| Positive value of derivatives* | 284,531 | 77,635 |
| Financial liabilities at amortised cost | 5,308,211 | 3,183,128 |
| Negative value of derivatives* | 416,836 | 104,443 |

*Since April 1st 2009, the Company has applied hedge accounting in accordance with IAS 39.

The disclosed values of financial instruments are equal or nearly equal to their respective fair values. Therefore, the values disclosed in the table above are deemed identical to the respective fair values.

### 32.2. Net gains and losses relating to financial assets and liabilities

| | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| Financial assets at fair value through profit or loss | - | - |
| Financial assets available for sale | | |
| Impairment recognised in profit or loss for period | 1,381 | 55 |
| Financial investments held to maturity | - | - |
| Loans and receivables | | |
| Interest on deposits, BSB, REPO | 16,310 | 15,008 |
| Interest on receivables* | 78,521 | 90,746 |
| Interest on loans advanced | 153,806 | 178,783 |
| Net income from short-term securities | - | - |
| Impairment losses on receivables | 80,971 | 58,090 |
| Impairment losses on loans | 3,204 | (748) |
| Foreign currency measurement of loans advanced in foreign currencies | 263,867 | 36,232 |
| Positive value of derivatives | 542,351 | 196,079 |
| Financial liabilities at amortised cost | (478) | (3,266) |
| Negative value of derivatives | (393,042) | (387,316) |
| **Total effect on profit or loss** | **746,891** | **183,663** |

* Including PLN 1,702 thousand of interest on finance lease receivables (PLN 14,421 thousand in 2010).

| | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| Financial assets available for sale (valuation recognised directly in equity) | (52,720) | 71,160 |
| Valuation of hedging instruments (valuation recognised directly in equity) | 134,779 | (42,036) |
| **Total effect on equity** | **82,059** | **113,139** |

The revaluation of financial assets available for sale recognised directly in equity relates to shares in Zakłady Azotowe w Tarnowie-Mościcach S.A.

(PLN '000)

### 32.3. Financial risk management objectives and policies

In its business activities, the Company is exposed to financial risk, including in particular the following types of risk:

- credit risk,
- market risk, including:
  - interest rate risk,
  - foreign exchange risk,
  - commodity price risk,
- liquidity risk.

***Credit risk***

The Company defines credit risk as the likelihood of failure by the counterparty to meet its obligations on time or failure to meet such obligations at all. The credit risk resulting from a third party's inability to perform its obligations under a contract concerning financial instruments is generally limited to the amounts, if any, by which a third party's liabilities exceed the Company's liabilities. As a rule, the Company concludes transactions in financial instruments with multiple entities with high credit worthiness. The Company's key criteria for the selection of counterparties include their financial standing as confirmed by rating agencies, as well as their market shares and reputation.

The Company is exposed to credit risk in connection with:

- loans advanced,
- trade receivables,
- investment transactions,
- financial guarantees issued, and
- transactions in financial derivatives.

The maximum exposures to credit risk for individual financial instrument categories are presented below.

**Maximum exposure to credit risk**

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Loans advanced | 3,152,193 | 2,367,115 |
| Deposits with other entities (bank deposits, BSB, REPO) | 3,347,615 | 3,911,229 |
| Trade receivables | 881,770 | 530,502 |
| Positive value of derivatives | 284,531 | 77,635 |
| Financial guarantees issued | 10,540,950 | 2,816,431 |
| **Total** | **18,207,059** | **9,702,912** |

Exposure to credit risk under loans advanced is exclusively attributable to loans advanced to the PGNiG Group subsidiaries. Loans to those entities are advanced in line with the internal procedure "PGNIG SA's Lending Policy with Respect to the Group Entities and Entities in which PGNIG SA Holds Equity Interests". The policy defines detailed rules governing execution and monitoring of loan agreements, thus minimising the Company's exposure to credit risk under such agreements. Loans are advanced if the borrower meets a number of conditions and provides appropriate security. The credit risk under such agreements is further materially mitigated by the fact that the subsidiaries' operations serve the common interests of the PGNiG Group.

The highest credit risk, in value terms, is related to receivables. A significant part of receivables are receivables under sales of gas fuel.

In order to minimise the risk of uncollectible receivables under sale of gas fuel, uniform rules designed to secure trade receivables have been implemented, to be followed while concluding agreements for the sale of gas fuel.

Prior to the conclusion of a sale agreement with a significant value, the financial standing of a potential customer is reviewed and analysed based on generally available financial data (checking Registers of Debtors) in order to determine the customer's creditworthiness. If a customer is found to be entered in a register of debtors, PGNIG SA requires special security under the agreement.

The Company monitors on an ongoing basis customers' adherence to their contractual obligations related to financial settlements. Under most of the agreements, the customer is obliged to make advance payments by the dates provided for in the agreement. At the end of the contractual settlement period, the customer is obliged to make payment for gas fuel actually received by the deadline provided for in the agreement. The standard payment deadline is 14 days from the invoice issue date, but other payment deadlines are also used.

In 2011, PGNiG SA introduced monitoring and assessment of the financial standing of customers who collect more than 1 million cubic metres of gas fuel per year, based on their financial documents, at specified intervals (once a quarter or once a year). The purpose of such assessment is to determine the financial standing of a customer buying more than 1 million cubic metres of gas fuel per year and to indentify the likelihood of any potential bankruptcy.

PGNIG SA uses the following contract performance security instruments:

- mortgage (ordinary mortgage (*hipoteka zwykła*) and ceiling mortgage (*hipoteka kaucyjna*)),
- bank guarantee,
- security deposit,
- ordinary or registered pledge,
- insurance guarantee,
- blank promissory note,
- statement on voluntary submission to enforcement under Art. 777 of the Polish Code of Civil Procedure,
- assignments of claims under long-term agreements,
- cash deposit placed in an account indicated by PGNIG SA,
- rating,
- surety.

With respect to new agreements, the selection of a security instrument is agreed between PGNIG SA and the customer. As part of the mandatory harmonisation of concluded agreements with the requirements of the Polish Energy Law, the Company enters into negotiations with certain customers with a view to creating or strengthening contract performance security.

The balance of receivables from customers is monitored on an ongoing basis, in line with internal procedures applicable at the Company. If a customer's failure to make a payment when due has been identified, the Company takes appropriate measures to collect the debt.
The debt-collection measures are governed by "The Guidelines for Monitoring and Collection of Receivables from Customers Buying Gas/Crude Oil/Other Products" and "Interest Receivable Management Procedure". During debt collection, legal tools are used and debt-collection measures are taken to assess the level and causes of associated risk. In this respect, standard steps of debt-collection are taken: a payment demand, a telephone call to the customer, notice and discontinuance of gas fuel supply with simultaneous termination of the agreement under Art. 6.3a of the Polish Energy Law. If these measures fail, the Company files a suit with the court and files and application to enter the customer in the National Register of Debts maintained by Biuro Informacji Gospodarczej S.A. of Wrocław.
Statutory interest is charged on delayed payments.
In the event of a temporary deterioration in a customer's financial standing, at the customer's request, an agreement is concluded providing for the repayment of debt in instalments and simultaneously negotiations are undertaken to receive additional contract performance security.
As a rule, no agreements on cancellation of principal and interest are currently concluded.
A customer's request for cancellation of interest (with a value exceeding the equivalent of EUR 5,000) is forwarded to the Supervisory Board for approval in line with corporate procedures.

As at December 31st 2011, receivables which are past due but not impaired, disclosed in the Company's statement of financial position, amounted to PLN 453,020 thousand (PLN 387,981 thousand as at the end of 2010).

(PLN '000)

Receivables past due but not impaired, as at the balance-sheet date – by length of delay

| **Period of delay** | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| up to 1 month | 363,510 | 320,242 |
| from 1 to 3 months | 54,538 | 52,133 |
| from 3 months to 1 year | 31,359 | 13,662 |
| from 1 to 5 years | 2,156 | 1,944 |
| over 5 years | 1,457 | - |
| **Total net past due receivables** | 453,020 | 387,981 |

The Company identifies, measures and minimises its credit exposure to individual banks with which it executes investment transactions. The reduction of credit exposure was achieved through diversification of the portfolio of counterparties (mainly banks) with which the Company executes investment transactions. Moreover, the Company has concluded Framework Agreements with all banks with which it invests funds. These Framework Agreements define detailed terms and conditions for execution and settlement of any financial transactions.

In 2011, the Company invested its significant long-term excess liquidity in risk-free highly liquid instruments, including in particular treasury bills and treasury bonds.
The Company measures the related credit risk by regularly reviewing the banks' financial standings, as reflected in ratings assigned by rating agencies such as Fitch, Standards&Poor's and Moody's.

The Company's credit risk under purchased guarantees is practically limited to risk of default of the bank at which the Company has purchased the guarantee. However, the banks at which the Company has purchased guarantees are reputable institutions with high ratings; therefore, both the probability of default and the associated credit risk to the Company are insignificant.

As in the case of the risk related to investment transactions, the risk under purchased guarantees is measured by way of regularly monitoring of the financial standing of the banks which issued the guarantees.

The exposure to credit risk under financial derivatives is equal to the net carrying amount of the positive valuation of the derivative (at fair value). As in the case of investment transactions, transactions in financial derivatives are executed with reputable banks, known for high financial standing. Moreover, with each of these banks the Company has concluded a Framework Agreement or an ISDA Agreement which define terms of cooperation and threshold amounts.

Owing to all those measures, the Company expects to incur no material loss due to credit risk to which it is exposed.

***Market risk***

The Company defines market risk as the probability that its financial performance will be adversely affected by changes in the financial and commodity markets.
The main objective of the market risk management is to identify, measure, monitor and mitigate key sources of risk, including:

- foreign exchange risk,
- interest-rate risk,
- commodity risk (related to gas and oil prices).

*Currency risk*

The Company defines currency risk as the probability that its financial performance will be adversely affected by changes in the price of one currency against another.

The non-current portion of the Company's financial receivables in 2011 was denominated in NOK and comprised a loan advanced to PGNiG Norway AS in the amount of NOK 4,560,000 thousand, to be repaid by December 20th 2021. The currency risk has been hedged by seven CCIRS transactions, which fully hedge the currency risk until 2014.

Trade payables under long-term contracts for gas fuel deliveries are denominated in the US dollar and the euro.
The scale of the Company's exposure to currency risk is significant, as further discussed in the section devoted to sensitivity analysis.

The hedging measures implemented by the Company are mainly intended to provide protection against the currency risk accompanying payments for gas fuel deliveries settled in foreign currencies. The Company's liabilities are hedged with call options, option strategies and forward transactions.

*Interest-rate risk*

The Group defines interest-rate risk as the probability that its financial performance will be adversely affected by changes in interest rates.

As at December 31st 2011, the item generating the largest exposure to interest-rate risk was the loan advanced to subsidiary PGNiG Norway AS. The Company has hedged the interest rate risk exposure from this loan by entering into seven CCIRS transactions, which fully hedge the risk until 2014.

The interest-rate risk associated with other advanced loans was not significant.

In addition, as at December 31st 2011, the Company had in issue corporate notes for an amount of PLN 3,300,000 thousand and intra-group notes for an amount of PLN 297,500 thousand. Given the short maturities of the notes and periodic determination of debt cost, the related interest rate risk is immaterial to the Company.

Market risk (including currency and interest-rate risk) is assessed by the Company on a daily basis, by monitoring VaR. VaR (Value at Risk) means that the maximum loss arising from a change in the market (fair) value will not exceed that value over the next n business days, given a specified probability level (e.g. 99%). VaR is estimated based on the variance–covariance approach, using the SAP System.

*Commodity risk*

The Company defines commodity risk as the probability that its financial performance will be adversely affected by changes in commodity prices.

The price risk connected with contracts for gas fuel deliveries is substantial. It stems from volatility in the prices of oil products quoted on petroleum exchanges. Under some of the contracts for gas fuel deliveries, the pricing formula relies on a weighted average of the prices from previous months, which mitigates the volatility risk.

In 2011, the Company thoroughly identified and hedged this risk category. To hedge its commodity price risk, the Company used Asian call options settled as European options, risk reversal option strategies and commodity swaps.

In addition, the Energy Law provides for the possibility of filing an application for tariff adjustment if, within a quarter, the purchase costs of gas fuel rise by more than 5%.

***Liquidity risk***

The main objective behind the liquidity risk management is to monitor and plan the liquidity levels on an ongoing basis. The liquidity levels are monitored through projections of future cash-flow, covering a period of at least 12 months, which are regularly updated (once a month). PGNiG reviews the actual cash flows against projections at regular intervals – an exercise which comprises an analysis of unmet cash-flow targets, as well as the related causes and effects. The liquidity risk should not be equated exclusively with the risk of loss of liquidity by the Company. An equally serious threat is that of having excess structural liquidity, which could adversely affect the Company's profitability.

The Company monitors and plans its liquidity levels on a continuous basis. In order to hedge the liquidity risk, as at December 31st 2011 the Company was party to credit facility agreements for up to PLN 280,000 thousand (PLN 280,000 thousand as at the end of 2010). For more details, see Note 25.1.

Additionally, in order to optimise cash management, on December 1st 2010 the Company concluded with Bank Handlowy w Warszawie S.A. a note issuance programme agreement for a total amount of PLN 397,270 thousand. The programme amount was increased by virtue of an annex of June 1st 2011 to PLN 1,000,000 thousand. The agreement is valid until November 30th 2013. Under the programme, PGNIG SA issues short-term discount notes for its excessively liquid distribution companies. The first issue was carried out on December 22nd 2010. As at the end of 2011, debt under notes issued to Group companies stood at PLN 297,500 thousand.

In order to improve its liquidity security, on June 10th 2010, the Company concluded a note issuance programme agreement with initially six banks (Bank Polska Kasa Opieki S.A., ING Bank Śląski S.A., PKO BP S.A., Bank Handlowy w Warszawie S.A., Societe Generale S.A., and BNP Paribas S.A.

(PLN '000)

Polish Branch). Under the programme, PGNIG SA may issue discount and coupon notes with maturities ranging from one month to twelve months. The original term of the agreement was until July 31st 2013 and its total value was PLN 3,000,000 thousand.

Under an annex to the agreement, signed on July 21st 2011, the maximum value of the notes issuance programme was increased to PLN 5,000,000 thousand and the end of its term was postponed to July 31st 2015. Another annex was executed on November 25th 2011. The value of the programme was increased to PLN 7,000,000 thousand and three banks, including BRE Bank S.A., Bank Zachodni WBK S.A., and Nordea Bank Polska S.A., joined the agreement. As at December 31st 2011, the debt under the agreement was PLN 3,300,000 thousand.

Additionally, on August 25th 2011, the Company signed the documentation for a medium-term Eurobond issue programme with Societe Generale SA, BNP Paribas SA and UniCredit Bank AG. The Eurobonds will be placed on the European market, and the value of the programme is EUR 1,200,000 thousand. The first tranche of the Eurobonds, worth EUR 500,000 thousand, was issued on February 10th 2012. Proceeds from the issue will be used to finance PGNIG SA's investment programme.

To avoid excess liquidity, the Company invests any excess cash mainly in high-yield treasury securities or places it on deposits with reputable banks.

The liquidity risk is regulated through a liquidity management procedure, implemented across the Company’s organisational units. The procedure streamlines measures designed to ensure proper liquidity management at the Company by: settlement of payments, preparation of cash-flow projections, optimum management of free cash flows, securing and restructuring of financing of day-to-day operations and investment projects, protection against the risk of a temporary liquidity loss due to unforeseen events, and servicing of credit agreements.

Liquidity risk is assessed through ongoing monitoring of cash flows, which takes into account the probable timing of the given cash flows and the net cash position target.

The tables below present a breakdown of financial liabilities by maturity.

Financial liabilities at amortised cost, by maturity

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| up to 1 year | 5,291,645 | 3,167,994 |
| from 1 to 5 years | 13,761 | 13,637 |
| over 5 years | 2,805 | 1,497 |
| **Total** | **5,308,211** | **3,183,128** |

In the current and comparative periods, the Company met its liabilities under loans and borrowings in a timely manner. Furthermore, there were no defaults under any of its agreements that would trigger accelerated repayment.

(PLN '000)

Derivative instruments by maturity

| | Net carrying amount as at Dec 31 2011* | Contractual cash flows, including: | up to 1 year | from 1 to 5 years | over 5 years |
|---|---|---|---|---|---|
| *- interest rate swaps (IRS) and forward contracts, used as risk hedging instruments* | (410,878) | (189,913) | 12,196 | (202,109) | - |
| - inflows | - | 2,642,145 | 118,253 | 2,523,892 | - |
| - outflows | - | (2,832,058) | (106,057) | (2,726,001) | - |
| *- forward transactions* | 59,218 | 64,561 | 64,561 | - | - |
| - inflows | - | 1,999,018 | 1,999,018 | - | - |
| - outflows | - | (1,934,457) | (1,934,457) | - | - |
| *- currency options*** | 73,599 | - | - | - | - |
| - inflows | - | - | - | - | - |
| - outflows | - | - | - | - | - |
| *- commodity options*** | 17,813 | - | - | - | - |
| - inflows | - | - | - | - | - |
| - outflows | - | - | - | - | - |
| *- commodity swaps**** | - | - | - | - | - |
| - inflows | - | - | - | - | - |
| - outflows | - | - | - | - | - |
| *- option premiums paid* | 127,943 | - | - | - | - |
| *- currency options* | 107,991 | - | - | - | - |
| *- commodity options* | 19,952 | - | - | - | - |
| **Total** | **(132,305)** | **(125,352)** | **76,757** | **(202,109)** | **-** |

| | Net carrying amount as at Dec 31 2010* | Contractual cash flows, including: | up to 1 year | from 1 to 5 years | over 5 years |
|---|---|---|---|---|---|
| *- interest rate swaps (IRS) and forward contracts, used as risk hedging instruments* | (97,874) | 29,242 | 65,626 | (36,384) | - |
| - inflows | - | 2,288,164 | 65,626 | 2,222,538 | - |
| - outflows | - | (2,258,922) | - | (2,258,922) | - |
| *- forward transactions* | - | - | - | - | - |
| - inflows | - | - | - | - | - |
| - outflows | - | - | - | - | - |
| *- currency options*** | (34,613) | - | - | - | - |
| - inflows | - | - | - | - | - |
| - outflows | - | - | - | - | - |
| *- commodity options*** | (7,626) | - | - | - | - |
| - inflows | - | - | - | - | - |
| - outflows | - | - | - | - | - |
| *- commodity swaps**** | 37,261 | - | - | - | - |
| - inflows | - | - | - | - | - |
| - outflows | - | - | - | - | - |

| | | | | | |
|---|---|---|---|---|---|
| *- option premiums paid* | 76,044 | - | - | - | - |
| - currency options | 59,249 | - | - | - | - |
| - commodity options | 16,795 | - | - | - | - |
| **Total** | **(26,808)** | **29,242** | **65,626** | **(36,384)** | **-** |

* Net carrying amount (positive valuation less negative valuation of the assets) represents the fair value, i.e. payments under swap contracts are discounted, whereas cash flows are shown at undiscounted amounts. CCIRS cash flows computed using the Exante system; interest payments are forecast.

** In the case of currency and commodity options, given their optional nature, or the fact that possible cash flows depend on the exchange rates or commodity prices prevailing on the market at the time when the option is exercised, no cash flows are shown.

*** Non-deliverable swaps, settled based on difference from to the average value.

The Company has not identified any other material risks inherent in its operations.

***Risk management policy***

To ensure effective financial risk management, on February 17th 2003 the Company's Management Board adopted the "Policy of Financial Risk Management at PGNIG SA", which defines the distribution of functions and responsibilities between individual organisational units of the Company in the process of managing and monitoring the financial risk.

The Management Board is responsible for the financial risk management at the Company and for ensuring compliance with the adopted policy.

The bodies responsible for compliance with the "Policy of Financial Risk Management at PGNIG SA" and periodic updates of the policy are:

- Risk Committee, which proposes amendments and updates of risk management policies, reviews the policies for their appropriateness from the point of view of Company's interest;
- Management Board, which is responsible for the formal approval of the policies.

On December 28th 2010, the PGNiG Management Board approved the "Procedure for Tax and Accounting Risk Management at PGNIG SA" which took effect on January 1st 2011. The procedure provides for rules to be followed while performing the tax and reporting obligations under tax legislation, as well as accounting and financial reporting obligations under the Polish Accountancy Act of September 29th 1994, secondary legislation issued thereunder, the IAS/IFRS and the disclosure requirements of the Warsaw Stock Exchange.

The procedure has been implemented with a view to optimising the process of PGNIG SA's performing its obligations in a manner which would take into consideration the Parent's multi-branch structure, segmental nature of PGNIG SA's accounting and distributed powers and responsibilities with respect to bookkeeping and tax settlements at PGNiG SA.

***Sensitivity analysis***

To determine a reasonable range of changes that may occur with respect to particular currency and interest rate risks, the Company used the market implied volatility level for a half-year period and assumed 15% as the average value for the purpose of the sensitivity analysis as at the end of 2011 with respect to exchange rates (for the end of 2010, the assumed volatility was also 15%), 100 bp with respect to interest rates (also 100 bp as at December 31st 2010 ) and 30% for energy commodity transactions (25% as at December 31st 2010). The half-year period reflects the frequency with which PGNIG SA discloses results of financial instrument sensitivity analyses in its reports.

Results of the analysis of sensitivity to currency risk carried out as at December 31st 2011 indicate that the net profit would have been higher by PLN 63,078 thousand, if the EUR, USD, NOK and other currencies appreciated against the złoty by 15%, other variables remaining constant (gain of PLN 91,171 thousand due to stronger USD, loss of PLN 17,394 thousand due to stronger EUR, loss of PLN 12,222 thousand due to stronger NOK, and gain of PLN 1,523 thousand due to the strengthening of other currencies). That would be attributable mainly to an increase in the positive valuation of derivatives denominated in USD and EUR, used to hedge the Company's trade liabilities. As far as NOK is concerned, profit would have been deteriorated by the slight excess of the losses on the valuation of derivatives hedging the loan advanced to PGNiG Norway AS over the foreign exchange gains from the valuation of this loan.

As at December 31st 2011, net profit would have been higher by PLN 34,535 thousand, if the EUR, USD, NOK and other currencies depreciated against the złoty by 15%, other variables remaining constant (loss of PLN 12,545 thousand due to weaker USD, gain of PLN 12,222 thousand due to depreciation of NOK, gain of PLN 36,381 thousand on the back of weaker EUR, and loss of PLN 1,523 thousand due to depreciation of other currencies). The positive change in net profit would have been due to a decrease in the value of liabilities denominated in EUR, which have been hedged mostly using derivatives with a linear payment profile, which in turn would have increased the effective portion of those hedges, which is recognised in equity, concurrently limiting the impact on the bottom line. Thanks to proper matching of hedging instruments with the hedged items (mainly a NOK-denominated loan under assets and USD-denominated trade liabilities), depreciation of these currencies would not have any material impact on the net result. This is due to the fact that as a major importer of gas fuel, the Company hedges its currency exposure related to appreciation of the US dollar. In the case of NOK, a rise in positive valuation of derivatives hedging the NOK/PLN exchange rate fluctuations would have more than offset the increase in foreign exchange losses on revaluation of the NOK-denominated loan advanced to subsidiary PGNiG Norway AS.

The loan advanced to PGNiG Norway AS was fully hedged by CCIRS transactions. The cash flows related to the loan and hedging transactions offset one another. As a result, the changes in positive (negative) valuation of the loan are offset by negative (positive) changes in the valuation of CCIRS transactions. In aggregate, the items are insensitive to the exchange rate and interest rate changes.

The results of the analysis of sensitivity to currency risk carried out as at December 31st 2010 indicate that the net profit would have been higher by PLN 66,920 thousand, if the EUR, USD, NOK and other currencies appreciated against the złoty by 15%, other variables being constant (gain of PLN 54,276 thousand on the back of stronger USD, gain of PLN 22,989 thousand due to stronger EUR, loss of PLN 10,880 thousand due to stronger NOK and gain of PLN 535 thousand due to the strengthening of other currencies). That would have been attributable mainly to an increase in positive valuation of derivatives denominated in USD and EUR, which hedge the Company's trade liabilities. As far as NOK is concerned, profit would have been deteriorated by the slight excess of the losses on the valuation of derivatives hedging the loan advanced to PGNiG Norway AS over the foreign exchange gains from the valuation of this loan.

As at December 31st 2010, the net profit would have been lower by PLN 2,309 thousand, if the EUR, USD, NOK and other currencies depreciated against the złoty by 15%, other variables being constant (gain of PLN 10,880 thousand due to weaker NOK and of PLN 165 thousand due to depreciation of EUR, vs. loss of PLN 12,818 thousand on the back of weaker USD and of PLN 535 thousand due to depreciation of other currencies). Such minor decline in profit would be due to proper matching of the amounts of hedging instruments with the amounts of hedged items (mainly a NOK-denominated loan under assets and trade liabilities denominated in USD and EUR). This is due to the fact that as a major importer of gas fuel, the Company hedges its currency exposure related to appreciation of the US dollar. In the case of NOK, a rise in positive valuation of derivatives hedging NOK/PLN exchange rate fluctuations would more than offset the increase in foreign exchange losses on revaluation of the NOK-denominated loan advanced to the Company's subsidiary PGNiG Norway AS.

The loan advanced to PGNiG Norway AS was fully hedged by CCIRS transactions. The cash flows related to the loan and hedging transactions offset one another. As a result, the changes in positive (negative) valuation of the loan are offset by negative (positive) changes in the valuation of CCIRS transactions. In aggregate, the items are insensitive to the exchange rate and interest rate changes.

The following pages present detailed information on the analysis of sensitivity of the Company's foreign currency denominated financial instruments to exchange rate fluctuations in 2011 and 2010.

(PLN '000)

## Sensitivity of financial instruments in foreign currencies to exchange rate fluctuations charged to income statement

| | Net carrying amount as at Dec 31 2011 | Currency risk | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Exchange rate change by:* | *15%* | | | | *-15%* | | | |
| | | *for EUR* | *for USD* | *for NOK* | *for other currencies* | *for EUR* | *for USD* | *for NOK* | *for other currencies* |
| **Financial assets** | | | | | | | | | |
| Financial assets available for sale | 835,188 | - | - | - | - | - | - | - | - |
| Other financial assets | 2,595,117 | - | 5 | 389,263 | - | - | (5) | (389,263) | - |
| Trade and other receivables | 183,865 | 779 | 9,371 | 17,272 | 157 | (779) | (9,371) | (17,272) | (157) |
| Financial assets held for trading | - | - | - | - | - | - | - | - | - |
| Derivative financial instrument assets | 243,275 | 27,549 | 143,590 | - | - | - | - | 421,521 | - |
| Cash and cash equivalents | 95,510 | 2,066 | 8,615 | 2 | 3,644 | (2,066) | (8,615) | (2) | (3,644) |
| **Effect on financial assets before tax** | | **30,394** | **161,581** | **406,537** | **3,801** | **(2,845)** | **(17,991)** | **14,984** | **(3,801)** |
| 19% tax | | (5,775) | (30,700) | (77,242) | (722) | 541 | 3,418 | (2,847) | 722 |
| **Effect on financial assets after tax** | | **24,619** | **130,881** | **329,295** | **3,079** | **(2,304)** | **(14,573)** | **12,137** | **(3,079)** |
| *Total currencies* | | *487,874* | | | | *(7,819)* | | | |
| **Financial liabilities** | | | | | | | | | |
| Loans, borrowings and debt securities (including finance lease) | - | - | - | - | - | - | - | - | - |
| Trade and other payables | 686,123 | 51,868 | 49,025 | 105 | 1,921 | (51,868) | (49,025) | (105) | (1,921) |
| Derivative financial instrument liabilities | 413,345 | - | - | 421,521 | - | 4,109 | 46,521 | - | - |
| **Effect on financial liabilities before tax** | | **51,868** | **49,025** | **421,626** | **1,921** | **(47,759)** | **(2,504)** | **(105)** | **(1,921)** |
| 19% tax | | (9,855) | (9,315) | (80,109) | (365) | 9,074 | 476 | 20 | 365 |
| **Effect on financial liabilities after tax** | | **42,013** | **39,710** | **341,517** | **1,556** | **(38,685)** | **(2,028)** | **(85)** | **(1,556)** |
| *Total currencies* | | *424,796* | | | | *(42,354)* | | | |
| ***Total increase/decrease*** | | **(17,394)** | **91,171** | **(12,222)** | **1,523** | **36,381** | **(12,545)** | **12,222** | **(1,523)** |
| ***Total currencies*** | | **63,078** | | | | **34,535** | | | |
| ***Exchange rates as at the balance-sheet date and their change:*** | | | | | | | | | |
| EUR/PLN | 4.4168 | - | 5.0793 | 5.0793 | 5.0793 | - | 3.7543 | 3.7543 | 3.7543 |
| USD/PLN | 3.4174 | 3.9300 | - | 3.9300 | 3.9300 | 2.9048 | - | 2.9048 | 2.9048 |
| NOK/PLN | 0.5676 | 0.6527 | 0.6527 | - | 0.6527 | 0.4825 | 0.4825 | - | 0.4825 |

* In the case of financial derivatives, the table presents only the effect of exchange rate fluctuations on the income statement. In connection with the implementation of hedge accounting at the Company in 2009, part of the changes in the valuation of financial derivatives will be charged to equity through other comprehensive income. The effect of fluctuations in exchange rates on this portion of financial derivatives is presented in a separate table herein below.
**The item includes shares which as of the end of 2009 the Company will disclose at historical value, therefore the change in exchange rates will not have a bearing on the valuation of those assets and the result for the period.

(PLN '000)

| | Net carrying amount as at Dec 31 2010 | Currency risk | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | *Exchange rate change by:* | *15%* | | | | *-15%* | | | |
| | | *for EUR* | *for USD* | *for NOK* | *for other currencies* | *for EUR* | *for USD* | *for NOK* | *for other currencies* |
| **Financial assets** | | | | | | | | | |
| Financial assets available for sale | 768,397 | - | - | - | - | - | - | - | - |
| Other financial assets | 1,976,789 | - | 2 | 296,516 | - | - | (2) | (296,516) | - |
| Trade and other receivables | 178,513 | 13,932 | 7,704 | 5,087 | 54 | (13,932) | (7,704) | (5,087) | (54) |
| Financial assets held for trading | - | - | - | - | - | - | - | - | - |
| Derivative financial instrument assets | 30,342 | 31,195 | 117,044 | - | - | - | - | 315,036 | - |
| Cash and cash equivalents | 55,723 | 1,140 | 6,389 | 1 | 829 | (1,140) | (6,389) | (1) | (829) |
| **Effect on financial assets before tax** | | **46,267** | **131,139** | **301,604** | **883** | **(15,072)** | **(14,095)** | **13,432** | **(883)** |
| 19% tax | | (8,791) | (24,916) | (57,305) | (168) | 2,864 | 2,678 | (2,552) | 168 |
| **Effect on financial assets after tax** | | **37,476** | **106,223** | **244,299** | **715** | **(12,208)** | **(11,417)** | **10,880** | **(715)** |
| *Total currencies* | | *388,713* | | | | *(13,460)* | | | |
| **Financial liabilities** | | | | | | | | | |
| Loans, borrowings and debt securities (including finance lease) | - | - | - | - | - | - | - | - | - |
| Trade and other payables | 548,263 | 17,885 | 64,132 | - | 222 | (17,885) | (64,132) | - | (222) |
| Derivative financial instrument liabilities | 103,579 | - | - | 315,036 | - | 2,610 | 65,863 | - | - |
| **Effect on financial liabilities before tax** | | **17,885** | **64,132** | **315,036** | **222** | **(15,275)** | **1,731** | **-** | **(222)** |
| 19% tax | | (3,398) | (12,185) | (59,857) | (42) | 2,902 | (329) | - | 42 |
| **Effect on financial liabilities after tax** | | **14,487** | **51,947** | **255,179** | **180** | **(12,373)** | **1,402** | **-** | **(180)** |
| *Total currencies* | | *321,793* | | | | *(11,151)* | | | |
| ***Total increase/decrease*** | | **22,989** | **54,276** | **(10,880)** | **535** | **165** | **(12,819)** | **10,880** | **(535)** |
| ***Total currencies*** | | **66,920** | | | | **(2,309)** | | | |
| ***Exchange rates as at the balance-sheet date and their change:*** | | | | | | | | | |
| EUR/PLN | 3.9603 | - | 4.5543 | 4.5543 | 4.5543 | - | 3.3663 | 3.3663 | 3.3663 |
| USD/PLN | 2.9641 | 3.4087 | - | 3.4087 | 3.4087 | 2.5195 | - | 2.5195 | 2.5195 |
| NOK/PLN | 0.5071 | 0.5832 | 0.5832 | - | 0.5832 | 0.4310 | 0.4310 | - | 0.4310 |

* In the case of financial derivatives, the table presents only the effect of exchange rate fluctuations on the income statement. In connection with the implementation of hedge accounting at the Company in 2009, part of the changes in the valuation of financial derivatives will be charged to equity through other comprehensive income. The effect of fluctuations in exchange rates on this portion of financial derivatives is presented in a separate table herein below.
**The item includes shares which as of the end of 2009 the Company will disclose at historical value, therefore the change in exchange rates will not have a bearing on the valuation of those assets and the result for the period.

(PLN '000)

**Analysis of derivatives' sensitivity to fluctuations of exchange rates charged to equity**

| | Dec 31 2011 | | | |
|---|---|---|---|---|
| *Exchange rate* | *for EUR* | *for USD* | *for EUR* | *for USD* |
| *Exchange rate change by:* | 15% | | -15% | |
| Effect on equity, before tax | 61,140 | 368,540 | (50,607) | (265,100) |
| 19% tax | (11,617) | (70,023) | 9,615 | 50,369 |
| Effect on financial assets/liabilities after tax | 49,523 | 298,518 | (40,992) | (214,731) |
| **Total** | **348,040** | | **(255,723)** | |

| | Dec 31 2010 | |
|---|---|---|
| *Exchange rate* | *for USD* | |
| *Exchange rate change by:* | 15% | -15% |
| Effect on equity, before tax | 53,830 | (11,506) |
| 19% tax | (10,228) | 2,186 |
| Effect on financial assets/liabilities after tax | 43,602 | (9,320) |

An analysis of derivatives' sensitivity to fluctuations of exchange rates charged to equity, as presented in the table above, indicates that a 15% increase in the USD/PLN and EUR/PLN exchange rates would cause an increase in equity through other comprehensive income. A 15% drop of the USD/PLN and EUR/PLN exchange rates would cause a reverse effect, that is a decrease in equity. This is attributable to the fact that to protect itself against an increase in liabilities and expenses under purchases of gas fuel in USD and EUR, the Company uses derivatives whose valuation (effective portion) is charged to equity.
The Company has analysed the sensitivity of energy commodity derivatives. For the purposes of the 2011 sensitivity analysis, a 30% volatility was assumed for the derivatives (25% as at December 31st 2010).

(PLN '000)

The tables below present an analysis of sensitivity of energy commodity derivatives to price fluctuations in 2011 and in 2010.

### Sensitivity of derivatives to commodity price fluctuations charged to income statement

| | Net carrying amount as at Dec 31 2011 | Price risk | | | |
|---|---|---|---|---|---|
| | *Price change by:* | *30%* | | *-30%* | |
| | | Gasoil | Fueloil | Gasoil | Fueloil |
| **Financial assets** | | | | | |
| Energy commodity derivative assets | 41,257 | 86,089 | 72,428 | - | - |
| **Effect on financial assets before tax** | | **86,089** | **72,428** | **-** | **-** |
| 19% tax | | (16,357) | (13,761) | - | - |
| **Effect on financial assets after tax** | | **69,732** | **58,667** | **-** | **-** |
| *Total commodities* | | *128,399* | | - | |
| **Financial liabilities** | | | | | |
| Energy commodity derivative liabilities | 3,492 | - | - | 47,955 | 67,500 |
| **Effect on financial liabilities before tax** | | **-** | **-** | **47,955** | **67,500** |
| 19% tax | | - | - | (9,112) | (12,825) |
| **Effect on financial liabilities after tax** | | **-** | **-** | **38,844** | **54,675** |
| *Total commodities* | | | - | *(93,519)* | |
| Total increase/decrease | | **69,732** | **58,667** | ***(38,844)*** | ***(54,675)*** |
| Total commodities | | ***128,399*** | | ***(93,519)*** | |

(PLN '000)

| | Net carrying amount as at Dec 31 2010 | Price risk | | | |
|---|---|---|---|---|---|
| | *Price change by:* | *25%* | | *-25%* | |
| | | Gasoil | Fueloil | Gasoil | Fueloil |
| **Financial assets** | | | | | |
| Energy commodity derivative assets | 47,293 | 39,614 | 11,625 | - | - |
| **Effect on financial assets before tax** | | **39,614** | **11,625** | **-** | **-** |
| 19% tax | | (7,527) | (2,209) | - | - |
| **Effect on financial assets after tax** | | **32,087** | **9,416** | **-** | **-** |
| *Total commodities* | | *41,503* | | | - |
| **Financial liabilities** | | | | | |
| Energy commodity derivative liabilities | 863 | - | - | (14,279) | (5,851) |
| **Effect on financial liabilities before tax** | | **-** | **-** | **(14,279)** | **(5,851)** |
| 19% tax | | - | - | 2,713 | 1,112 |
| **Effect on financial liabilities after tax** | | **-** | **-** | **(11,566)** | **(4,739)** |
| *Total commodities* | | | - | *(16,305)* | |
| Total increase/decrease | | ***32,087*** | ***9,416*** | ***(11,566)*** | ***(4,739)*** |
| Total commodities | | ***41,503*** | | ***(16,305)*** | |

The above tables present only the effect of price fluctuations on profit or loss. Some changes in the value of energy commodity derivatives affect directly equity.
The table below presents the effect of changes in energy commodity derivatives recognised in equity.

(PLN '000)

### Analysis of derivatives' sensitivity to fluctuations of commodity prices recognised in equity

| | Dec 31 2011 | | | |
|---|---|---|---|---|
| *Price change by:* | 30% | | -30% | |
| | Gasoil | Fueloil | Gasoil | Fueloil |
| Effect on equity, before tax | 42,153 | 54,377 | (47,276) | (3,644) |
| 19% tax | (8,009) | (10,332) | 8,982 | 692 |
| Effect on financial assets/liabilities after tax | **34,144** | **44,045** | **(38,294)** | **(2,952)** |

| | Dec 31 2010 | | | |
|---|---|---|---|---|
| *Price change by:* | 25% | | -25% | |
| | Gasoil | Fueloil | Gasoil | Fueloil |
| Effect on equity, before tax | 80,608 | 28,165 | (26,732) | (18,998) |
| 19% tax | (15,316) | (5,351) | 5,079 | 3,610 |
| Effect on financial assets/liabilities after tax | **65,292** | **22,814** | **(21,653)** | **(15,388)** |

The derivatives' sensitivity analysis to changes in prices of energy commodity derivatives charged to equity, presented in the above table, shows that a 30% increase (25% in 2010) in commodity prices would cause an increase in equity through other comprehensive income. A 30% drop (25% in 2010) of commodity prices would cause a reverse effect, that is a decrease in equity. This is attributable to the fact that the Company uses derivatives whose valuation (effective portion) is charged to equity to protect itself against an increase in prices of energy commodities, which represent the largest item of expenses in the Company's income statement.

The Company has performed a sensitivity analysis for financial instruments including floating interest rate advanced and contracted loans, issued notes and lease liabilities to interest rate changes by +/-100 basis points in 2011 (the range for 2010 was also +/-100 basis points).

As at December 31st 2011, the sensitivity of advanced loans to interest rate changes by +/-100 basis points was +/-PLN 4,131 thousand, while the sensitivity of liabilities under floating-rate loans, issued notes and leases to interest rate changes by +/-100 basis points was +/-PLN 35,908 thousand.

As at December 31st 2010, the sensitivity of advanced loans to interest rate changes by +/-100 basis points was +/-PLN 3,259 thousand, while the sensitivity of liabilities under floating-rate loans, issued notes and leases to interest rate changes by +/-100 basis points was +/-PLN 12,190 thousand.

### Sensitivity of financial instruments to interest rate changes

| | *Net carrying amount as at Dec 31 2011* | *Change by:* **+100 bp** | **-100 bp** |
|---|---|---|---|
| **Loans advanced*** | 413,139 | 4,131 | (4,131) |
| **Contracted loans** | - | - | - |
| **Notes issued** | 3,590,522 | 35,905 | (35,905) |
| **Lease liabilities** | 280 | 3 | (3) |
| **Total** | **4,003,941** | **40,039** | **(40,039)** |

*The item does not include a loan advanced to PGNiG Norway AS as the interest rate risk exposure from this loan is fully hedged.

| | *Net carrying amount as at Dec 31 2010* | *Change by:* **+100 bp** | **-100 bp** |
|---|---|---|---|
| **Loans advanced*** | 325,920 | 3,259 | (3,259) |
| **Contracted loans** | - | - | - |
| **Notes issued** | 1,216,348 | 12,164 | (12,164) |
| **Lease liabilities** | 2,623 | 26 | (26) |
| **Total** | **1,544,891** | **15,449** | **(15,499)** |

*The item does not include a loan advanced to PGNiG Norway AS as the interest rate risk exposure from this loan is fully hedged.

(PLN '000)

## 33. DERIVATIVES

### Measurement of derivatives

As required by the International Financial Reporting Standards, derivative instruments disclosed by the Company in its financial statements are measured at fair value.

As at December 31st 2011, the Company held four types of currency derivatives: cross currency basis swaps, purchased call options, risk reversal strategies (purchase of call options and sale of put options) and purchased currency forwards. Currency call and put options have been measured at fair value using the Garman-Kohlhagen model, whereas forwards have been measured at fair value by discounting future cash flows separately for each currency. In both cases the measurement was performed based on market data such as interest rates, foreign-exchange rates and volatilities as at December 31st 2011.

Moreover, in order to hedge its commodity risk, in 2011 the Company used Asian call options, risk reversal strategies (purchase of Asian commodity call options and sale of put options) and commodity swaps.

Asian commodity call and put options have been valued using the Espen-Levy model, based on market data such as commodity prices, foreign-exchange rates and commodity volatilities as at December 31st 2011.

The fair-value measurement was performed using the Exante application.

### Hedge accounting

As of April 1st 2009, the Company began to apply cash-flow hedge accounting with respect to foreign exchange transactions and as of June 1st 2010 it started to apply cash-flow hedge accounting with respect to commodity transactions. For details, see Note 2.3.10.

### Derivative instruments

| Hedged item | Nominal value in currency | Date of hedging transaction | Maturity date | Exercise price (exercise price range) | Measurement at fair value | |
|---|---|---|---|---|---|---|
| | | | | | Dec 31 2011 | Dec 31 2010 |
| *Cross Currency Interest Rate Swap* | | | | | | |
| PGNiG Norway loan 31/10/07-20/12/22 (NOK) | 930 | 9 December 2010 | 15 January 2014 | 0.5056 | (96,445) | (24,211) |
| PGNiG Norway loan 31/10/07-20/12/22 (NOK) | 1 596 | 13 December 2010 | 15 January 2014 | 0.5052 | (163,629) | (39,070) |
| PGNiG Norway loan 31/10/07-20/12/22 (NOK) | 674 | 14 December 2010 | 15 January 2014 | 0.5040 | (70,296) | (17,795) |
| PGNiG Norway loan 31/10/07-20/12/22 (NOK) | 700 | 15 December 2010 | 15 January 2014 | 0.5054 | (71,471) | (16,797) |
| PGNiG Norway loan 31/10/07-20/12/22 (NOK) | 100 | 28 October 2011 | 15 January 2014 | 0.5616 | (2,258) | - |
| PGNiG Norway loan 31/10/07-20/12/22 (NOK) | 110 | 21 November 2011 | 15 January 2014 | 0.5673 | (1,933) | - |
| PGNiG Norway loan 31/10/07-20/12/22 (NOK) | 450 | 2 December 2011 | 15 January 2014 | 0.5743 | (4,845) | - |
| | | | | | **(410,877)** | **(97,873)** |
| *Call options* | | | | | | |
| Payments for gas | 6 | 8 July 2011 | 20 January 2012 | 4.0700 | 2,127 | - |
| Payments for gas | 6 | 20 July 2011 | 20 January 2012 | 4.1250 | 1,798 | - |
| Payments for gas | 5 | 20 July 2011 | 10 February 2012 | 4.1300 | 1,515 | - |
| Payments for gas | 5 | 20 July 2011 | 9 March 2012 | 4.1450 | 1,525 | - |
| Payments for gas | 10 | 26 July 2011 | 10 January 2012 | 3.0000 | 4,194 | - |
| Payments for gas | 10 | 26 July 2011 | 10 January 2012 | 3.0000 | 4,194 | - |
| Payments for gas | 10 | 27 July 2011 | 20 January 2012 | 3.0500 | 3,742 | - |
| Payments for gas | 10 | 29 July 2011 | 20 January 2012 | 3.0650 | 3,593 | - |
| Payments for gas | 10 | 1 August 2011 | 10 January 2012 | 3.0000 | 4,194 | - |

(PLN '000)

## Derivative instruments (continued)

| Hedged item | Nominal value in currency | Date of hedging transaction | Maturity date | Exercise price (exercise price range) | Measurement at fair value | |
|---|---|---|---|---|---|---|
| | | | | | Dec 31 2011 | Dec 31 2010 |
| Payments for gas | 10 | 1 August 2011 | 10 February 2012 | 3.0500 | 3,833 | - |
| Payments for gas | 10 | 4 August 2011 | 10 February 2012 | 3.1100 | 3,259 | - |
| Payments for gas | 10 | 4 August 2011 | 20 January 2012 | 3.1000 | 3,246 | - |
| Payments for gas | 10 | 4 August 2011 | 20 January 2012 | 3.1000 | 3,246 | - |
| Payments for gas | 10 | 5 August 2011 | 17 February 2012 | 3.1300 | 3,117 | - |
| Payments for gas | 10 | 17 August 2011 | 20 January 2012 | 3.1225 | 3,023 | - |
| Payments for gas | 10 | 17 August 2011 | 10 January 2012 | 3.1115 | 3,080 | - |
| Payments for gas | 10 | 17 August 2011 | 10 January 2012 | 3.1125 | 3,070 | - |
| Payments for gas | 10 | 17 August 2011 | 10 January 2012 | 3.1230 | 2,965 | - |
| Payments for gas | 10 | 17 August 2011 | 20 January 2012 | 3.1135 | 3,112 | - |
| Payments for gas | 10 | 22 August 2011 | 20 January 2012 | 3.1500 | 2,754 | - |
| Payments for gas | 10 | 23 August 2011 | 17 February 2012 | 3.2345 | 2,220 | - |
| Payments for gas | 10 | 23 August 2011 | 17 February 2012 | 3.2315 | 2,244 | - |
| Payments for gas | 10 | 24 August 2011 | 10 February 2012 | 3.1890 | 2,540 | - |
| Payments for gas | 10 | 25 August 2011 | 20 January 2012 | 3.1910 | 2,358 | - |
| Payments for gas | 10 | 26 August 2011 | 10 February 2012 | 3.1800 | 2,619 | - |
| Payments for gas | 10 | 29 August 2011 | 17 February 2012 | 3.1385 | 3,040 | - |
| Payments for gas | 10 | 29 August 2011 | 10 January 2012 | 3.0650 | 3,545 | - |
| Payments for gas | 10 | 29 August 2011 | 17 February 2012 | 3.1450 | 2,981 | - |
| Payments for gas | 10 | 29 August 2011 | 10 February 2012 | 3.1585 | 2,811 | - |
| Payments for gas | 10 | 29 August 2011 | 10 February 2012 | 3.1385 | 2,994 | - |
| Payments for gas | 10 | 29 August 2011 | 10 February 2012 | 3.1475 | 2,911 | - |
| Payments for gas | 10 | 30 August 2011 | 10 February 2012 | 3.1145 | 3,217 | - |
| Payments for gas | 10 | 31 August 2011 | 17 February 2012 | 3.1635 | 2,817 | - |
| Payments for gas | 5 | 31 August 2011 | 17 February 2012 | 4.3450 | 610 | - |
| Payments for gas | 10 | 31 August 2011 | 10 January 2012 | 3.0850 | 3,345 | - |
| Payments for gas | 10 | 31 August 2011 | 17 February 2012 | 3.1460 | 2,973 | - |
| Payments for gas | 10 | 1 September 2011 | 9 March 2012 | 3.2200 | 2,529 | - |
| Payments for gas | 10 | 13 September 2011 | 17 February 2012 | 3.5250 | 773 | - |
| Payments for gas | 10 | 13 September 2011 | 17 February 2012 | 3.7200 | 391 | - |
| Payments for gas | 10 | 13 September 2011 | 9 March 2012 | 3.5300 | 994 | - |
| Payments for gas | 10 | 13 September 2011 | 10 February 2012 | 3.5050 | 736 | - |
| Payments for gas | 10 | 14 September 2011 | 20 March 2012 | 3.5200 | 1,118 | - |
| Payments for gas | 10 | 14 September 2011 | 20 March 2012 | 3.5200 | 1,118 | - |
| Payments for gas | 10 | 15 September 2011 | 9 March 2012 | 3.5350 | 980 | - |
| Payments for gas | 10 | 15 September 2011 | 20 March 2012 | 3.5050 | 1,163 | - |
| Payments for gas | 10 | 16 September 2011 | 20 March 2012 | 3.5570 | 1,013 | - |
| Payments for gas | 10 | 26 September 2011 | 9 March 2012 | 3.6200 | 772 | - |
| Payments for gas | 10 | 26 September 2011 | 10 April 2012 | 3.6400 | 1,005 | - |
| Payments for gas | 5 | 26 September 2011 | 20 March 2012 | 4.7000 | 180 | - |
| Payments for gas | 6 | 26 September 2011 | 10 April 2012 | 4.7000 | 292 | - |
| Payments for gas | 10 | 27 September 2011 | 10 January 2012 | 3.5300 | 89 | - |
| Payments for gas | 10 | 27 September 2011 | 9 March 2012 | 3.5700 | 888 | - |
| Payments for gas | 10 | 27 September 2011 | 20 March 2012 | 3.6000 | 906 | - |
| Payments for gas | 10 | 27 September 2011 | 9 March 2012 | 3.5700 | 888 | - |
| Payments for gas | 5 | 27 September 2011 | 10 January 2012 | 4.6000 | 5 | - |
| Payments for gas | 10 | 27 September 2011 | 9 March 2012 | 3.5200 | 1,023 | - |
| Payments for gas | 10 | 27 September 2011 | 20 April 2012 | 3.6200 | 1,165 | - |
| Payments for gas | 10 | 27 September 2011 | 10 January 2012 | 3.4800 | 165 | - |
| Payments for gas | 10 | 28 September 2011 | 20 January 2012 | 3.5300 | 336 | - |
| Payments for gas | 10 | 28 September 2011 | 20 March 2012 | 3.5900 | 930 | - |
| Payments for gas | 10 | 28 September 2011 | 17 February 2012 | 3.5600 | 685 | - |
| Payments for gas | 10 | 29 September 2011 | 20 March 2012 | 3.5800 | 954 | - |
| Payments for gas | 10 | 29 September 2011 | 10 April 2012 | 3.6100 | 1,074 | - |

(PLN '000)

## Derivative instruments (continued)

| Hedged item | Nominal value in currency | Date of hedging transaction | Maturity date | Exercise price (exercise price range) | Measurement at fair value | |
|---|---|---|---|---|---|---|
| | | | | | Dec 31 2011 | Dec 31 2010 |
| Payments for gas | 10 | 29 September 2011 | 10 April 2012 | 3.6100 | 1,074 | - |
| Payments for gas | 10 | 27 October 2011 | 9 March 2012 | 3.3900 | 1,499 | - |
| Payments for gas | 10 | 27 October 2011 | 10 April 2012 | 3.4100 | 1,711 | - |
| Payments for gas | 10 | 28 October 2011 | 20 April 2012 | 3.3500 | 2,106 | - |
| Payments for gas | 10 | 28 October 2011 | 20 April 2012 | 3.4250 | 1,769 | - |
| Payments for gas | 10 | 28 October 2011 | 20 April 2012 | 3.3800 | 1,962 | - |
| Payments for gas | 10 | 2 November 2011 | 10 May 2012 | 3.5225 | 1,599 | - |
| Payments for gas | 10 | 3 November 2011 | 20 April 2012 | 3.5215 | 1,430 | - |
| Payments for gas | 10 | 3 November 2011 | 10 April 2012 | 3.4915 | 1,406 | - |
| Payments for gas | 10 | 3 November 2011 | 20 March 2012 | 3.4335 | 1,414 | - |
| Payments for gas | 10 | 4 November 2011 | 18 May 2012 | 3.4720 | 1,834 | - |
| Payments for gas | 10 | 4 November 2011 | 10 May 2012 | 3.4335 | 1,911 | - |
| Payments for gas | 10 | 4 November 2011 | 20 March 2012 | 3.3815 | 1,636 | - |
| Payments for gas | 10 | 7 November 2011 | 20 April 2012 | 3.5150 | 1,450 | - |
| Payments for gas | 10 | 7 November 2011 | 10 April 2012 | 3.4900 | 1,411 | - |
| Payments for gas | 5 | 7 November 2011 | 20 April 2012 | 4.4900 | 587 | - |
| Payments for gas | 10 | 7 November 2011 | 10 April 2012 | 3.5150 | 1,331 | - |
| Payments for gas | 5 | 8 November 2011 | 20 April 2012 | 4.4575 | 649 | - |
| Payments for gas | 10 | 8 November 2011 | 20 April 2012 | 3.5175 | 1,443 | - |
| Payments for gas | 8 | 8 November 2011 | 20 April 2012 | 3.5050 | 1,482 | - |
| Payments for gas | 10 | 2 December 2011 | 10 April 2012 | 3.5580 | 1,206 | - |
| Payments for gas | 5 | 5 December 2011 | 9 March 2012 | 4.5570 | 283 | - |
| Payments for gas | 4 | 6 December 2011 | 20 March 2012 | 4.5850 | 229 | - |
| Payments for gas | 10 | 21 December 2011 | 9 March 2012 | 3.5225 | 1,016 | - |
| Payments for gas | 5 | 21 December 2011 | 10 April 2012 | 4.6355 | 304 | - |
| Payments for gas | 5 | 22 December 2011 | 20 March 2012 | 4.5170 | 389 | - |
| Payments for gas | 10 | 22 December 2011 | 9 March 2012 | 3.4850 | 1,131 | - |
| Payments for gas | 5 | 22 December 2011 | 20 April 2012 | 4.5570 | 468 | - |
| Payments for gas | 5 | 22 December 2011 | 10 May 2012 | 4.5600 | 539 | - |
| Payments for gas | 10 | 22 December 2011 | 9 March 2012 | 3.4870 | 1,125 | - |
| Payments for gas | 10 | 22 December 2011 | 10 May 2012 | 3.6225 | 1,324 | - |
| Payments for gas | 10 | 23 December 2011 | 10 May 2012 | 3.5900 | 1,406 | - |
| Payments for gas | 10 | 23 December 2011 | 18 May 2012 | 3.6165 | 1,401 | - |
| Payments for gas | 10 | 23 December 2011 | 18 May 2012 | 3.6125 | 1,411 | - |
| Payments for gas | 10 | 23 December 2011 | 18 May 2012 | 3.5950 | 1,456 | - |
| Payments for gas | 10 | 27 December 2011 | 10 May 2012 | 3.5450 | 1,531 | - |
| Payments for gas | 10 | 27 December 2011 | 10 May 2012 | 3.5600 | 1,488 | - |
| Payments for gas | 10 | 27 December 2011 | 18 May 2012 | 3.5600 | 1,553 | - |
| Payments for gas | 10 | 27 December 2011 | 18 May 2012 | 3.5800 | 1,497 | - |
| Payments for gas | 5 | 27 December 2011 | 18 May 2012 | 4.5500 | 584 | - |
| Payments for gas | 10 | 28 December 2011 | 10 May 2012 | 3.5300 | 1,576 | - |
| Payments for gas | 10 | 28 December 2011 | 18 May 2012 | 3.5450 | 1,597 | - |
| Payments for gas | 10 | 30 December 2011 | 10 May 2012 | 3.5750 | 1,447 | - |
| Payments for gas | 10 | 22 July 2010 | 10 January 2011 | 3.6600 | - | - |
| Payments for gas | 10 | 22 July 2010 | 20 January 2011 | 3.6800 | - | - |
| Payments for gas | 10 | 23 July 2010 | 20 January 2011 | 3.6000 | - | - |
| Payments for gas | 10 | 26 July 2010 | 10 January 2011 | 3.5500 | - | - |
| Payments for gas | 10 | 26 July 2010 | 10 January 2011 | 3.5500 | - | - |
| Payments for gas | 10 | 27 July 2010 | 10 January 2011 | 3.3000 | - | - |
| Payments for gas | 10 | 27 July 2010 | 10 January 2011 | 3.3000 | - | - |
| Payments for gas | 5 | 27 July 2010 | 10 January 2011 | 4.2500 | - | - |
| Payments for gas | 10 | 29 July 2010 | 20 January 2011 | 3.3000 | - | 9 |
| Payments for gas | 10 | 29 July 2010 | 10 January 2011 | 3.2700 | - | - |
| Payments for gas | 10 | 2 August 2010 | 10 February 2011 | 3.3000 | - | 82 |
| Payments for gas | 10 | 2 August 2010 | 10 February 2011 | 3.4700 | - | 20 |
| Payments for gas | 5 | 2 August 2010 | 10 January 2011 | 4.2000 | - | - |

(PLN '000)

## Derivative instruments (continued)

| Hedged item | Nominal value in currency | Date of hedging transaction | Maturity date | Exercise price (exercise price range) | Measurement at fair value | |
|---|---|---|---|---|---|---|
| | | | | | Dec 31 2011 | Dec 31 2010 |
| Payments for gas | 10 | 3 August 2010 | 20 January 2011 | 3.2500 | - | 19 |
| Payments for gas | 10 | 3 August 2010 | 10 February 2011 | 3.4500 | - | 24 |
| Payments for gas | 10 | 4 August 2010 | 10 February 2011 | 3.4600 | - | 22 |
| Payments for gas | 10 | 5 August 2010 | 18 February 2011 | 3.4700 | - | 37 |
| Payments for gas | 5 | 16 August 2010 | 10 February 2011 | 4.2000 | - | 43 |
| Payments for gas | 10 | 17 August 2010 | 18 February 2011 | 3.3300 | - | 100 |
| Payments for gas | 5 | 17 August 2010 | 18 February 2011 | 4.1700 | - | 78 |
| Payments for gas | 10 | 18 August 2010 | 20 January 2011 | 3.2700 | - | 14 |
| Payments for gas | 10 | 19 August 2010 | 18 February 2011 | 3.3000 | - | 122 |
| Payments for gas | 10 | 26 August 2010 | 18 February 2011 | 3.3700 | - | 77 |
| Payments for gas | 10 | 26 August 2010 | 10 February 2011 | 3.3600 | - | 51 |
| Payments for gas | 10 | 6 September 2010 | 10 March 2011 | 3.5600 | - | 62 |
| Payments for gas | 10 | 7 September 2010 | 10 March 2011 | 3.3500 | - | 184 |
| Payments for gas | 10 | 7 September 2010 | 10 January 2011 | 3.3000 | - | - |
| Payments for gas | 8 | 9 September 2010 | 10 March 2011 | 4.1500 | - | 233 |
| Payments for gas | 10 | 10 September 2010 | 10 March 2011 | 3.3200 | - | 212 |
| Payments for gas | 10 | 17 September 2010 | 18 February 2011 | 3.2300 | - | 187 |
| Payments for gas | 10 | 17 September 2010 | 18 March 2011 | 3.2500 | - | 341 |
| Payments for gas | 10 | 17 September 2010 | 10 March 2011 | 3.2800 | - | 254 |
| Payments for gas | 10 | 20 September 2010 | 18 March 2011 | 3.2800 | - | 302 |
| Payments for gas | 10 | 21 September 2010 | 18 March 2011 | 3.2500 | - | 341 |
| Payments for gas | 10 | 21 September 2010 | 10 February 2011 | 3.2000 | - | 167 |
| Payments for gas | 10 | 22 September 2010 | 18 February 2011 | 3.1800 | - | 249 |
| Payments for gas | 10 | 22 September 2010 | 18 March 2011 | 3.4650 | - | 136 |
| Payments for gas | 10 | 23 September 2010 | 10 March 2011 | 3.2100 | - | 347 |
| Payments for gas | 10 | 28 September 2010 | 20 January 2011 | 3.3800 | - | 2 |
| Payments for gas | 10 | 29 September 2010 | 10 March 2011 | 3.3600 | - | 175 |
| Payments for gas | 10 | 14 October 2010 | 18 March 2011 | 3.2000 | - | 417 |
| Payments for gas | 10 | 14 October 2010 | 20 January 2011 | 3.1500 | - | 69 |
| Payments for gas | 10 | 14 October 2010 | 10 February 2011 | 2.9500 | - | 804 |
| Payments for gas | 10 | 14 October 2010 | 20 January 2011 | 2.9200 | - | 715 |
| Payments for gas | 10 | 25 October 2010 | 20 January 2011 | 2.9300 | - | 651 |
| Payments for gas | 10 | 25 October 2010 | 10 January 2011 | 2.9300 | - | 443 |
| Payments for gas | 10 | 28 October 2010 | 20 January 2011 | 2.9815 | - | 393 |
| Payments for gas | 10 | 4 November 2010 | 20 January 2011 | 2.8800 | - | 1,007 |
| Payments for gas | 8 | 4 November 2010 | 8 April 2011 | 4.0700 | - | 512 |
| Payments for gas | 10 | 4 November 2010 | 8 April 2011 | 3.0000 | - | 1,116 |
| Payments for gas | 10 | 4 November 2010 | 10 February 2011 | 2.9500 | - | 804 |
| Payments for gas | 10 | 4 November 2010 | 10 March 2011 | 2.9800 | - | 957 |
| Payments for gas | 5 | 5 November 2010 | 10 February 2011 | 4.0500 | - | 147 |
| Payments for gas | 10 | 5 November 2010 | 18 March 2011 | 3.0000 | - | 946 |
| Payments for gas | 9 | 10 November 2010 | 20 January 2011 | 4.0000 | - | 189 |
| Payments for gas | 10 | 10 November 2010 | 18 February 2011 | 2.9900 | - | 717 |
| Payments for gas | 10 | 10 November 2010 | 18 March 2011 | 3.0300 | - | 835 |
| Payments for gas | 10 | 16 November 2010 | 18 February 2011 | 3.0500 | - | 514 |
| Payments for gas | 10 | 16 November 2010 | 8 April 2011 | 3.2500 | - | 465 |
| Payments for gas | 10 | 18 November 2010 | 18 February 2011 | 3.0300 | - | 574 |
| Payments for gas | 9 | 18 November 2010 | 10 May 2011 | 4.1000 | - | 654 |
| Payments for gas | 10 | 19 November 2010 | 18 February 2011 | 3.0200 | - | 607 |
| Payments for gas | 10 | 22 November 2010 | 18 February 2011 | 3.0000 | - | 678 |
| Payments for gas | 10 | 1 December 2010 | 18 March 2011 | 3.2600 | - | 327 |
| Payments for gas | 10 | 1 December 2010 | 10 February 2011 | 3.2000 | - | 167 |
| Payments for gas | 10 | 1 December 2010 | 18 February 2011 | 3.2000 | - | 223 |
| Payments for gas | 10 | 2 December 2010 | 10 January 2011 | 3.1300 | - | 4 |
| Payments for gas | 10 | 2 December 2010 | 10 February 2011 | 3.1700 | - | 203 |
| Payments for gas | 10 | 2 December 2010 | 20 January 2011 | 3.1700 | - | 55 |
| Payments for gas | 10 | 2 December 2010 | 8 April 2011 | 3.2500 | - | 465 |

(PLN '000)

## Derivative instruments (continued)

| Hedged item | Nominal value in currency | Date of hedging transaction | Maturity date | Exercise price (exercise price range) | Measurement at fair value | |
|---|---|---|---|---|---|---|
| | | | | | Dec 31 2011 | Dec 31 2010 |
| Payments for gas | 10 | 3 December 2010 | 20 April 2011 | 3.2000 | - | 620 |
| Payments for gas | 10 | 3 December 2010 | 18 March 2011 | 3.1700 | - | 470 |
| Payments for gas | 10 | 3 December 2010 | 10 March 2011 | 3.1800 | - | 396 |
| Payments for gas | 10 | 3 December 2010 | 18 February 2011 | 3.1700 | - | 264 |
| Payments for gas | 10 | 3 December 2010 | 20 April 2011 | 3.2200 | - | 582 |
| Payments for gas | 10 | 7 December 2010 | 8 April 2011 | 3.2000 | - | 549 |
| Payments for gas | 10 | 10 December 2010 | 18 March 2011 | 3.2000 | - | 417 |
| Payments for gas | 10 | 10 December 2010 | 10 March 2011 | 3.2000 | - | 363 |
| Payments for gas | 10 | 10 December 2010 | 18 February 2011 | 3.1900 | - | 236 |
| Payments for gas | 10 | 13 December 2010 | 10 March 2011 | 3.1800 | - | 396 |
| Payments for gas | 10 | 14 December 2010 | 20 April 2011 | 3.1400 | - | 752 |
| Payments for gas | 10 | 14 December 2010 | 8 April 2011 | 3.1800 | - | 588 |
| Payments for gas | 10 | 14 December 2010 | 10 May 2011 | 3.2500 | - | 627 |
| Payments for gas | 8 | 14 December 2010 | 18 March 2011 | 4.1000 | - | 344 |
| Payments for gas | 8 | 15 December 2010 | 10 June 2011 | 4.2000 | - | 515 |
| Payments for gas | 10 | 15 December 2010 | 18 March 2011 | 3.1400 | - | 531 |
| Payments for gas | 10 | 15 December 2010 | 10 March 2011 | 3.1380 | - | 476 |
| Payments for gas | 10 | 16 December 2010 | 10 May 2011 | 3.4600 | - | 353 |
| Payments for gas | 10 | 16 December 2010 | 8 April 2011 | 3.2000 | - | 549 |
| Payments for gas | 10 | 16 December 2010 | 20 April 2011 | 3.2300 | - | 564 |
| Payments for gas | 10 | 27 December 2010 | 20 April 2011 | 3.2260 | - | 572 |
| Payments for gas | 10 | 28 December 2010 | 20 April 2011 | 3.1950 | - | 630 |
| | | | | | **181,649** | **30,342** |
| | | | *Commodity call options* | | | |
| Payments for gas | 0 | 26 January 2011 | 10 January 2012 | 890.00 | 5,675 | - |
| Payments for gas | 0 | 26 January 2011 | 10 January 2012 | 585.00 | 7,064 | - |
| Payments for gas | 0 | 28 January 2011 | 10 January 2012 | 560.00 | 11,020 | - |
| Payments for gas | 0 | 28 January 2011 | 10 January 2012 | 880.00 | 4,330 | - |
| Payments for gas | 0 | 6 May 2011 | 20 January 2012 | 1,050.00 | - | - |
| Payments for gas | 0 | 6 May 2011 | 10 February 2012 | 1,050.00 | - | - |
| Payments for gas | 0 | 6 May 2011 | 20 January 2012 | 750.00 | - | - |
| Payments for gas | 0 | 6 May 2011 | 17 February 2012 | 1,050.00 | - | - |
| Payments for gas | 0 | 6 May 2011 | 10 February 2012 | 750.00 | - | - |
| Payments for gas | 0 | 6 May 2011 | 17 February 2012 | 750.00 | - | - |
| Payments for gas | 0 | 10 May 2011 | 9 March 2012 | 1,100.00 | - | - |
| Payments for gas | 0 | 10 May 2011 | 20 March 2012 | 1,100.00 | - | - |
| Payments for gas | 0 | 10 May 2011 | 20 January 2012 | 780.00 | - | - |
| Payments for gas | 0 | 10 May 2011 | 10 April 2012 | 1,100.00 | - | - |
| Payments for gas | 0 | 11 May 2011 | 20 March 2012 | 790.00 | - | - |
| Payments for gas | 0 | 11 May 2011 | 9 March 2012 | 1,150.00 | - | - |
| Payments for gas | 0 | 11 May 2011 | 17 February 2012 | 1,150.00 | - | - |
| Payments for gas | 0 | 11 May 2011 | 10 April 2012 | 1,150.00 | - | - |
| Payments for gas | 0 | 11 May 2011 | 20 March 2012 | 1,150.00 | - | - |
| Payments for gas | 0 | 11 May 2011 | 10 April 2012 | 790.00 | - | - |
| Payments for gas | 0 | 12 May 2011 | 17 February 2012 | 780.00 | - | - |
| Payments for gas | 0 | 12 May 2011 | 20 January 2012 | 1,100.00 | - | - |
| Payments for gas | 0 | 13 May 2011 | 10 February 2012 | 780.00 | - | - |
| Payments for gas | 0 | 13 May 2011 | 9 March 2012 | 780.00 | - | - |
| Payments for gas | 0 | 16 May 2011 | 20 March 2012 | 770.00 | - | - |
| Payments for gas | 0 | 16 May 2011 | 10 April 2012 | 770.00 | - | - |
| Payments for gas | 0 | 16 May 2011 | 20 April 2012 | 780.00 | - | - |
| Payments for gas | 0 | 17 May 2011 | 20 April 2012 | 1,100.00 | - | - |
| Payments for gas | 0 | 17 May 2011 | 10 May 2012 | 1,100.00 | - | - |
| Payments for gas | 0 | 17 May 2011 | 18 May 2012 | 1,100.00 | - | - |
| Payments for gas | 0 | 17 May 2011 | 10 May 2012 | 770.00 | - | - |

(PLN '000)

## Derivative instruments (continued)

| Hedged item | Nominal value in currency | Date of hedging transaction | Maturity date | Exercise price (exercise price range) | Measurement at fair value | |
|---|---|---|---|---|---|---|
| | | | | | Dec 31 2011 | Dec 31 2010 |
| Payments for gas | 0 | 20 May 2011 | 20 June 2012 | 1,100.00 | - | - |
| Payments for gas | 0 | 20 May 2011 | 20 June 2012 | 770.00 | - | - |
| Payments for gas | 0 | 23 May 2011 | 11 June 2012 | 1,100.00 | - | - |
| Payments for gas | 0 | 23 May 2011 | 11 June 2012 | 770.00 | - | - |
| Payments for gas | 0 | 23 May 2011 | 10 July 2012 | 1,100.00 | - | - |
| Payments for gas | 0 | 23 May 2011 | 10 July 2012 | 770.00 | - | - |
| Payments for gas | 0 | 2 June 2011 | 10 July 2012 | 800.00 | - | - |
| Payments for gas | 0 | 16 June 2011 | 10 January 2012 | 1,100.00 | - | - |
| Payments for gas | 0 | 16 June 2011 | 18 May 2012 | 850.00 | - | - |
| Payments for gas | 0 | 16 June 2011 | 20 June 2012 | 850.00 | - | - |
| Payments for gas | 0 | 21 June 2011 | 10 January 2012 | 780.00 | - | - |
| Payments for gas | 0 | 21 June 2011 | 10 January 2012 | 574.00 | - | - |
| Payments for gas | 0 | 5 August 2011 | 20 April 2012 | 1,060.00 | - | - |
| Payments for gas | 0 | 5 August 2011 | 18 May 2012 | 1,060.00 | - | - |
| Payments for gas | 0 | 5 August 2011 | 20 April 2012 | 780.00 | - | - |
| Payments for gas | 0 | 5 August 2011 | 18 May 2012 | 780.00 | - | - |
| Payments for gas | 0 | 5 August 2011 | 20 June 2012 | 780.00 | - | - |
| Payments for gas | 0 | 5 August 2011 | 20 June 2012 | 1,060.00 | - | - |
| Payments for gas | 0 | 8 August 2011 | 20 April 2012 | 780.00 | - | - |
| Payments for gas | 0 | 8 August 2011 | 10 May 2012 | 1,060.00 | - | - |
| Payments for gas | 0 | 8 August 2011 | 10 May 2012 | 780.00 | - | - |
| Payments for gas | 0 | 8 August 2011 | 11 June 2012 | 1,060.00 | - | - |
| Payments for gas | 0 | 8 August 2011 | 10 July 2012 | 1,060.00 | - | - |
| Payments for gas | 0 | 9 August 2011 | 10 May 2012 | 770.00 | - | - |
| Payments for gas | 0 | 9 August 2011 | 11 June 2012 | 770.00 | - | - |
| Payments for gas | 0 | 11 August 2011 | 11 June 2012 | 1,060.00 | - | - |
| Payments for gas | 0 | 11 August 2011 | 10 July 2012 | 770.00 | - | - |
| Payments for gas | 0 | 11 August 2011 | 10 July 2012 | 770.00 | - | - |
| Payments for gas | 0 | 16 August 2011 | 20 June 2012 | 770.00 | - | - |
| Payments for gas | 0 | 16 August 2011 | 18 May 2012 | 770.00 | - | - |
| Payments for gas | 0 | 17 August 2011 | 11 June 2012 | 770.00 | - | - |
| Payments for gas | 0 | 19 August 2011 | 20 March 2012 | 760.00 | - | - |
| Payments for gas | 0 | 19 August 2011 | 10 April 2012 | 760.00 | - | - |
| Payments for gas | 0 | 8 September 2011 | 20 July 2012 | 850.00 | 4 | - |
| Payments for gas | 0 | 8 September 2011 | 20 July 2012 | 1,150.00 | 17 | - |
| Payments for gas | 0 | 8 September 2011 | 10 August 2012 | 850.00 | 4 | - |
| Payments for gas | 0 | 8 September 2011 | 10 August 2012 | 1,150.00 | 17 | - |
| Payments for gas | 0 | 9 September 2011 | 20 September 2012 | 1,130.00 | 31 | - |
| Payments for gas | 0 | 9 September 2011 | 20 September 2012 | 850.00 | 4 | - |
| Payments for gas | 0 | 13 September 2011 | 20 August 2012 | 840.00 | 6 | - |
| Payments for gas | 0 | 13 September 2011 | 20 August 2012 | 1,150.00 | 17 | - |
| Payments for gas | 0 | 14 September 2011 | 10 September 2012 | 1,150.00 | 16 | - |
| Payments for gas | 0 | 14 September 2011 | 10 September 2012 | 840.00 | 6 | - |
| Payments for gas | 0 | 20 September 2011 | 10 October 2012 | 1,150.00 | 16 | - |
| Payments for gas | 0 | 20 September 2011 | 10 October 2012 | 840.00 | 6 | - |
| Payments for gas | 0 | 2 November 2011 | 10 August 2012 | 1,150.00 | 31 | - |
| Payments for gas | 0 | 2 November 2011 | 20 July 2012 | 1,150.00 | 31 | - |
| Payments for gas | 0 | 4 November 2011 | 20 July 2012 | 820.00 | 17 | - |
| Payments for gas | 0 | 4 November 2011 | 10 August 2012 | 820.00 | 17 | - |
| Payments for gas | 0 | 10 November 2011 | 10 September 2012 | 840.00 | 10 | - |
| Payments for gas | 0 | 10 November 2011 | 20 September 2012 | 840.00 | 10 | - |
| Payments for gas | 0 | 10 November 2011 | 10 September 2012 | 1,200.00 | 10 | - |
| Payments for gas | 0 | 10 November 2011 | 20 August 2012 | 840.00 | 10 | - |
| Payments for gas | 0 | 10 November 2011 | 10 October 2012 | 1,200.00 | 9 | - |
| Payments for gas | 0 | 10 November 2011 | 20 August 2012 | 1,200.00 | 10 | - |
| Payments for gas | 0 | 14 November 2011 | 10 October 2012 | 840.00 | 26 | - |

(PLN '000)

## Derivative instruments (continued)

| Hedged item | Nominal value in currency | Date of hedging transaction | Maturity date | Exercise price (exercise price range) | Measurement at fair value | |
|---|---|---|---|---|---|---|
| | | | | | Dec 31 2011 | Dec 31 2010 |
| Payments for gas | 0 | 14 November 2011 | 10 September 2012 | 840.00 | 22 | - |
| Payments for gas | 0 | 14 November 2011 | 20 August 2012 | 840.00 | 22 | - |
| Payments for gas | 0 | 15 November 2011 | 20 September 2012 | 1,200.00 | 18 | - |
| Payments for gas | 0 | 15 November 2011 | 20 July 2012 | 840.00 | 19 | - |
| Payments for gas | 0 | 15 November 2011 | 10 August 2012 | 840.00 | 19 | - |
| Payments for gas | 0 | 15 November 2011 | 20 September 2012 | 840.00 | 16 | - |
| Payments for gas | 0 | 15 November 2011 | 10 October 2012 | 840.00 | 13 | - |
| Payments for gas | 0 | 15 November 2011 | 10 January 2013 | 1,200.00 | 96 | - |
| Payments for gas | 0 | 17 November 2011 | 20 December 2012 | 1,200.00 | 96 | - |
| Payments for gas | 0 | 17 November 2011 | 20 November 2012 | 1,200.00 | 96 | - |
| Payments for gas | 0 | 17 November 2011 | 10 January 2013 | 850.00 | 220 | - |
| Payments for gas | 0 | 17 November 2011 | 20 December 2012 | 850.00 | 220 | - |
| Payments for gas | 0 | 17 November 2011 | 10 December 2012 | 850.00 | 220 | - |
| Payments for gas | 0 | 18 November 2011 | 20 November 2012 | 850.00 | 220 | - |
| Payments for gas | 0 | 18 November 2011 | 9 November 2012 | 1,200.00 | 144 | - |
| Payments for gas | 0 | 18 November 2011 | 19 October 2012 | 1,200.00 | 144 | - |
| Payments for gas | 0 | 21 November 2011 | 10 December 2012 | 1,170.00 | 151 | - |
| Payments for gas | 0 | 21 November 2011 | 19 October 2012 | 840.00 | 173 | - |
| Payments for gas | 0 | 21 November 2011 | 9 November 2012 | 840.00 | 173 | - |
| Payments for gas | 0 | 23 November 2011 | 10 January 2013 | 730.00 | 1,483 | - |
| Payments for gas | 0 | 23 November 2011 | 10 January 2013 | 1,050.00 | 864 | - |
| Payments for gas | 0 | 23 November 2011 | 10 December 2012 | 730.00 | 1,019 | - |
| Payments for gas | 0 | 24 November 2011 | 20 December 2012 | 1,040.00 | 977 | - |
| Payments for gas | 0 | 24 November 2011 | 10 December 2012 | 1,040.00 | 755 | - |
| Payments for gas | 0 | 25 November 2011 | 20 December 2012 | 720.00 | 1,700 | - |
| Payments for gas | 0 | 25 November 2011 | 19 October 2012 | 720.00 | 1,169 | - |
| Payments for gas | 0 | 25 November 2011 | 20 November 2012 | 1,040.00 | 755 | - |
| Payments for gas | 0 | 28 November 2011 | 9 November 2012 | 730.00 | 1,019 | - |
| Payments for gas | 0 | 28 November 2011 | 20 November 2012 | 730.00 | 1,020 | - |
| Payments for gas | 0 | 10 June 2010 | 10 January 2011 | 685.00 | - | - |
| Payments for gas | 0 | 10 June 2010 | 10 January 2011 | 477.00 | - | - |
| Payments for gas | 0 | 20 July 2010 | 10 March 2011 | 500.00 | - | - |
| Payments for gas | 0 | 20 July 2010 | 10 March 2011 | 695.00 | - | 430 |
| Payments for gas | 0 | 20 July 2010 | 10 March 2011 | 500.00 | - | - |
| Payments for gas | 0 | 20 July 2010 | 10 March 2011 | 695.00 | - | 344 |
| Payments for gas | 0 | 21 July 2010 | 8 April 2011 | 507.00 | - | - |
| Payments for gas | 0 | 21 July 2010 | 8 April 2011 | 707.00 | - | - |
| Payments for gas | 0 | 21 July 2010 | 18 March 2011 | 507.00 | - | - |
| Payments for gas | 0 | 21 July 2010 | 18 March 2011 | 707.00 | - | - |
| Payments for gas | 0 | 23 July 2010 | 18 March 2011 | 507.00 | - | - |
| Payments for gas | 0 | 23 July 2010 | 18 March 2011 | 707.00 | - | - |
| Payments for gas | 0 | 26 July 2010 | 8 April 2011 | 505.00 | - | - |
| Payments for gas | 0 | 26 July 2010 | 8 April 2011 | 705.00 | - | - |
| Payments for gas | 0 | 27 July 2010 | 20 June 2011 | 750.00 | - | 57 |
| Payments for gas | 0 | 27 July 2010 | 20 June 2011 | 545.00 | - | - |
| Payments for gas | 0 | 27 July 2010 | 20 May 2011 | 750.00 | - | 114 |
| Payments for gas | 0 | 27 July 2010 | 20 May 2011 | 545.00 | - | - |
| Payments for gas | 0 | 27 July 2010 | 20 April 2011 | 750.00 | - | 117 |
| Payments for gas | 0 | 27 July 2010 | 20 April 2011 | 545.00 | - | - |
| Payments for gas | 0 | 20 October 2010 | 7 October 2011 | 780.00 | - | 1,153 |
| Payments for gas | 0 | 20 October 2010 | 20 September 2011 | 780.00 | - | 1,153 |
| Payments for gas | 0 | 20 October 2010 | 20 September 2011 | 570.00 | - | 64 |
| Payments for gas | 0 | 20 October 2010 | 7 October 2011 | 570.00 | - | 64 |
| Payments for gas | 0 | 21 October 2010 | 8 July 2011 | 780.00 | - | 322 |
| Payments for gas | 0 | 21 October 2010 | 20 June 2011 | 780.00 | - | 322 |
| Payments for gas | 0 | 21 October 2010 | 10 May 2011 | 780.00 | - | 174 |
| Payments for gas | 0 | 21 October 2010 | 20 April 2011 | 780.00 | - | 174 |

(PLN '000)

## Derivative instruments (continued)

| Hedged item | Nominal value in currency | Date of hedging transaction | Maturity date | Exercise price (exercise price range) | Measurement at fair value | |
|---|---|---|---|---|---|---|
| | | | | | Dec 31 2011 | Dec 31 2010 |
| Payments for gas | 0 | 22 October 2010 | 8 July 2011 | 540.00 | - | 13 |
| Payments for gas | 0 | 22 October 2010 | 20 June 2011 | 540.00 | - | 13 |
| Payments for gas | 0 | 22 October 2010 | 10 May 2011 | 540.00 | - | 7 |
| Payments for gas | 0 | 22 October 2010 | 20 April 2011 | 540.00 | - | 7 |
| Payments for gas | 0 | 26 October 2010 | 10 August 2011 | 560.00 | - | 129 |
| Payments for gas | 0 | 26 October 2010 | 20 July 2011 | 560.00 | - | 129 |
| Payments for gas | 0 | 26 October 2010 | 10 August 2011 | 790.00 | - | 1,209 |
| Payments for gas | 0 | 26 October 2010 | 20 July 2011 | 790.00 | - | 1,209 |
| Payments for gas | 0 | 27 October 2010 | 19 August 2011 | 790.00 | - | 1,007 |
| Payments for gas | 0 | 29 October 2010 | 9 September 2011 | 555.00 | - | 134 |
| Payments for gas | 0 | 29 October 2010 | 19 August 2011 | 555.00 | - | 134 |
| Payments for gas | 0 | 8 November 2010 | 9 September 2011 | 800.00 | - | 833 |
| Payments for gas | 0 | 8 November 2010 | 10 June 2011 | 780.00 | - | 134 |
| Payments for gas | 0 | 8 November 2010 | 20 May 2011 | 780.00 | - | 134 |
| Payments for gas | 0 | 9 November 2010 | 10 June 2011 | 530.00 | - | 15 |
| Payments for gas | 0 | 9 November 2010 | 20 May 2011 | 530.00 | - | 13 |
| | | | | | **41,257** | **9,608** |
| | | | *Put options* | | | |
| Payments for gas | 10 | 13 September 2011 | 17 February 2012 | 3.0240 | (19) | - |
| Payments for gas | 10 | 16 September 2011 | 20 March 2012 | 2.9820 | (40) | - |
| Payments for gas | 10 | 22 July 2010 | 10 January 2011 | 3.0150 | - | (581) |
| Payments for gas | 10 | 22 July 2010 | 20 January 2011 | 3.0230 | - | (803) |
| Payments for gas | 10 | 23 July 2010 | 20 January 2011 | 2.9915 | - | (585) |
| Payments for gas | 10 | 26 July 2010 | 10 January 2011 | 2.9975 | - | (442) |
| Payments for gas | 10 | 26 July 2010 | 10 January 2011 | 2.9900 | - | (386) |
| Payments for gas | 10 | 2 August 2010 | 10 February 2011 | 2.9055 | - | (371) |
| Payments for gas | 10 | 3 August 2010 | 10 February 2011 | 2.8750 | - | (270) |
| Payments for gas | 10 | 4 August 2010 | 10 February 2011 | 2.8900 | - | (316) |
| Payments for gas | 10 | 5 August 2010 | 18 February 2011 | 2.8790 | - | (340) |
| Payments for gas | 10 | 6 September 2010 | 10 March 2011 | 2.8550 | - | (390) |
| Payments for gas | 10 | 22 September 2010 | 18 March 2011 | 2.7600 | - | (201) |
| Payments for gas | 10 | 28 September 2010 | 20 January 2011 | 2.7780 | - | (16) |
| Payments for gas | 10 | 29 September 2010 | 10 March 2011 | 2.7650 | - | (181) |
| Payments for gas | 10 | 14 October 2010 | 20 January 2011 | 2.6050 | - | - |
| Payments for gas | 10 | 14 October 2010 | 18 March 2011 | 2.5920 | - | (34) |
| Payments for gas | 10 | 16 November 2010 | 8 April 2011 | 2.7500 | - | (249) |
| Payments for gas | 10 | 16 December 2010 | 10 May 2011 | 2.8200 | - | (541) |
| | | | | | **(59)** | **(5,706)** |
| | | | *Commodity put options* | | | |
| Payments for gas | 0 | 26 January 2011 | 10 January 2012 | 752.0000 | - | - |
| Payments for gas | 0 | 26 January 2011 | 10 January 2012 | 484.0000 | - | - |
| Payments for gas | 0 | 28 January 2011 | 10 January 2012 | 771.5000 | - | - |
| Payments for gas | 0 | 6 May 2011 | 20 January 2012 | 830.0000 | - | - |
| Payments for gas | 0 | 6 May 2011 | 10 February 2012 | 820.5000 | - | - |
| Payments for gas | 0 | 6 May 2011 | 20 January 2012 | 578.0000 | - | - |
| Payments for gas | 0 | 6 May 2011 | 17 February 2012 | 821.0000 | - | - |
| Payments for gas | 0 | 6 May 2011 | 10 February 2012 | 552.0000 | - | - |
| Payments for gas | 0 | 6 May 2011 | 17 February 2012 | 557.0000 | - | - |
| Payments for gas | 0 | 10 May 2011 | 9 March 2012 | 836.0000 | - | - |
| Payments for gas | 0 | 10 May 2011 | 20 March 2012 | 843.0000 | - | - |
| Payments for gas | 0 | 10 May 2011 | 20 January 2012 | 562.0000 | - | - |
| Payments for gas | 0 | 10 May 2011 | 10 April 2012 | 836.0000 | - | - |
| Payments for gas | 0 | 10 May 2011 | 9 March 2012 | 561.0000 | - | - |

(PLN '000)

## Derivative instruments (continued)

| Hedged item | Nominal value in currency | Date of hedging transaction | Maturity date | Exercise price (exercise price range) | Measurement at fair value | |
|---|---|---|---|---|---|---|
| | | | | | Dec 31 2011 | Dec 31 2010 |
| Payments for gas | 0 | 11 May 2011 | 20 March 2012 | 560.0000 | - | - |
| Payments for gas | 0 | 11 May 2011 | 9 March 2012 | 845.5000 | - | - |
| Payments for gas | 0 | 11 May 2011 | 17 February 2012 | 837.0000 | - | - |
| Payments for gas | 0 | 11 May 2011 | 10 April 2012 | 835.0000 | - | - |
| Payments for gas | 0 | 11 May 2011 | 20 March 2012 | 827.0000 | - | - |
| Payments for gas | 0 | 11 May 2011 | 10 April 2012 | 562.0000 | - | - |
| Payments for gas | 0 | 12 May 2011 | 17 February 2012 | 548.0000 | - | - |
| Payments for gas | 0 | 12 May 2011 | 20 January 2012 | 804.0000 | - | - |
| Payments for gas | 0 | 13 May 2011 | 10 February 2012 | 557.0000 | - | - |
| Payments for gas | 0 | 13 May 2011 | 9 March 2012 | 547.0000 | - | - |
| Payments for gas | 0 | 16 May 2011 | 20 March 2012 | 541.5000 | - | - |
| Payments for gas | 0 | 16 May 2011 | 10 April 2012 | 543.0000 | - | - |
| Payments for gas | 0 | 16 May 2011 | 20 April 2012 | 533.5000 | - | - |
| Payments for gas | 0 | 17 May 2011 | 20 April 2012 | 816.0000 | - | - |
| Payments for gas | 0 | 17 May 2011 | 10 May 2012 | 815.0000 | - | - |
| Payments for gas | 0 | 17 May 2011 | 18 May 2012 | 816.0000 | - | - |
| Payments for gas | 0 | 17 May 2011 | 10 May 2012 | 526.0000 | - | - |
| Payments for gas | 0 | 20 May 2011 | 20 June 2012 | 780.0000 | - | - |
| Payments for gas | 0 | 20 May 2011 | 20 June 2012 | 519.0000 | - | - |
| Payments for gas | 0 | 23 May 2011 | 11 June 2012 | 787.0000 | - | - |
| Payments for gas | 0 | 23 May 2011 | 11 June 2012 | 520.0000 | - | - |
| Payments for gas | 0 | 23 May 2011 | 10 July 2012 | 785.0000 | - | - |
| Payments for gas | 0 | 23 May 2011 | 10 July 2012 | 521.0000 | - | - |
| Payments for gas | 0 | 2 June 2011 | 10 July 2012 | 550.0000 | - | - |
| Payments for gas | 0 | 16 June 2011 | 10 January 2012 | 845.0000 | - | - |
| Payments for gas | 0 | 16 June 2011 | 18 May 2012 | 525.0000 | - | - |
| Payments for gas | 0 | 16 June 2011 | 20 June 2012 | 525.0000 | - | - |
| Payments for gas | 0 | 21 June 2011 | 10 January 2012 | 574.0000 | - | - |
| Payments for gas | 0 | 5 August 2011 | 20 April 2012 | 808.0000 | - | - |
| Payments for gas | 0 | 5 August 2011 | 18 May 2012 | 783.5000 | - | - |
| Payments for gas | 0 | 5 August 2011 | 20 April 2012 | 520.0000 | - | - |
| Payments for gas | 0 | 5 August 2011 | 18 May 2012 | 520.0000 | - | - |
| Payments for gas | 0 | 5 August 2011 | 20 June 2012 | 530.0000 | - | - |
| Payments for gas | 0 | 5 August 2011 | 20 June 2012 | 808.0000 | - | - |
| Payments for gas | 0 | 8 August 2011 | 20 April 2012 | 516.0000 | - | - |
| Payments for gas | 0 | 8 August 2011 | 10 May 2012 | 773.0000 | - | - |
| Payments for gas | 0 | 8 August 2011 | 10 May 2012 | 519.0000 | - | - |
| Payments for gas | 0 | 8 August 2011 | 11 June 2012 | 777.0000 | - | - |
| Payments for gas | 0 | 8 August 2011 | 10 July 2012 | 775.5000 | - | - |
| Payments for gas | 0 | 9 August 2011 | 10 May 2012 | 486.5000 | - | - |
| Payments for gas | 0 | 9 August 2011 | 11 June 2012 | 494.0000 | - | - |
| Payments for gas | 0 | 11 August 2011 | 11 June 2012 | 770.0000 | - | - |
| Payments for gas | 0 | 11 August 2011 | 10 July 2012 | 504.0000 | - | - |
| Payments for gas | 0 | 11 August 2011 | 10 July 2012 | 503.0000 | - | - |
| Payments for gas | 0 | 16 August 2011 | 20 June 2012 | 505.0000 | - | - |
| Payments for gas | 0 | 16 August 2011 | 18 May 2012 | 538.9500 | - | - |
| Payments for gas | 0 | 17 August 2011 | 11 June 2012 | 555.0000 | - | - |
| Payments for gas | 0 | 19 August 2011 | 20 March 2012 | 516.2500 | - | - |
| Payments for gas | 0 | 19 August 2011 | 10 April 2012 | 523.8000 | - | - |
| Payments for gas | 0 | 8 September 2011 | 20 July 2012 | 526.0000 | (14) | - |
| Payments for gas | 0 | 8 September 2011 | 20 July 2012 | 785.0000 | (44) | - |
| Payments for gas | 0 | 8 September 2011 | 10 August 2012 | 525.0000 | (13) | - |
| Payments for gas | 0 | 8 September 2011 | 10 August 2012 | 782.0000 | (38) | - |
| Payments for gas | 0 | 9 September 2011 | 20 September 2012 | 755.0000 | (8) | - |
| Payments for gas | 0 | 9 September 2011 | 20 September 2012 | 500.0000 | (1) | - |
| Payments for gas | 0 | 13 September 2011 | 20 August 2012 | 492.0000 | (1) | - |
| Payments for gas | 0 | 13 September 2011 | 20 August 2012 | 729.0000 | (1) | - |

(PLN '000)

## Derivative instruments (continued)

| Hedged item | Nominal value in currency | Date of hedging transaction | Maturity date | Exercise price (exercise price range) | Measurement at fair value | |
|---|---|---|---|---|---|---|
| | | | | | Dec 31 2011 | Dec 31 2010 |
| Payments for gas | 0 | 14 September 2011 | 10 September 2012 | 703.0000 | - | - |
| Payments for gas | 0 | 14 September 2011 | 10 September 2012 | 470.0000 | - | - |
| Payments for gas | 0 | 20 September 2011 | 10 October 2012 | 718.0000 | (1) | - |
| Payments for gas | 0 | 20 September 2011 | 10 October 2012 | 489.0000 | - | - |
| Payments for gas | 0 | 2 November 2011 | 10 August 2012 | 735.0000 | (8) | - |
| Payments for gas | 0 | 2 November 2011 | 20 July 2012 | 735.0000 | (8) | - |
| Payments for gas | 0 | 4 November 2011 | 20 July 2012 | 490.0000 | (1) | - |
| Payments for gas | 0 | 4 November 2011 | 10 August 2012 | 490.0000 | (1) | - |
| Payments for gas | 0 | 10 November 2011 | 10 September 2012 | 536.0000 | (45) | - |
| Payments for gas | 0 | 10 November 2011 | 20 September 2012 | 527.0000 | (26) | - |
| Payments for gas | 0 | 10 November 2011 | 10 September 2012 | 765.0000 | (44) | - |
| Payments for gas | 0 | 10 November 2011 | 20 August 2012 | 527.0000 | (26) | - |
| Payments for gas | 0 | 10 November 2011 | 10 October 2012 | 760.0000 | (31) | - |
| Payments for gas | 0 | 10 November 2011 | 20 August 2012 | 760.0000 | (35) | - |
| Payments for gas | 0 | 14 November 2011 | 10 October 2012 | 510.0000 | (34) | - |
| Payments for gas | 0 | 14 November 2011 | 10 September 2012 | 513.0000 | (35) | - |
| Payments for gas | 0 | 14 November 2011 | 20 August 2012 | 513.0000 | (35) | - |
| Payments for gas | 0 | 15 November 2011 | 20 September 2012 | 773.0000 | (146) | - |
| Payments for gas | 0 | 15 November 2011 | 20 July 2012 | 513.0000 | (30) | - |
| Payments for gas | 0 | 15 November 2011 | 10 August 2012 | 513.0000 | (30) | - |
| Payments for gas | 0 | 15 November 2011 | 20 September 2012 | 510.0000 | (22) | - |
| Payments for gas | 0 | 15 November 2011 | 10 October 2012 | 510.0000 | (17) | - |
| Payments for gas | 0 | 15 November 2011 | 10 January 2013 | 772.0000 | (427) | - |
| Payments for gas | 0 | 17 November 2011 | 20 December 2012 | 750.0000 | (270) | - |
| Payments for gas | 0 | 17 November 2011 | 20 November 2012 | 750.0000 | (270) | - |
| Payments for gas | 0 | 17 November 2011 | 10 January 2013 | 490.0000 | (218) | - |
| Payments for gas | 0 | 17 November 2011 | 20 December 2012 | 490.0000 | (218) | - |
| Payments for gas | 0 | 17 November 2011 | 10 December 2012 | 483.0000 | (176) | - |
| Payments for gas | 0 | 18 November 2011 | 20 November 2012 | 482.0000 | (171) | - |
| Payments for gas | 0 | 18 November 2011 | 9 November 2012 | 750.0000 | (404) | - |
| Payments for gas | 0 | 18 November 2011 | 19 October 2012 | 748.5000 | (391) | - |
| Payments for gas | 0 | 21 November 2011 | 10 December 2012 | 735.0000 | (192) | - |
| Payments for gas | 0 | 21 November 2011 | 19 October 2012 | 444.0000 | (30) | - |
| Payments for gas | 0 | 21 November 2011 | 9 November 2012 | 444.0000 | (31) | - |
| Payments for gas | 0 | 27 July 2010 | 20 June 2011 | 593.0000 | - | - |
| Payments for gas | 0 | 27 July 2010 | 20 June 2011 | 420.0000 | - | - |
| Payments for gas | 0 | 27 July 2010 | 20 May 2011 | 594.0000 | - | - |
| Payments for gas | 0 | 27 July 2010 | 20 May 2011 | 425.0000 | - | - |
| Payments for gas | 0 | 27 July 2010 | 20 April 2011 | 606.0000 | - | - |
| Payments for gas | 0 | 27 July 2010 | 20 April 2011 | 430.0000 | - | - |
| Payments for gas | 0 | 20 October 2010 | 7 October 2011 | 640.5000 | - | (22) |
| Payments for gas | 0 | 20 October 2010 | 20 September 2011 | 640.5000 | - | (21) |
| Payments for gas | 0 | 20 October 2010 | 20 September 2011 | 412.0000 | - | (15) |
| Payments for gas | 0 | 20 October 2010 | 7 October 2011 | 412.0000 | - | (15) |
| Payments for gas | 0 | 21 October 2010 | 8 July 2011 | 645.0000 | - | - |
| Payments for gas | 0 | 21 October 2010 | 20 June 2011 | 645.0000 | - | - |
| Payments for gas | 0 | 21 October 2010 | 10 May 2011 | 647.0000 | - | - |
| Payments for gas | 0 | 21 October 2010 | 20 April 2011 | 647.0000 | - | - |
| Payments for gas | 0 | 22 October 2010 | 8 July 2011 | 426.0000 | - | - |
| Payments for gas | 0 | 22 October 2010 | 20 June 2011 | 426.0000 | - | - |
| Payments for gas | 0 | 22 October 2010 | 10 May 2011 | 435.0000 | - | (1) |
| Payments for gas | 0 | 22 October 2010 | 20 April 2011 | 435.0000 | - | (1) |
| Payments for gas | 0 | 26 October 2010 | 10 August 2011 | 432.0000 | - | (89) |
| Payments for gas | 0 | 26 October 2010 | 20 July 2011 | 432.0000 | - | (89) |
| Payments for gas | 0 | 26 October 2010 | 10 August 2011 | 640.7000 | - | (28) |
| Payments for gas | 10 | 26 October 2010 | 20 July 2011 | 640.7000 | - | (28) |

(PLN '000)

## Derivative instruments (continued)

| Hedged item | Nominal value in currency | Date of hedging transaction | Maturity date | Exercise price (exercise price range) | Measurement at fair value Dec 31 2011 | Measurement at fair value Dec 31 2010 |
|---|---|---|---|---|---|---|
| Payments for gas | 10 | 27 October 2010 | 19 August 2011 | 632.0000 | - | (14) |
| Payments for gas | 0 | 29 October 2010 | 9 September 2011 | 428.5000 | - | (58) |
| Payments for gas | 0 | 29 October 2010 | 9 September 2011 | 428.5000 | - | (58) |
| | | | | | **(3,493)** | **(439)** |
| *Forwards* | | | | | | |
| Payments for gas | 10 | 13 October 2011 | 10 January 2012 | 3.1720 | 2,474 | - |
| Payments for gas | 10 | 14 October 2011 | 20 January 2012 | 3.1387 | 2,855 | - |
| Payments for gas | 10 | 14 October 2011 | 10 January 2012 | 3.1521 | 2,673 | - |
| Payments for gas | 10 | 14 October 2011 | 20 January 2012 | 3.1527 | 2,716 | - |
| Payments for gas | 10 | 14 October 2011 | 17 February 2012 | 3.1368 | 2,976 | - |
| Payments for gas | 10 | 17 October 2011 | 10 January 2012 | 3.1045 | 3,148 | - |
| Payments for gas | 10 | 19 October 2011 | 10 January 2012 | 4.3707 | 489 | - |
| Payments for gas | 10 | 19 October 2011 | 10 February 2012 | 4.3890 | 445 | - |
| Payments for gas | 6 | 21 October 2011 | 10 February 2012 | 4.4290 | 28 | - |
| Payments for gas | 10 | 21 October 2011 | 9 March 2012 | 3.1939 | 2,484 | - |
| Payments for gas | 5 | 24 October 2011 | 20 January 2012 | 4.4151 | 51 | - |
| Payments for gas | 10 | 24 October 2011 | 10 February 2012 | 3.1908 | 2,414 | - |
| Payments for gas | 10 | 25 October 2011 | 10 January 2012 | 3.1616 | 2,578 | - |
| Payments for gas | 10 | 25 October 2011 | 20 April 2012 | 3.1900 | 2,657 | - |
| Payments for gas | 10 | 25 October 2011 | 20 March 2012 | 3.1755 | 2,695 | - |
| Payments for gas | 10 | 25 October 2011 | 10 February 2012 | 3.1695 | 2,626 | - |
| Payments for gas | 10 | 25 October 2011 | 10 February 2012 | 3.1750 | 2,571 | - |
| Payments for gas | 10 | 25 October 2011 | 20 January 2012 | 3.1620 | 2,623 | - |
| Payments for gas | 5 | 25 October 2011 | 17 February 2012 | 4.4149 | 109 | - |
| Payments for gas | 10 | 26 October 2011 | 17 February 2012 | 3.1675 | 2,671 | - |
| Payments for gas | 10 | 27 October 2011 | 10 April 2012 | 3.1595 | 2,922 | - |
| Payments for gas | 10 | 27 October 2011 | 9 March 2012 | 3.1485 | 2,933 | - |
| Payments for gas | 10 | 27 October 2011 | 10 April 2012 | 3.1516 | 3,000 | - |
| Payments for gas | 10 | 27 October 2011 | 10 February 2012 | 3.1325 | 2,993 | - |
| Payments for gas | 10 | 27 October 2011 | 20 April 2012 | 3.1460 | 3,091 | - |
| Payments for gas | 5 | 27 October 2011 | 9 March 2012 | 4.3909 | 273 | - |
| Payments for gas | 8 | 30 November 2011 | 10 January 2012 | 4.5520 | (1,057) | - |
| Payments for gas | 5 | 30 November 2011 | 20 January 2012 | 4.5477 | (610) | - |
| Payments for gas | 5 | 30 November 2011 | 20 January 2012 | 4.5360 | (552) | - |
| Payments for gas | 5 | 30 November 2011 | 10 February 2012 | 3.3835 | 249 | - |
| Payments for gas | 5 | 30 November 2011 | 10 February 2012 | 3.3810 | 261 | - |
| Payments for gas | 10 | 30 November 2011 | 17 February 2012 | 3.3565 | 792 | - |
| Payments for gas | 10 | 2 December 2011 | 10 February 2012 | 3.3400 | 930 | - |
| Payments for gas | 5 | 21 December 2011 | 10 January 2012 | 3.3848 | 174 | - |
| Payments for gas | 10 | 21 December 2011 | 10 January 2012 | 3.3848 | 349 | - |
| Payments for gas | 3 | 22 December 2011 | 17 February 2012 | 4.4720 | (105) | - |
| Payments for gas | 10 | 22 December 2011 | 18 May 2012 | 3.4415 | 270 | - |
| Payments for gas | 3 | 22 December 2011 | 20 March 2012 | 4.4781 | (84) | - |
| Payments for gas | 10 | 22 December 2011 | 20 March 2012 | 3.4293 | 184 | - |
| Payments for gas | 10 | 23 December 2011 | 9 March 2012 | 3.4179 | 264 | - |
| Payments for gas | 10 | 23 December 2011 | 20 March 2012 | 3.4243 | 234 | - |
| Payments for gas | 10 | 27 December 2011 | 9 March 2012 | 3.4002 | 439 | - |
| Payments for gas | 10 | 27 December 2011 | 10 April 2012 | 3.4061 | 486 | - |
| Payments for gas | 10 | 27 December 2011 | 20 April 2012 | 3.4090 | 499 | - |
| | | | | | **59,218** | - |
| *Commodity swaps* | | | | | | |
| Payments for gas | 0 | 16 July 2010 | 10 January 2011 | 468.7500 | - | (424) |
| Payments for gas | 0 | 16 July 2010 | 10 January 2011 | 647.0000 | - | 299 |
| Payments for gas | 0 | 20 July 2010 | 18 February 2011 | 468.0000 | - | 461 |

(PLN '000)

**Derivative instruments (continued)**

| Hedged item | Nominal value in currency | Date of hedging transaction | Maturity date | Exercise price (exercise price range) | Measurement at fair value | |
|---|---|---|---|---|---|---|
| | | | | | Dec 31 2011 | Dec 31 2010 |
| Payments for gas | 0 | 20 July 2010 | 18 February 2011 | 652.5000 | - | 6,412 |
| Payments for gas | 0 | 20 July 2010 | 10 February 2011 | 469.0000 | - | 329 |
| Payments for gas | 0 | 20 July 2010 | 10 February 2011 | 654.5000 | - | 6,152 |
| Payments for gas | 0 | 20 July 2010 | 20 January 2011 | 654.5000 | - | 6,165 |
| Payments for gas | 0 | 20 July 2010 | 20 January 2011 | 469.7500 | - | 229 |
| Payments for gas | 0 | 28 July 2010 | 8 July 2011 | 471.5000 | - | 408 |
| Payments for gas | 0 | 28 July 2010 | 8 July 2011 | 658.5000 | - | 3,176 |
| Payments for gas | 0 | 28 July 2010 | 10 June 2011 | 471.5000 | - | 791 |
| Payments for gas | 0 | 28 July 2010 | 10 June 2011 | 658.0000 | - | 6,203 |
| Payments for gas | 0 | 28 July 2010 | 10 May 2011 | 473.0000 | - | 696 |
| Payments for gas | 0 | 28 July 2010 | 10 May 2011 | 660.5000 | - | 6,363 |
| | | | | | **0** | **37,260** |
| Total | | | | | **(132,305)** | **(26,808)** |
| | including: | premiums on options | assets | | **127,943** | **76,044** |
| | | positive valuation** | assets | | **156,588** | **1,591** |
| | | negative valuation | liabilities | | (416,836) | (104,443) |

** Includes reversal of positive valuation, but due to a surplus of option premiums and their valuation, they were jointly posted under assets.

MT - metric tonnes.

Positive valuation of derivatives as at the end of period is presented in the statement of financial position as a separate item of current assets. Negative valuation of derivatives is presented in the statement of financial position as a separate item of current liabilities. Effects of valuation of open positions are taken to profit or loss for the period, or directly to equity if there is an effective portion which constitutes an effective hedge of changes in fair value of financial derivatives designated as cash flow hedges. In such a case, at the time of exercise of the derivative instrument and of the hedged item, the Company's equity is decreased/increased, and the effective portion is charged to the income statement in the place of origination of the hedged item's costs. The non-effective portion and the fair value of transactions not designated as hedges is recognised under other items of the profit or loss of the period.

| | Jan 1 – Dec 31 2011 | Jan 1 – Dec 31 2010 |
|---|---|---|
| Net gain/loss on valuation of derivative instruments – unrealised | (339,188) | (142,560) |
| Net gain/loss on derivative instruments – realised | 488,497 | (48,677) |
| **Total net gain/loss on derivative instruments recognised in the income statement** | **149,309** | **(191,237)** |
| of which: | | |
| recognised under other operating expenses, net | (80,038) | (155,561) |
| recognised under raw and other materials used | 469,773 | 85,293 |
| **Net gain/loss on valuation of derivative instruments recognised in other comprehensive income -– unrealised*** | **109,170** | **34,049** |
| **Total net gain/loss on derivative instruments recognised in equity** | **258,479** | **(157,188)** |

## 34. CONTINGENT LIABILITIES AND RECEIVABLES

### 34.1. Contingent receivables

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| From related parties: | | |
| under guarantees and sureties received | - | - |
| under promissory notes received | 12,775,417 | 5,303,928 |
| **Total contingent receivables from related parties** | **12,775,417** | **5,303,928** |

(PLN '000)

| | | |
|---|---|---|
| From other entities: | | |
| under guarantees and sureties received | 340,369 | 339,038 |
| under promissory notes received | 90,103 | 62,539 |
| **Total contingent receivables from other entities** | **430,472** | **401,577** |
| **Total contingent assets** | **13,205,889** | **5,705,505** |

### 34.2. Contingent liabilities

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| To related parties | | |
| under guarantees and sureties issued* | - | - |
| under promissory notes issued | - | - |
| **Total contingent liabilities to related parties** | **-** | **-** |
| To other entities | | |
| under guarantees and sureties issued* | 10,540,950 | 2,816,431 |
| under promissory notes issued | 620,282 | 676,047 |
| **Total contingent liabilities to other entities** | **11,161,232** | **3,492,478** |
| **Total contingent liabilities** | **11,161,232** | **3,492,478** |

* Contingent liabilities in foreign currencies were translated into the złoty at the exchange rates quoted by the National Bank of Poland respectively for December 31st 2011 and December 31st 2010.

The increase in liabilities under guarantees and sureties in 2011 is mainly connected with the recognition of two new guarantees and changes in the exchange rate of the Polish złoty against the euro and the US dollar.

On August 1st 2011, the Company issued a performance bond to GASSCO, for NOK 600,000 thousand (PLN 340,560 thousand, translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011). On August 25th 2011, the Company issued a guarantee in respect of payment of liabilities under the Eurobonds which were to be issued by subsidiary PGNiG Finance AB, for EUR 1,500,000 thousand (PLN 6,625,200 thousand, translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011).

The depreciation of the Polish złoty against the US dollar resulted in a PLN 48,956 thousand increase in the value of the USD 108,000 thousand guarantee provided by PGNIG SA to National Oil Corporation in respect of the fulfilment of licence commitments by POGC – Libya B.V. (a subsidiary). At the same time, the depreciation of the złoty against the euro inflated the value the EUR 627,556 thousand guarantee provided to the government of Norway. The value of this guarantee increased by PLN 282,479 thousand.

### 34.3. Other contingent liabilities

#### Real estate tax

Pursuant to a decision of the Supreme Administrative Court in Warsaw of July 2nd 2001 taken by a bench of seven judges, underground workings are not subject to real estate tax. Since wells are considered underground workings for the purposes of oil and gas production, the local authorities (the communes (*gminy*)) in the area of operation of the Zielona Góra Branch resolved not to collect the real estate tax; however some authorities decided that it is the well completions and supporting infrastructure that is subject to taxation.
With respect to pipelines, the tax obligation has existed since 2001. In the 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. Still, the 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 2011. The related liability, if any, including interest, which is not past due and is not recognised in the financial statements, amounted to PLN 151,150 thousand as at December 31st 2011 (as at the end of 2010, it was PLN 136,802 thousand).

(PLN '000)

## 35. OFF-BALANCE SHEET LIABILITIES

### 35.1. Operating lease liabilities

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| up to 1 year | 5,333 | - |
| from 1 to 5 years | 7,976 | - |
| over 5 years | - | - |
| **Total** | **13,309** | - |

### 35.2. Contractual liabilities (not yet disclosed in the statement of financial position)

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Contractual liabilities | 4,677,585 | 4,576,948 |
| Completion of agreements as at the balance-sheet date | 3,131,819 | 2,154,641 |
| **Contractual liabilities subsequent to the balance-sheet date** | **1,545,766** | **2,422,307** |

## 36. INFORMATION ON RELATED PARTIES

PGNIG SA holds shares in production and service companies. As at December 31st 2011, PGNIG SA had 36 related parties, including:

- 27 subsidiaries;
- 9 other related parties.

### 36.1. Consolidated entities of the Group as at the end of 2011

| **Company** | **Based in** | **% of share capital held by PGNIG SA** | |
|---|---|---|---|
| PGNIG SA (Parent) | Poland | | |
| **PGNIG SA's subsidiaries** | | **Dec 31 2011** | **Dec 31 2010** |
| GEOFIZYKA Kraków Sp. z o.o. | Poland | 100.00% | 100.00% |
| GEOFIZYKA Toruń Sp. z o. o. | 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 Sp. z o.o. | 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 Netherlands | 100.00% | 100.00% |
| Dolnośląska Spółka Gazownictwa Sp. z o.o. | Poland | 100.00% | 100.00% |
| Górnośląska Spółka Gazownictwa Sp. z o.o. | Poland | 100.00% | 100.00% |
| Karpacka Spółka Gazownictwa Sp. z o.o. | Poland | 100.00% | 100.00% |
| GK Mazowiecka Spółka Gazownictwa [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 Sp. z o.o. | Poland | 100.00% | 100.00% |
| INVESTGAS S.A. | Poland | 100.00% | 100.00% |
| PGNiG Energia S.A. | Poland | 100.00% | 100.00% |
| PGNiG Technologie Sp. z o.o. | Poland | 100.00% | 100.00% |
| PGNiG SPV1 Sp. z o.o. | Poland | 100.00% | - |
| PGNiG Sales&Trading GmbH | Germany | 100.00% | - |
| PGNiG Finance AB | Sweden | 100.00% | - |
| Operator Systemu Magazynowania Sp. z o.o. | Poland | 100.00% | - |
| Biuro Studiów i Projektów Gazownictwa Gazoprojekt S.A. | Poland | 75.00% | 75.00% |
| **PGNIG SA 's indirect subsidiaries** [3)] | | | |
| BUG Gazobudowa Sp. z o. o. Zabrze | Poland | - | 100.00% |
| Zakład Urządzeń Naftowych Naftomet Sp. z o.o. | Poland | - | 100.00% |
| ZRUG Sp. z o.o. (Pogórska Wola) | Poland | - | 100.00% |

(PLN '000)

| | | | |
|---|---|---|---|
| Budownictwo Naftowe Naftomontaż Sp. z o.o. | Poland | - | 88.83% |
| **Jointly-controlled entities and associates accounted for using the equity method** | | | |
| SGT EUROPOL GAZ S.A. 4) | 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 Sp. z o. o. 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) Since December 22nd 2011, these companies have constituted branches of PGNiG Technologie Sp. z o.o. (see description in Section 1.12).

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

(PLN '000)

### 36.2. 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 | Dec 31 2011 | 334,338 | 4,862,562 | Dec 31 2011 | 55,054 | 54,050 | 3,123,371 | 3,123,371 | 595,962 | 296,931 |
| | Dec 31 2010 | 436,516 | 4,621,431 | Dec 31 2010 | 66,006 | 59,877 | 2,344,743 | 2,336,493 | 641,781 | 119,840 |
| Other related parties – non-consolidated | Dec 31 2011 | 9,876 | 15,514 | Dec 31 2011 | 85,531 | 846 | 28,822 | - | 86,328 | - |
| | Dec 31 2010 | 7,445 | 16,460 | Dec 31 2010 | 127,270 | 1,123 | 22,372 | - | 87,056 | - |
| **Related parties – total** | Dec 31 2011 | **344,214** | **4,878,076** | **Dec 31 2011** | **140,585** | **54,896** | **3,152,193** | **3,123,371** | **682,290** | **296,931** |
| | Dec 31 2010 | **443,961** | **4,637,891** | **Dec 31 2010** | **193,276** | **61,000** | **2,367,115** | **2,336,493** | **728,837** | **119,840** |

The principal transactions with shareholders in 2011and 2010 were dividend payments, discussed in detail in Note 9.

In 2011, the Company did not enter into any material non-arm's length transactions with related parties.

The Company prepares documentation for related-party transactions in accordance with Art. 9a of the Act on Corporate Income Tax. 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 amount of amounts payable/receivable (to/from one contractor under one agreement) or its equivalent in the złoty exceeds in a calendar year an equivalent of EUR 100 thousand in the case of transactions involving goods and EUR 30 thousand in the case of transactions involving provision of services, sale or delivery of intangible assets. The Company applies the methods and manner of profit calculation and of defining the transaction price as specified in Art. 11 of the Act on Corporate Income Tax, that is the comparable uncontrolled price, resale price, and cost plus methods, as well as additional transactional profit methods (profit split, transactional net margin).

(PLN '000)

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

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 2011, PGNIG SA 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.

In 2010, PGNIG SA generated the highest turnover 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.

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

| Name | Jan 1 – Dec 31 2011 | | |
|---|---|---|---|
| | Total amount of remuneration, additional benefits and bonuses paid in 2011 | Total amount of remuneration for holding positions in subordinated entities in 2011 | **Total remuneration paid in 2011** |
| **Total remuneration paid to Management Board members, including:** | **3,100.14** | **4,364.70** | **7,464.84** |
| Michał Szubski - President | 356.41 | 1,456.22 | **1,812.63** |
| Radosław Dudziński - Vice-President | 329.05 | 1,058.18 | **1,387.23** |
| Sławomir Hinc - Vice-President | 325.13 | 1,058.18 | **1,383.31** |
| Marek Karabuła - Vice-President | 272.07 | 270.76 | **542.83** |
| Mirosław Szkałuba - Vice-President | 374.34 | 356.83 | **731.17** |
| Ewa Bernacik - proxy | 357.77 | 85.25 | **443.02** |
| Mieczysław Jakiel - proxy | 625.38 | 41.45 | **666.83** |
| **Persons who were members of management staff in 2011 but not as at Dec 31 2011:** | | | |
| Tadeusz Kulczyk – proxy * | 459.99 | 37.83 | **497.82** |
| **Total remuneration paid to Supervisory Board members, including:** | **292.33** | **190.27** | **482.60** |
| Stanisław Rychlicki | 41.45 | 80.00 | **121.45** |
| Marcin Moryń | 41.45 | - | **41.45** |
| Mieczysław Kawecki | 43.02 | 41.26 | **84.28** |
| Agnieszka Chmielarz | 41.45 | 25.75 | **67.20** |
| Grzegorz Banaszek | 41.45 | - | **41.45** |
| Mieczysław Puławski | 41.45 | - | **41.45** |
| Jolanta Siergiej | 42.06 | 43.26 | **85.32** |
| **Total** | **3,392.47** | **4,554.97** | **7,947.44** |

* On November 29th 2011, the PGNiG Management Board decided to revoke the power of proxy granted to Mr Tadeusz Kulczyk.

(PLN '000)

| Name | Jan 1 – Dec 31 2010<br>Total amount of remuneration, additional benefits and bonuses paid in 2011 | Total amount of remuneration for holding positions in subordinated entities in 2011 | **Total remuneration paid in 2011** |
|---|---|---|---|
| **Total remuneration paid to Management Board members, including:** | **3,250.15** | **3,209.91** | **6,460.06** |
| Michał Szubski - President | 368.04 | 950.13 | **1,318.17** |
| Radosław Dudziński - Vice-President | 343.42 | 687.62 | **1,031.04** |
| Sławomir Hinc - Vice-President | 333.92 | 687.62 | **1,021.54** |
| Marek Karabuła - Vice-President * | 110.97 | 53.46 | **164.43** |
| Mirosław Szkałuba - Vice-President | 401.53 | 203.68 | **605.21** |
| Ewa Bernacik - proxy | 356.22 | 82.96 | **439.18** |
| Mieczysław Jakiel - proxy | 394.27 | 41.45 | **435.72** |
| Tadeusz Kulczyk - proxy | 394.10 | 41.45 | **435.55** |
| **Persons who were members of management staff in 2010 but not as at Dec 31 2010:** | | | |
| Mirosław Dobrut - Vice-President | 222.60 | 214.98 | **437.58** |
| Waldemar Wójcik - Vice-President | 325.08 | 246.56 | **571.64** |
| **Total remuneration paid to Supervisory Board members, including:** | **336.79** | **199.31** | **536.10** |
| Stanisław Rychlicki | 41.45 | 80.00 | **121.45** |
| Marcin Moryń | 41.45 | - | **41.45** |
| Mieczysław Kawecki | 41.45 | 38.92 | **80.37** |
| Agnieszka Chmielarz | 41.45 | 38.94 | **80.39** |
| Grzegorz Banaszek | 41.45 | - | **41.45** |
| Mieczysław Puławski | 41.45 | - | **41.45** |
| Jolanta Siergiej | 41.45 | 41.45 | **82.90** |
| **Persons who were members of supervisory staff in 2010 but not as at Dec 31 2010:** | | | |
| Marek Karabuła* | 46.64 | - | **46.64** |
| **Total** | **3,586.94** | **3,409.22** | **6,996.16** |

* On July 19th 2010, Mr Marek Karabuła was appointed Vice-President of the Management Board.

During the financial year, the Company did not enter into any other material transactions with members of the Company's Management Board or its 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 loan to such persons.

### 36.5. Joint ventures

In 2011, PGNIG SA cooperated with the following companies in Poland: FX Energy Poland Sp. z o.o., EuroGas Polska Sp. z o.o., Energia Bieszczady Sp. z o.o., Orlen Upstream 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.).

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

In 2011, PGNIG SA continued cooperation with FX Energy Poland Sp. z o.o. in the following areas covered by licences awarded to PGNIG SA:

- "Płotki" – under the Agreement for Joint Operations dated May 12th 2000; licence interests: PGNIG SA – 51%, FX Energy – 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 – 24.5%, CalEnergy – 24.5%,
- "Poznań" – under the Agreement for Joint Operations dated June 1st 2004; licence interests: PGNIG SA – 51%, FX Energy – 49%,

and in the following areas covered by licenses awarded to FX Energy Poland Sp. z o.o.:

- “Warszawa-Południe” (blocks no. 234, 235, 254, 255 and 274N) under the Agreement for Joint Operations dated May 26th 2011 (to the extent relating to block 255, this agreement superseded the agreement of October 29th 1999); licence interests: FX Energy – 51%, PGNIG SA – 49%,
- “Ostrowiec” – under the Agreement for Joint Operations dated February 27th 2009, covering licence blocks no. 163 and 164; licence interests: FX Energy – 51%, PGNIG SA – 49%,
- “Kutno” – under the Agreement for Joint Operations dated September 30th 2010; licence interests: FX Energy – 50%, PGNIG SA – 50%,

As far as the “Płotki” and “Płotki” – “PTZ” areas are concerned, in 2011 production continued from the Roszków field in the “Płotki” area and from the Zaniemyśl field in the “Płotki” – “PTZ” area.

With respect to the “Poznań” licence area, in 2011 gas production continued from the Środa Wielkopolska field and was launched from the Kromolice and Kromolice S fields. Development of the new Winna Góra gas field also commenced, with the well scheduled to come on stream in 2012. Economic quantities of natural gas were discovered in 2011 from the Lisewo-1k exploration well (Lisewo field). Furthermore, drilling of the Pławce-2 exploration borehole with a depth of 4,200 m was completed (tight gas). Fracturing and well testing is scheduled for 2012. In 2011, field work related to stage II of the 3D seismic survey was executed in the Żerków-Pleszew area. Data processing commenced, which is expected to be completed in 2012. Drilling of the Komorze-3K borehole is also scheduled for 2012, as well as commencement of the 3D field seismic surveys in the Mirosław area.

In the “Warszawa-Południe” area, Machnatka-2 borehole was drilled within block 254 (depth: 4,500 m). The borehole was abandoned, as no hydrocarbon flow was identified. Analytical work continued for the “Ostrowiec” area. In the “Kutno” area, drilling of a deep exploration borehole Kutno-2 commenced, with a planned depth of 6,450 m.

**EuroGas Polska Sp. z o.o.**, registered office at ul. Górnośląska 3, 43-200 Pszczyna
**Energia Bieszczady Sp. z o.o.**, registered office at ul. Śniadeckich 17, 00-654 Warsaw

In 2011, PGNIG SA continued cooperation with EuroGas Polska Sp. z o.o. and Energia Bieszczady Sp. z o.o. in the “Bieszczady” license area (the mining usufruct and licenses for exploration and appraisal of crude oil and natural gas deposits in that area are held by PGNIG SA). Interests held in the project: PGNIG SA (operator) – 51%, EuroGas Polska Sp. z o.o. – 24%, and Energia Bieszczady Sp. z o.o. – 25%.

In 2011, drilling of the Niebieszczany-1 well (depth: 4,219 m) was completed in the “Bieszczady” area, and well tests were initiated. Furthermore, 2D field work was carried out in the Paszowa-Brzegi Dolne area, followed by geological interpretation of the acquired data. Field work commenced to acquire 2D seismic data in the Jaśliska-Baligród area, and field gravimetric surveys were launched in the Hoczew-Lutowiska area.

**Orlen Upstream Sp. z o.o.**, registered office at ul. Przyokopowa 31, 01-208 Warsaw

In 2011, PGNIG SA continued cooperation with Orlen Upstream Sp. z o.o. in the “Sieraków” area (PGNIG SA has a 51% interest in the project, while PKN Orlen S.A. holds the remaining 49%).
In the “Sieraków” area, the Sieraków-5 borehole was drilled in 2011. As no hydrocarbon flow was identified, an analysis was carried out to determine the best location for the Sieraków 2 borehole, scheduled for drilling in 2012.

**Aurelian Oil & Gas PLC,** registered office at 13/14 Hanover Street London W1S 1YH
**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

PGNIG SA cooperates with Energia Karpaty Zachodnie Sp. z o.o. Sp. k. in the following areas: “Budzów”, “Bielsko-Biała”, “Bestwina” and “Cieszyn”. Energia Karpaty Zachodnie Sp. z o.o. Sp. k. acts as the operator and holds a 60% interest in the project, while PGNIG SA holds a 40% interest. PGNIG SA cooperates with Energia Karpaty Wschodnie Sp. z o.o. Sp. k. in the “Mszana Dolna” and “Jordanów” areas. Energia Karpaty Wschodnie Sp. z o.o. Sp. k. acts as the operator and holds an 80% interest in the project, while PGNIG SA holds a 20% interest.
In 2011, in the “Karpaty Wschodnie” licence area, 2D seismic data acquisition and data processing was completed for the Mszana area, and a new 2D seismic survey was performed for the Jordanów area.

None of the joint ventures described above were consolidated in 2011 or 2010 because all of their assets, liabilities, income and expenses were presented in the statement of financial position and the income statement of the Company pro rata to its interest in a given joint venture.

### 36.6. Foreign operations

PGNIG SA's interests in foreign operations

PGNIG SA recognises interests in foreign operations at historical values (without revaluating the interests as at each balance sheet date to reflect changes in currency exchange rates). If impairment is identified, the Company recognises an appropriate impairment loss. In the statement of financial position, the value of interests in foreign operations is presented net of impairment losses.

**Ukraine**

**Dewon Z.S.A.** is a closely-held (unlisted) joint-stock company, established on November 17th 1999. The company's core business consists in provision of services related to production of natural gas, workover of wells and development and exploitation of fields in Ukraine.

The company's share capital amounts to UAH 11,146.8 thousand (equivalent to PLN 4,743.0 thousand, translated at the exchange rate of the National Bank of Poland quoted for December 31st 2011) and is divided into 120,000 shares with a par value of UAH 92.89 per share. PGNIG SA holds a UAH 4,055.2 thousand interest in the company (equivalent to PLN 1,725.5 thousand, translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011). As at December 31st 2011, the value of the shares as disclosed in the accounting books of PGNIG SA amounted to PLN 2,499.4 thousand. An impairment loss was recognised for the full value of the shares.

The company's shareholder structure is as follows:

- PGNIG SA 36.38%
- Prawniczyj Alians Sp. z o.o. 25.99%
- Ferrous Trading Ltd. 25.08%
- NAK Neftiegaz Ukrainy 12.13%
- Oszkader Walentyna Georgijewna 0.41%
- SZJu Łtawa Sp. z o.o. 0.01%

The company commenced production of natural gas in November 2003 and continued its gas production operations until April 24th 2009.

Dewon Z.S.A. conducted work at the Sakhalin field as part of a joint venture, under an agreement with NAK Nadra Ukrainy (the holder of the license for the production of hydrocarbons) and PoltavaNaftoGas-Geologia. On April 24th 2009, NAK Nadra Ukrainy's license to conduct work at the Sakhalin field expired. Since that date, Dewon Z.S.A has not conducted any production from the field. Despite numerous interventions of the Polish Embassy in Kiev and the representatives of the Polish government, until the date of these financial statements, no license has been granted under which Dewon Z.S.A. would be able to recommence work on the field. Discontinuation of the production from the field resulted in significant deterioration of the company's financial and economic position.

**Oman**

The share capital of Sahara Petroleum Technology Llc amounts to OMR 150.0 thousand (Omani rial), equivalent to PLN 1,308.5 thousand, translated at the mid-exchange rate quoted by the National Bank of Poland for December 28th 2011 (the last exchange rate quoted in 2011), and is divided into 150,000 shares with a par value of OMR 1 per share. PGNIG SA holds an OMR 73.5 thousand interest in the company (equivalent to PLN 641.2 thousand, translated at the exchange rate quoted by the National Bank of Poland for December 28th 2011). As at December 31st 2011, the value of the shares as disclosed in the accounting books of PGNIG SA amounted to PLN 879.0 thousand. An impairment loss was recognised for the full value of the shares.

The company's shareholder structure is as follows:

- PGNIG SA 73,500 shares 49%,
- Petroleum and Gas Technology llc 76,500 shares 51%
  P.O. Box 3641, Ruwi, the Sultanate of Oman.

The company was incorporated in 2000, at the initiative of Zakład Robót Górniczych of Krosno (until June 30th 2005 a branch of PGNIG SA, currently a wholly-owned subsidiary of PGNIG SA). The company was established with a view to performing well servicing services such as application of

enhanced recovery techniques or workovers, wireline services, wellhead maintenance services, as well as performing light and middle drilling work with the use of PGNIG SA's technological potential.
The company has never commenced the operations for the purpose of which it was established. On June 7th 2009, the shareholders resolved to dissolve the company and appoint a liquidator. At present, the liquidation process is under way.

**Germany**

On July 1st 2005 in Potsdam, Germany, PGNIG SA and VNG-Verbundnetz Gas AG signed two deeds of incorporation whereby they established two companies under German law:

- **InterTransGas GmbH (ITG),**
- **InterGasTrade GmbH (IGT).**

Each partner acquired a 50% interest in each of the companies. The share capital of each of the companies amounts to EUR 200 thousand (equivalent to PLN 883.4 thousand, translated at the mid-exchange rate of the National Bank of Poland quoted for December 31st 2011), and their registered offices are located in Potsdam (InterGas Trade GmbH (IGT)) and Leipzig (InterTransGas GmbH (ITG).

InterGasTrade GmbH has not been registered.
InterTransGas GmbH was entered in the commercial register of Potsdam on August 9th 2005. The company's core business consists in construction, operation and sale of transmission capacities.

InterTransGas GmbH was established for the purpose of constructing an inter connector pipeline between the Polish and European transmission systems, which is one of the solutions designed to diversify the supplies of gas fuels to Poland. At present, under a resolution of its shareholders, InterTransGas GmbH operates at minimum costs necessary to keep the company in operation. As soon as it is possible to build a gas pipeline to connect the Polish and German systems for gas fuels transmission, the company will be able to commence its core operations as provided for in its Articles of Association.
In 2007, pursuant to a resolution of the General Meeting, the registered office of InterTransGas GmbH was relocated from Potsdam to Leipzig, Germany.

On January 29th 2009, the General Meeting of InterTransGas GmbH adopted resolutions concerning approval of the business model for the construction of the Börnicke – Hintersee– Police gas pipeline, approval of the business plan for 2009 and contribution of EUR 3,000 thousand by the shareholders to the company's capital reserves. The recapitalisation takes the form of a contribution to the company's capital reserves, without issuance of new shares. Each of the shareholders paid the first tranche of EUR 750 thousand to the capital reserves in June 2009. The next tranche of EUR 2,250 thousand was paid by each shareholder in July 2010, after the shareholders executed an Annex to the Shareholders Cooperation Agreement on June 30th 2010, defining in detail the terms of cooperation on the construction of the Germany – Poland Interconnector Pipeline, particularly with respect to rights and obligations of the ITG shareholders.

On December 13th 2011, the General Meeting of InterTransGas GmbH adopted a resolution to withdraw EUR 3,800 thousand from capital reserves, and pay of half of this amount to each shareholder, i.e. to PGNIG SA and VNG AG. The payment was made before the end of December 2011.

As at December 31st 2011, PGNIG SA's interest in InterTransGas GmbH amounted to EUR 1,200 thousand (equivalent to PLN 5,300.2 thousand, translated at the mid-exchange rate quoted by the National Bank of Poland for December 31st 2011). As at December 31st 2011, the value of the shares as disclosed in the accounting books of PGNIG SA amounted to PLN 5,242.8 thousand.

On December 21st 2010, POGC Trading GmbH of Munich was incorporated, with a share capital of EUR 10,000 thousand (equivalent to PLN 44,168.0 thousand, translated at the mid-exchange rate quoted by the National Bank of Poland for December 31st 2011). All shares were acquired by PGNIG SA in return for a cash contribution made in December 2010. As at December 31st 2011, the value of the shares as disclosed in the accounting books of PGNIG SA amounted to PLN 39,710.0 thousand.

The company's business profile involves purchase and sale of, and trading in, gas, fuels and other forms of energy (related to such products in a physical form), as well as trading in derivatives and financial products, provided that the trading in derivatives and financial products is to be conducted for hedging purposes only. On February 10th 2011, POGC Trading GmbH was entered in the commercial register in Munich.

On August 22nd 2011, the General Meeting adopted a resolution to change the company's name to **PGNiG Sales & Trading GmbH**. The change was registered on August 25th 2011.

In November 2011, the company commenced activities consisting in purchase of natural gas on the European market for PGNiG SA.

**Norway**

On May 24th 2007, PGNIG SA established its Norwegian subsidiary **PGNiG Norway AS**, incorporated as a company with limited liability, a special purpose vehicle to implement PGNIG SA's projects in the Norwegian Continental Shelf (NCS).

PGNIG SA of Warsaw is the sole shareholder in PGNiG Norway AS. PGNiG Norway AS's business comprises crude oil and natural gas production as well as other similar or related activities. PGNiG Norway AS may also engage in infrastructure projects related to transmission via subsea pipelines (e.g. construction and operation of gas pipelines), and conduct trading and financial activities and other types of activities at all stages of the crude oil and natural gas value chain.

PGNiG Norway AS was established in particular to perform the agreement executed on February 28th 2007 between PGNIG SA, Mobil Development Norway AS and ExxonMobil Produktion Norway Inc. concerning the acquisition by the Company of licence interests in the Norwegian Continental Shelf covering the Skarv, Snadd and Idun fields (licences PL 212, PL 212B and PL 262). In line with the joint venture agreement, PGNiG Norway holds the rights to 12% of the production (other interest holders are British Petroleum – 24% (operator), Statoil – 36% and E.ON Ruhrgas – 28%.) from the Skarv/Snadd/Idun field and has the obligation to participate in the investment expenditure in the same proportion. British Petroleum is the field operator. At present, the proved recoverable reserves in the Skarv, Snadd and Idun fields, as confirmed by the Norwegian Petroleum Directorate (NPD), are estimated at about 36 billion cubic metres of natural gas and 15 million tonnes of crude oil. The field will be developed using a geostationary floating production, storage and offloading vessel (FPSO), built in a shipyard in South Korea.

Furthermore, in February 2010 PGNiG Norway AS obtained from the Norwegian Ministry of Petroleum and Energy the authorisation to act as an operator on the Norwegian Continental Shelf.

In March 2011, the floating production, storage and offloading (FPSO) unit which is to be used to produce hydrocarbons from the Skarv field, was transported to Norway. Installation of all the submarine structures (foundation slabs, pipelines, etc.) on the Skarv and Idun fields was also completed. Due to the necessity to perform additional tests in a Norwegian shipyard to check the FPSO for leakages, the launch of production was rescheduled for Q2 2012.

Following licensing round awards, in H1 2011 PGNiG Norway AS acquired in the Norwegian Continental Shelf:

- a 20% interest in licence PL599, the direct operatorship of which was awarded to BG Norge AS (40% interest),
- a 30% interest in licence PL600, the direct operatorship of which was awarded to Dana Petroleum (70% interest).

On June 18th 2011, due to poor reservoir properties of the formations accumulating the gas discovered in licence area PL326, the interest holders decided not to proceed with any further work under this licence.

Overall, as at the end of December 2011, the company held interests in nine exploration and production licences. The Skarv field, discovered in 1998, was its main asset. In 2007, the company's assets grew thanks to the inclusion of the Idun field.

In order to finance the purchase of an interest in ExxonMobil's hydrocarbon reserves, in 2007 PGNiG Norway AS was advanced a loan of NOK 3,800,000 thousand by PGNiG SA. The loan was disbursed in tranches, and the repayment deadline was set for December 2022. After the third tranche of NOK 1,312,000 thousand was disbursed in January 2009, PGNiG Norway AS received the full loan amount of NOK 3,800,000 thousand.

On January 13th 2010, PGNIG SA granted the company another loan, in the amount of NOK 786,000 thousand. The loan was disbursed in tranches, made available upon notice from the company. In H1 2010, the company received NOK 460,000 thousand under the loan.

On August 27th 2010, PGNiG Norway AS and PGNIG SA signed another (third) loan agreement for NOK 4,400,000 thousand. The loan was used to repay the 2007 loan of NOK 3,800,000 thousand, together with interest. The new loan is subordinated to the credit facility agreements concluded with banks, which means that the collateral established on assets securing the loan is second-ranking to the collateral securing the credit facilities, and the loan principal may only be repaid after the credit facilities have been repaid.

In 2011, the company received NOK 660,000 thousand (equivalent to PLN 374,616 thousand, translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011) under the loan.

As at December 31st 2011, PGNiG Norway AS's total debt under the loan amounted to NOK 4,560,000 (equivalent to PLN 2,588,256 thousand, translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011).

On August 31st 2010, PGNiG Norway AS entered into a USD 400,000 thousand credit facility agreement with seven international banks. The credit facility is secured on the company's assets, including a pledge on licences covering the Skarv field and the company's interests. In addition, PGNIG SA issued a guarantee for the liabilities of its subsidiary, and the credit facility is senior to other financial liabilities contracted by PGNiG Norway AS. Until the end of 2011, the company drew USD 400,000 thousand under the credit facility. These funds were spent mainly on preparation of the Skarv field for production launch and on repayment of the loan of January 2010.

As the production launch date was postponed, PGNIG SA had to provide to PGNiG Norway AS additional funding in 2011. Total financial needs were determined at NOK 791,000 thousand (equivalent to PLN 448,971.6 thousand, translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011), of which NOK 140,673 thousand was provided by way of an increase of the share capital of PGNiG Norway AS, and NOK 650,000 by way of an increase of the loan amount to NOK 5,050,000 thousand (equivalent to PLN 2,866,380.0 thousand, translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011).

The structure of financing of the company's activities complies with the rules concerning the debt to equity relationship (thin capitalisation) which are effective in Norway.

On September 8th 2011, the General Meeting of PGNiG Norway AS adopted a resolution concerning increase of the company's share capital to NOK 1,092 million, and acquisition of all the new shares by PGNiG SA.

As at December 31st 2011, PGNIG SA's equity interest in the subsidiary was NOK 1,092,000 thousand, or PLN 619,819.2 thousand (translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011). As at December 31st 2011, the value of the shares as disclosed in the accounting books of PGNIG SA amounted to PLN 537,541.8 thousand.

**The Netherlands – Libya**

In January 2008, the PGNiG Management Board adopted a resolution granting its consent to use PGNiG Finance B.V. (established on September 14th 2001 to service the issue of Eurobonds issued by PGNIG SA) for the purpose of conducting exploration and production activity in Libya. On the same date, the PGNiG Management Board adopted a resolution concerning the amendment to the Articles of Association and change of the Management Board of PGNiG Finance B.V., and setting up of the company's branch in Libya.
The amendments to the Articles of Association were registered in the Netherlands on February 4th 2008. In the new Articles of Association, the company's name was changed to Polish Oil and Gas Company – Libya B.V. (POGC – Libya B.V.). The company's sole shareholder is PGNiG SA. Its share capital is EUR 20 thousand, that is PLN 88.3 thousand (translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011).

The Management Board of Polish Oil and Gas Company – Libya B.V. took steps which led to the execution – in February 2008 – of an Exploration and Production Sharing Agreement (EPSA) with Libya's National Oil Corporation. The Agreement, setting out the terms and conditions of an exploration and production project in Libya, was executed in connection with the award (following a licensing round) of Block 113, covering an area of 5,494 square kilometres between the Murzuq and Gadamesh basins, near the Algerian border. The bid submitted by the company included a commitment to carry out exploration work worth a total of USD 108,000 thousand, including acquisition of 3,000 square kilometres of 2D seismic and 1,500 square kilometres of 3D seismic, as well as drilling of eight wells.

Pursuant to the EPSA, if a commercial discovery of hydrocarbons is made within the licence area, the expenditures which the Agreement allocates to the licence as the basis for “cost recovery”, incurred by PGNIG SA through POGC Libya, may be recovered from the production revenues (cost oil).

In February 2008, PGNIG SA issued a guarantee for the benefit of National Oil Corporation regarding the fulfilment by POGC – Libya B.V. of its work programme commitments worth USD 108,000 thousand, i.e. PLN 369,079.2 thousand (translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011).

In 2010, phase I and II of the processing of 2D and 3D seismic data was completed. In addition, the location of the drilling site for the first two exploration wells was determined and work on the well drilling design documentation was commenced. An environmental impact report was ordered to be prepared for the location where the first wells were to be drilled. Drilling work was scheduled to start at the beginning of the second quarter of 2011.

In September 2010, the preliminary location of another two exploration wells was identified. In the fourth quarter of 2010, the winner in the tender for drilling services was selected. The tender was awarded to Poszukiwania Nafty i Gazu Jasło Sp. z o.o.

In the second quarter of 2011, interpretation of the 2D and 3D seismic data was completed.

In March 2009, the PGNiG Management Board adopted a resolution to increase POGC Libya BV’s equity by EUR 47,500 thousand, i.e. PLN 209,798.0 thousand (translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011), to be used primarily towards the expenditure on exploration work in Libya. The equity increase was effected without issuing any new shares, by way of a cash contribution agreement (March 12th 2009). On the date of the resolution, a portion of the contribution to the company’s reserve funds was offset against PGNIG SA’s receivables under a loan of USD 20,591 thousand, extended in 2008. The contribution amount remaining after offsetting the loan amount together with interest was paid to the company in cash in 2009, in three instalments.

On February 1st 2010, POGC Libya BV and PGNIG SA entered into an agreement under which PGNIG SA undertook to make an additional contribution to the company's equity of EUR 18,000 thousand, i.e. PLN 79,502.4 thousand (translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011). The equity increase was effected without issuing any new shares, by way of a contribution to statutory reserve funds. These new funds were used primarily on financing exploration work.

By February 2011, the company acquired 3,000 km of 2D profiles and 1,087 sq km of 3D profiles, and carried out a number of geological analyses. In H1 2011, the company, jointly with PGNiG SA worked on evaluation of the 2D seismic data.

Because of the events which have been taking place in Libya since mid-February 2011, the Management Board of POGC Libya BV made a decision to evacuate all international personnel from the country and to set up a temporary office in Warsaw. The international personnel of most of the subcontractors was also evacuated. Meanwhile, the Tripoli office is operated by local employees and remains open. As required under the Exploration and Production Sharing Agreement (EPSA), the company notified National Oil Corporation in Libya of the occurrence of a force majeure, which provides the basis for an extension of the term to perform obligations under the agreement. Once the force majeure ceases to apply, the parties have the obligation to enter into negotiations to set a new deadline for performance of the contractual obligations. As future developments are currently difficult to predict, the Management Board of POGC Libya BV is monitoring the situation in Libya and in the region and will make appropriate decisions and take required actions depending on the circumstances.

In the fourth quarter of 2011, the company’s equity was increased by an additional contribution of USD 2,430 thousand, i.e. PLN 8,304.3 thousand (translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011), without issuing any new shares.

As at December 31st 2011, PGNIG SA’s equity interest in the subsidiary was EUR 65,520.0 thousand, that is PLN 289,388.7 thousand (translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011). As at December 31st 2011, the value of the shares as disclosed in PGNIG SA’s accounting books amounted to PLN 291,922.0 thousand.

(PLN '000)

### Sweden

On April 29th 2011, PGNIG SA acquired shares in Goldcup 5839 AB of Stockholm, a company with a share capital of SEK 500 thousand (equivalent to PLN 247.5 thousand, translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011). On June 20th 2011, a change of the company's name to PGNiG Finance AB was registered.

The company's mission is to raise financing, including through the issue of Eurobonds on the international markets, as well as to borrow funds and advance loans to private investors, other than as part of any activities which in Sweden require a licence. As at December 31st 2011, the value of the shares as disclosed in PGNIG SA's accounting books amounted to PLN 481.0 thousand.

On September 30th 2011, a decision was made to increase the company's equity by an additional contribution of EUR 60 thousand, i.e. PLN 265.0 thousand (translated at the exchange rate quoted by the National Bank of Poland for December 31st 2011), without issuing any new shares.

PGNIG SA's direct operations abroad – interests in exploration licences

PGNIG SA conducts exploration work in Pakistan, in the Kirthar licence area, jointly with Pakistan Petroleum Ltd. (interests held by PGNIG SA (operator) and PPL are 70% and 30%, respectively). In 2010, testing conducted to assess the likely performance of the Rehman-1 exploration well were completed and 2D and 3D seismic data was acquired. In 2011, following workover of the Hallel-X1 borehole, work was under way on workover of the Hallel-1 borehole. Also, processing and interpretation of 2D and 3D seismic data were completed. Results of the interpretation confirmed the presence of a structure giving rise to accumulation of hydrocarbons (Rehman field).

In Denmark, the Company continued exploration work in the 1/05 licence area (interests held by PGNIG SA (operator) and Nordsofonden are 80% and 20%, respectively). Drilling of the Felsted-1 exploration well started in 2011. Following well logging performed at the beginning of 2012, no commercial hydrocarbon flow was identified and the well was abandoned. Given the negative results from the exploration well, PGNIG SA decided not to extend the 1/05 licence in Denmark.

In Egypt, the Company carried out exploration work under the Bahariya licence (Block 3), in which it holds a 100% interest. In connection with unstable political situation in Egypt, at the beginning of 2011 the Polish employees of the PGNIG SA Egypt Branch were temporarily withdrawn from the country, which, however, did not affect the progress of the exploration work. In 2011, field gravimetric surveys along with their interpretation were completed. The planned acquisition of 1,600 km of 2D profiles was commenced, of which 516 km were acquired in 2011. These works are performed for PGNIG SA by ARDISEIS A CGGVeritas Company of France. Prolonged administrative procedures concerning tender approval delayed acquisition of the rest of the 2D seismic data until the following year. Processing of seismic data and commencement of drilling work are also scheduled for 2012.

Foreign branches of the Company:
PGNIG SA has a number of foreign branches, which conduct operating activities or support the Company's development outside of Poland.

Pakistan Operator Branch – Islamabad
Egypt Branch – Cairo
Denmark Branch – Copenhagen.

## 37. EMPLOYMENT (NUMBER OF STAFF)

| **Employment as at end of period, by segments** | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Head Office | 838 | 840 |
| Production | 4,405 | 4,375 |
| Trade and Storage | 3,710 | 3,701 |
| Other | 38 | 39 |
| **Total** | **8,991** | **8,955** |

* Head Office is disclosed separately as it provides services to all segments.

The Company employed on average 8,952 staff in 2011 (8,901 in 2010).

(PLN '000)

## 38. CAPITAL MANAGEMENT

The objective behind the Company's capital management is to maintain the ability to continue as a going concern, taking into account any investment plans, while increasing the Company's shareholder value.

PGNIG SA monitors its capital using the leverage ratio, calculated as the ratio of net debt to the sum of total equity and net debt. In accordance with the rules adopted by the Company, the leverage should not exceed 35%. Net debt is the sum of loans and borrowings, finance lease liabilities and trade and other payables less cash and cash equivalents. Equity includes equity attributable to owners of PGNiG SA.

| | Dec 31 2011 | Dec 31 2010 |
|---|---|---|
| Loans and borrowings, finance lease liabilities and issue of debt securities | 3,590,802 | 1,218,971 |
| Trade and other payables | 2,691,468 | 2,986,934 |
| Cash and cash equivalents (-) | (934,615) | (565,854) |
| **Net debt** | **5,347,655** | **3,640,051** |
| **Equity** | **19,647,608** | **18,663,713** |
| **Equity and net debt** | **24,995,263** | **22,303,764** |
| **Leverage** | **21.39%** | **16.32%** |

## 39. OTHER IMPORTANT INFORMATION

### 39.1. Restructuring process

In 2011, the Programme for Employment Streamlining and Redundancy Payments to the Employees of the PGNiG Group for 2009–2011 (Stage 3) ("Programme"), adopted by the Extraordinary General Meeting of PGNIG SA on December 11th 2008, continued in effect. Unlike the "Programme for Employment Restructuring and Employee Protection Measures for PGNIG SA Branches and Subsidiaries" implemented in the previous years, the current Programme operates on a stand-by basis, which means that it can be implemented exclusively in extraordinary circumstances, i.e. any decisions regarding its implementation can only be made if justified by the scope of planned restructuring involving workforce downsizing and/or job shedding.

In the case of PGNIG SA, any decisions to implement the Programme at the Head Office and Branches of PGNIG SA are made by the PGNiG Management Board by way of a resolution.

As the Programme was not terminated until September 30th 2011 by either Party, therefore, in accordance with its terms, it will continue in effect throughout 2012. By virtue of Resolution of the Extraordinary General Meeting of PGNIG SA of December 7th 2011, the term of the capital reserve designated as Central Restructuring Fund ("CRF") was extended for the validity period of the Programme until December 31st 2015.

On August 10th 2011, by virtue of Resolution of the Extraordinary General Meeting of PGNIG SA, an Annex to the Programme was approved, introducing a possibility to use the funds accumulated in the CRF account to support the streamlining initiatives undertaken by PGNIG SA and a possibility for the entities covered by the Programme to create similar funds with a view to securing financing for their employment streamlining expenses. The functioning of such funds is governed by the rules applicable to the CRF.

Until the end of the reporting period, i.e. December 31st 2011, no decisions were made to implement the Programme at PGNIG SA's branches.

### 39.2. Contracts for supplies of gas fuel and crude oil

In 2011, PGNIG SA entered into the following material long-term agreements for supplies of gas fuel:

1. On March 3rd 2011, an annex ("Annex") was signed to high-methane gas supplies agreement No. 4/S/98, concluded on January 14th 1999 between PGNIG SA and Zakłady Azotowe Puławy S.A. ("ZA Puławy") for an indefinite term ("Agreement"). The Annex adds new definitions to the Agreement, defines the procedure for placing declarations and ordering contracted capacity, and contains provisions relating to the minimum annual volume. In addition, the Annex provides for a contractual penalty if ZA Puławy fails to comply with any introduced limitations on intermittent contracted capacity. The value of the contract over a five-year period is estimated at approximately PLN 4,940,000 thousand. The Annex came into force on January 1st 2011.
2. On March 11th 2011, PGNIG SA and Elektrociepłownia Stalowa Wola S.A. of Stalowa Wola executed a Comprehensive Agreement for gas fuel supplies. The supplied fuel will be used to fire a CCGT unit at Elektrociepłownia Stalowa Wola S.A. The planned annual offtake is to amount to approximately 540 million cubic metres. Deliveries are due to start in 2014. The value of the contract is estimated at approximately PLN 9,660,000 thousand. The agreement will remain in force for 14 years from the supplies start date.
3. On November 29th 2011, an annex was signed to the comprehensive gas fuel supply agreement between PGNIG SA and Grupa LOTOS S.A of June 16th 2010. Under the annex, the starting date of gas fuel supplies to Grupa LOTOS S.A. was changed from December 16th 2011 to April 30th 2012. Furthermore, the annex changes the planned, target annual volume of natural gas supplies from 447 million cubic metres to 585 million cubic metres. The estimated value of the agreement over a period of five years amounts to approximately PLN 3,240,000 thousand.

### 39.3. Contracts for purchases of gas fuel

In 2011, PGNIG SA imported gas mainly under the following agreements and contracts, that is 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 for supplies of gas to the Republic of Poland, executed with OOO Gazprom Export, dated September 25th 1996, in force until 2022;*
- Lasów Contract for supplies of gas, executed with VNG-Verbundnetz Gas AG, dated August 17th 2006, in force until October 1st 2016;
- Lasów 2008 Contract for supplies of gas, executed with VNG-Verbundnetz Gas AG, dated September 29th 2008, in force until October 1st 2011,
- Framework Agreement with Vitol S.A., dated September 30th 2009. Under the agreement, an individual contract was concluded for supplies of natural gas to the Lasów cross-border terminal between October 1st 2009 and October 1st 2011.

In addition, with respect to gas fuel which was not introduced to the transmission grid but was supplied to individual regions of Poland, the Company imported gas fuel under the following agreements and contracts:

- Agreement on integrated gas supply services, executed with Severomoravská plynárenská, a.s., dated March 27th 2008. The agreement took effect on April 1st 2008 and remained in force until December 31st 2009. The agreement is extended annually. 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;
- Framework Agreement executed with VNG-Verbundnetz Gas AG, dated July 28th 2009. Under the Framework Agreement, the following two individual contracts were concluded:
  - individual contract for purchases of natural gas at the Gubin delivery point in the period October 1st 2009 – October 1st 2011;
  - individual contract for supplies of natural gas at the Kamminke delivery point in the period October 1st 2009– October 1st 2011.
- 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 region (on January 1st 2011, the supplies were suspended).

Below are listed the agreements under which in 2011 PGNIG SA purchased domestically produced nitrogen-rich gas (classified in the Ls and Lw sub-groups) from entities outside the PGNiG Group:

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

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

On June 7th 2011, an agreement was signed terminating the natural gas supplies agreement of December 18th 2000 concerning fields in the Klęki area (Fences), executed between PGNIG SA and FX Energy Poland Sp. z o.o.

On December 1st 2011, an agreement was signed terminating the Natural Gas Sales Agreement of June 29th 2011 concerning the Grabówka field, executed between TRIAS Sp. z o.o. and PGNiG SA.

In 2011, PGNIG SA concluded the following agreements:

1. On May 13th 2011, PGNiG and Vitol S.A. of Geneva, Switzerland, ("Vitol") concluded an Individual Agreement for natural gas supplies to a cross-border terminal located on the Polish-Czech border in the Cieszyn area. The Agreement was concluded on the EFET (European Federation of Energy Traders) terms, which are the general terms and conditions of delivery and collection of natural gas. The deliveries, amounting to 6,169,580.00 MWh (approximately 550 million cubic metres) per year, are due to start on October 1st 2011 and continue until October 1st 2014. Gas will be delivered to the cross-border terminal in the Cieszyn area, via a new interconnector. The contracted gas volumes will allow PGNIG SA to use 100% of the pipeline's throughput capacity, obtained under an open-season procedure carried out by OGP GAZ-SYSTEM S.A. The new interconnector will enhance Poland's energy security, as it provides a route to source gas also from countries lying south of Poland. The launch of gas supplies through the Cieszyn interconnector is consistent with PGNiG's strategy to increase Poland's energy security by diversifying the sources and directions of supplies.
2. On May 13th 2011, PGNIG SA and VNG-Verbundnetz Gas AG signed an Individual Agreement for summer-time gas supplies to the Lasów cross-border terminal. Gas under the agreement was supplied in the period from May 17th to July 3rd 2011.
3. On June 30th 2011, PGNIG SA and VNG AG signed an Individual Agreement for summer-time gas supplies to the Lasów cross-border terminal. Under the agreement, gas is to be supplied in the period from July 3rd to September 30th 2011.

   Summer-period gas supplies helped PGNIG SA to optimise its portfolio by taking advantage of favourable price trends prevailing on the European gas market in summer months. The execution of such contracts follows from PGNiG's strategy to optimise the terms of gas supplies.
4. In October 2010, with a view to optimising its gas acquisition costs, PGNIG SA subscribed to transmission capacity in the German transmission system Ontras – VNG Gastransport GmbH. This way the Company was able to transport by itself the gas volume purchased on the Gaspool platform to the Lasów cross-border terminal on the Poland-Germany border. The transmission capacity subscription owing to which the Company was able to transmit the gas to the Lasów exit point from the German Ontras network covers the period from October 1st 2011 to September 30th 2016.
5. On September 21st 2011, PGNIG SA and Vitol S.A. entered into an Individual Transaction under the standard EFET terms Framework Agreement of September 30th 2009, concerning 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 1,888,560.00 MWh (about 170 million cubic metres).

6. On September 21st 2011, PGNIG SA and GDF SUEZ Trading entered into a standard EFET terms agreement on 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 1,888,560.00 MWh (around 170 million cubic metres).
7. In July 2011, with a view to optimising its gas acquisition cost, PGNIG SA booked transmission capacity at the Gubin exit point. The transmission capacity has been booked for the period from October 1st 2011 to October 1st 2014.
8. On September 28th 2011, PGNIG SA and GDF SUEZ Trading entered into a natural gas sale-purchase agreement providing for sale of gas to VTP Gaspool (the gas is transported by PGNIG SA to the Polish system entry point in Gubin). The agreement provides for supplying approximately 55,339,200.00 kWh (about 5 million cubic metres) of gas between 6.00 am on October 1st 2011 and 6.00 am on October 1st 2012.
9. In order to reduce its gas acquisition cost during the winter season, PGNIG SA submitted an application to GAZ-SYSTEM S.A. requesting provision of a short-term virtual reverse flow service on the Yamal Pipeline in November and December 2011.

   The contracted transmission capacities were used to transmit the gas acquired on the German market (from VTP Gaspool or VTP NCG), which is relatively cheaper than the gas acquired under the Yamal Contract.
10. On October 27th 2011, PGNIG SA and PGNiG Sales & Trading entered into a standard EFET terms Framework Agreement. Under the agreement, individual transactions organised into four bunches were concluded, providing for supplies of natural gas by way of using the reverse flow service on the Yamal Pipeline.
11. In order to reduce its gas acquisition costs in the following years, PGNIG SA submitted an application to OGP 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 to allocate the available capacity of the Polish section of the Yamal Pipeline to the long-term reverse flow service, OGP GAZ-SYSTEM S.A. entered into an agreement with PGNIG SA on provision of this service on an intermittent basis.

Moreover, as part of the operations of the Supplies Management Office, in 2011 PGNIG SA entered into the following contracts with OGP GAZ-SYSTEM S.A.:

2. Agreement No. 2011/UP/1011/OSL on provision of the gas fuel transmission service, dated September 28th 2011.
2. Agreement No. 2011/UP/9002/E on provision of the gas fuel transmission service in the Polish sector of the Yamal - Europe Transit Gas Pipeline System on an intermittent reverse flow basis, dated November 2nd 2011.
2. Agreement No. 2011/UP/9001/E on provision of the gas fuel transmission service in the Polish sector of the Yamal - Europe Transit Gas Pipeline System on an intermittent reverse flow basis, dated November 15th 2011.
2. Agreement No. 2011/UP/9004/E on provision of the gas fuel transmission service in the Polish sector of the Yamal - Europe Transit Gas Pipeline System on an intermittent reverse flow basis, dated December 8th 2011.
2. Agreement on the procedures to be followed in the performance of transmission agreements,
dated October 5th 2011.

In 2011, the most important changes in the existing contracts for purchases of gas fuel included:

- On March 21st 2011, PGNIG SA and OOO Gazprom Export signed an annex to Contract No. 2102-14/RZ-1/25/96, dated September 25th 1996, providing for supplies of Russian natural gas to the Republic of Poland. Under the annex, the parties agreed on an option to increase the daily offtake at the Vysokoye cross-border point to 15 million cubic metres, with the Annual Contracted Volumes remaining unchanged.
- On March 31st 2011, PGNIG SA requested OOO Gazprom Export to renegotiate the price of gas supplied by OOO Gazprom Export under Contract No. 2102-14/RZ-1/25/96, dated September

25th 1996, providing for supplies of natural gas to the Republic of Poland, so as to reduce the price. Currently, the negotiations are under way. Consequently, exercising its right provided for under the contract, on November 7th 2011 PGNIG SA instigated arbitration proceedings by referring the case to the Arbitration Court.

- On January 24th 2011, following the occurrence of circumstances specified in the contract, PGNIG SA formally requested VNG-Verbundnetz Gas AG. to renegotiate the price under the Lasów 2006 Contract for gas supplies executed between PGNIG SA and VNG AG. on August 17th 2006. Currently, the negotiations are under way.

## 40. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

1. On January 11th 2012, PGNiG SPV 1 Sp. z o.o. ("SPV 1") which is wholly-owned by PGNIG SA, executed a final share purchase agreement with Vattenfall AB ("Agreement") providing for the acquisition on January 11th 2012 of 24,591,544 shares in Vattenfall Heat Poland S.A. ("VHP") of Warsaw ("Shares"), accounting for more than 99.8% of the company's share capital and conferring the right to more than 99.8% of the total vote at its General Meeting. The Agreement was concluded in performance of the preliminary agreement of August 23rd 2011 ("Preliminary Agreement"), which was reported by the Company in Current Report No. 122/2011 of August 23rd 2011.

   The purchase price of the Shares as at the Agreement execution date was PLN 3,016,700 thousand. The acquisition of the Shares will be financed by SPV 1 with its equity and a tranche of a loan obtained from PGNIG SA, which the Company reported in Current Report No. 121/2011 of August 23rd 2011.

   Before the Agreement was signed, the condition precedent defined in the Preliminary Agreement had been satisfied, namely PGNIG SA had obtained a decision from the Polish Office of Competition and Consumer Protection (UOKiK) approving the business concentration, as reported by the Company in Current Report No. 169/2011 of December 7th 2011. The PGNiG Group treats the acquisition of the Shares in VHP as a long-term investment. The parties to the Agreement are not related parties.

   The core business of VHP is co-generation of heat and electricity. The company operates in Warsaw (Siekierki and Żerań CHP Plants, Kawęczyn and Wola Heat Generating Plants), as well as in Pruszków, where it also owns the distribution network. The installed thermal power of the generating units is approximately 4.8 GWt, while the electric power is approximately 1 GWe. VHP satisfies around 75% of the total heat demand on the Warsaw market, and SPEC S.A. is its main customer.
2. On January 9th 2012, PGNiG SA issued notes with a value of PLN 4,700,000 thousand as part of the notes issue programme of June 2010.

   The notes are one-month unsecured registered discount notes in book-entry form. All notes are denominated in the Polish złoty and were offered in a private placement exclusively in the territory of Poland.

   The notes were acquired by the following banks: Bank Polska Kasa Opieki S.A., ING Bank N.V., ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Bank Handlowy w Warszawie S.A., Societe Generale S.A., BNP Paribas S.A. Polish Branch, Nordea Bank Polska S.A., Bank Zachodni WBK S.A. and BRE Bank S.A.

   PGNiG SA has no plans to registered the notes for trading on the public market.

   The total number of issued notes was 9,400.

   The par value is PLN 500 thousand per note. The issue price was set at 1M WIBOR plus a margin.

   The notes will be redeemed with cash at par. The notes mature on January 9th 2012. The notes are discount notes, therefore no interest will be paid.

   Following the notes issue, the total par value of notes issued under the Programme and outstanding as at January 9th 2012 was PLN 5,700,000 thousand.

3. On January 12th 2012, the Extraordinary General Meeting of PGNIG SA approved acquisition by PGNIG SA of all 1,553 new shares in the increased share capital of Pomorska Spółka

Gazownictwa Sp. z o. o., with a par value of PLN 1 thousand per share and the total par value of PLN 1,553 thousand. The new shares will be acquired in return for a non-cash contribution in the form of the perpetual usufruct right to the land plot located at ul. Lubicka 52-58 in Toruń, and ownership title to the buildings and structures erected on that land. A detailed list of the non-current assets is attached as Appendix 1 to Resolution No. 2/I/2012.

4. On January 19th 2012, PGNiG Norway AS, a wholly-owned subsidiary of PGNiG SA, was awarded interests in three exploration and production licences in Norway by the Norwegian Ministry of Energy and Petroleum, as part of the APA 2011 licensing round. It was the first time PGNiG Norway AS was awarded the licence operator status.

   PGNiG Norway AS will acquire a 50% interest in the PL648S exploration and production licence as the license operator, and a 20% interest in the PL646 exploration and production licence. Additionally, the Ministry awarded PGNiG Norway AS a 30% interest in a small exploration and production licence PL350B, which is an extension of the existing PL350 licence. The PL350B licence has the same work programme and licence interest holders as the PL350 licence.

   Becoming the operator on the PL648S licence is a significant step forward for the company. It is the first operatorship awarded to PGNiG Norway AS, and it highlights the company's natural development. It is also the first operatorship awarded to the PGNiG Group in an offshore oil and gas exploration project, which underlines PGNiG Norway AS's central role within the PGNiG Group as an offshore projects competence centre. OMV Norge AS, with a 50% interest in the PL648S licence, is PGNiG Norway AS's partner in this licence.

   Direct operatorship of the PL646 licence was awarded to Wintershall Norge AS (40% interest). The other partners are Lundin Norway AS (20% interest) and Norwegian Energy Company ASA (20% interest).

   The 350B licence is operated by EON (40% interest). The remaining 30% interest in the licence is held by Statoil.

   The acquisition of interests in PL646 and PL648S licences is an important part of PGNiG Norway AS's strategy pursued on the Norwegian Continental Shelf. In line with this strategy, PGNiG Norway AS focuses its operations on key areas, such as the Skarv field, where it seeks to consolidate its position. All three licences are adjacent to the Skarv field, in which PGNiG Norway AS holds an interest of 11.92%.

5. On January 31st 2012, PGNiG SA reported on execution of three letters of intent regarding cooperation with respect to exploration for and development of shale gas deposits in Poland. The three separate LOIs were signed with PGE, Tauron Polska Energia and KGHM. Each partner declared its intention to conduct joint operations with PGNiG SA at selected locations within the Wejherowo licence held by the PGTNiG SA. As exploration for shale gas is a top priority for PGNiG SA, the Company is open to all initiatives allowing it to intensify activities in this area.

   The Wejherowo licence is one of 15 shale gas exploration licences currently held by PGNiG SA. According to experts, it is one of the most promising licences. PGNiG SA commenced work in the Wejherowo licence area in 2010. Fracturing operations were performed at the Lubocino-1 well, confirming the presence of large shale gas accumulations. Analyses of the gas, coming from Silurian and Ordovician shales, have confirmed its very good energy characteristics, absence of hydrogen sulphide and low nitrogen content. Further analyses have identified the presence of heavy hydrocarbons.

   By signing the letters of intent, the parties agreed to cooperate in line with the principles of business integrity and best business practice. The letters of intent will allow the parties to work out details of their future cooperation and will constitute the basis for relevant agreements to be concluded between the parties at further stages.

6. On January 31st 2012, PGNiG Energia S.A., a wholly-owned subsidiary of PGNiG SA, began trading in power and CO2 emission allowances on the Polish Power Exchange.

   The Management Board of the Polish Power Exchange admitted PGNiG Energia S.A. as a trader as of January 31st 2012 on the Property Rights Market, Commodity Derivatives Market, Emission Allowances Market as well as the Day-Ahead and Intra Day Markets.

   Within the Group, the role of PGNiG Energia S.A. (established in 2009) is to provide support to PGNiG SA in the area of preparation and implementation of power generation projects. The company will independently implement smaller projects, mainly consisting in construction of renewable energy and co-generation facilities.

PGNiG Energia S.A. will be responsible for implementation of projects involving construction of small gas fuel fired CHP plants outside the Warsaw metropolitan area. The company will also invest in emergency operation power plants (gas-fired units used for stabilisation of the National Power Grid), as well as in renewable energy projects (biogas plants and wind farms).

PGNiG Energia S.A.'s operations will also include wholesale trading in electricity and purchase of electricity for the PGNiG Group's own needs.

7. On February 1st 2012, in response to a request from Operator Gazociągów Przesyłowych Gaz-System S.A., PGNiG SA reduced natural gas supplies to Zakłady Chemiczne Police S.A., Polski Koncern Naftowy ORLEN S.A. and Zakłady Azotowe Puławy S.A.

   The limitation of gas supplies was imposed as of January 31st 2012 in the case of Zakłady Chemiczne Police S.A., and as of February 1st 2012 in the case of PKN Orlen S.A. and Zakłady Azotowe Puławy S.A., in conformity with the terms of the relevant gas sales contracts and in agreement with each of the companies.

   OGP Gaz-System cited “expected increase in demand for high-methane natural gas to over 70 million cubic meters per day and the threat of failure to balance the transmission system” as the reasons for requesting the limitations.

8. On February 2nd 2012, OOO Gazprom-Export, the Russian gas supplier, did not confirm an order placed by PGNiG SA, as a consequence of which supplies of gas from the East fell by approximately 7% per day starting from February 2nd. The reduction of gas supply related to the Yamal transit pipeline. PGNiG SA intervened on this matter with the supplier and awaited a response.

   The demand for high-methane natural gas from PGNiG SA's customers is approximately 68 million cubic meters per day and was satisfied as follows: domestic sources provided ca. 7.2 million cubic meters per day, imports provided ca. 40.8 million cubic meters of per day, and the balance was drawn from underground gas storage facilities.

   On February 3rd 2012, Russian supplier OOO Gazprom-Export resumed supplying the ordered gas volumes.

9. On February 9th 2012, Moody’s Investors Service Ltd. assigned a credit rating of Baa1 to the Eurobonds issued by PGNiG Finance AB of Sweden (a wholly-owned subsidiary of PGNiG SA) with a par value of EUR 500,000 thousand, maturing on February 14th 2017 and guaranteed by PGNiG SA as part of the EUR 1,200,000 thousand EMTN programme.

10. On February 10th 2012, Standard & Poor's assigned a credit rating of BBB+ to the Eurobonds issued by PGNiG Finance AB of Sweden (a wholly-owned subsidiary of PGNiG SA) with a par value of EUR 500,000 thousand, maturing on February 14th 2017 and guaranteed by PGNiG SA as part of the EUR 1,200,000 thousand EMTN programme.

11. On February 10th 2012, a EUR 500,000 thousand Eurobonds Issue Agreement was executed under the Eurobonds Issue Programme of August 2011.

    The issue was carried out by PGNiG Finance AB of Stockholm, a wholly-owned subsidiary of PGNiG SA. The Eurobonds have a yield rate of 4.098% and mature in five years. The book-building process was completed on February 7th 2012.

    PGNiG Finance AB will use the proceeds from the Eurobonds issue to advance an on-loan to PGNiG SA for financing of the investment plans provided for in the PGNiG Group's strategy for 2011-2015.

    On August 25th 2011, PGNiG SA signed the documentation for a EUR 1,200,000 thousand Eurobond Issue Programme with PGNiG Finance AB (PGNiG's subsidiary) and three banks: Societe Generale, BNP Paribas and Unicredit Bank AG. Under a five-year programme, PGNiG Finance AB will be able to issue fixed or floating rate notes with maturities of up to ten years.

    Also, PGNiG SA provided a guarantee of up to EUR 1,500,000 thousand in respect of the liabilities of PGNiG Finance AB under the Eurobond issue, which will remain valid until December 31st 2026.

12. On February 14th 2012, PGNiG SA was notified that PGNiG SPV 1 Sp. z o.o. (“SPV 1”), a wholly-owned subsidiary of PGNiG SA, had created limited rights in property in the form of a registered pledge over the shares in PGNiG Termika S.A. (formerly Vattenfall Heat Poland S.A.)(“Termika”)

to secure repayment of the loan contracted by SPV 1 with PGNiG SA on August 23rd 2011 to finance the purchase of 99.8% shares in Termika.

The acquisition by SPV 1 of the shares in Termika, representing over 99.8% of the company's share capital and conferring the right to over 99.8% of the total vote at its General Meeting, was reported in Current Report No. 6/2012.

The value of the liability secured with the limited rights in property is PLN 2,255,000 thousand. The carrying amount of the shares in Termika as disclosed in SPV 1's accounts is PLN 3,016,700 thousand. Termika shares are registered shares with a par value of PLN 10.00 per share and a total par value of PLN 245,915 thousand. The PGNiG Group treats the acquisition of the shares in Termika as a long-term investment.

13. On February 14th 2012, PGNIG SA entered into a loan agreement with its subsidiary PGNiG Finance AB of Stockholm. Under the agreement, PGNIG SA will borrow from PGNiG Finance AB the funds it has raised by way of issuing the Eurobonds ("Loan Agreement").

    PGNIG SA reported on the terms of the Eurobond issue by PGNiG Finance AB in Current Report No. 25/2012 of February 10th 2012.

    Under the Loan Agreement, PGNiG Finance AB will advance to PGNIG SA an on-loan of up to EUR 500,000 thousand (up to PLN 2,097,400 thousand, translated at the mid-exchange rate quoted by the National Bank of Poland for February 13th 2012), to be used for general financing purposes. The loan bears interest at a fixed rate based on the Eurobond coupon and a margin. The Loan Agreement was concluded for a term of five years. The loan is unsecured.

14. On February 20th 2012, PGNiG SA filed a suit against OAO Gazprom and OOO Gazprom Export at the Court of Arbitration in Stockholm.

    The suit relates to changes of the price terms in the long-term gas supply contract of September 25th 1996 executed by PGNiG SA with Gazprom and Gazprom Export.

    Due to the nature of the arbitration proceedings, and in particular their confidentiality, PGNiG SA is not in a position to provide any further details regarding the suit.

15. In 2012, PGNIG SA continued the issue of notes ("Notes") under the Short-Term Notes Issue Programme of December 1st 2010 ("Programme").

    As at March 1st 2012, the total nominal value of the Notes issued and outstanding under the Programme was PLN 593,000 thousand.

    The nominal value of one Note is PLN 100 thousand. All Notes are denominated in the Polish złoty and have been offered in a private placement exclusively in Poland. The Notes are unsecured, discount bearer notes in book-entry form, and will be redeemed at par. PGNiG has no plans to register the Notes for trading on the public market. The Notes Issue Programme is a tool designed to effectively manage short-term liquidity within the PGNiG Group.