Polskie Górnictwo Naftowe
i Gazownictwo SA

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

DECEMBER 31ST 2011

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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	23,003,534	21,281,161	5,556,275	5,314,444
II. Operating profit/loss	1,685,526	2,886,689	407,122	720,879
III. Pre-tax profit/loss	1,711,787	2,936,099	413,465	733,218
IV. Net profit/loss attributable to owners of the parent	1,626,778	2,453,741	392,932	612,761
V. Net profit/loss	1,626,184	2,457,184	392,789	613,621
VI. Comprehensive income attributable to owners of the parent	1,690,784	2,533,916	408,392	632,783
VII. Total comprehensive income	1,690,190	2,537,359	408,249	633,643
VIII. Net cash provided by/(used in) operating activities	2,467,905	3,843,312	596,098	959,772
IX. Net cash provided by/(used in) investing activities	(4,019,238)	(3,558,839)	(970,807)	(888,732)
X. Net cash provided by/(used in) financing activities	1,682,218	(107,871)	406,323	(26,938)
XI. Total net cash	130,885	176,602	31,614	44,102
XII. Net earnings/loss and diluted net earnings/loss per share attributable to owners of the parent (PLN/EUR)	0.28	0.42	0.07	0.10
	As at Dec 31 2011	**As at Dec 31 2010**	**As at Dec 31 2011**	**As at Dec 31 2010**
XIII. Total assets	37,964,374	33,642,407	8,595,448	8,494,914
XIV. Liabilities and provisions for liabilities	13,467,714	10,122,937	3,049,202	2,556,104
XV. Non-current liabilities	5,621,501	4,973,340	1,272,754	1,255,799
XVI. Current liabilities	7,846,213	5,149,597	1,776,448	1,300,305
XVII. Equity	24,496,660	23,519,470	5,546,246	5,938,810
XVIII. Share capital	5,900,000	5,900,000	1,335,809	1,489,786
XIX. Weighted average number of shares ('000)	5,900,000	5,900,000	5,900,000	5,900,000
XX. Book value per share and diluted book value per share (PLN/EUR)	4.15	3.99	0.94	1.01
XXI. 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

CONSOLIDATED 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**	**23,003,534**	**21,281,161**
Raw and other materials used	4	(14,059,122)	(11,675,234)
Employee benefits	4	(2,808,667)	(2,647,237)
Depreciation and amortisation		(1,574,098)	(1,524,712)
Contracted services	4	(3,240,888)	(3,148,800)
Cost of products and services for own needs		1,001,307	1,043,028
Other operating expenses, net	4	(636,540)	(441,517)
Total operating expenses	**3**	**(21,318,008)**	**(18,394,472)**
Operating profit/loss		**1,685,526**	**2,886,689**
Finance income	5	135,695	80,515
Finance expenses	5	(151,997)	(30,410)
Share in net profit/loss of equity-accounted entities	6	42,563	(695)
Pre-tax profit/loss		**1,711,787**	**2,936,099**
Income tax	7	(85,603)	(478,915)
Net profit/loss		**1,626,184**	**2,457,184**
Attributable to:			
Owners of the parent		1,626,778	2,453,741
Non-controlling interests		(594)	3,443
Net earnings/loss and diluted net earnings/loss per share attributable to holders of ordinary shares of the parent		0.28	0.42

CONSOLIDATED 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		**1,626,184**	**2,457,184**
Currency translation differences on foreign operations		(2,438)	(11,468)
Valuation of hedging instruments		134,778	42,036
Valuation of financial instruments		(52,748)	71,103
Deferred tax related to other comprehensive income		(15,586)	(21,496)
Other comprehensive income, net		**64,006**	**80,175**
Total comprehensive income		**1,690,190**	**2,537,359**
Attributable to:			
Owners of the parent		1,690,784	2,533,916
Non-controlling interests		(594)	3,443

CONSOLIDATED 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	11	28,427,026	25,662,220
Investment property	12	7,136	9,915
Intangible assets	13	275,437	246,710
Investments in equity-accounted associates	6	598,391	555,828
Financial assets available for sale	14	56,410	170,442
Other financial assets	15	9,339	39,868
Deferred tax assets	16	963,800	676,817
Other non-current assets	17	97,814	71,075
Total non-current assets		**30,435,353**	**27,432,875**
Current assets			
Inventories	18	2,082,386	1,049,567
Trade and other receivables	19	3,378,136	3,387,355
Current income tax receivable	20	164,462	229,666
Prepayments and accrued income	21	83,911	78,801
Financial assets available for sale	22	22,275	8,833
Derivative financial instrument assets	34	284,629	77,873
Cash and cash equivalents	23	1,504,792	1,373,292
Non-current assets held for sale	24	8,430	4,145
Total current assets		**7,529,021**	**6,209,532**
Total assets		**37,964,374**	**33,642,407**
EQUITY AND LIABILITIES			
Equity			
Share capital	25	5,900,000	5,900,000
Currency translation differences on foreign operations		(22,967)	(57,320)
Share premium account		1,740,093	1,740,093
Other capital reserves		14,149,226	12,268,163
Retained earnings/deficit		2,723,499	3,655,110
Equity attributable to equity holders of the parent		**24,489,851**	**23,506,046**
Equity attributable to non-controlling interests		6,809	13,424
Total equity		**24,496,660**	**23,519,470**
Non-current liabilities			
Loans, borrowings and debt securities	26	1,382,344	969,864
Provisions	27	1,625,802	1,501,164
Deferred income	28	1,160,067	1,089,192
Deferred tax liabilities	29	1,433,410	1,392,010
Other non-current liabilities	30	19,878	21,110
Total non-current liabilities		**5,621,501**	**4,973,340**
Current liabilities			
Trade and other payables	31	3,354,903	3,206,211
Loans, borrowings and debt securities	26	3,616,633	1,229,237
Derivative financial instrument liabilities	34	416,836	104,443
Current tax liabilities	20	57,729	225,972
Provisions	27	305,171	289,647
Deferred income	28	94,941	94,087
Total current liabilities		**7,846,213**	**5,149,597**
Total liabilities		**13,467,714**	**10,122,937**
Total equity and liabilities		**37,964,374**	**33,642,407**

CONSOLIDATED 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		1,626,184	2,457,184
Adjustments:			
Share in profit/loss of equity-accounted entities		(42,563)	695
Depreciation and amortisation		1,574,098	1,524,712
Net foreign exchange gains/losses		(193,404)	(64,525)
Net interest and dividends		(24,617)	(4,837)
Gain/loss from investing activities		85,536	(346,138)
Current income tax		85,603	478,915
Income tax paid		(396,400)	(216,075)
Other items, net	32	526,970	(44,835)
Net cash provided by/(used in) operating activities before changes in working capital		**3,241,407**	**3,785,096**
Change in working capital:			
Change in receivables, net	32	12,427	(360,908)
Change in inventories	32	(1,031,357)	217,016
Change in provisions	32	35,350	49,586
Change in current liabilities	32	314,544	239,310
Change in prepayments	32	(23,967)	(23,388)
Change in deferred income	32	(80,499)	(63,400)
Net cash provided by/(used in) operating activities		**2,467,905**	**3,843,312**
Cash flows from investing activities			
Sale of property, plant and equipment and intangible assets		20,669	8,999
Sale of shares in non-consolidated entities		153,339	200
Sale of short-term securities		17,601	2,731
Acquisition of property, plant and equipment and intangible assets		(4,297,872)	(3,669,900)
Acquisition of shares in non-consolidated entities		(28,756)	(13,248)
Acquisition of short-term securities		(29,271)	(2,358)
Interest received		1,863	14,453
Dividends received		2,506	4,065
Proceeds from finance lease		2,274	15,865
Other items, net		138,409	80,354
Net cash provided by/(used in) investing activities		**(4,019,238)**	**(3,558,839)**
Cash flows from financing activities			
Net proceeds from issue of shares, other equity instruments and additional contributions to equity		-	-
Increase in loans and borrowings		384,352	1,028,544
Issue of debt securities		3,283,988	1,090,517
Repayment of loans and borrowings		(59,407)	(1,947,576)
Redemption of debt securities		(1,090,517)	-
Decrease in finance lease liabilities		(31,347)	(37,166)
Inflows from forward and futures contracts		-	-
Outflows on forward and futures contracts		-	-
Dividends paid		(677,896)	(132,006)
Interest paid		(110,615)	(61,477)
Other items, net		(16,340)	(48,707)
Net cash provided by/(used in) financing activities		**1,682,218**	**(107,871)**
Net change in cash		**130,885**	**176,602**
Net foreign exchange gains/losses		615	365
Cash and cash equivalents at beginning of period		**1,372,918**	**1,196,316**
Cash and cash equivalents at end of period		**1,503,803**	**1,372,918**

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

	Equity (attributable to owners of the parent)						Equity (attributable to non-controlling interests)	Total 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**	**(57,320)**	**1,740,093**	**12,268,163**	**3,655,110**	**23,506,046**	**13,424**	**23,519,470**
Transfers	-	36,791	-	1,814,619	(1,850,389)	**1,021**	(1,021)	**-**
Purchase of shares from non-controlling interests	-	-	-	-	-	**-**	(5,000)	**(5,000)**
Payment of dividend to owners	-	-	-	-	(708,000)	**(708,000)**	-	**(708,000)**
Net profit/loss for 2011	-	-	-	-	1,626,778	**1,626,778**	(594)	**1,626,184**
Other comprehensive income, net, for 2011	-	(2,438)	-	66,444	-	**64,006**	-	**64,006**
As at Dec 31 2011	**5,900,000**	**(22,967)**	**1,740,093**	**14,149,226**	**2,723,499**	**24,489,851**	**6,809**	**24,496,660**
As at Jan 1 2010	**5,900,000**	**(51,162)**	**1,740,093**	**11,455,447**	**2,380,473**	**21,424,851**	**10,477**	**21,435,328**
Transfers	-	5,310	-	715,894	(721,211)	**(7)**	7	**-**
First-time consolidation of subsidiaries	-	-	-	5,179	14,107	**19,286**	-	**19,286**
Payment of dividend to owners	-	-	-	-	(472,000)	**(472,000)**	(503)	**(472,503)**
Net profit/loss for 2010	-	-	-	-	2,453,741	**2,453,741**	3,443	**2,457,184**
Other comprehensive income, net, for 2010	-	(11,468)	-	91,643	-	**80,175**	-	**80,175**
As at Dec 31 2010	**5,900,000**	**(57,320)**	**1,740,093**	**12,268,163**	**3,655,110**	**23,506,046**	**13,424**	**23,519,470**

NOTES TO THE CONSOLIDATED 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”, “Parent”), registered office at ul. Marcina Kasprzaka 25, 01-224 Warsaw, is the parent entity of the PGNiG Group (“the PGNiG Group”, “the Group”).

On October 30th 1996, the Company was entered in the commercial register maintained by the District Court for the Capital City of Warsaw, XVI Commercial Division, under No. RHB 48382. Currently, the Company is entered into the Register of Entrepreneurs maintained by the District Court for the Capital City of Warsaw, XII Commercial Division 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.

PGNiG SA shares are listed on the Warsaw Stock Exchange.

The Company’s core business includes the exploration for and production of crude oil and natural gas, as well as import, storage and sale of gas fuels.

The PGNiG Group remains the only vertically integrated company in the Polish gas sector, holding the leading position in all segments of the domestic gas sector. Polskie Górnictwo Naftowe i Gazownictwo S.A. is the parent company of the Group.

The scope of the PGNiG Group’s business comprises oil and gas exploration, oil and gas production from fields in Poland, as well as import, storage and distribution of and trade in gas fuels. The PGNiG Group is both the main importer of gas fuel from Russia, Central Asia, Norway and Germany, and the main producer of natural gas from Polish fields. The Company's upstream operations are one of the key factors building PGNiG's competitive position on the liberalised gas market.

The trade in and distribution of natural gas, which together with natural gas and crude oil production constitute the core business of the PGNiG Group, are regulated by the Polish Energy Law. For this reason, the Group’s operations require a licence and its revenue depends on the tariff rates for gas fuels approved by the Polish Energy Regulatory Office. Exploration and production activities are conducted on a licence basis, subject to the provisions of the Polish Geological and Mining Law.

1.2. Duration of the PGNiG Group

The Company was established as a result of a transformation of state-owned enterprise Polskie Górnictwo Naftowe i Gazownictwo into a state-owned stock company. The Deed of Transformation, together with the Company’s Articles of Association, were executed in the form of a notarial deed on October 21st 1996. The Minister of the State Treasury executed the Deed of Transformation pursuant to the Regulation of the President of the Polish Council of Ministers on transformation of the state-owned enterprise Polskie Górnictwo Naftowe i Gazownictwo of Warsaw into a state-owned stock company, dated September 30th 1996 (Dz. U. No. 116 of 1996, item 553). The joint-stock company is the legal successor of the state-owned enterprise. The assets, equity and liabilities of the state-owned enterprise were contributed to the joint-stock company and disclosed in its accounting books at their values from the statement of financial position (closing balance) of the state-owned enterprise.

On September 23rd 2005, when new issue shares of PGNiG SA were first listed on the Warsaw Stock Exchange (“WSE”), PGNiG SA ceased to be a state-owned stock company and became a public company.

The duration of the Parent and the Group subsidiaries is unspecified.

1.3. Period covered by these consolidated financial statements

These consolidated 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 2010 to December 31st 2010.

(PLN '000)

1.4. Statement whether these financial statements contain combined data

These financial statements contain consolidated data of the Parent, its 24 subsidiaries (of which two are parents of their own groups), one associate and one jointly-controlled entity.

1.5. Organisation of the PGNiG Group and consolidated entities

As at December 31st 2011, the PGNiG Group comprised PGNiG SA (the Parent) and 36 production and service companies, including:

- 27 subsidiaries of PGNiG SA
- 9 indirect subsidiaries of PGNiG SA.

The following table presents the list of the PGNiG Group members as at December 31st 2011.

Companies of the PGNiG Group

	Company	Share capital (PLN)	Value of shares held by PGNiG SA (PLN)	% of share capital held by PGNiG SA	% of total vote held by PGNiG SA
	PGNiG SA's subsidiaries				
1	Poszukiwania Nafty i Gazu Jasło S.A.[1)]	100,000,000	100,000,000	100 %	100 %
2	Poszukiwania Nafty i Gazu Kraków Sp. z o.o.	105,231,000	105,231,000	100 %	100 %
3	Poszukiwania Nafty i Gazu NAFTA Sp. z o.o.	60,000,000	60,000,000	100 %	100 %
4	GEOFIZYKA Kraków Sp. z o.o.	64,400,000	64,400,000	100 %	100 %
5	GEOFIZYKA Toruń Sp. z o.o.	66,000,000	66,000,000	100 %	100 %
6	Poszukiwania Naftowe Diament Sp. z o.o.	62,000,000	62,000,000	100 %	100 %
7	Zakład Robót Górniczych Krosno Sp. z o.o.	26,903,000	26,903,000	100 %	100 %
8	PGNiG Norway AS	(NOK) 1,092,000,000 [2)]	(NOK) 1,092,000,000 [2)]	100 %	100 %
9	Polish Oil and Gas Company – Libya B.V.	(EUR) 20,000 [2)]	(EUR) 20,000 [2)]	100 %	100 %
10	INVESTGAS S.A.	502,250	502,250	100 %	100 %
11	Dolnośląska Spółka Gazownictwa Sp. z o.o.	658,384,000	658,384,000	100 %	100 %
12	Górnośląska Spółka Gazownictwa Sp. z o.o.	1,300,338,000	1,300,338,000	100 %	100 %
13	Karpacka Spółka Gazownictwa Sp. z o.o.	1,484,953,000	1,484,953,000	100 %	100 %
14	Mazowiecka Spółka Gazownictwa Sp. z o.o.	1,255,800,000	1,255,800,000	100 %	100 %
15	Pomorska Spółka Gazownictwa Sp. z o.o.	653,646,000	653,646,000	100 %	100 %
16	Wielkopolska Spółka Gazownictwa Sp. z o.o.	1,033,186,000	1,033,186,000	100 %	100 %
17	Geovita Sp. z o.o.	86,139,000	86,139,000	100 %	100 %
18	PGNiG Technologie Sp. z o.o.	166,914,000	166,914,000	100 %	100 %
19	PGNiG Energia S.A.	30,000,000	30,000,000	100 %	100 %
20	BUD-GAZ P.P.U.H. Sp. z o.o.	51,760	51,760	100 %	100 %
21	PGNiG Sales & Trading GmbH	(EUR) 10,000,000 [2)]	(EUR) 10,000,000 [2)]	100 %	100 %
22	PGNiG Finance AB (publ)	(SEK) 500,000 [2)]	(SEK) 500,000 [2)]	100%	100%
23	PGNiG SPV 1 Sp. z o.o.	20,000	20,000	100%	100%
24	Operator Systemu Magazynowania Sp. z o.o.	5,000,000	5,000,000	100 %	100 %
25	Polskie Elektrownie Gazowe Sp. z o.o.	1,212,000	1,212,000	100 %	100 %
26	Biuro Studiów i Projektów Gazownictwa Gazoprojekt S.A.	4,000,000	3,000,000	75 %	75 %
27	NYSAGAZ Sp. z o.o.	9,881,000	6,549,000	66 %	66 %
	PGNiG SA's indirect subsidiaries				
28	Oil Tech International F.Z.E.	(USD) 20,000 [2)]	(USD) 20,000 [2)]	100%	100%
29	Zakład Gospodarki Mieszkaniowej Sp. z o.o. (Piła)	1,806,500	1,806,500	100%	100%
30	Biogazownia Ostrowiec Sp. z o.o.	105,000	105,000	100%	100%
31	Powiśle Park Sp. z o.o. (Warsaw)	81,131,000	81,131,000	100%	100%
32	Poltava Services LLC	(EUR) 20,000 [2)]	(EUR) 19,800 [3)]	99%	99%
33	CHEMKOP Sp. z o.o. Kraków	3,000,000	2,550,000	85%	85%
34	GAZ Sp. z o.o. (Błonie)	300,000	153,000	51%	51%
35	GAZ MEDIA Sp. z o.o. (Wołomin)	300,000	153,000	51%	51%
36	PT Geofizyka Toruń Indonezja	(IDR) 8,773,000,000 [2)]	(IDR) 4,825,150,000 [4)]	55%	55%

1) On January 2nd 2012 the company changed its legal form from limited liability company (*spółka z ograniczoną odpowiedzialnością*) into joint-stock company (*spółka akcyjna*).
2) Figures in foreign currencies.
3) Share capital not paid.
4) The company's capital, amounting to USD 1,000 thousand (after translation into USD), was partly paid up by Geofizyka Toruń Sp. z o.o.: by December 31st 2011, Geofizyka Toruń Sp. z o.o. transferred funds in the amount of USD 40.7 thousand.

(PLN '000)

Consolidated companies 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%
GK Poszukiwania Nafty i Gazu Kraków [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. (of Podgórska Wola)	Poland	-	100.00%
Budownictwo Naftowe Naftomontaż Sp. z o.o.	Poland	-	88.83%
Jointly-controlled and associated entities 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 (see description in Section 1.12).

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

1.6. Changes in the Company's structure, including changes resulting from mergers, acquisitions or disposals of the Group entities, as well as long-term investments, demergers, restructurings or discontinuation of operations

The key changes in the PGNiG Group's structure which occurred in 2011 included:

- On February 9th 2011, by virtue of a court decision, TE-MA WOC Małaszewicze Terespol Sp. z o.o. w likwidacji (in liquidation) was deleted from the register of entrepreneurs of the National Court Register.
- On February 10th 2011, POGC Trading GmbH was entered in the Court Register maintained by the District Court of Munich. On August 25th 2011, a change of the company's name to PGNiG Sales & Trading GmbH was registered.
- On February 11th 2011, the District Court for Katowice-Wschód in Katowice issued a decision declaring the completion of the bankruptcy proceedings with respect to Huta Szkła Szczakowa S.A. of Jaworzno. On June 7th 2011, the District Court for Katowice-Wschód in Katowice issued a decision to delete the company from the National Court Register.
- On April 15th 2011, 4,000,001 shares in Zakłady Azotowe w Tarnowie-Mościcach S.A., with a par value of PLN 5 per share, were sold at PLN 37 per share. The shares represented 10.23% of the company's share capital.
- On April 29th 2011, the share capital increase at PGNiG Energia S.A. was entered in the National Court Register. The company's share capital was increased by PLN 14,000 thousand to PLN 20,000 thousand; all the new issue shares were acquired by PGNiG SA.
- On April 29th 2011, PGNiG SA acquired shares in Goldcup 5839 AB of Stockholm, a company with a share capital of SEK 500 thousand. On June 20th 2011, a change of the company's name to PGNiG Finance AB was registered. The company's purpose is to raise financing through an issue of Eurobonds and to grant a loan to PGNiG SA.
- On May 5th 2011, 680,000 shares in IZOSTAL S.A. of Zawadzkie were sold at PLN 7 per share. The shares represented 2.08% of the company's share capital.
- On June 7th 2011, 1 share in Zakład Kuźnia Matrycowa Sp. z o.o. was sold to Metallum Corporation, for PLN 570 thousand. Prior to the transaction, PGNiG SA held 1.49% of the company's share capital.
- On June 17th 2011, PGNiG SA acquired PGNiG SPV1 Sp. z o.o., whose mission is to implement projects in the power sector. The company's share capital was PLN 20 thousand and comprised 400 shares with a par value of PLN 50 per share.
- On June 29th 2011, PGNiG Technologie Sp. z o.o. (wholly-owned by PGNiG SA) purchased from non-controlling shareholders 11.07% of shares in Budownictwo Naftowe Naftomontaż Sp. z o.o. for PLN 5,632.4 thousand. Following that transaction, as at June 30th 2011 PGNiG Technologie Sp. z o.o. held 100% of the shares in Budownictwo Naftowe Naftomontaż Sp. z o.o.
- On June 23rd 2011, Poszukiwania Nafty i Gazu Kraków Sp. z o.o. (wholly-owned by PGNiG SA) incorporated Poltava Services LLC, a subsidiary in Ukraine. PNiG Kraków Sp. z o.o. holds a 99% interest in Poltava Services LLC.
- On July 1st 2011, the Extraordinary General Meeting of NYSAGAZ Sp. z o.o. adopted a resolution to increase the company's share capital by PLN 3,081 thousand through an issue of 30,810 new shares, all to be acquired by PGNiG SA. The shares were fully paid for with an in-kind contribution in the form of 27 gas-fired boiler houses. Following the increase, the share capital of NYSAGAZ Sp. z o.o. amounts to PLN 9,881 thousand, and PGNiG SA's interest is PLN 6,549 thousand, or 66.28%.

  On the same day, an agreement on transfer of the ownership title to movable property was executed between PGNiG S.A and NYSAGAZ Sp. z o.o. The parties represented that the subject of the agreement had already been transferred.

  The company's share capital increase and the amendments to its Articles of Association were registered with the National Court Register by the District Court for Wrocław-Fabryczna, VI Commercial Division of the National Court Register, on July 20th 2011.
- On August 5th 2011, by virtue of the decision of the District Court for Kraków-Śródmieście in Kraków, the share capital of MIRACULUM S.A. was increased by PLN 12,535 thousand. In the

company's increased share capital, PGNiG SA acquired 13,674 shares with a total par value of PLN 13,674 as part of performance of the provisions of an arrangement made between the company and its creditors on May 23rd 2011. PGNiG SA's interest in the share capital MIRACULUM S.A. is 0.02%.

- On August 10th 2011, the share capital of PGNiG Energia S.A. was increased by PLN 10,000 thousand, to PLN 30,000 thousand. All new issue shares were acquired by PGNiG SA. The company's share capital increase was registered with the National Court Register by virtue of the decision of the District Court for the Capital City of Warsaw in Warsaw, dated October 21st 2011.
- On September 8th 2011, the Extraordinary General Meeting of PGNiG Norway AS adopted a resolution to increase the company's share capital by NOK 140,673 thousand, from NOK 951,327 thousand to NOK 1,092,000 thousand. The new shares were subscribed for and fully paid up in cash by PGNiG SA.
- On September 14th 2011, the Parent made an additional contribution to the equity of its subsidiary PGNiG Finance AB, in the amount of EUR 60 thousand, or PLN 264.7 thousand (translated at the rate quoted by the National Bank of Poland for September 30th 2011). The company was acquired for the purpose of managing Eurobond issues.
- On September 21st 2011, Geofizyka Toruń Sp. z o.o. transferred USD 25 thousand (PLN 80.1 thousand) to pay up the share capital of PT Geofizyka Toruń Indonesia, established in Indonesia on May 30th 2011. Pursuant to the Indonesian company's Articles of Association, Geofizyka Toruń Sp. z o.o. will hold a 55% interest in its share capital. According to the Articles of Association, the company's share capital amounts to IDR 8,773,000 thousand, which is equal to USD 1,000 thousand. Geofizyka Toruń Sp. z o.o.'s interest amounts to USD 550 thousand (IDR 4,825,150). The rest of the share capital is held by a local shareholder PT TRIAS TANJUNG REJEKI.
- On September 22nd 2011, by virtue of the decision of the District Court for the Capital City of Warsaw in Warsaw, the share capital of Operator Systemu Magazynowania Sp. z o.o was increased by PLN 4,000 thousand, to PLN 5,000 thousand. All new shares were acquired by PGNiG SA.
- On October 15th 2011, the Extraordinary General Meeting of Geofizyka Toruń Kish Limited Liability Company of Kish, Iran, adopted a resolution to open liquidation proceedings with respect to the company. By virtue of the decision of the Kish Free Zone Organization of Iran, dated October 17th 2011, Geofizyka Toruń Kish was liquidated with effect from October 15th 2011.

  Geofizyka Toruń Kish was an indirect subsidiary of PGNiG SA, held through Geofizyka Toruń Sp. z o.o., which owned a 95% interest in the company, and through Geofizyka Kraków Sp. z o.o., which held the remaining 5% of the company shares.
- On November 4th 2011, the share capital increase at Pomorska Spółka Gazownictwa Sp. z o.o. by PLN 38,950 to PLN 653,646 thousand was registered with the National Court Register. All new shares were acquired by PGNiG SA in return for a contribution in kind.
- The merger of PGNiG Technologie Sp. z o.o. with BUG Gazobudowa Sp. z o.o., ZUN Naftomet Sp. z o.o., BN Naftomontaż Sp. z o.o. and ZRUG Sp. z o.o. of Podgórska Wola was registered with the National Court Register on December 22nd 2011.
- On December 30th 2011, the share capital increase at PGNiG Technologie Sp. z o.o. by PLN 46,516 thousand to PLN 166,914 thousand was registered with the National Court Register. All new shares were acquired by PGNiG SA and paid up in cash.

Other changes in equity interests held by the PGNiG Group in 2011:

- In March 2011, PGNiG SA was notified that on October 8th 2010 the competent court had registered a share capital increase at Zakłady Przemysłu Jedwabniczego Dolwis S.A. following a conversion of debt into shares. This way, PGNiG SA acquired 109,204 shares in the company, representing 6.11% of its share capital. On April 29th 2011, the District Court of Jelenia Góra repealed an arrangement made earlier between the debtor (Zakłady Przemysłu Jedwabniczego DOLWIS S.A.) and its creditors, and changed a previous decision declaring the company's bankruptcy, specifying the manner of conducting bankruptcy proceedings (by liquidation of the company's assets).
- On February 16th 2011, IZOSTAL S.A. floated 12,000,000 new Series K shares. As PGNiG SA did not participate in the share capital increase at the company, its share of the total vote at the company's general shareholders meeting fell to 2.08%.

- On March 22nd 2011, an agreement was executed providing for the sale of 3,314 shares in AUTOSAN S.A. of Sanok to Sobiesław ZASADA S.A., for a total consideration of PLN 9 thousand. The shares represented 0.04% of the company's share capital.
- Following changes in the shareholder structure of Agencja Rynku Energii S.A., PGNiG SA's share of the total vote at the company's general shareholders meeting rose to 16.78%.

1.7. 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, PGNiG SA's 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

The following changes in the composition of PGNiG SA's Management Board occurred in 2011:

On January 12th 2011, the Supervisory Board of PGNiG SA appointed the President and the members of PGNiG SA's Management Board for a new term of office starting on March 13th 2011. The following persons were appointed for the three-year term:

- Michał Szubski – President of the Management Board
- Radosław Dudziński – Member of the Management Board
- Sławomir Hinc – Member of the Management Board
- Marek Karabuła – Member of the Management Board

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 Supervisory Board of PGNIG SA 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.

1.8. 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 PGNiG SA's 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.

1.9. Composition of the Supervisory Board of PGNiG SA

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 Supervisory Board of PGNiG SA.

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
- 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 Supervisory Board of PGNiG SA, tendered his resignation from the position for compelling personal reasons, with effect from January 10th 2012.

(PLN '000)

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 Supervisory Board of PGNiG SA:

- Janusz Pilitowski

On January 13th 2012, the Supervisory Board of PGNiG SA 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

1.10. Shareholder structure of PGNiG SA

As at the date of release of these consolidated 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%
Other shareholders	-	1,626,349,468	27.57%	27.57%
Total	**-**	**5,900,000,000**	**100.00%**	**100.00%**

1.11. Going-concern assumption

These consolidated financial statements were prepared based on the assumption that the Group members would continue as going concerns for the foreseeable future. As at the date of approval of these financial statements, no circumstances were identified which would indicate any threat to the Group companies' continuing functioning as business entities.

1.12. Mergers of commercial-law companies

In 2011, the process of consolidation of five companies from the PGNiG Group was completed.

On December 22nd 2011, the merger of PGNiG Technologie Sp. z o.o. with the following companies: BUG Gazobudowa Sp. z o.o., ZUN Naftomet Sp. z o.o., BN Naftomontaż Sp. z o.o. and ZRUG Sp. z o.o. of Podgórska Wola was registered in the National Court Register.

Therefore, since December 22nd 2011, all these companies have operated as one entity – PGNiG Technologie Sp. z o.o. – having the following six branches: the Gazobudowa Branch of Zabrze, the Naftomet Branch of Krosno, the Naftomontaż Branch of Krosno, the ZRUG of Podgórska Wola Branch, the Hotel Krosno-Nafta of Krosno Branch and the Designing, Research and Development Branch of Krosno.

In 2011, there were no other mergers of the Parent or other Group companies with any other companies under commercial law.

1.13. Approval of the financial statements

These financial statements will be submitted to the Parent's Management Board for authorisation on March 20th 2012.

2. INFORMATION ON APPLIED ACCOUNTING POLICIES

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

2.1.2. Basis of consolidation

These consolidated financial statements comprise the financial statements of PGNiG SA (the Parent) and the financial statements of companies controlled by the Parent (or by the Parent’s subsidiaries) other than subsidiaries whose effect on the consolidated financial statements would be immaterial, prepared as at December 31st 2011.

Subsidiaries are consolidated using the full consolidation method from their acquisition date (the date of assuming control over the company) until the date control is lost. Control is exercised when the parent has the power to determine the financial and operating policies of an entity so as to benefit from its activity. As at the acquisition date, assets, equity and liabilities of the acquired entity are recognised at fair value. Any excess of the acquisition cost over the fair value of the net identifiable assets acquired is recognised as goodwill. If the acquisition cost is lower than the fair value of the net identifiable assets of the acquiree, the difference is recognised as a gain in the income statement for the period in which the acquisition took place.

Non-controlling interests represent the portion of net profit or loss and net assets that are not held by the Group. Non-controlling interests are presented in separate items of the income statement, the statement of comprehensive income and the statement of changes in equity.

Financial statements of subsidiaries are prepared for the same reporting period as the financial statements of the parent, using consistent accounting policies. If necessary, adjustments are made to the financial statements of subsidiaries or associates in order to ensure consistency between the accounting policies applied by a given entity and those applied by the parent.

All transactions, balances, revenues and costs resulting from dealings between consolidated related entities are eliminated on consolidation.

Financial results of entities acquired or sold during the year are accounted for in the consolidated financial statements from their acquisition date to their disposal date. If the parent loses control over a subsidiary, the consolidated financial statements account for the subsidiary's results for such part of the reporting year in which control was held by the parent.

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 Group 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 the Group’s 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 Group'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 Group 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 Group 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 Group estimates that the above standards, interpretations and amendments to standards would not have had any material effect on the Group'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 Group 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 consolidated 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 the PGNiG Group.

2.3.1. Investments in associates

An associate is an entity over which the Group exercises significant influence, but which is not controlled by the Group and is not a joint venture. Financial and operating policies of such entities are determined with the participation of the Group.

Financial interests in associates are accounted for using the equity method, except when an investment is classified as held for sale (see below). Investments in associates are valued at cost, taking into account changes in the Company's share in the net assets which occurred until the balance sheet date, less impairment of particular investments. Losses incurred by an associates in excess of the value of the Group's share in such associate are not recognised.

Excess of acquisition cost over the fair value of identifiable acquired net assets of the associate as at the acquisition date is recognised as goodwill. If acquisition cost is lower than fair value of identifiable acquired net assets of the associate as at the acquisition date, the difference is disclosed as profit in the income statement for the period in which the acquisition took place.

Gains and losses on transactions between the Group and an associate are eliminated in consolidation proportionately to the Group's interest in such associate's equity. Financial statements of associates are drawn up to the same date as the Group's financial statements, using consistent accounting policies. If necessary, adjustments are made in the financial statements of associates to conform to the accounting policies of the Parent. Losses incurred by an associate may indicate impairment of its assets and relevant impairment losses would then need to be recognised.

2.3.2. 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.

A party to a joint venture discloses assets controlled and liabilities incurred in relation to its interests in such joint venture as well as costs incurred and such party's interests in revenues from products and services sold, generated by the joint venture. As assets, liabilities, revenues and costs relating to the joint venture are also disclosed in the non-consolidated financial statements of the party, these items are not adjusted and other methods of consolidation are not used.

2.3.3. Translation of items denominated in foreign currencies

The Polish złoty (PLN) is the functional currency (measurement currency) and the reporting currency of PGNiG SA and its subsidiaries, with the exception of POGC Libya BV, PGNiG Norway AS, PGNiG Sales & Trading GmbH and PGNiG Finance AB. 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 consolidated 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 date of the initial transaction. 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 its foreign currency risk, the Parent enters into forwards and option contracts (see below: accounting policies for derivative financial instruments applied by the Group).

The functional currencies of the foreign entities are as follows: the Pakistan rupee (PKR) for the Pakistan Operating Branch; the Polish złoty (PLN) for the Egypt Branch and Denmark Branch; the US dollar (USD) for POGC Libya BV, the euro (EUR) for PGNiG Sales & Trading GmbH, the Norwegian krone (NOK) for PGNiG Norway AS and the Swedish crown (SEK) for PGNiG Finance AB. As at the balance sheet date, assets and liabilities of the foreign entities 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.

2.3.4. 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 2.3.6.).

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 Group 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 Group 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.

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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.

2.3.5. 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 Group 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.

The Group 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.

2.3.6. Borrowing costs

As from January 1st 2009, the Group capitalises borrowing costs. Until the end of 2008, in line with the model recommended in IAS 23, the Group 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.

2.3.7. Investment property

Investment property is the property (land, building, part of a building, or both) treated by the Group, 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 Group 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 Group depreciates investment property based on the straight-line method over the following useful economic life periods:

Buildings and structures	2 - 40 years

2.3.8. Intangible assets

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

2.3.9. 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.

2.3.9.1. The Group 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 Group'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.

2.3.9.2. The Group as a lessee

Assets used under a finance lease are recognised as the Group'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.

2.3.10. Impairment of property, plant and equipment and intangible assets

As at each balance sheet date, the Group 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.

2.3.11. Financial assets

Due to their nature and purpose, the Group'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.

2.3.11.1. 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 Group 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.

2.3.11.2. Investments held to maturity

Investments held to maturity are non-derivative financial assets with fixed or determinable payment terms and fixed maturity that the Group 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 Group classifies the following financial assets as investments held to maturity:
- debt instruments such as treasury, commercial, coupon and discount notes, treasury and commercial bills, in each case held to maturity;
- term deposits;
- other financial assets.

2.3.11.3 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 Group 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.

2.3.11.4 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 Group 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.

2.3.11.5. 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.

2.3.12. Impairment of financial assets

As at each balance sheet date, the Group 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.

2.3.13. Hedge accounting

As of April 1st 2009, the Parent 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 Parent’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 Parent’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 Parent’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.

2.3.14. 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 the storage facilities jointly, at the average weighted 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.

2.3.15. 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 Group 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.

2.3.16. 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 consolidated statement of cash flows consists of the aforementioned cash and cash equivalents, less outstanding overdraft facilities. The Group 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.

2.3.17. Non-current assets held for sale

The Group 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 also recognised in profit or loss, but only 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.

2.3.18. Equity

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

Share capital is disclosed at par value and in the amount specified in the Articles of Association of the Parent 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 the Parent's 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 Group recognises the aforementioned profit reductions in profit or loss for the period 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.

2.3.19. 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.

2.3.20. Provisions

Provisions are recognised when the Group 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 adjusted at each balance sheet date in order to ensure that the estimated amount is as accurate as possible.

The Group may recognises 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.

2.3.20.1 Provision for well decommissioning costs

The Parent recognises a provision for future well decommissioning costs and 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 Group 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 Facilities Decommissioning Fund.

2.3.20.2 Provision for length-of-service awards and retirement severance pays

The Group 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 respective Group companies. 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 Group 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 Group and remuneration, which were drawn up based on information provided by the Group 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.

2.3.20.3. 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.

2.3.20.4. Provision for penalties

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

2.3.20.5. 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 Group calculates the additional cost which it would incur if such events occurred and recognises a provision for that purpose.

2.3.20.6. Provision for claims under extra-contractual use of land

In the ordinary course of business, the Group companies install technical equipment used for transmission and distribution of gas on land properties owned by third parties, which are often natural persons.

Where possible, at the time of installing the elements of the infrastructure the Group companies 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 Group recorded a significant increase in the number of claims submitted by land property owners for compensation for use of transmission easements by the Group companies. Apart from the compensation paid to land property owners under the agreements on establishment of transmission easements, the Group pays compensation under extra-contractual use of land properties.
Given the above, acting in accordance with the materiality rule, in 2010 the Group for the first time estimated the amount of the provision for claims under extra-contractual use of land.
When calculating the amount of the provision, the Group 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 Group analysed the following: estimate surveys of claim amounts made by expert appraisers; Group companies' 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 Group will be required to pay may significantly differ from the amount of the recognised provision.

2.3.20.7. Other provisions

The Parent 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 Parent's internal resolutions.

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

The Group measures provisions using the discount method, if the effect of changes in the time value of money is material. Long-term provisions are discounted by the Group 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.

2.3.21. Accruals and deferrals

The companies of the PGNiG Group disclose as prepayments those expenses whose cost relates to future reporting periods. They 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 in arrears). Accruals are disclosed together with trade and other payables as an item of equity and liabilities in the statement of financial position.

The entities of the PGNiG Group recognise deferred income for the purposes of disclosing the income in future reporting periods at the time of income realisation.

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

The gas distribution companies (operators of distribution systems) disclose as deferred income the value of gas infrastructure accepted free of charge (since 1998) and connection charges (received by June 30th 2009). This income is realised concurrently with depreciation charges on such gas service lines.

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

2.3.22. 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 day-to-day operations of the Group companies, that is salaries and wages, and other current employee benefits, as well as accrued expenses and public dues.

2.3.23. 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.

2.3.23.1. 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 Group 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.

2.3.23.2. 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.

2.3.24. 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. Also the criteria described below apply in revenue recognition:

2.3.24.1. 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.

2.3.24.2. 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.

2.3.24.3. 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.

2.3.24.4. Dividends

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

2.3.24.5. Lease income

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

2.3.25. 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.

2.3.26. Employee benefits

Short-term employee benefits paid by the Group 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.

2.3.27. 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 a future tax liability or asset, resulting from differences between book (accounting) 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 liabilities are recognised for temporary differences associated with investments in subsidiaries, associates, and joint ventures unless the Group is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

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.

2.3.28. 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.

The PGNiG Group has adopted division into business segments as the basic division of its operations. Consolidated entities operate within the following four segments:

a) *Exploration and Production.* The segment encompasses extracting hydrocarbons from reserves and preparing products for sale. The segment covers the entire process of exploring and extracting natural gas and crude oil from reserves, including geological surveys, geophysical research and drilling work, and development of and production from the reserves. The exploration and production activities are conducted by PGNiG SA, POGC Libya BV, PGNiG Norway AS and other Group members providing services within this segment.

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 facilities are operated and any extension work on the facilities is conducted by PGNiG SA and INVESTGAS S.A. (a Group member). The segment's activities comprise the sale of high-methane and nitrogen-rich gas fed into the transmission and distribution system.

PGNiG Sales & Trading GmbH of Munich, which has conducted operations in the area of power trading and distribution since December 2010, has also been classified in the Trade and Storage segment.

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) *Distribution.* The segment's activities consist in transmitting natural gas through the distribution network. Natural gas distribution services are rendered by six Gas Distribution Companies, which supply gas to individual, industrial and wholesale customers. In addition, they are responsible for operating, repairing and expanding the distribution network.

d) *Other Activities.* The segment encompasses designing and building structures, plant and equipment for the mining sector and the fuel and energy sector, as well as offering services associated with the catering and hospitality industry. In addition, in 2010 operations in the power sector were launched. This segment's members conduct activities which cannot be classified into the other segments.

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. While 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 Group of the accounting policies described above, the Group 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 following areas:

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 Parent 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 Group's key operating assets include the mining assets, the transmission infrastructure and gas fuel storage facilities. These assets were tested for impairment. The Group computed and recognised material impairment losses on the assets, based on an assessment of their current and future usefulness or planned decommissioning and sales. For information on the value of recognised impairment losses see Note 11.2.
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.
Another significant uncertainty is connected with the risk that the Polish Energy Regulatory Office (Urząd Regulacji Energetyki – "URE") might change its decision as to the prices of the gas fuel distribution services. Any change in those prices would materially affect the cash flows at the distribution companies, which could lead to the necessity to remeasure the impairment losses on the distribution assets.

2.4.3. Useful lives of tangible assets

Item 2.3.4. of the financial statements presents depreciation rates for the key group 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 natural gas volumes supplied to retail customers. The value of the natural gas which has been supplied to retail customers but has not been invoiced, 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 well decommissioning costs and other provisions for environmental liabilities presented in Note 27 represent significant items among the provisions disclosed in the consolidated 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 Group companies install technical equipment used for transmission and distribution of gas on land properties owned by third parties, which are often natural persons.

Where possible, at the time of installing the elements of the infrastructure the Group companies 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 Group recorded a significant increase in the number of claims submitted by land property owners for compensation for use of transmission easements by the Group companies. Apart from the compensation paid to land property owners under the agreements on establishment of transmission easements, the Group pays compensation under extra-contractual use of land properties.
Given the above, acting in accordance with the materiality rule, the Group estimated the amount of the provision for claims under extra-contractual use of land.
When calculating the amount of the provision, the Group 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 Group analysed the following: estimate surveys of claim amounts made by expert appraisers; Group companies' 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 Group will be required to pay may significantly differ from the recognised amount of the related provision.

2.4.7. Impairment of SGT EUROPOL GAZ S.A. shares

As part of measurement of the value of SGT EUROPOL GAZ S.A. shares, the Parent tested these shares for impairment, using the discounted cash flow method and relying in its calculations on the SGT EUROPOL GAZ S.A.'s net profit figure derived from the Inter-governmental Protocol dated October 29th 2010, as discussed in detail in Note 6. The results of the impairment tests show that the value of the shares varies considerably depending on the adopted assumptions as to future cash flows, the adopted discount rate and the estimated cash-flow period, which ultimately may have a material effect on the value of the shares in the future.

2.4.8. 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.

2.4.9. Dispute between PGNiG SA and 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 the 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 expenses in its accounting books as at the end of 2011.

2.5. Presentation changes in the financial statements

In order to ensure greater transparency of the information reported in the financial statements, the Parent has introduced changes in presentation of comparative financial data with respect to items related to 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 the assets, equity and liabilities of the Group's reportable segments for the periods ended December 31st 2011 and December 31st 2010.

Period ended December 31st 2011	Exploration and Production	Trade and Storage	Distribution	Other Activities	Eliminations	Total
Income statement						
Sales to external customers	2,878,567	19,820,825	141,343	162,799	-	23,003,534
Sales to other segments	1,202,022	224,133	3,329,378	341,344	(5,096,877)	-
Total segment's revenue	4,080,589	20,044,958	3,470,721	504,143	(5,096,877)	23,003,534
Depreciation and amortisation	(609,436)	(127,152)	(823,198)	(14,312)	-	(1,574,098)
Other costs	(2,345,001)	(20,101,580)	(1,863,849)	(494,224)	5,060,744	(19,743,910)
Total segment's costs	(2,954,437)	(20,228,732)	(2,687,047)	(508,536)	5,060,744	(21,318,008)
Operating profit/loss	**1,126,152**	**(183,774)**	**783,674**	**(4,393)**	**(36,133)**	**1,685,526**
Net finance expenses						(16,302)
Share in net profit/loss of equity-accounted entities		42,563				42,563
Pre-tax profit/loss						**1,711,787**
Income tax						(85,603)
Net profit/loss						**1,626,184**
Statement of financial position						
Segment's assets	14,923,213	12,116,665	12,420,381	489,647	(3,889,126)	36,060,780
Investments in equity-accounted entities		598,391				598,391
Unallocated assets						341,403
Deferred tax assets						963,800
Total assets						**37,964,374**
Total equity						24,496,660
Segment's liabilities	2,177,279	2,774,227	1,915,303	95,042	(3,889,126)	3,072,725
Unallocated liabilities						8,961,579
Deferred tax liabilities						1,433,410
Total equity and liabilities						**37,964,374**
Other information						
Capital expenditure on property, plant and equipment and intangible assets	(2,536,921)	(619,170)	(1,124,977)	(16,804)	-	**(4,297,872)**
Impairment losses on assets	(977,040)	(1,710,310)	(90,371)	(11,975)	-	**(2,789,696)**
Impairment losses on unallocated assets						**(37,817)**

(PLN '000)

Period ended December 31st 2010	**Exploration and Production**	**Trade and Storage**	**Distribution**	**Other Activities**	**Eliminations**	**Total**
Income statement						
Sales to external customers	2,244,777	18,701,376	126,464	208,544	-	21,281,161
Sales to other segments	1,206,729	378,240	3,411,410	359,454	(5,355,833)	-
Total segment's revenue	3,451,506	19,079,616	3,537,874	567,998	(5,355,833)	21,281,161
Depreciation and amortisation	(608,820)	(139,757)	(762,587)	(13,548)	-	(1,524,712)
Other costs	(2,255,054)	(18,124,389)	(1,284,066)	(527,864)	5,321,613	(16,869,760)
Total segment's costs	(2,863,874)	(18,264,146)	(2,046,653)	(541,412)	5,321,613	(18,394,472)
Operating profit/loss	**587,632**	**815,470**	**1,491,221**	**26,586**	**(34,220)**	**2,886,689**
Net finance expenses						50,105
Share in net profit/loss of equity-accounted entities		(695)				(695)
Pre-tax profit/loss						**2,936,099**
Income tax						(478,915)
Net profit/loss						**2,457,184**
Statement of financial position						
Segment's assets	12,797,364	9,773,536	12,227,593	414,579	(3,051,625)	32,161,447
Investments in equity-accounted entities		555,828				555,828
Unallocated assets						248,315
Deferred tax assets						676,817
Total assets						**33,642,407**
Total equity						23,519,470
Segment's liabilities	1,863,052	2,861,668	1,932,133	130,607	(3,051,625)	3,735,835
Unallocated liabilities						4,995,092
Deferred tax liabilities						1,392,010
Total equity and liabilities						**33,642,407**
Other information						
Capital expenditure on property, plant and equipment and intangible assets	(2,193,179)	(505,599)	(957,873)	(13,249)	-	**(3,669,900)**
Impairment losses on assets	(1,103,992)	(2,060,351)	(78,363)	(8,448)	-	**(3,251,154)**
Impairment losses on unallocated assets						**(52,760)**

(PLN '000)

3.2. Information on geographical areas

The Company's business activity focuses on domestic sales (Poland). In 2011, the revenue from export sales to external customers accounted for 4.40% (4.65% in 2010) of the total revenue from sales to external customers.

	Jan 1–Dec 31 2011	Jan 1– Dec 31 2010
Domestic sales	21,992,223	20,292,375
High-methane gas	18,964,495	17,831,213
Nitrogen-rich gas	1,216,636	1,187,319
Crude oil	638,326	467,836
Helium	21,867	13,318
Propane-butane gas	60,023	49,910
Natural gasoline	5,116	3,227
LNG	37,597	30,019
Gas storage services	31,471	31,701
Geophysical and geological services	338,208	145,827
Exploration services	253,679	81,920
Construction and erection	111,918	101,981
Designing services	25,128	40,478
Hotel services	31,269	31,673
Other services	111,414	153,853
Other products	30,911	16,837
Materials and goods for resale	17,376	17,734
Connection charge	96,789	87,529
Export sales	1,011,311	988,786
High-methane gas	49,459	56,516
Nitrogen-rich gas	-	-
Crude oil	456,831	370,806
Helium	35,647	30,732
Propane-butane gas	-	-
Natural gasoline	-	-
LNG	109	88
Gas storage services	-	-
Geophysical and geological services	109,845	132,937
Exploration services	323,931	360,665
Construction and erection	19,572	27,522
Designing services	71	-
Hotel services	-	-
Other services	3,991	4,422
Other products	11,712	4,411
Materials and goods for resale	143	687
Connection charge	-	-
Total	**23,003,534**	**21,281,161**

The Group sells its products and services to customers in the following countries: Switzerland, Kazakhstan, Germany, Uganda, Czech Republic, Pakistan, Austria, India, Egypt, Belgium, Ukraine, Denmark, Mozambique and Norway.

A majority of the Group'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 14.37% of the total assets value (12.22% as at December 31st 2010).

	Dec 31 2011	Dec 31 2010
Value of non-current assets other than financial instruments located in Poland	24,585,187	22,752,207
Value of non-current assets other than financial instruments located abroad*	4,124,412	3,166,638
Total	**28,709,599**	**25,918,845**

* As at December 31st 2011, PLN 3,791,969 thousand was attributable to PGNiG Norway AS (PLN 2,877,710 thousand as at the end of 2010).

(PLN '000)

3.3. Key customers

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

4. OPERATING EXPENSES

4.1. Raw and other materials used

	Jan 1–Dec 31 2011	Jan 1– Dec 31 2010
Cost of gas sold	(13,353,051)	(11,004,793)
Other raw and other materials used	(706,071)	(670,441)
Total	**(14,059,122)**	**(11,675,234)**

4.2. Employee benefits

	Jan 1–Dec 31 2011	Jan 1– Dec 31 2010
Salaries and wages	(2,088,295)	(1,940,247)
Social security and other benefits	(720,372)	(706,990)
Total	**(2,808,667)**	**(2,647,237)**

4.3. Contracted services

	Jan 1–Dec 31 2011	Jan 1– Dec 31 2010
Purchases of transmission services from OGP Gaz-System S.A.	(1,462,841)	(1,531,449)
Costs of dry wells written off	(275,634)	(162,337)
Other contracted services	(1,502,413)	(1,455,014)
Total	**(3,240,888)**	**(3,148,800)**

4.4. Other operating expenses, net

	Jan 1–Dec 31 2011	Jan 1– Dec 31 2010
Change in impairment losses, net	(73,686)	428,572
Change in provisions, net	(44,130)	(67,210)
Taxes and charges	(462,079)	(442,295)
Net interest related to operating activities	78,758	90,760
Net foreign exchange gains/losses related to operating activities	198,991	130,119
Gain/loss on derivative instruments related to operating activities	(320,671)	(276,530)
Value of goods for resale and materials sold	(33,168)	(18,540)
Income from current settlement of deferred income recognised in the statement of financial position	56,757	64,710
Difference on valuation of assets distributed as dividend	-	24,422
Gains/losses on disposal of non-financial non-current assets	(25,698)	(23,402)
Property insurance	(75,277)	(54,455)
Domestic and international business trips	(49,473)	(57,646)
Change in inventories	6,637	(4,632)
Income from compensations, penalties, fines etc.	128,543	24,034
Cost of compensations, penalties, fines, etc.	(16,058)	(116,449)
Other expenses, net	(5,986)	(142,975)
Total	**(636,540)**	**(441,517)**

(PLN '000)

5. FINANCE INCOME AND EXPENSES

	Jan 1–Dec 31 2011	Jan 1– Dec 31 2010
Finance income	**135,695**	**80,515**
Gain on valuation and execution of forwards and futures	-	-
Interest income	53,252	51,305
Foreign exchange gains	-	21,332
Investment revaluation	1,468	855
Gain on disposal of investments	73,435	2,024
Dividends and other profit distributions	2,506	4,065
Other finance income	5,034	934
Finance expenses	**(151,997)**	**(30,410)**
Loss on valuation and execution of forwards and futures	-	-
Interest expenses	(34,682)	(17,809)
Foreign exchange losses	(91,774)	-
Investment revaluation	(5,648)	(3,036)
Loss on disposal of investments	-	-
Commissions on loans	(9,091)	(1,422)
Costs related to guarantees issued	(3,194)	(5,307)
Other finance expenses	(7,608)	(2,836)
Net finance income/expense	**(16,302)**	**50,105**

6. EQUITY ACCOUNTING FOR ASSOCIATES

6.1. Net carrying amount of interests in equity-accounted associates

	Dec 31 2011	Dec 31 2010
SGT EUROPOL GAZ S.A.		
PGNiG Group's interest*	49.74%	49.74%
Core business	Gaseous fuel transmission	Gaseous fuel transmission
Equity accounting for the interest	1,474,080	1,456,855
Cost	38,400	38,400
Share in change in equity	1,512,480	1,495,255
Impairment losses	(930,863)	(956,555)
Net carrying amount of investment	**581,617**	**538,700**
GAS-TRADING S.A.		
PGNiG Group's interest	43.41%	43.41%
Core business	Trade	Trade
Equity accounting for the interest	15,483	15,837
Cost	1,291	1,291
Share in change in equity	16,774	17,128
Impairment losses	-	-
Net carrying amount of investment	**16,774**	**17,128**
Total net carrying amount of investments	**598,391**	**555,828**

* Including a 48% direct interest and 1.74% held indirectly through GAS-TRADING S.A.

(PLN '000)

6.2. Reconciliation of the value of interests in equity-accounted associates

	Jan 1–Dec 31 2011	Jan 1– Dec 31 2010
Net carrying amount of investments as at beginning of period	555,828	556,523
Dividend paid by **GAS-TRADING S.A.**	-	-
Valuation recognised in the income statement, including:	**42,563**	**(695)**
Valuation of **SGT EUROPOL GAZ S.A.**	42,916	-
Valuation of **GAS-TRADING S.A.**	(353)	(695)
Net carrying amount of investments as at end of period	**598,391**	**555,828**

The Parent estimated its equity interest in SGT EUROPOL GAZ S.A. on the basis of the value of the company's equity as shown in its financial statements prepared as at December 31st 2011 in accordance with the Polish Accountancy Act, adjusted to reflect differences in the accounting policies applied within the Group and results on intra-Group transactions. The differences in the accounting policies concerned the recognition of interest expenses in the net value of property, plant and equipment (until the end of 2008). Until the end of 2008, the Group applied the standard approach (in accordance with IAS 23) and did not recognise borrowing costs in the initial value of property, plant and equipment. As of the beginning of 2009, the Group capitalises borrowing costs in the value of property, plant and equipment, therefore the adjustment consists in continued elimination of these costs with respect to the previous years. Subsequently, the Parent tested its interest in SGT EUROPOL GAZ S.A. for impairment using the discounted cash flow method on the basis of information on the company's target net profit as indicated in the Inter-governmental Protocol dated October 29th 2010. The calculations were based on an assumption that SGT EUROPOL GAZ S.A.'s net profit in 2011-2021 will each year amount to PLN 21,000 thousand. Discounted cash flow includes all cash flows generated by SGT EUROPOL GAZ S.A., including cash flow related to the servicing of interest-bearing external financing (interest expenses and repayment of principal amounts of loans and borrowings).

As at December 31st 2011, the Parent valued its equity interest in jointly-controlled entity SGT EUROPOL GAZ S.A. using the equity method at PLN 1,474,080 thousand. The company's value estimated as at the same date using the discounted cash flow method amounted to PLN 581,617 thousand.

Taking into account SGT EUROPOL GAZ S.A.'s actual current financial performance and improved operational stability, the Parent revalued the company's net carrying amount by increasing it to reflect the company's current valuation of PLN 581,617 thousand. As at the end of 2011, the difference in valuation relative to December 31st 2010 amounted to PLN 42,916 thousand and was recognised in the income statement for the current period in "Share in net profit/loss of equity-accounted entities".

7. CORPORATE INCOME TAX

The Group does not constitute a group for tax purposes within the meaning of the Polish regulations. Each member of the Group is a separate taxpayer for tax purposes.

7.1. Income tax disclosed in the income statement

	Note	Jan 1–Dec 31 2011	Jan 1– Dec 31 2010
Pre-tax profit/loss		1,711,787	2,936,099
Tax rate applicable in the period		19%	19%
Tax calculated at the applicable tax rate		(325,240)	(557,859)
Permanent differences between pre-tax profit/loss and tax base		239,637	78,944
Corporate income tax disclosed in the consolidated income statement		**(85,603)**	**(478,915)**
Current income tax	7.2.	(431,574)	(558,184)
Deferred income tax	7.3.	345,971	79,269
Effective tax rate		5%	16%

(PLN '000)

7.2. Current income tax

	Jan 1–Dec 31 2011	Jan 1– Dec 31 2010
Profit/loss before tax (consolidated)	1,711,787	2,936,099
Consolidation adjustments	491,056	368,288
Differences between profit/loss before tax and tax base	(457,450)	(754,888)
Taxable revenue not recognised as revenue for accounting purposes	218,453	236,647
Tax deductible expenses, not recognised as expenses for accounting purposes	(2,081,892)	(1,825,239)
Revenue not recognised in taxable income	1,971,661	2,315,641
Non-tax deductible expenses	(3,367,199)	(3,235,484)
Deductions from income	10,451	(86,139)
Income tax base	1,745,393	2,549,499
Tax rate applicable in period	19%	19%
Corporate income tax	(331,625)	(484,405)
Increases, reliefs, exemptions, allowances and reductions in/of corporate income tax	(99,949)	(73,779)
Current income tax disclosed in tax return for period	(431,574)	(558,184)
Current income tax disclosed in consolidated income statement	**(431,574)**	**(558,184)**

7.3. Deferred income tax

	Jan 1–Dec 31 2011	Jan 1– Dec 31 2010
Origination and reversal of deferred tax due to deductible temporary differences	**356,069**	**195,680**
Impairment losses on financial assets, receivables and tangible assets under construction	(4,763)	19,036
Provisions for future liabilities	1,217	31,629
Costs of FX risk and interest rate risk hedges	62,717	(19,099)
Foreign exchange losses	4,059	238
Costs related to sales taxable in subsequent month	-	-
Investment incentives (Norway)	294,555	158,024
Tax loss for current period	(82)	-
Other	(1,634)	5,852
Origination and reversal of deferred tax due to taxable temporary differences	**(10,098)**	**(116,411)**
Difference between tax and accounting value of non-current assets	(3,559)	(98,524)
Positive valuation of FX and interest rate risk hedges	(7,219)	(4,365)
Foreign exchange gains	(1,637)	(412)
Accrued interest	(176)	(56)
Income related to tax obligation arising in subsequent month	8,841	(8,518)
Other	(6,348)	(4,536)
Deferred income tax disclosed in consolidated income statement	**345,971**	**79,269**
Deferred income tax disclosed in other net comprehensive income, including:	**28,113**	**(16,113)**
- relating to valuation of financial instruments	(15,586)	(21,496)
- relating to differences on currency translation of deferred tax of foreign operations	43,699	5,383
Tax refund relating to investment incentives (Norway)	**-**	**(22,468)**
Deferred income tax charged to non-current assets (Norway)	**-**	**113,162**
Deferred income tax charged to current income tax receivable (Norway)	**(128,501)**	**(207,059)**
Transfer from current income tax receivable	**-**	**13,547**
Changes in the Group	**-**	**814**
Total changes	**245,583**	**(38,848)**

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 subsidiaries and foreign branches of the Parent and of Polish subsidiaries 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 of subsidiaries, the tax rates effective in 2011 and 2010 ranged from 3% to 37% of the tax base. Foreign branches of the Parent did not pay corporate income tax in 2011 and 2010.

In the case of PGNiG Norway AS, the marginal tax rate is 78% of tax base, the reason being that PGNiG Norway AS's activities in the continental shelf are subject to taxation under two separate tax systems:

- The corporate income tax system (28% tax rate);
- The petroleum tax system (additional tax rate of 50%).

Such a high tax rate is accompanied by a wide range of investment incentives and additional allowances, in line with the following principles:

- The company may use a high depreciation/amortisation rate (the annual depreciation/amortisation rate is 16.67%) and commence depreciation/amortisation immediately after capital expenditure is incurred. In the first year, the company is entitled to full annual depreciation/amortisation, regardless of the date when capital expenditure is actually incurred.
- The company may apply an investment incentive of 7.5% per annum for the period of four years under the petroleum tax regime. The incentive relates to capital expenditure made in the Norwegian Continental Shelf (NCS) (excluding expenditure on exploration) and amounts to 30% of expenditure subject to depreciation/amortisation (7.5% in each of the four years). The incentive is deducted only from the income subject to the petroleum tax (50% rate) and does not apply to the regular CIT. It is designed to encourage further capital outlays in the NCS. If the incentive amount exceeds income generated in a given year, it can be deducted in subsequent years.
- Total expenditure on exploration activities may be immediately deducted from revenue. If a company does not generate income from which expenditure on exploration could be deducted (as is the case with PGNiG AS at the moment), it is entitled to immediate reimbursement of 78% of expenditure on exploration. The funds are returned in cash, and the transfer to the company's bank account is made by the end of the year following the year covered by the tax return.
- Finance expenses may be deducted under both taxation systems.

Therefore, PGNiG Norway AS began to amortise capital expenditure and applied the investment incentive already in 2008, recognising the expenditure and incentive as deferred tax (in the amount recorded under "Investment incentive (Norway)" in table 7.3.). Once revenue is generated (i.e. after 2011), these amounts will be deducted from the current tax base.

From the PGNiG Group's viewpoint, it is important that the Norwegian tax system permits deduction of losses without time limitation. Additionally, losses incurred after 2002 bear interest. With respect to such losses, interest rate is calculated as a risk-free interest rate increased by a margin, including income tax (28%). In other words, losses incurred by PGNiG Norway AS in 2007–2011, increased by interest, will reduce its current tax payable once production from the Skarv field is launched.

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.

8. DISCONTINUED OPERATIONS

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

9. EARNINGS/LOSS PER SHARE

Basic earnings/loss per share are calculated by dividing the net profit/loss attributable to holders of the Parent'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 parent	1,626,778	2,453,741
Net profit/loss attributable to equity holders of the parent used for calculating diluted earnings/loss per share	1,626,778	2,453,741
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 parent (PLN)	0.28	0.42
Diluted earnings/loss per share for financial period attributable to holders of ordinary shares of the parent (PLN)	0.28	0.42

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**

10. 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 paid to the State Treasury	30,104	339,994
- cash dividend paid to the State Treasury	482,587	2,683
- cash dividend paid to 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.

(PLN '000)

11. PROPERTY, PLANT AND EQUIPMENT

	Dec 31 2011	Dec 31 2010
Land	57,506	50,617
Buildings and structures	14,662,532	14,506,236
Plant and equipment	2,480,291	2,449,873
Vehicles and other	1,020,759	979,530
Total tangible assets	**18,221,088**	**17,986,256**
Tangible assets under construction	10,205,938	7,675,964
Total property, plant and equipment	**28,427,026**	**25,662,220**

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	50,617	14,506,236	2,449,873	979,530	**17,986,256**
Increase	124	113,561	38,957	48,396	**201,038**
Decrease	(439)	(191,384)	(24,415)	(10,129)	**(226,367)**
Transfers from tangible assets under construction and between groups	7,340	1,125,799	398,475	198,447	**1,730,061**
Impairment loss	(136)	79,941	(17,965)	(10,459)	**51,381**
Depreciation for financial year	-	(971,621)	(364,634)	(185,026)	**(1,521,281)**
As at Dec 31 2011, net of accumulated depreciation and impairment losses	**57,506**	**14,662,532**	**2,480,291**	**1,020,759**	**18,221,088**
As at Jan 1 2011					
Gross value	52,801	21,424,854	4,539,164	1,811,479	**27,828,298**
Accumulated depreciation and impairment losses	(2,184)	(6,918,618)	(2,089,291)	(831,949)	**(9,842,042)**
Net carrying amount as at Jan 1 2011	**50,617**	**14,506,236**	**2,449,873**	**979,530**	**17,986,256**
As at **Dec 31** 2011					
Gross value	59,826	22,410,612	4,886,906	1,982,557	**29,339,901**
Accumulated depreciation and impairment losses	(2,320)	(7,748,080)	(2,406,615)	(961,798)	**(11,118,813)**
Net carrying amount as at Dec 31 2011	**57,506**	**14,662,532**	**2,480,291**	**1,020,759**	**18,221,088**

(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	65,498	13,744,065	2,324,912	936,055	**17,070,530**
Increase	354	38,417	22,900	7,710	**69,381**
Changes in the Group	23	8,525	10,137	2,413	**21,098**
Decrease	(526)	(252,623)	(20,940)	(9,982)	**(284,071)**
Transfers from tangible assets under construction and between groups	(16,268)	1,264,917	464,819	195,407	**1,908,875**
Impairment losses	2,505	668,300	(3,109)	14,647	**682,343**
Depreciation for financial year	(969)	(965,365)	(348,846)	(166,720)	**(1,481,900)**
As at Dec 31 2010, net of accumulated depreciation and impairment losses	**50,617**	**14,506,236**	**2,449,873**	**979,530**	**17,986,256**
As at Jan 1 2010					
Gross value	76,001	20,307,452	4,138,796	1,661,929	**26,184,178**
Accumulated depreciation and impairment losses	(10,503)	(6,563,387)	(1,813,884)	(725,874)	**(9,113,648)**
Net carrying amount as at Jan 1 2010	**65,498**	**13,744,065**	**2,324,912**	**936,055**	**17,070,530**
As at Dec 31 2010					
Gross value	52,801	21,424,854	4,539,164	1,811,479	**27,828,298**
Accumulated depreciation and impairment losses	(2,184)	(6,918,618)	(2,089,291)	(831,949)	**(9,842,042)**
Net carrying amount as at Dec 31 2010	**50,617**	**14,506,236**	**2,449,873**	**979,530**	**17,986,256**

11.1. Property, plant and equipment used under finance lease agreements

The PGNiG Group uses the following property, plant and equipment under finance lease agreements as a lessee.

	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	92	(18)	-	74	92	(9)	-	83
Plant and equipment	114,799	(29,397)	-	85,402	93,349	(21,877)	-	71,472
Vehicles and other	42,290	(10,052)	(188)	32,050	45,398	(12,432)	(333)	32,633
Total	**157,181**	**(39,467)**	**(188)**	**117,526**	**138,839**	**(34,318)**	**(333)**	**104,188**

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11.2. 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	2,184	541,033	100,967	6,109	**650,293**	543,034	**1,193,327**
Increase	136	35,553	21,524	10,853	**68,066**	89,609	**157,675**
Decrease	-	(115,494)	(3,559)	(394)	**(119,447)**	(181,934)	**(301,381)**
As at Dec 31 2011	**2,320**	**461,092**	**118,932**	**16,568**	**598,912**	**450,709**	**1,049,621**
As at Jan 1 2010	4,689	1,209,333	97,858	20,756	**1,332,636**	346,075	**1,678,711**
Increase	-	105,599	16,003	483	**122,085**	196,959	**319,044**
Decrease	(2,505)	(773,899)	(12,894)	(15,130)	**(804,428)**	-	**(804,428)**
As at Dec 31 2010	**2,184**	**541,033**	**100,967**	**6,109**	**650,293**	**543,034**	**1,193,327**

At the beginning of the period, impairment losses on tangible assets amounted to PLN 650,293 thousand and included:
- PLN 430,626 thousand of impairment losses on assets used directly in production,
- PLN 7,976 thousand of impairment losses on distribution assets,
- PLN 211,691 thousand of impairment losses on other tangible assets.

In the reporting period, impairment losses decreased by PLN 119,447 thousand (of which PLN 1,491 thousand related to assets used in the distribution activities and PLN 109,128 thousand related to assets used directly in production). New impairment losses recognised in the reporting period amounted to PLN 68,066 thousand (including PLN 10,695 thousand related to assets used directly in production and the remaining amount mainly relating to other assets, i.e. transmission assets not transferred to OGP Gaz-System SA as well as unused assets or assets with unclear legal status).

As at the end of the period, impairment losses on tangible assets amounted to PLN 598,912 thousand, including:
- PLN 332,193 thousand of impairment losses on assets used directly in hydrocarbon production,
- PLN 7,609 thousand of impairment losses on distribution assets,
- PLN 259,110 thousand of impairment losses 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 was related to capitalised cost of drilling work in Poland (as at the end of 2010, impairment of capitalised cost of drilling work was PLN 501,592 thousand, of which PLN 76,065 thousand related to Norway).

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12. INVESTMENT PROPERTY

	Dec 31 2011	Dec 31 2010
At beginning of period, net of accumulated depreciation and impairment losses	9,915	7,480
Increase	-	-
Decrease	(102)	(614)
Transfers from/to property, plant and equipment	(1,978)	3,612
Impairment loss	(22)	(2)
Depreciation for financial year	(677)	(561)
At end of period, net of accumulated depreciation and impairment losses	**7,136**	**9,915**
At beginning of period		
Gross value	13,898	9,829
Accumulated depreciation and impairment losses	(3,983)	(2,349)
Net carrying amount	**9,915**	**7,480**
At end of period		
Gross value	10,913	13,898
Accumulated depreciation and impairment losses	(3,777)	(3,983)
Net carrying amount	**7,136**	**9,915**

The Group's investment property includes office/amenity buildings partly held for rent, as well as industrial buildings and structures, and land. At the end of the reporting period, the net carrying amount of the office/amenity buildings classified as investment property amounted to PLN 3,539 thousand (PLN 4,164 thousand as at the end of 2010), whereas the net carrying amount of the industrial buildings and structures was PLN 3,046 thousand (PLN 5,451 thousand as at the end of 2010). The value of land and perpetual usufruct rights to land was PLN 551 thousand as at the end of the reporting period (PLN 300 thousand as at the end of 2010).

In the reporting period, the Group generated PLN 5,383 thousand in revenue from lease of investment property (PLN 4,546 thousand in 2010).

Operating expenses incurred in generating revenue from lease of investment property amounted to PLN 3,061 thousand in the reporting period (PLN 2,910 thousand in 2010).

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

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13. 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	2,214	-	73,474	171,022	**246,710**
Increase	-	-	281	5,033	**5,314**
Decrease	-	-	(1,624)	(67)	**(1,691)**
Transfers from tangible assets under construction and between groups	636	-	1,140	75,401	**77,177**
Impairment losses	-	-	153	(86)	**67**
Amortisation for financial year	(685)	-	(2,573)	(48,882)	**(52,140)**
As at Dec 31 2011, net of accumulated amortisation and impairment losses	**2,165**	**-**	**70,851**	**202,421**	**275,437**
As at Jan 1 2011					
Gross value	4,366	-	103,579	343,203	**451,148**
Accumulated amortisation and impairment losses	(2,152)	-	(30,105)	(172,181)	**(204,438)**
Net carrying amount as at Jan 1 2011	**2,214**	**-**	**73,474**	**171,022**	**246,710**
As at Dec 31 2011					
Gross value	5,002	-	83,893	417,914	**506,809**
Accumulated amortisation and impairment losses	(2,837)	-	(13,042)	(215,493)	**(231,372)**
Net carrying amount as at Dec 31 2011	**2,165**	**-**	**70,851**	**202,421**	**275,437**

* Furthermore, the Group 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 492,843 thousand (PLN 485,422 thousand as at the end of 2010).

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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	2,197	-	48,383	122,879	**173,459**
Increase	-	-	-	7,956	**7,956**
Changes in the Group	-	-	-	109	**109**
Decrease	-	-	(591)	(10,552)	**(11,143)**
Transfers from tangible assets under construction and between groups	573	-	29,005	91,662	**121,240**
Impairment losses	-	-	(2,544)	(116)	**(2,660)**
Amortisation for financial year	(556)	-	(779)	(40,916)	**(42,251)**
As at Dec 31 2010, net of accumulated amortisation and impairment losses	**2,214**	**-**	**73,474**	**171,022**	**246,710**
As at Jan 1 2010					
Gross value	3,793	-	68,496	272,442	**344,731**
Accumulated amortisation and impairment losses	(1,596)	-	(20,113)	(149,563)	**(171,272)**
Net carrying amount as at Jan 1 2010	**2,197**	**-**	**48,383**	**122,879**	**173,459**
As at Dec 31 2010					
Gross value	4,366	-	103,579	343,203	**451,148**
Accumulated amortisation and impairment losses	(2,152)	-	(30,105)	(172,181)	**(204,438)**
Net carrying amount as at Dec 31 2010	**2,214**	**-**	**73,474**	**171,022**	**246,710**

13.1. 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	-	-	2,822	132	**2,954**
Increase	-	-	55	86	**141**
Decrease	-	-	(208)	-	**(208)**
As at Dec 31 2011	**-**	**-**	**2,669**	**218**	**2,887**
As at Jan 1 2010	-	-	278	16	**294**
Increase	-	-	2,544	-	**2,544**
Decrease	-	-	-	116	**116**
As at Dec 31 2010	**-**	**-**	**2,822**	**132**	**2,954**

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14. NON-CURRENT FINANCIAL ASSETS AVAILABLE FOR SALE

	Dec 31 2011	Dec 31 2010
Unlisted shares (gross)	55,116	36,058
Listed shares available for sale (gross)	101	78,101
Other financial assets available for sale (gross)	39,095	56,379
Total, gross	**94,312**	**170,538**
Unlisted shares (net)*	51,153	32,670
Listed shares available for sale (net)**	16	130,765
Other financial assets available for sale (net)*	5,241	7,007
Total, net	**56,410**	**170,442**

* 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.

15. OTHER FINANCIAL ASSETS

	Dec 31 3011	Dec 31 2010
Finance lease receivables (Note 15.1.)	-	30,538
Loans advanced	205	-
Amounts receivable under sale of tangible assets	5,954	6,673
Long-term deposits	1,203	754
Amounts receivable under licences and mining usufruct rights	-	-
Other	2,295	2,142
Total, gross	**9,657**	**40,107**
Impairment loss	(318)	(239)
Total, net	**9,339**	**39,868**

15.1. 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.
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:

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	Dec 31 3011	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	-	2,335
- 1 to 5 years	-	9,549
- over 5 years	-	20,989
Total	**-**	**32,873**
- current receivables	-	2,335
- non-current receivables	-	30,538

(PLN '000)

16. DEFERRED TAX ASSETS

	Dec 31 2011	Dec 31 2010
Provisions for length-of-service awards and severance pays	60,968	62,301
Provision for unused holidays	4,750	3,784
Provision for well decommissioning costs	121,532	120,767
Provision for environmental protection liabilities	22,404	25,564
Other provisions	36,084	32,260
Impairment losses on tangible assets	81,155	84,441
Impairment losses on shares	6,876	9,819
Impairment losses on interest on receivables	4,640	4,307
Negative valuation of forwards and futures	86,620	23,903
Foreign exchange losses	4,788	751
Accrued interest on loans and liabilities	2,458	1,412
Connection charge	69,775	73,697
Unpaid salaries and wages, including contributions to the Social Insurance Institution (ZUS)	5,548	5,044
Revaluation of prepayments/deferred income due to hyperinflation	7,706	8,733
Investment incentives (Norway)	407,464	197,805
Other	41,032	22,229
Total	**963,800**	**676,817**

17. OTHER NON-CURRENT ASSETS

	Dec 31 2011	Dec 31 2010
Access to geological information	33,079	27,877
Charges for establishment of mining usage rights	16,669	6,114
Connection charge	28,906	23,466
Paid fees and commissions on loans, borrowings, notes, etc.	14,362	10,839
Other prepayments and accrued income	4,798	2,779
Total	**97,814**	**71,075**

18. INVENTORIES

	Dec 31 2011	Dec 31 2010
Materials		
at cost, including:	2,087,873	1,040,511
- gas fuel	1,761,777	753,078
at net realisable value, including:	2,068,331	1,026,506
- gas fuel	1,761,777	753,078
Semi-finished products and work in progress		
at cost	5,779	13,556
at net realisable value	5,686	13,510
Finished products		
at cost	7,509	8,394
at net realisable value	7,198	8,207
Goods for sale		
at cost	1,202	1,350
at net realisable value	1,171	1,344
Total inventories at cost	**2,102,363**	**1,063,811**
Total inventories, at the lower of cost or net realisable value	**2,082,386**	**1,049,567**

(PLN '000)

18.1. Change in inventories in period

	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010
Inventories at cost, at beginning of period	**1,063,811**	**1,276,229**
Purchase	17,352,099	13,311,128
Other increases	57,959	137,110
Inventories charged to expenses of period	(15,925,177)	(12,970,770)
Sale	(17,692)	(17,226)
Other decreases	(428,637)	(672,660)
Inventories at cost, at end of period	**2,102,363**	**1,063,811**

19. TRADE AND OTHER RECEIVABLES

	Dec 31 2011	Dec 31 2010
Trade receivables	3,401,111	3,845,551
Trade receivables from related entities	2,373	43,013
VAT receivable	333,500	326,943
Other taxes, customs duties and social security receivable	11,609	10,439
Matured portion of loans advanced to related entities	28,822	22,372
Receivables from equity-accounted associates	1,510	2,671
Finance lease receivables	-	2,335
Other receivables from related entities	178	234
Receivables from sale of property, plant and equipment	4,949	634
Prepayments for tangible assets under construction	37,065	35,729
Additional contribution to equity payable under a relevant resolution*	84,552	84,552
Receivables under breach of contract	80,025	-
Advance payment towards purchase price of VHP	88,724	-
Other receivables	87,803	96,296
Total gross receivables	**4,162,221**	**4,470,769**
Including gross receivables (including matured portion of loans) from related entities (Note 37.1)	32,883	152,842
Impairment loss on doubtful receivables (Note 19.1)	**(784,085)**	**(1,083,414)**
Total net receivables	**3,378,136**	**3,387,355**
including:		
Trade receivables	2,880,282	2,983,253
Trade receivables from related entities	2,366	1,538
VAT receivable	333,500	326,943
Other taxes, customs duties and social security receivable	9,160	7,449
Matured portion of loans advanced to related entities	-	-
Receivables from equity-accounted associates	1,510	2,671
Finance lease receivables	-	2,335
Other receivables from related entities	3	11
Receivables from sale of property, plant and equipment	4,941	618
Prepayments for tangible assets under construction	37,065	35,729
Additional contribution to equity payable under a relevant resolution*	-	-
Receivables under breach of contract	-	-
Advance payment towards purchase price of VHP	88,724	-
Other receivables	20,585	26,808
Including net receivables (including matured portion of loans) from related entities (Note 37.1)	3,879	4,220

* Dispute concerning additional contributions to equity of Gazotech Sp. z o.o., described in more detail in Note 2.4.1.

Trade receivables comprise chiefly receivables under sale of gas fuel and distribution services.

Standard payment deadlines applied by the Group companies with respect to receivables in the usual course of sale are 14–30 days.

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19.1. Impairment losses on receivables

	Dec 31 2011	Dec 31 2010
Impairment losses at beginning of period	(1,083,414)	(1,102,718)
Increase in impairment losses	(106,562)	(131,068)
Reversal of impairment losses	229,733	127,624
Use of impairment losses	176,174	21,757
Transfers between current and non-current portions	(16)	991
Impairment losses at end of period	**(784,085)**	**(1,083,414)**

20. CURRENT INCOME TAX

	Dec 31 2011	Dec 31 2010
1. Current income tax payable at beginning of period	225,972	47,409
2. Change in current income tax receivable (a.-b.-c.-d.-e.)*	(89,743)	43,513
a. Current income tax receivable at beginning of period	229,666	199,413
b. Current income tax receivable transferred to deferred income tax	-	(13,547)
c. Changes in the Group	-	287
d. Currency translation differences on current income tax receivable	24,539	-
e. Current income tax receivable at end of period	164,462	229,666
3. Deferred tax recognised under current income tax receivable	(128,501)	(207,059)
4. Corporate income tax (expense in the period)	431,574	558,184
5. Income tax paid in the period	(396,400)	(216,075)
6. Currency translation differences on current income tax payable	14,827	-
Current income tax payable at end of period (1.-6. total)	**57,729**	**225,972**

* The Group does not comprise a group for tax purposes, therefore current corporate income tax receivable and payable are not offset.

21. ACCRUALS AND DEFERRALS

	Dec 31 2011	Dec 31 2010
Valuation of long-term contracts	18,085	26,701
Software licences, maintenance and upgrades	9,852	11,054
Property insurance	15,993	9,095
Commissions on loans, borrowings, notes, etc.	11,962	7,590
Access to geological information	4,825	3,763
Rents and charges	1,689	1,191
Costs of contract performance preparation	7,323	407
Other expenses settled over time	14,182	19,000
Total	**83,911**	**78,801**

22. CURRENT FINANCIAL ASSETS AVAILABLE FOR SALE

	Dec 31 2011	Dec 31 2010
Unlisted shares (gross)	-	-
Listed shares (gross)	-	-
Short-term deposit (gross)	-	-
Investment fund units (gross)	22,275	1,839
Treasury bills (gross)	-	6,994
Total, gross	**22,275**	**8,833**
Unlisted shares (net)*	-	-
Listed shares (net)*	-	-
Short-term deposit (net)	-	-
Investment fund units (net)	22,275	1,839
Treasury bills (net)	-	6,994
Total (net)	**22,275**	**8,833**

* Net of impairment losses.

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23. CASH AND CASH EQUIVALENTS

	Dec 31 2011	Dec 31 2010
Cash in hand and at banks	326,062	242,954
Bank deposits	1,175,671	1,126,187
Highly liquid short-term securities *	7	-
Other cash**	3,052	4,151
Total	**1,504,792**	**1,373,292**

* 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 Group companies deposit cash with recognised Polish and international banks, a strategy which reduces the concentration of related risk.

24. NON-CURRENT ASSETS HELD FOR SALE

The net carrying amount of the Group's assets classified as non-current assets held for sale amounted to PLN 8,430 thousand (PLN 4,145 thousand as at the end of 2010). These chiefly include buildings and land usufruct rights planned to be sold in the first half of 2012.

25. SHARE CAPITAL

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

26. 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		
Lease liabilities	PLN	37,555	18,128	1M Wibor+margin; 6 - 9%	2012-2016	37,555	18,128	Blank promissory note with a promissory note declaration, assignment of claims under an insurance policy
Lease liabilities	CHF	1,708	3,424	8% on average	2013	6,206	10,835	Blank promissory note with a promissory note declaration
Lease liabilities	USD	29,505	10,173	1M Libor+margin; 8% on average	2015-2018	100,831	30,154	Blank promissory note with a promissory note declaration, authorisation to debit a current account
Investment loan from Pekao S.A.	PLN	2,907	-	1M Wibor+margin	Sep 30 2013	2,907	-	Promissory note, registered pledge
Investment loan from BRE Bank S.A.	PLN	5,604	-	1M Wibor+margin	2015–2018	5,604	-	Blank promissory note, registered pledge, assignment of claims under an insurance policy
Investment loan from Kredyt Bank S.A.	PLN	830	-	1M Wibor+margin	Nov 30 2021	830	-	Registered pledge
Investment loan from PKO BP S.A.	PLN	569	-	3M Wibor+margin	2016–2018	569	-	Blank promissory note, registered pledge, assignment of claims under an insurance policy, set-off clause
Investment loan from PKO BP S.A.	PLN	12,922	-	3M Wibor+margin	Dec 31 2014	12,922	-	Blank promissory note
Credit facility from Pekao S.A.	PLN	800	1,400	1M Wibor+margin	Apr 30 2014	800	1,400	Contractual ordinary mortgage, contractual ceiling mortgage, assignment of rights
Investment loan from BGK S.A.	EUR	1,055	-	1M Euribor+margin	May 31 2016	4,659	-	Registered pledge, promissory note, power of attorney over bank account, representation on submission to enforcement
Credit facility from Credit Agricole CIB-led bank syndicate[2]	USD	399,300	313,500	3M Libor+margin	Aug 31 2017	1,209,461	909,347	Pledge over shares in PGNiG Norway[3]
Total non-current						**1,382,344**	**969,864**	

1. Bank syndicate: Credit Agricole CIB (France) (Agent), BNP Paribas (France), Société Générale (France), Natixis (France), The Bank of Tokyo Mitsubishi UFJ (United Kingdom), UniCredit Bank AG (Germany) and KBC Bank NV (Ireland). The amount in PLN was arrived at by translating the carrying amount (including the valuation and commission paid) of the loan of NOK 2,376,305 thousand (non-current portion: NOK 2,130,832 thousand, current portion: NOK 245,472 thousand) at the PLN/NOK exchange rate as at December 31st 2011.
2. Pledge over PGNiG Norway AS shares; pledge over loan advanced by PGNiG SA to PGNiG Norway AS; pledge over bank accounts, licenses and insurance policies of PGNiG Norway; Sponsor Support Undertaking.

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26. BANK LOANS, BORROWINGS AND DEBT SECURITIES (continued)

	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		
Current portion of lease liabilities	PLN	13,002	10,629	1M Wibor+margin; 6–10% on average	2012	13,002	10,629	Blank promissory note with a declaration, assignment of claims under an insurance policy
Current portion of lease liabilities	CHF	1,716	1,684	8% on average	2012	6,236	5,327	Blank promissory note with a declaration
Current portion of lease liabilities	USD	6,789	3,633	1M Libor+margin; 8% on average	2012	23,201	10,769	Blank promissory note with a promissory note declaration, authorisation to debit a current account
Overdraft facility from Pekao SA	PLN	8,249	11,402	1M Wibor+margin	Dec 31 2012	8,249	11,402	Ceiling mortgage, assignment of rights under an insurance policy
Overdraft facility from Societe Generale SA	PLN	2,955	1,131	1M Wibor+margin	Mar 30 2012	2,955	1,131	Contractual mortgage, assignment of receivables, blank promissory note
Overdraft facility from Pekao S.A.	PLN	18,744	8,069	1M Wibor+margin	Aug 23 2012	18,744	8,069	Promissory note, registered pledge
Investment loan from Pekao S.A.	PLN	3,877	1,832	1M Wibor+margin	Sep 30 2013	3,877	1,832	Promissory note, registered pledge
Credit facility from BNP Paribas Bank Polska S.A.	PLN	105	-	1M Wibor+margin	Dec 26 2012	105	-	Promissory note, registered pledge
Overdraft facility from Societe Generale S.A.	USD	2,999	633	1M Libor+margin	Jul 31 2012	10,248	1,878	Mortgage, blank promissory note, assignment of claims
Overdraft facility from Pekao S.A.	PLN	14,435	19,708	1M Wibor+margin	Dec 31 2012	14,435	19,708	Mortgage, assignment of rights under an insurance policy, blank promissory note with a declaration, power of attorney over a current account, assignment of claims
Overdraft facility from BRE S.A.	USD	3,069	3,013	1M Libor+margin	May 30 2012	10,489	8,932	Blank promissory note with a promissory note declaration,
Overdraft facility from Bank Millenium S.A		2,939	-	1M Libor+margin	Dec 18 2012	10,043	-	Mortgage, assignment of rights under an insurance policy, assignment of claims
Short-term loan from the Employee Savings-and-Loan Association	PLN	-	500	4.80%	Dec 31 2011	-	500	-
Overdraft facility from BGK S.A.	PLN	-	13,187	3M Wibor+margin	May 31 2011	-	13,187	Registered pledge, assignment of receivables, ceiling mortgage, representation on submission to enforcement
Working capital credit facility from BGK S.A.	PLN	-	5,455	1M Wibor+margin	Jul 28 2011	-	5,455	Registered pledge, mortgage, power of attorney over bank account, representation on submission to enforcement
Overdraft facility from Pekao S.A.	PLN	31,914	6,000	1M Wibor+margin	May 26 2012	31,914	6,000	Transfer of claims
Investment loan from BGK S.A.	EUR	3,397	-	1M Euribor+margin	May 31 2016	15,004	-	Registered pledge, promissory note, power of attorney over bank account, representation on submission to enforcement

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26. BANK LOANS, BORROWINGS AND DEBT SECURITIES (continued)

	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		
Working capital credit facility from Kredyt Bank S.A.	PLN	162	182	-	Dec 31 2012	162	182	-
Investment loan from BRE Bank S.A.	PLN	1,342	-	1M Wibor+margin	2015–2018	1,342	-	Blank promissory note, registered pledge, assignment of claims under an insurance policy
Investment loan from Kredyt Bank S.A.	PLN	149	-	1M Wibor+margin	Nov 30 2021	149	-	Registered pledge
Investment loan from PKO BP S.A.	PLN	171	-	3M Wibor+margin	2016–2018	171	-	Blank promissory note, registered pledge, assignment of claims under an insurance policy, set-off clause
Short-term loan from Alior Bank SA	PLN	15	-	0%	Dec 31 2012	15	-	-
Credit facility from Credit Agricole CIB-led syndicate[1]	USD	877	707	3M Libor+margin	Aug 31 2017	139,330	2,099	Pledge over shares in PGNiG Norway[2]
Investment loan from PKO BP S.A.	PLN	-	3,100	3M Wibor+margin	Sep 30 2011	-	3,100	Blank promissory note
Credit facility from ING Bank Śląski S.A.	PLN	2,225	5,880	1M Wibor+margin	Jan 31 2012	2,225	5,880	Blank promissory note, assignment of claims
Overdraft facility from Deutsche Bank Polska S.A.	PLN	6,843	4,891	1M Wibor+margin	Jan 31 2012	6,843	4,891	Blank promissory note, power of attorney over bank account, representation on submission to enforcement, assignment of claims
Overdraft facility from Pekao S.A.	PLN	-	4,864	1M Wibor+margin	Dec 31 2011	-	4,864	Blank promissory note, power of attorney over bank account
Short-term loan from Pekao S.A.	EUR	-	1,020	1M Euribor+margin	Jul 29 2011	-	4,038	Blank promissory note with a declaration, power of attorney over bank account.
Short-term loan from PKO BP S.A.	PLN	-	818	1M Wibor+margin	Mar 31 2011	-	818	Ceiling mortgage, assignment of rights under an insurance policy, blank promissory note, authorisation to debit a current account, representation on submission to enforcement
Short-term loan from Nordea Bank Polska S.A	PLN	1,462	1,438	1M Wibor+margin	Jan 28 2012	1,462	1,438	Ceiling mortgage, assignment of rights under an insurance policy, blank promissory note, authorisation to debit a current account, representation on submission to enforcement
Short-term loan from BRE S.A.	PLN	997	-	1M Wibor+margin	Apr 19 2012	997	-	Ceiling mortgage, assignment of rights under an insurance policy, blank promissory note, authorisation to debit a current account, representation on submission to enforcement
Overdraft facility from Societe Generale S.A.	PLN	1,243	-	1M Wibor+margin	Sep 30 2012	1,243	-	-
Credit facility from Pekao S.A.	PLN	600	600	1M Wibor+margin	Apr 30 2014	600	600	Ordinary contractual mortgage, contractual ceiling mortgage, assignment of rights
Series D110126A notes	PLN	-	597,884	1M Wibor+margin	Jan 26 2011	-	597,884	-

(PLN '000)

26. BANK LOANS, BORROWINGS AND DEBT SECURITIES (continued)

	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		
Series D110121A notes	PLN	-	498,624	1M Wibor+margin	Jan 21 2011	-	498,624	-
Series D120109A notes	PLN	2,296,857	-	1M Wibor+margin	Jan 9 2012	2,296,857	-	-
Series D120116A notes	PLN	498,786	-	1M Wibor+margin	Jan 16 2012	498,786	-	-
Series D120127A notes	PLN	497,949	-	1M Wibor+margin	Jan 27 2012	497,949	-	-
Total current						**3,616,633**	**1,229,237**	

(PLN '000)

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

26.1. Received credit facilities and amounts undrawn under the credit facilities

Bank	Dec 31 2011		Dec 31 2010	
	Received credit facilities	Undrawn amount	Received credit facilities	Undrawn amount
Pekao S.A.	25,000	5,242	25,000	13,598
Societe Generale S.A.	3,000	45	3,000	1,869
Komercni Banka AS	856	856	790	790
Pekao S.A.	-	-	6,000	6,000
Societe Generale S.A.	6,000	6,000	6,000	6,000
BRE Bank S.A.	6,000	6,000	-	-
Deutsche Bank Polska S.A.	-	-	6,000	6,000
Pekao S.A.	19,000	256	29,000	19,098
BNP Paribas Bank Polska S.A.	8,400	8,295	-	-
Pekao S.A.	20,000	5,565	20,000	292
Societe Generale S.A.	15,378	5,130	13,338	11,461
BRE Bank S.A.	11,961	1,472	10,374	1,443
Bank Millenium S.A	11,961	1,918	-	-
Pekao S.A.	3,000	2,900	-	-
HSBC Polska	10,252	10,252	8,892	3,058
Kredyt Bank S.A	4,000	4,000	3,500	3,500
BRE Bank S.A.	-	-	-	-
BRE Bank S.A.	-	-	-	-
Credit Agricole CIB-led bank syndicate[1]	1,360,583	-	1,187,912	255,105
Bank Handlowy S.A.	15,000	15,000	-	-
ING Bank Śląski S.A.	6,000	3,775	6,000	120
Deutsche Bank Polska S.A.	7,000	157	5,000	110
Pekao S.A.	-	-	7,000	2,136
BZ WBK S.A.	3,000	3,000	3,900	3,900
PKO BP S.A.	-	-	818	-
Nordea S.A.	1,500	38	1,500	62
BRE Bank S.A.	1,000	3	-	-
Societe Generale S.A.	3,500	2,258	-	-
Societe Generale S.A.	40,000	40,000	40,000	40,000
Bank Handlowy S.A.	40,000	40,000	40,000	40,000
Bank Millenium S.A	40,000	40,000	40,000	40,000
Pekao S.A.	40,000	40,000	40,000	40,000
PKO BP 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 S.A.	40,000	40,000	40,000	40,000
Total	**1,822,391**	**362,162**	**1,624,024**	**614,542**

1. Bank syndicate: Credit Agricole CIB (France) (Agent), BNP Paribas (France), Société Générale (France), Natixis (France), The Bank of Tokyo Mitsubishi UFJ (United Kingdom), UniCredit Bank AG (Germany) and KBC Bank NV (Ireland). The amount in PLN was arrived at by translating the carrying amount (including the valuation and commission paid) of the loan of NOK 1.793.229 thousand at the PLN/NOK exchange rate as at December 31st 2010.

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

Maturing in:	Dec 31 2011		
	(Discounted) payments disclosed in the statement of financial position	Interest	Actual lease payments due
up to 1 year	42,439	3,243	45,682
from 1 to 5 years	103,120	4,872	107,992
over 5 years	41,472	-	41,472
Total	**187,031**	**8,115**	**195,146**

(PLN '000)

Maturing in:	Dec 31 2010 (Discounted) payments disclosed in the statement of financial position	Interest	Actual lease payments due
up to 1 year	26,725	2,204	28,929
from 1 to 5 years	59,117	3,478	62,595
over 5 years	-	-	-
Total	**85,842**	**5,682**	**91,524**

(PLN '000)

27. PROVISIONS

	Provision for length-of-service awards and retirement severance pays	Provision for employment streamlining and voluntary resignation programme	Provision for well decommi-ssioning costs	Provision for penalty imposed by the Office for Competition and Consumer Protection	Provision for environmental protection liabilities	Provision for claims under extra-contractual use of land	Central Restructuring Fund	Dispute with PBG S.A.	Other	**Total**
As at Jan 1 2011	327,415	-	1,117,441	179	134,284	79,964	21,292	-	110,236	**1,790,811**
Provisions recognised during the year	33,025	37,486	132,408	-	1,869	15,771	5,000	21,773	118,583	**365,915**
Transfers	-	-	-	-	-	-	-	-	-	**-**
Provisions used	(40,248)	-	(12,265)	(179)	(18,238)	(34,084)	(6,702)	-	(114,037)	**(225,753)**
As at Dec 31 2011	**320,192**	**37,486**	**1,237,584**	**-**	**117,915**	**61,651**	**19,590**	**21,773**	**114,782**	**1,930,973**
Non-current	264,319	1,420	1,223,360	-	102,453	11,510	-	-	22,740	**1,625,802**
Current	55,873	36,066	14,224	-	15,462	50,141	19,590	21,773	92,042	**305,171**
As at Dec 31 2011	**320,192**	**37,486**	**1,237,584**	**-**	**117,915**	**61,651**	**19,590**	**21,773**	**114,782**	**1,930,973**
Non-current	278,615	-	1,085,369	-	109,943	7,969	-	-	19,268	**1,501,164**
Current	48,800	-	32,072	179	24,341	71,995	21,292	-	90,968	**289,647**
As at Dec 31 2010	**327,415**	**-**	**1,117,441**	**179**	**134,284**	**79,964**	**21,292**	**-**	**110,236**	**1,790,811**

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 in Poland, 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).

At the end of 2011, PGNiG Norway AS, a subsidiary operating in Norway, calculated the provision for well decommissioning costs using an inflation rate of 2% and a nominal discount rate of 3.12% (at the end of 2010, the company adopted an inflation rate of 2% and a nominal discount rate of 3.74%).

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The provision for 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 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%.

27.1. 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	208,661	210,914
Interest cost	6,202	6,325
Current service cost	7,177	8,234
Past service cost	-	-
Benefits paid	(55,208)	(50,285)
Actuarial gain/loss	27,050	30,752
Gains/losses due to curtailments or settlements	(1,925)	-
Changes in the Group	-	2,721
Value of obligation shown in the statement of financial position at end of period	**191,957**	**208,661**
Retirement severance pays		
Value of obligation shown in the statement of financial position at beginning of period	118,754	110,129
Current service cost	8,076	6,829
Interest cost	5,543	5,320
Net actuarial gain/loss recognised during the year	3,105	3,168
Benefits paid	(8,512)	(7,851)
Past service cost	993	1,064
Gains/losses due to curtailments or settlements	276	-
Changes in the Group	-	95
Value of obligation shown in the statement of financial position at end of period	**128,235**	**118,754**
Total value of obligation shown in the statement of financial position at end of period	**320,192**	**327,415**

28. DEFERRED INCOME

	Dec 31 2011	Dec 31 2010
Non-current		
Non-depreciated value of gas service lines financed by customers	487,113	539,765
Connection charge	448,687	470,225
Grants	214,335	63,827
Other	9,932	15,375
Total non-current	**1,160,067**	**1,089,192**
Current		
Non-depreciated value of gas service lines financed by customers	51,393	51,927
Connection charge	18,108	18,273
Other	25,440	23,887
Total current	**94,941**	**94,087**

(PLN '000)

Grants

The Group carries out projects that are co-financed by the European Union. The largest such projects are implemented by the Parent and are aimed at increasing capacities of gas storage facilities.

As at December 31st 2011, the Parent 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.

29. DEFERRED TAX LIABILITY

	Dec 31 2011	Dec 31 2010
Foreign exchange gains	2,365	751
Accrued interest	520	344
Valuation of hedging and financial instruments	37,191	14,386
Income related to tax obligation arising in subsequent month	11,379	20,220
Difference between tax and accounting value of non-current assets	1,368,084	1,345,900
Other	13,871	10,409
Total	**1,433,410**	**1,392,010**

30. OTHER NON-CURRENT LIABILITIES

	Dec 31 2011	Dec 31 2010
Liabilities under licences, rights to geological information and mining usage rights	15,940	14,828
Other non-current liabilities	3,938	6,282
Total	**19,878**	**21,110**
Including related entities (Note 37.1.)	102	1,262

31. TRADE AND OTHER PAYABLES

	Dec 31 2011	Dec 31 2010
Trade payables	1,266,062	1,093,830
Trade payables to related entities	15,267	12,033
VAT payable	990,517	953,735
Other taxes, duties and social security contributions payable	155,266	157,914
Dividend payable to owner	7	-
Wages and salaries payable	65,986	59,440
Amounts payable for unused holidays	41,415	33,397
Amounts payable under purchase of non-financial non-current assets	392,955	579,769
Amounts payable under purchase of non-financial non-current assets from related entities	26,091	6,454
Additional contribution to equity payable under a relevant resolution*	84,552	84,552
Amounts payable to equity-accounted associates	7,283	7,917
Other amounts payable to related entities	1,341	718
Accruals and deferred income and prepaid deliveries	232,975	163,141
Other	75,186	53,311
Total	**3,354,903**	**3,206,211**
Including related entities (Note 37.1.)	49,982	111,674

* Dispute concerning additional contributions to the equity of Gazotech Sp. z o.o., described in more detail in Note 2.4.1.

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32. CAUSES OF DIFFERENCES BETWEEN THE ITEMS OF THE STATEMENT OF FINANCIAL POSITION AND THE CHANGES DUE TO CHANGES IN CERTAIN ITEMS OF THE STATEMENT OF CASH FLOWS. BREAKDOWN OF "OTHER ADJUSTMENTS" IN OPERATING ACTIVITY

Change in cash	Jan 1– Dec 31 2011	Jan 1– Dec 31 2010
1) Cash in statement of financial position at beginning of period	1,373,292	1,196,325
a) Net foreign exchange gains (losses) on cash at beginning of period*	374	9
Cash and cash equivalents in statement of cash flows at beginning of period (1-a)	**1,372,918**	**1,196,316**
2) Cash in statement of financial position at end of period	1,504,792	1,373,292
b) Net foreign exchange gains (losses) on cash at end of period	989	374
Cash and cash equivalents in statement of cash flows at end of period (2-b)	**1,503,803**	**1,372,918**
I. Change in cash in statement of financial position (2-1)	131,500	176,967
II. Change in net foreign exchange gains (losses) on cash (b-a)	615	365
Change in cash in statement of cash flows (I. - II.)	**130,885**	**176,602**

* 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 other financial assets in statement of financial position	**30,529**	**260,011**
Change in net receivables in statement of financial position	**9,219**	**(330,549)**
Change in lease receivables in financial assets – adjustment to investment activity	(30,538)	(252,747)
Change in lease receivables - adjustment to investment activity	(2,335)	(20,758)
Change in investment receivables under sale and purchase of intangible assets and property, plant and equipment	4,323	1,375
Change in prepayments for property, plant and equipment	1,336	(34,588)
Changes in the Group	-	15,929
Other	(107)	419
Change in net receivables in statement of cash flows	**12,427**	**(360,908)**

Change in inventories	Jan 1– Dec 31 2011	Jan 1– Dec 31 2010
Change in inventory in statement of financial position	**(1,032,819)**	**209,303**
Tangible assets under construction transferred to inventory - adjustment to investment activity	1,462	-
Changes in the Group	-	7,713
Change in inventory in statement of cash flows	**(1,031,357)**	**217,016**

Change in provisions	Jan 1– Dec 31 2011	Jan 1– Dec 31 2010
Change in provisions in statement of financial position	**140,162**	**234,812**
Change in provision for well decommissioning costs which adjusts property, plant and equipment - adjustment to investment activity	(104,812)	(181,958)
Changes in the Group	-	(3,268)
Change in provisions in statement of cash flows	**35,350**	**49,586**

(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	**148,692**	**550,209**
Change in investment liabilities under purchase of intangible assets and property, plant and equipment	167,177	(261,554)
Changes in the Group	-	(48,667)
Other	(1,325)	(678)
Change in current liabilities in statement of cash flows	**314,544**	**239,310**

Change in prepayments	Jan 1– Dec 31 2011	Jan 1– Dec 31 2010
Change in other assets in statement of financial position	**(26,739)**	**(21,703)**
Change in prepayments in statement of financial position	**(5,110)**	**(23,547)**
Prepayments related to tangible assets leased to third parties – reclassification within operating activity	-	54
Expense (fees and commission) related to the note issuance programme	7,882	18,428
Changes in the Group		3,380
Change in prepayments in statement of cash flows	**(23,967)**	**(23,388)**

Change in deferred income	Jan 1– Dec 31 2011	Jan 1– Dec 31 2010
Change in deferred income in statement of financial position	**71,729**	**2,555**
Deferred income related to tangible assets leased to third parties – reclassification within operating activity	-	32
Non-current assets received free of charge	(21)	-
Grants received for property, plant and equipment	(152,207)	(63,816)
Changes in the Group		(2,171)
Change in deferred income in statement of cash flows	**(80,499)**	**(63,400)**

Other net items in operating activity	Jan 1– Dec 31 2011	Jan 1– Dec 31 2010
Derivatives	240,275	(173,582)
Expenditure on non-financial non-current assets which was charged to expense	288,689	133,229
Other	(1,994)	(4,482)
Total	**526,970**	**(44,835)**

(PLN '000)

33. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT POLICY

33.1. 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)	56,394	39,677
Financial assets available for sale (listed shares)	16	130,765
Financial investments held to maturity	-	-
Loans and receivables	4,242,768	4,227,851
Positive value of derivatives*	284,629	77,873
Cash (cash in hand and cash at banks, cheques and cash in transit)	329,114	247,105
Financial liabilities at amortised cost	7,120,574	4,221,936
Negative value of derivatives*	416,836	104,443

*Since 2009, the Parent 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 may be deemed identical to the respective fair values.

33.2. 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	(95)	20
Impairment recognised in profit or loss for period	(95)	20
Financial investments held to maturity	-	-
Loans and receivables	194,234	200,653
Interest on deposits, BSB, REPO	48,201	48,357
Interest on receivables*	80,105	91,876
Interest on loans advanced	5,051	2,948
Net income from short-term securities	876	2,141
Impairment losses on receivables	63,643	70,378
Impairment losses on loans	(5,046)	(15,399)
Foreign currency measurement of loans advanced in foreign currencies	1,404	352
Positive value of derivatives	976,341	274,758
Financial liabilities at amortised cost	(130,854)	4,579
Negative value of derivatives	(827,239)	(465,995)
Total effect on profit or loss	**212,387**	**14,015**

* Including PLN 1,702 thousand of interest on finance lease receivables (PLN 14,414 thousand in 2010).

	Jan 1– Dec 31 2011	Jan 1– Dec 31 2010
Financial assets available for sale (valuation recognised directly in equity)	(52,748)	71,103
Valuation of hedging instruments (valuation recognised directly in equity)	134,778	42,036
Total effect on equity	**82,030**	**113,139**

(PLN '000)

33.3. Financial risk management objectives and policies

In its business activities, the Group 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 Group understands 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 of the Group is generally limited to the amounts, if any, by which a third party's liabilities exceed the Group's liabilities. As a rule, the Group concludes transactions in financial instruments with multiple entities with high credit worthiness. The key criteria for the selection of counterparties to whom the Group entrusts a portion of its assets include their financial standing as confirmed by rating agencies, as well as their market shares and reputation.

The PGNiG Group 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	-	-
Deposits with other entities (bank deposits, BSB, REPO)	1,199,157	1,135,774
Trade receivables	3,043,611	3,092,077
Positive value of derivatives	284,629	77,873
Financial guarantees issued	10,571,035	2,867,934
Total	**15,098,432**	**7,173,658**

Exposure to credit risk under loans advanced is exclusively attributable to loans advanced by the Parent to the subsidiaries and associates. 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 stipulates detailed rules governing the conclusion and monitoring of loan agreements, thus minimising the Group's exposure to credit risk under such agreements. Loans are advanced only 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 borrowers' operations serve the Group's common interests.

The highest credit risk, in value terms, is related to receivables. Majority of receivables are receivables under sales of gas fuel by PGNiG SA.

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 on the counterparty (checking Registers of Debtors) in order to determine the counterparty's creditworthiness. If a counterparty is found to be entered in a register of debtors, PGNiG SA requires special security under the agreement.

The Parent monitors on an ongoing basis customers' performance of 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,
- assignment 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 Parent. 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, a suit is filed with the court and an application is filed 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 consolidated statement of financial position, were PLN 467,339 thousand (PLN 421,623 thousand as at the end of 2010).

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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	371,137	333,555
from 1 to 3 months	60,476	60,240
from 3 months to 1 year	33,151	17,430
from 1 to 5 years	2,161	9,132
over 5 years	414	1,266
Total net past due receivables	**467,339**	**421,623**

The Group 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 Group executes investment transactions. Moreover, the Group has concluded Framework Agreements with all banks with which it invests funds. These Framework Agreements define terms and conditions for execution and settlement of any financial transactions.

In 2011, the Group invested its significant long-term excess liquidity in risk-free highly liquid instruments, including in particular treasury bills and treasury bonds.
The Group 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 Group's credit risk under purchased guarantees is practically limited to risk of default of the bank at which the Group has purchased the guarantee. However, the banks at which the Group has purchased guarantees are reputable institutions with high ratings; therefore, both the probability of default and the associated credit risk to the Group 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 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 Group has concluded a Framework Agreement or an ISDA Agreement which define terms of cooperation and threshold amounts.

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

Market risk

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

In 2011, some of the Group's financial liabilities towards financial institutions were denominated in the US dollar. The largest item was a loan under a USD 400m credit facility, drawn by subsidiary PGNiG Norway AS.

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

The hedging measures implemented by the Group are mainly intended to provide protection against the currency risk accompanying payments for gas fuel deliveries settled in foreign currencies. The Group'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 the interest-rate risk associated with loans advanced by the Group was not significant, the Group did not hedge that risk.

As at December 31st 2011, the Group had in issue corporate notes for an amount of PLN 3,300,000 thousand. Given the short maturities of the notes and periodic determination of debt cost, the related interest rate risk is immaterial to the Group.

As at the end of 2011, the USD 400,000 thousand credit facility contracted by subsidiary PGNiG Norway AS, was not hedged against interest rate fluctuations. The facility bears interest at 3M Libor plus margin. Consequently, a risk exists that financial expenses will increase if the 3M Libor rate rises.

Market risk (including currency and interest-rate risk) is assessed by the Parent 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 Group defines commodity risk as the probability that its financial performance will be adversely affected by changes in commodity prices.

The price risk to which the Group is exposed, mainly in connection with its contracts for gas fuel deliveries, is substantial. It stems from volatility in the prices of oil products quoted on global 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 Group thoroughly identified and hedged this risk category. To hedge its commodity price risk, the Group 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 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 Group's profitability.

The Group monitors and plans its liquidity levels on a continuous basis. In order to hedge the liquidity risk, as at December 31st 2011 the Group was party to credit facility agreements for up to PLN 1,822,391 thousand (PLN 1,624,024 thousand as at the end of 2010). For more details, see Note 26.1.

Additionally, in order to optimise cash management at the Group, on December 1st 2010 the Parent 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 increase liquidity security, on June 10th 2010, the Parent concluded a notes 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. Polish Branch). Under the programme, PGNiG 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

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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, PGNiG SA signed the documentation for a medium-term Eurobond issuance 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 Group invests any excess cash mainly in high-yield treasury securities or places it on deposits with reputable banks.

The liquidity risk is significantly mitigated through a liquidity management procedure, implemented across the Company's organisational units. The procedure streamlines measures designed to ensure proper liquidity management 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 detailed 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	Liabilities under loans, borrowings and notes issued	Finance lease liabilities	Trade payables	**Total expenditure**
up to 1 year	3,580,600	45,682	3,354,903	6,981,185
from 1 to 5 years	1,097,734	107,992	18,373	1,224,099
over 5 years	140,017	41,472	1,505	182,994
Total	**4,818,351**	**195,146**	**3,374,781**	**8,388,278**

Dec 31 2010	Liabilities under loans and borrowings	Finance lease liabilities	Trade payables	**Total expenditure**
up to 1 year	1,203,905	28,929	3,206,211	4,439,045
from 1 to 5 years	1,400	62,595	19,613	83,608
over 5 years	931,026	-	1,497	932,523
Total	**2,136,331**	**91,524**	**3,227,321**	**5,455,176**

Amounts in the above tables are presented in gross values (undiscounted).

In the current and comparative periods, the Group 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.

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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	(410,877)	(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	59,315	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	**(132,207)**	**(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***	(34,373)	-	-	-	-
- inflows	-	-	-	-	-
- outflows	-	-	-	-	-
*- commodity options***	(7,626)	-	-	-	-
- inflows	-	-	-	-	-
- outflows	-	-	-	-	-
*- commodity swaps****	37,260	-	-	-	-
- inflows	-	-	-	-	-
- outflows	-	-	-	-	-
- option premiums paid	76,043	-	-	-	-
- currency options	59,248	-	-	-	-
- commodity options	16,795	-	-	-	-

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Total	**(26,570)**	**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 Group has not identified any other material risks inherent in its day-to-day operations.

Financial risk management policy

To ensure effective financial risk management, on February 17th 2003 the Parent's Management Board implemented 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 Parent and for ensuring compliance with the adopted policy, however, specific activities related to the process of the risk management are the responsibility of individual organisational units.

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

1. Risk Committee, which proposes risk management policies, reviews the policies and revises them accordingly;
2. Management Board, which is responsible for the formal approval of the policies.

On December 28th 2010, the Parent's 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 Group 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 the Company 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 show that net profit would have been lower by PLN 412,158 thousand, if the EUR, USD, NOK and other currencies appreciated against the złoty by 15%, all other variables remaining constant (profit lower by PLN 343,386 thousand due to stronger NOK, by PLN 88,810 thousand due to stronger USD vs. profit's rise by PLN 13,661 thousand due to stronger EUR, and by PLN 6,377 thousand due to the appreciation of other currencies).
The most significant factor with a bearing on the outcome of the sensitivity analysis is higher negative valuation of CCIRS derivatives hedging the loan advanced to PGNiG Norway AS, which is eliminated from the consolidated financial statements.
If the loan was recognised in the statement of financial position (which is the case in the separate financial statements), the cash flows related to the loan and the cash flows from the hedging transactions would offset one another. As a result, the changes in positive (negative) valuation of the loan would be offset by negative (positive) changes in the valuation of CCIRS transactions. In aggregate, the items would be insensitive to the exchange rate and interest rate changes.

Lower profit would be mainly attributable to an increase in the negative portion of the fair value of financial derivatives (negative fair value of swap transactions in NOK).
The adverse effect on the result on financial instruments in NOK would be significantly augmented by an increase in valuation of the USD credit facility contracted by subsidiary PGNiG Norway AS, and reduced by an increase in the positive portion of the fair value of financial derivatives (USD and EUR) and the valuation of assets in those currencies.
Due to 15% higher exchange rate, there would be an increase in the positive portion of the fair value of financial derivatives (USD and EUR), as well as foreign exchange losses on trade payables in EUR and USD.

As at December 31st 2011, net profit would have been higher by PLN 509,772 thousand, if the EUR, USD, NOK and other currencies depreciated against the złoty by 15%, all other variables remaining constant (profit higher by PLN 343,386 due to weaker NOK, by PLN 167,436 thousand due to weaker USD, by PLN 5,327 thousand due to weaker EUR, vs. profit's drop by PLN 6,377 thousand due to depreciation of other currencies). A positive result would be mainly attributable to an increase in the positive portion of the fair value of financial derivatives (positive fair value of swap transactions in NOK). The positive result would be significantly augmented by a decrease in valuation of the USD credit facility contracted by subsidiary PGNiG Norway AS and slightly weakened by a decline in the positive portion of the fair value of financial derivatives hedging the liabilities and expenses related to purchases of gas fuel.

Results of the analysis of sensitivity to currency risk carried out as at December 31st 2010 indicate that net profit would have been lower by PLN 288,218 thousand, if the EUR, USD, NOK and other currencies' exchange rates appreciated against the złoty by 15%, all other variables remaining constant (profit lower by PLN 264,650 thousand due to stronger NOK, by PLN 56,641 thousand due to stronger USD and by PLN 823 thousand due to the strengthening of other currencies, vs. profit rise by PLN 33,896 thousand due to stronger EUR).
The most significant factor with a bearing on the outcome of the sensitivity analysis is higher negative valuation of CCIRS derivatives hedging the loan advanced to PGNiG Norway AS, which is eliminated from the consolidated financial statements.
If the loan was recognised in the statement of financial position (which is the case in the non-consolidated financial statements), the cash flows related to the loan and hedging transactions would offset one another. As a result, the changes in positive (negative) valuation of the loan would be offset by negative (positive) changes in the valuation of CCIRS transactions. In aggregate, the items would be insensitive to the exchange rate and interest rate changes.
Lower profit would be mainly attributable to an increase in the negative portion of the fair value of financial derivatives (negative fair value of swap transactions).
The adverse effect on the result on financial instruments in NOK would be augmented by an increase in valuation of the USD credit facility contracted by a subsidiary, PGNiG Norway AS, and slightly reduced by an increase in the positive portion of the fair value of financial derivatives executed on USD and EUR and the valuation of assets in those currencies.
With the exchange rates higher by 15%, the positive portion of the fair value of financial derivatives executed on USD and EUR would grow and so would foreign exchange losses on trade payables related to EUR and USD.

As at December 31st 2010, the net profit would have been higher by PLN 352,829 thousand, if the EUR, USD, NOK and other currencies' exchange rates depreciated against the złoty by 15%, all other variables remaining constant (profit higher by PLN 264,650 thousand due to weaker NOK, by PLN 98,098 thousand due to weaker USD and by PLN 823 thousand due to the weakening of other currencies, vs. profit drop by PLN 10,742 thousand due to weaker EUR). The positive result would be mainly attributable to an increase in the positive portion of the fair value of financial derivatives (positive fair value of swap transactions in NOK). The positive result would be strongly augmented by a decrease in valuation of the USD credit facility contracted by a subsidiary, PGNiG Norway AS, and slightly reduced by a decrease in the positive portion of the fair value of financial derivatives executed on USD hedging the liabilities and expenses related to purchases of gas fuel.

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

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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**	6,065	-	-	-	-	-	-	-	-
Other financial assets	385	-	58	-	-	-	(58)	-	-
Trade and other receivables	493,664	46,838	13,856	3,643	9,712	(46,838)	(13,856)	(3,643)	(9,712)
Financial assets held for trading	-	-	-	-	-	-	-	-	-
Derivative financial instrument assets*	243,372	27,550	143,590	-	-	-	-	421,521	-
Cash and cash equivalents	293,678	5,539	11,471	21,728	5,314	(5,539)	(11,471)	(21,728)	(5,314)
Effect on financial assets before tax		**79,927**	**168,975**	**25,371**	**15,026**	**(52,377)**	**(25,385)**	**396,150**	**(15,026)**
19% tax		(15,186)	(32,105)	(4,821)	(2,855)	9,952	4,823	(75,268)	2,855
Effect on financial assets after tax		**64,741**	**136,870**	**20,550**	**12,171**	**(42,425)**	**(20,562)**	**320,882**	**(12,171)**
Total currencies		*234,332*				*245,724*			
Financial liabilities									
Loans, borrowings and debt securities (including finance lease)	1,535,708	2,949	225,541	-	1,866	(2,949)	(225,541)	-	(1,866)
Trade and other payables	975,064	60,113	53,076	27,783	5,287	(60,113)	(53,076)	(27,783)	(5,287)
Derivative financial instrument liabilities*	413,344	-	-	421,521	-	4,109	46,521	-	-
Effect on financial liabilities before tax		**63,062**	**278,617**	**449,304**	**7,153**	**(58,953)**	**(232,096)**	**(27,783)**	**(7,153)**
19% tax	-	(11,982)	(52,937)	(85,368)	(1,359)	11,201	44,098	5,279	1,359
Effect on financial liabilities after tax		**51,080**	**225,680**	**363,936**	**5,794**	**(47,752)**	**(187,998)**	**(22,504)**	**(5,794)**
Total currencies					**646,490**				**(264,048)**
Total increase/decrease		13,661	(88,810)	(343,386)	6,377	5,327	167,436	343,386	(6,377)
Total currencies		**(412,158)**				**509,772**			
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 Parent 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 Group 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.

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	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**	13,819	-	-	-	-	-	-	-	-
Other financial assets	192	26	2	-	-	(26)	(2)	-	-
Trade and other receivables	258,296	17,826	18,030	1,239	1,649	(17,826)	(18,030)	(1,239)	(1,649)
Financial assets held for trading	-	-	-	-	-	-	-	-	-
Derivative financial instrument assets*	30,580	31,196	117,044	-	-	-	-	315,036	-
Cash and cash equivalents	191,851	14,202	7,819	4,275	2,481	(14,202)	(7,819)	(4,275)	(2,481)
Effect on financial assets before tax		**63,250**	**142,895**	**5,514**	**4,130**	**(32,054)**	**(25,851)**	**309,522**	**(4,130)**
19% tax		(12,018)	(27,150)	(1,048)	(785)	6,090	4,912	(58,809)	785
Effect on financial assets after tax		**51,232**	**115,745**	**4,466**	**3,345**	**(25,964)**	**(20,939)**	**250,713**	**(3,345)**
Total currencies		*174,788*				*200,465*			
Financial liabilities									
Loans, borrowings and debt securities (including finance lease)	983,379	606	144,477	-	2,424	(606)	(144,477)	-	(2,424)
Trade and other payables	727,144	20,797	68,345	17,206	2,722	(20,797)	(68,345)	(17,206)	(2,722)
Derivative financial instrument liabilities*	103,579	-	-	315,036	-	2,610	65,863	-	-
Effect on financial liabilities before tax		**21,403**	**212,822**	**332,242**	**5,146**	**(18,793)**	**(146,959)**	**(17,206)**	**(5,146)**
19% tax	-	(4,067)	(40,436)	(63,126)	(978)	3,571	27,922	3,269	978
Effect on financial liabilities after tax		**17,336**	**172,386**	**269,116**	**4,168**	**(15,222)**	**(119,037)**	**(13,937)**	**(4,168)**
Total currencies					*463,006*				*(152,364)*
Total increase/decrease		33,896	(56,641)	(264,650)	(823)	(10,742)	98,098	264,650	823
Total currencies		**(288,218)**				**352,829**			
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 Parent 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 Group 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 Group uses derivatives whose valuation (effective portion) is charged to equity.
The Group 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)***	

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	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 charged to equity.

(PLN '000)

Analysis of derivatives' sensitivity to fluctuations of commodity prices charged to 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	(15,315)	(5,351)	5,079	3,610
Effect on financial assets/liabilities after tax	**65,293**	**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 Group 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 Group's income statement.

The Group has performed a sensitivity analysis for financial instruments including floating interest rate 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 liabilities under floating-rate loans, issued notes and leases to interest rate changes by +/-100 basis points was +/-PLN 49,989 thousand.

As at December 31st 2010, the sensitivity of liabilities under floating-rate loans, issued notes and leases to interest rate changes by +/-100 basis points was +/-PLN 21,991 thousand.

(PLN '000)

Sensitivity of financial instruments to interest rate changes

	Net carrying amount as at Dec 31 2011	*Change by:* +100 bp	-100 bp
Contracted loans	4,313,997	43,140	(43,140)
Notes issued	497,949	4,979	(4,979)
Lease liabilities	187,031	1,870	(1,870)
Total	**4,998,977**	**49,989**	**(49,989)**

	Net carrying amount as at Dec 31 2010	*Change by:* +100 bp	-100 bp
Contracted loans	1,016,751	10,168	(10,168)
Notes issued	1,096,508	10,965	(10,965)
Lease liabilities	85,842	858	(858)
Total	**2,199,101**	**21,991**	**(21,991)**

34. DERIVATIVES

Measurement of derivatives

As required by the International Financial Reporting Standards, derivative instruments disclosed by the Parent 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 Parent 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 2009, the Parent 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 2.3.13.

(PLN '000)

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	NOK 930m	9 December 2010	15 January 2014	0.5056	(96,445)	(24,211)
PGNiG Norway loan	NOK 1,596m	13 December 2010	15 January 2014	0.5052	(163,629)	(39,071)
PGNiG Norway loan	NOK 674m	14 December 2010	15 January 2014	0.5040	(70,296)	(17,795)
PGNiG Norway loan	NOK 700m	15 December 2010	15 January 2014	0.5054	(71,471)	(16,797)
PGNiG Norway loan	NOK 100m	28 October 2011	15 January 2014	0.5616	(2,258)	-
PGNiG Norway loan	NOK 110m	21 November 2011	15 January 2014	0.5673	(1,933)	-
PGNiG Norway loan	NOK 450m	2 December 2011	15 January 2014	0.5743	(4,845)	-
					(410,877)	**(97,874)**
Forward						
Payments for gas	USD 10m	13 October 2011	10 January 2012	3.1720	2,474	-
Payments for gas	USD 10m	14 October 2011	20 January 2012	3.1387	2,855	-
Payments for gas	USD 10m	14 October 2011	10 January 2012	3.1521	2,673	-
Payments for gas	USD 10m	14 October 2011	20 January 2012	3.1527	2,716	-
Payments for gas	USD 10m	14 October 2011	17 February 2012	3.1368	2,976	-
Payments for gas	USD 10m	17 October 2011	10 January 2012	3.1045	3,148	-
Payments for gas	EUR 10m	19 October 2011	10 January 2012	4.3707	489	-
Payments for gas	EUR 10m	19 October 2011	10 February 2012	4.3890	445	-
Payments for gas	EUR 6m	21 October 2011	10 February 2012	4.4290	28	-
Payments for gas	USD 10m	21 October 2011	9 March 2012	3.1939	2,484	-
Payments for gas	EUR 5m	24 October 2011	20 January 2012	4.4151	51	-
Payments for gas	USD 10m	24 October 2011	10 February 2012	3.1908	2,414	-
Payments for gas	USD 10m	25 October 2011	10 January 2012	3.1616	2,578	-
Payments for gas	USD 10m	25 October 2011	20 April 2012	3.1900	2,657	-
Payments for gas	USD 10m	25 October 2011	20 March 2012	3.1755	2,695	-
Payments for gas	USD 10m	25 October 2011	10 February 2012	3.1695	2,626	-
Payments for gas	USD 10m	25 October 2011	10 February 2012	3.1750	2,571	-
Payments for gas	USD 10m	25 October 2011	20 January 2012	3.1620	2,623	-
Payments for gas	EUR 5m	25 October 2011	17 February 2012	4.4149	109	-
Payments for gas	USD 10m	26 October 2011	17 February 2012	3.1675	2,671	-
Payments for gas	USD 10m	27 October 2011	10 April 2012	3.1595	2,922	-
Payments for gas	USD 10m	27 October 2011	9 March 2012	3.1485	2,933	-
Payments for gas	USD 10m	27 October 2011	10 April 2012	3.1516	3,000	-
Payments for gas	USD 10m	27 October 2011	10 February 2012	3.1325	2,994	-
Payments for gas	USD 10m	27 October 2011	20 April 2012	3.1460	3,091	-
Payments for gas	EUR 5m	27 October 2011	9 March 2012	4.3909	273	-
Payments for gas	EUR 8m	30 November 2011	10 January 2012	4.5520	(1,057)	-
Payments for gas	EUR 5m	30 November 2011	20 January 2012	4.5477	(610)	-
Payments for gas	EUR 5m	30 November 2011	20 January 2012	4.5360	(552)	-
Payments for gas	USD 5m	30 November 2011	10 February 2012	3.3835	248	-
Payments for gas	USD 5m	30 November 2011	10 February 2012	3.3810	261	-
Payments for gas	USD 10m	30 November 2011	17 February 2012	3.3565	792	-
Payments for gas	USD 10m	2 December 2011	10 February 2012	3.3400	930	-
Payments for gas	USD 5m	21 December 2011	10 January 2012	3.3848	174	-
Payments for gas	USD 10m	21 December 2011	10 January 2012	3.3848	349	-
Payments for gas	EUR 3m	22 December 2011	17 February 2012	4.4720	(105)	-
Payments for gas	USD 10m	22 December 2011	18 May 2012	3.4415	270	-
Payments for gas	EUR 3m	22 December 2011	20 March 2012	4.4781	(84)	-
Payments for gas	USD 10m	22 December 2011	20 March 2012	3.4293	184	-
Payments for gas	USD 10m	23 December 2011	9 March 2012	3.4179	264	-
Payments for gas	USD 10m	23 December 2011	20 March 2012	3.4243	233	-
Payments for gas	USD 10m	27 December 2011	9 March 2012	3.4002	439	-
Payments for gas	USD 10m	27 December 2011	10 April 2012	3.4061	486	-

(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	USD 10m	27 December 2011	20 April 2012	3.4090	499	-
Financial liabilities of PN Diament Sp. z o.o.	USD 0.1307m	21 April 2011	31 January 2012	2.7848	87	-
Foreign receivables of PGNiG Technologie Sp. z o.o.	EUR 2.434m	2 November 2011	10 January 2012	4.4255	11	-
					59,315	**-**
Call options						
Payments for gas	USD 10m	29 July 2010	20 January 2011	3.3000	-	9
Payments for gas	USD 10m	29 July 2010	10 January 2011	3.2700	-	-
Payments for gas	USD 10m	2 August 2010	10 February 2011	3.3000	-	82
Payments for gas	USD 10m	2 August 2010	10 February 2011	3.4700	-	20
Payments for gas	EUR 5m	2 August 2010	10 January 2011	4.2000	-	-
Payments for gas	USD 10m	3 August 2010	20 January 2011	3.2500	-	19
Payments for gas	USD 10m	3 August 2010	10 February 2011	3.4500	-	24
Payments for gas	USD 10m	4 August 2010	10 February 2011	3.4600	-	22
Payments for gas	USD 10m	5 August 2010	18 February 2011	3.4700	-	37
Payments for gas	EUR 5m	16 August 2010	10 February 2011	4.2000	-	43
Payments for gas	USD 10m	17 August 2010	18 February 2011	3.3300	-	100
Payments for gas	EUR 5m	17 August 2010	18 February 2011	4.1700	-	78
Payments for gas	USD 10m	18 August 2010	20 January 2011	3.2700	-	14
Payments for gas	USD 10m	19 August 2010	18 February 2011	3.3000	-	122
Payments for gas	USD 10m	26 August 2010	18 February 2011	3.3700	-	77
Payments for gas	USD 10m	26 August 2010	10 February 2011	3.3600	-	51
Payments for gas	USD 10m	6 September 2010	10 March 2011	3.5600	-	62
Payments for gas	USD 10m	7 September 2010	10 March 2011	3.3500	-	184
Payments for gas	USD 10m	7 September 2010	10 January 2011	3.3000	-	-
Payments for gas	EUR 8m	9 September 2010	10 March 2011	4.1500	-	233
Payments for gas	USD 10m	10 September 2010	10 March 2011	3.3200	-	212
Payments for gas	USD 10m	17 September 2010	18 February 2011	3.2300	-	187
Payments for gas	USD 10m	17 September 2010	18 March 2011	3.2500	-	341
Payments for gas	USD 10m	17 September 2010	10 March 2011	3.2800	-	254
Payments for gas	USD 10m	20 September 2010	18 March 2011	3.2800	-	302
Payments for gas	USD 10m	21 September 2010	18 March 2011	3.2500	-	341
Payments for gas	USD 10m	21 September 2010	10 February 2011	3.2000	-	167
Payments for gas	USD 10m	22 September 2010	18 February 2011	3.1800	-	249
Payments for gas	USD 10m	22 September 2010	18 March 2011	3.4650	-	136
Payments for gas	USD 10m	23 September 2010	10 March 2011	3.2100	-	347
Payments for gas	USD 10m	28 September 2010	20 January 2011	3.3800	-	2
Payments for gas	USD 10m	29 September 2010	10 March 2011	3.3600	-	175
Payments for gas	USD 10m	14 October 2010	18 March 2011	3.2000	-	417
Payments for gas	USD 10m	14 October 2010	20 January 2011	3.1500	-	69
Payments for gas	USD 10m	14 October 2010	10 February 2011	2.9500	-	804
Payments for gas	USD 10m	14 October 2010	20 January 2011	2.9200	-	715
Payments for gas	USD 10m	25 October 2010	20 January 2011	2.9300	-	651
Payments for gas	USD 10m	25 October 2010	10 January 2011	2.9300	-	443
Payments for gas	USD 10m	28 October 2010	20 January 2011	2.9815	-	393
Payments for gas	USD 10m	4 November 2010	20 January 2011	2.8800	-	1,007
Payments for gas	EUR 8m	4 November 2010	8 April 2011	4.0700	-	512
Payments for gas	USD 10m	4 November 2010	8 April 2011	3.0000	-	1,116
Payments for gas	USD 10m	4 November 2010	10 February 2011	2.9500	-	804
Payments for gas	USD 10m	4 November 2010	10 March 2011	2.9800	-	957
Payments for gas	EUR 5m	5 November 2010	10 February 2011	4.0500	-	147
Payments for gas	USD 10m	5 November 2010	18 March 2011	3.0000	-	946
Payments for gas	EUR 9m	10 November 2010	20 January 2011	4.0000	-	189

(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	USD 10m	10 November 2010	18 February 2011	2.9900	-	717
Payments for gas	USD 10m	10 November 2010	18 March 2011	3.0300	-	835
Payments for gas	USD 10m	16 November 2010	18 February 2011	3.0500	-	514
Payments for gas	USD 10m	16 November 2010	8 April 2011	3.2500	-	465
Payments for gas	USD 10m	18 November 2010	18 February 2011	3.0300	-	574
Payments for gas	EUR 9m	18 November 2010	10 May 2011	4.1000	-	654
Payments for gas	USD 10m	19 November 2010	18 February 2011	3.0200	-	607
Payments for gas	USD 10m	22 November 2010	18 February 2011	3.0000	-	678
Payments for gas	USD 10m	1 December 2010	18 March 2011	3.2600	-	327
Payments for gas	USD 10m	1 December 2010	10 February 2011	3.2000	-	167
Payments for gas	USD 10m	1 December 2010	18 February 2011	3.2000	-	223
Payments for gas	USD 10m	2 December 2010	10 January 2011	3.1300	-	4
Payments for gas	USD 10m	2 December 2010	10 February 2011	3.1700	-	203
Payments for gas	USD 10m	2 December 2010	20 January 2011	3.1700	-	55
Payments for gas	USD 10m	2 December 2010	8 April 2011	3.2500	-	465
Payments for gas	USD 10m	3 December 2010	18 February 2011	3.1700	-	264
Payments for gas	USD 10m	3 December 2010	20 April 2011	3.2200	-	582
Payments for gas	USD 10m	3 December 2010	10 March 2011	3.1800	-	396
Payments for gas	USD 10m	3 December 2010	18 March 2011	3.1700	-	470
Payments for gas	USD 10m	3 December 2010	20 April 2011	3.2000	-	620
Payments for gas	USD 10m	7 December 2010	8 April 2011	3.2000	-	549
Payments for gas	USD 10m	10 December 2010	18 February 2011	3.1900	-	236
Payments for gas	USD 10m	10 December 2010	10 March 2011	3.2000	-	363
Payments for gas	USD 10m	10 December 2010	18 March 2011	3.2000	-	417
Payments for gas	USD 10m	13 December 2010	10 March 2011	3.1800	-	396
Payments for gas	EUR 8m	14 December 2010	18 March 2011	4.1000	-	344
Payments for gas	USD 10m	14 December 2010	10 May 2011	3.2500	-	627
Payments for gas	USD 10m	14 December 2010	8 April 2011	3.1800	-	588
Payments for gas	USD 10m	14 December 2010	20 April 2011	3.1400	-	752
Payments for gas	USD 10m	15 December 2010	10 March 2011	3.1380	-	476
Payments for gas	USD 10m	15 December 2010	18 March 2011	3.1400	-	531
Payments for gas	EUR 8m	15 December 2010	10 June 2011	4.2000	-	515
Payments for gas	USD 10m	16 December 2010	20 April 2011	3.2300	-	564
Payments for gas	USD 10m	16 December 2010	8 April 2011	3.2000	-	549
Payments for gas	USD 10m	16 December 2010	10 May 2011	3.4600	-	353
Payments for gas	USD 10m	27 December 2010	20 April 2011	3.2260	-	572
Payments for gas	USD 10m	28 December 2010	20 April 2011	3.1950	-	630
Payments for gas	EUR 6m	8 July 2011	20 January 2012	4.0700	2,127	-
Payments for gas	EUR 6m	20 July 2011	20 January 2012	4.1250	1,798	-
Payments for gas	EUR 5m	20 July 2011	10 February 2012	4.1300	1,515	-
Payments for gas	EUR 5m	20 July 2011	9 March 2012	4.1450	1,525	-
Payments for gas	USD 10m	26 July 2011	10 January 2012	3.0000	4,194	-
Payments for gas	USD 10m	26 July 2011	10 January 2012	3.0000	4,194	-
Payments for gas	USD 10m	27 July 2011	20 January 2012	3.0500	3,742	-
Payments for gas	USD 10m	29 July 2011	20 January 2012	3.0650	3,593	-
Payments for gas	USD 10m	1 August 2011	10 January 2012	3.0000	4,194	-
Payments for gas	USD 10m	1 August 2011	10 February 2012	3.0500	3,833	-
Payments for gas	USD 10m	4 August 2011	10 February 2012	3.1100	3,259	-
Payments for gas	USD 10m	4 August 2011	20 January 2012	3.1000	3,246	-
Payments for gas	USD 10m	4 August 2011	20 January 2012	3.1000	3,246	-
Payments for gas	USD 10m	5 August 2011	17 February 2012	3.1300	3,117	-
Payments for gas	USD 10m	17 August 2011	20 January 2012	3.1225	3,024	-
Payments for gas	USD 10m	17 August 2011	10 January 2012	3.1115	3,080	-
Payments for gas	USD 10m	17 August 2011	10 January 2012	3.1125	3,070	-
Payments for gas	USD 10m	17 August 2011	10 January 2012	3.1230	2,965	-
Payments for gas	USD 10m	17 August 2011	20 January 2012	3.1135	3,112	-
Payments for gas	USD 10m	22 August 2011	20 January 2012	3.1500	2,754	-

(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	USD 10m	23 August 2011	17 February 2012	3.2345	2,220	-
Payments for gas	USD 10m	23 August 2011	17 February 2012	3.2315	2,244	-
Payments for gas	USD 10m	24 August 2011	10 February 2012	3.1890	2,540	-
Payments for gas	USD 10m	25 August 2011	20 January 2012	3.1910	2,358	-
Payments for gas	USD 10m	26 August 2011	10 February 2012	3.1800	2,619	-
Payments for gas	USD 10m	29 August 2011	17 February 2012	3.1385	3,040	-
Payments for gas	USD 10m	29 August 2011	10 January 2012	3.0650	3,545	-
Payments for gas	USD 10m	29 August 2011	17 February 2012	3.1450	2,981	-
Payments for gas	USD 10m	29 August 2011	10 February 2012	3.1585	2,811	-
Payments for gas	USD 10m	29 August 2011	10 February 2012	3.1385	2,994	-
Payments for gas	USD 10m	29 August 2011	10 February 2012	3.1475	2,911	-
Payments for gas	USD 10m	30 August 2011	10 February 2012	3.1145	3,217	-
Payments for gas	USD 10m	31 August 2011	17 February 2012	3.1635	2,817	-
Payments for gas	EUR 5m	31 August 2011	17 February 2012	4.3450	610	-
Payments for gas	USD 10m	31 August 2011	10 January 2012	3.0850	3,345	-
Payments for gas	USD 10m	31 August 2011	17 February 2012	3.1460	2,973	-
Payments for gas	USD 10m	1 September 2011	9 March 2012	3.2200	2,529	-
Payments for gas	USD 10m	13 September 2011	17 February 2012	3.5250	773	-
Payments for gas	USD 10m	13 September 2011	17 February 2012	3.7200	391	-
Payments for gas	USD 10m	13 September 2011	9 March 2012	3.5300	994	-
Payments for gas	USD 10m	13 September 2011	10 February 2012	3.5050	736	-
Payments for gas	USD 10m	14 September 2011	20 March 2012	3.5200	1,118	-
Payments for gas	USD 10m	14 September 2011	20 March 2012	3.5200	1,118	-
Payments for gas	USD 10m	15 September 2011	9 March 2012	3.5350	980	-
Payments for gas	USD 10m	15 September 2011	20 March 2012	3.5050	1,163	-
Payments for gas	USD 10m	16 September 2011	20 March 2012	3.5570	1,014	-
Payments for gas	USD 10m	26 September 2011	9 March 2012	3.6200	772	-
Payments for gas	USD 10m	26 September 2011	10 April 2012	3.6400	1,005	-
Payments for gas	EUR 5m	26 September 2011	20 March 2012	4.7000	180	-
Payments for gas	EUR 6m	26 September 2011	10 April 2012	4.7000	292	-
Payments for gas	USD 10m	27 September 2011	10 January 2012	3.5300	89	-
Payments for gas	USD 10m	27 September 2011	9 March 2012	3.5700	888	-
Payments for gas	USD 10m	27 September 2011	20 March 2012	3.6000	906	-
Payments for gas	USD 10m	27 September 2011	9 March 2012	3.5700	888	-
Payments for gas	EUR 5m	27 September 2011	10 January 2012	4.6000	5	-
Payments for gas	USD 10m	27 September 2011	9 March 2012	3.5200	1,023	-
Payments for gas	USD 10m	27 September 2011	20 April 2012	3.6200	1,165	-
Payments for gas	USD 10m	27 September 2011	10 January 2012	3.4800	165	-
Payments for gas	USD 10m	28 September 2011	20 January 2012	3.5300	336	-
Payments for gas	USD 10m	28 September 2011	20 March 2012	3.5900	930	-
Payments for gas	USD 10m	28 September 2011	17 February 2012	3.5600	685	-
Payments for gas	USD 10m	29 September 2011	20 March 2012	3.5800	954	-
Payments for gas	USD 10m	29 September 2011	10 April 2012	3.6100	1,074	-
Payments for gas	USD 10m	29 September 2011	10 April 2012	3.6100	1,074	-
Payments for gas	USD 10m	27 October 2011	9 March 2012	3.3900	1,499	-
Payments for gas	USD 10m	27 October 2011	10 April 2012	3.4100	1,711	-
Payments for gas	USD 10m	28 October 2011	20 April 2012	3.3500	2,106	-
Payments for gas	USD 10m	28 October 2011	20 April 2012	3.4250	1,769	-
Payments for gas	USD 10m	28 October 2011	20 April 2012	3.3800	1,962	-
Payments for gas	USD 10m	2 November 2011	10 May 2012	3.5225	1,599	-
Payments for gas	USD 10m	3 November 2011	20 April 2012	3.5215	1,430	-
Payments for gas	USD 10m	3 November 2011	10 April 2012	3.4915	1,406	-
Payments for gas	USD 10m	3 November 2011	20 March 2012	3.4335	1,414	-
Payments for gas	USD 10m	4 November 2011	18 May 2012	3.4720	1,834	-
Payments for gas	USD 10m	4 November 2011	10 May 2012	3.4335	1,911	-
Payments for gas	USD 10m	4 November 2011	20 March 2012	3.3815	1,636	-
Payments for gas	USD 10m	7 November 2011	20 April 2012	3.5150	1,450	-

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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	USD 10m	7 November 2011	10 April 2012	3.4900	1,411	-
Payments for gas	EUR 5m	7 November 2011	20 April 2012	4.4900	587	-
Payments for gas	USD 10m	7 November 2011	10 April 2012	3.5150	1,331	-
Payments for gas	EUR 5m	8 November 2011	20 April 2012	4.4575	649	-
Payments for gas	USD 10m	8 November 2011	20 April 2012	3.5175	1,443	-
Payments for gas	USD 10m	8 November 2011	20 April 2012	3.5050	1,482	-
Payments for gas	USD 10m	2 December 2011	10 April 2012	3.5580	1,206	-
Payments for gas	EUR 5m	5 December 2011	9 March 2012	4.5570	283	-
Payments for gas	EUR 4m	6 December 2011	20 March 2012	4.5850	229	-
Payments for gas	EUR 5m	21 December 2011	10 April 2012	4.6355	304	-
Payments for gas	EUR 5m	22 December 2011	20 March 2012	4.5170	389	-
Payments for gas	USD 10m	22 December 2011	9 March 2012	3.4850	1,131	-
Payments for gas	EUR 5m	22 December 2011	20 April 2012	4.5570	468	-
Payments for gas	EUR 5m	22 December 2011	10 May 2012	4.5600	539	-
Payments for gas	USD 10m	22 December 2011	9 March 2012	3.4870	1,125	-
Payments for gas	USD 10m	22 December 2011	10 May 2012	3.6225	1,324	-
Payments for gas	USD 10m	23 December 2011	10 May 2012	3.5900	1,406	-
Payments for gas	USD 10m	23 December 2011	18 May 2012	3.6165	1,401	-
Payments for gas	USD 10m	23 December 2011	18 May 2012	3.6125	1,411	-
Payments for gas	USD 10m	23 December 2011	18 May 2012	3.5950	1,456	-
Payments for gas	USD 10m	27 December 2011	10 May 2012	3.5450	1,531	-
Payments for gas	USD 10m	27 December 2011	10 May 2012	3.5600	1,488	-
Payments for gas	USD 10m	27 December 2011	18 May 2012	3.5600	1,553	-
Payments for gas	USD 10m	27 December 2011	18 May 2012	3.5800	1,497	-
Payments for gas	EUR 5m	27 December 2011	18 May 2012	4.5500	584	-
Payments for gas	USD 10m	28 December 2011	10 May 2012	3.5300	1,576	-
Payments for gas	USD 10m	28 December 2011	18 May 2012	3.5450	1,596	-
Payments for gas	USD 10m	30 December 2011	10 May 2012	3.5750	1,446	-
					181,649	**30,342**
Put options						
Payments for gas	USD 10m	22 July 2010	10 January 2011	3.0150	-	(581)
Payments for gas	USD 10m	22 July 2010	20 January 2011	3.0230	-	(803)
Payments for gas	USD 10m	23 July 2010	20 January 2011	2.9915	-	(585)
Payments for gas	USD 10m	26 July 2010	10 January 2011	2.9975	-	(442)
Payments for gas	USD 10m	26 July 2010	10 January 2011	2.9900	-	(386)
Payments for gas	USD 10m	2 August 2010	10 February 2011	2.9055	-	(371)
Payments for gas	USD 10m	3 August 2010	10 February 2011	2.8750	-	(270)
Payments for gas	USD 10m	4 August 2010	10 February 2011	2.8900	-	(316)
Payments for gas	USD 10m	5 August 2010	18 February 2011	2.8790	-	(339)
Payments for gas	USD 10m	6 September 2010	10 March 2011	2.8550	-	(390)
Payments for gas	USD 10m	22 September 2010	18 March 2011	2.7600	-	(201)
Payments for gas	USD 10m	28 September 2010	20 January 2011	2.7780	-	(16)
Payments for gas	USD 10m	29 September 2010	10 March 2011	2.7650	-	(181)
Payments for gas	USD 10m	14 October 2010	18 March 2011	2.5920	-	(34)
Payments for gas	USD 10m	14 October 2010	20 January 2011	2.6050	-	-
Payments for gas	USD 10m	16 November 2010	8 April 2011	2.7500	-	(249)
Payments for gas	USD 10m	16 December 2010	10 May 2011	2.8200	-	(541)
Payments for gas	USD 10m	13 September 2011	17 February 2012	3.0240	(19)	-
Payments for gas	USD 10m	16 September 2011	20 March 2012	2.9820	(40)	-
Sales revenue of Geofizyka Kraków	EUR 0.453m	10 December 2010	14 January 2011	3.9949	-	7
Sales revenue of Geofizyka Kraków	EUR 1.235m	10 December 2010	14 February 2011	3.9762	-	79

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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
Sales revenue of Geofizyka Kraków	EUR 0.094m	10 December 2010	15 March 2011	3.9587	-	9
Sales revenue of Geofizyka Kraków	EUR 0.399m	10 December 2010	15 April 2011	3.9548	-	31
Sales revenue of Geofizyka Kraków	EUR 0.357m	10 December 2010	16 May 2011	3.9549	-	35
Sales revenue of Geofizyka Kraków	EUR 0.415m	10 December 2010	15 June 2011	3.9579	-	41
Sales revenue of Geofizyka Kraków	EUR 0.308m	10 December 2010	15 July 2011	3.9472	-	36
					(59)	**(5,467)**
Commodity call options						
Payments for gas	20000 MT Gasoil	20 July 2010	10 March 2011	695.00	-	344
Payments for gas	25000 MT Gasoil	20 July 2010	10 March 2011	695.00	-	430
Payments for gas	33000 MT Gasoil	27 July 2010	20 April 2011	750.00	-	117
Payments for gas	32000 MT Gasoil	27 July 2010	20 May 2011	750.00	-	114
Payments for gas	16000 MT Gasoil	27 July 2010	20 June 2011	750.00	-	57
Payments for gas	23000 MT Fueloil	20 October 2010	7 October 2011	570.00	-	64
Payments for gas	23000 MT Fueloil	20 October 2010	20 September 2011	570.00	-	64
Payments for gas	23000 MT Gasoil	20 October 2010	20 September 2011	780.00	-	1,152
Payments for gas	23000 MT Gasoil	20 October 2010	7 October 2011	780.00	-	1,152
Payments for gas	13000 MT Gasoil	21 October 2010	20 April 2011	780.00	-	174
Payments for gas	13000 MT Gasoil	21 October 2010	10 May 2011	780.00	-	174
Payments for gas	24000 MT Gasoil	21 October 2010	20 June 2011	780.00	-	322
Payments for gas	24000 MT Gasoil	21 October 2010	8 July 2011	780.00	-	322
Payments for gas	13000 MT Fueloil	22 October 2010	20 April 2011	540.00	-	7
Payments for gas	13000 MT Fueloil	22 October 2010	10 May 2011	540.00	-	7
Payments for gas	23000 MT Fueloil	22 October 2010	20 June 2011	540.00	-	13
Payments for gas	23000 MT Fueloil	22 October 2010	8 July 2011	540.00	-	13
Payments for gas	30000 MT Gasoil	26 October 2010	20 July 2011	790.00	-	1,209
Payments for gas	30000 MT Gasoil	26 October 2010	10 August 2011	790.00	-	1,209

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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	30000 MT Fueloil	26 October 2010	20 July 2011	560.00	-	129
Payments for gas	30000 MT Fueloil	26 October 2010	10 August 2011	560.00	-	129
Payments for gas	25000 MT Gasoil	27 October 2010	19 August 2011	790.00	-	1,008
Payments for gas	25000 MT Fueloil	29 October 2010	19 August 2011	555.00	-	134
Payments for gas	25000 MT Fueloil	29 October 2010	9 September 2011	555.00	-	134
Payments for gas	10000 MT Gasoil	8 November 2010	20 May 2011	780.00	-	134
Payments for gas	10000 MT Gasoil	8 November 2010	10 June 2011	780.00	-	134
Payments for gas	26000 MT Gasoil	8 November 2010	9 September 2011	800.00	-	833
Payments for gas	9000 MT Fueloil	9 November 2010	20 May 2011	530.00	-	13
Payments for gas	10000 MT Fueloil	9 November 2010	10 June 2011	530.00	-	15
Payments for gas	31200 MT Gasoil	26 January 2011	10 January 2012	890.00	5,675	-
Payments for gas	29600 MT Fueloil	26 January 2011	10 January 2012	585.00	7,064	-
Payments for gas	35000 MT Fueloil	28 January 2011	10 January 2012	560.00	11,020	-
Payments for gas	19400 MT Gasoil	28 January 2011	10 January 2012	880.00	4,330	-
Payments for gas	52000 MT Gasoil	6 May 2011	20 January 2012	1050.00	-	-
Payments for gas	92000 MT Gasoil	6 May 2011	10 February 2012	1050.00	-	-
Payments for gas	56000 MT Fueloil	6 May 2011	20 January 2012	750.00	-	-
Payments for gas	40000 MT Gasoil	6 May 2011	17 February 2012	1050.00	-	-
Payments for gas	56000 MT Fueloil	6 May 2011	10 February 2012	750.00	-	-
Payments for gas	56000 MT Fueloil	6 May 2011	17 February 2012	750.00	-	-
Payments for gas	40000 MT Gasoil	10 May 2011	9 March 2012	1100.00	-	-
Payments for gas	48000 MT Gasoil	10 May 2011	20 March 2012	1100.00	-	-
Payments for gas	56000 MT Fueloil	10 May 2011	20 January 2012	780.00	-	-
Payments for gas	45000 MT Gasoil	10 May 2011	10 April 2012	1100.00	-	-
Payments for gas	56000 MT Fueloil	10 May 2011	9 March 2012	780.00	-	-
Payments for gas	56000 MT Fueloil	11 May 2011	20 March 2012	790.00	-	-
Payments for gas	40000 MT Gasoil	11 May 2011	9 March 2012	1150.00	-	-
Payments for gas	40000 MT Gasoil	11 May 2011	17 February 2012	1150.00	-	-

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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	46000 MT Gasoil	11 May 2011	10 April 2012	1150.00	-	-
Payments for gas	43000 MT Gasoil	11 May 2011	20 March 2012	1150.00	-	-
Payments for gas	56000 MT Fueloil	11 May 2011	10 April 2012	790.00	-	-
Payments for gas	45000 MT Fueloil	12 May 2011	17 February 2012	780.00	-	-
Payments for gas	37000 MT Gasoil	12 May 2011	20 January 2012	1100.00	-	-
Payments for gas	56000 MT Fueloil	13 May 2011	10 February 2012	780.00	-	-
Payments for gas	45000 MT Fueloil	13 May 2011	9 March 2012	780.00	-	-
Payments for gas	52000 MT Fueloil	16 May 2011	20 March 2012	770.00	-	-
Payments for gas	52000 MT Fueloil	16 May 2011	10 April 2012	770.00	-	-
Payments for gas	54000 MT Fueloil	16 May 2011	20 April 2012	780.00	-	-
Payments for gas	49500 MT Gasoil	17 May 2011	20 April 2012	1100.00	-	-
Payments for gas	49500 MT Gasoil	17 May 2011	10 May 2012	1100.00	-	-
Payments for gas	42300 MT Gasoil	17 May 2011	18 May 2012	1100.00	-	-
Payments for gas	54000 MT Fueloil	17 May 2011	10 May 2012	770.00	-	-
Payments for gas	40000 MT Gasoil	20 May 2011	20 June 2012	1100.00	-	-
Payments for gas	27000 MT Fueloil	20 May 2011	20 June 2012	770.00	-	-
Payments for gas	42000 MT Gasoil	23 May 2011	11 June 2012	1100.00	-	-
Payments for gas	50000 MT Fueloil	23 May 2011	11 June 2012	770.00	-	-
Payments for gas	39000 MT Gasoil	23 May 2011	10 July 2012	1100.00	-	-
Payments for gas	27000 MT Fueloil	23 May 2011	10 July 2012	770.00	-	-
Payments for gas	20000 MT Fueloil	2 June 2011	10 July 2012	800.00	-	-
Payments for gas	16000 MT Gasoil	16 June 2011	10 January 2012	1100.00	-	-
Payments for gas	50000 MT Fueloil	16 June 2011	18 May 2012	850.00	-	-
Payments for gas	20000 MT Fueloil	16 June 2011	20 June 2012	850.00	-	-
Payments for gas	27900 MT Fueloil	21 June 2011	10 January 2012	780.00	-	-
Payments for gas	32000 MT Gasoil	5 August 2011	20 April 2012	1060.00	-	-
Payments for gas	45000 MT Gasoil	5 August 2011	18 May 2012	1060.00	-	-
Payments for gas	32000 MT Fueloil	5 August 2011	20 April 2012	780.00	-	-

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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	40000 MT Fueloil	5 August 2011	18 May 2012	780.00	-	-
Payments for gas	32000 MT Fueloil	5 August 2011	20 June 2012	780.00	-	-
Payments for gas	37000 MT Gasoil	5 August 2011	20 June 2012	1060.00	-	-
Payments for gas	32000 MT Fueloil	8 August 2011	20 April 2012	780.00	-	-
Payments for gas	32000 MT Gasoil	8 August 2011	10 May 2012	1060.00	-	-
Payments for gas	32000 MT Fueloil	8 August 2011	10 May 2012	780.00	-	-
Payments for gas	32000 MT Gasoil	8 August 2011	11 June 2012	1060.00	-	-
Payments for gas	32000 MT Gasoil	8 August 2011	10 July 2012	1060.00	-	-
Payments for gas	32000 MT Fueloil	9 August 2011	10 May 2012	770.00	-	-
Payments for gas	40000 MT Fueloil	9 August 2011	11 June 2012	770.00	-	-
Payments for gas	12800 MT Gasoil	11 August 2011	11 June 2012	1060.00	-	-
Payments for gas	32000 MT Fueloil	11 August 2011	10 July 2012	770.00	-	-
Payments for gas	32000 MT Fueloil	11 August 2011	10 July 2012	770.00	-	-
Payments for gas	32000 MT Fueloil	16 August 2011	20 June 2012	770.00	-	-
Payments for gas	40000 MT Fueloil	16 August 2011	18 May 2012	770.00	-	-
Payments for gas	40000 MT Fueloil	17 August 2011	11 June 2012	770.00	-	-
Payments for gas	8500 MT Fueloil	19 August 2011	20 March 2012	760.00	-	-
Payments for gas	8500 MT Fueloil	19 August 2011	10 April 2012	760.00	-	-
Payments for gas	50000 MT Fueloil	8 September 2011	20 July 2012	850.00	4	-
Payments for gas	36000 MT Gasoil	8 September 2011	20 July 2012	1150.00	17	-
Payments for gas	50000 MT Fueloil	8 September 2011	10 August 2012	850.00	4	-
Payments for gas	36000 MT Gasoil	8 September 2011	10 August 2012	1150.00	17	-
Payments for gas	35000 MT Gasoil	9 September 2011	20 September 2012	1130.00	31	-
Payments for gas	47000 MT Fueloil	9 September 2011	20 September 2012	850.00	4	-
Payments for gas	47000 MT Fueloil	13 September 2011	20 August 2012	840.00	6	-
Payments for gas	35000 MT Gasoil	13 September 2011	20 August 2012	1150.00	17	-
Payments for gas	34000 MT Gasoil	14 September 2011	10 September 2012	1150.00	16	-
Payments for gas	46000 MT Fueloil	14 September 2011	10 September 2012	840.00	6	-
Payments for gas	34000 MT Gasoil	20 September 2011	10 October 2012	1150.00	16	-

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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	46000 MT Fueloil	20 September 2011	10 October 2012	840.00	6	-
Payments for gas	29000 MT Gasoil	2 November 2011	10 August 2012	1150.00	31	-
Payments for gas	29000 MT Gasoil	2 November 2011	20 July 2012	1150.00	31	-
Payments for gas	25000 MT Fueloil	4 November 2011	20 July 2012	820.00	17	-
Payments for gas	25000 MT Fueloil	4 November 2011	10 August 2012	820.00	17	-
Payments for gas	30000 MT Fueloil	10 November 2011	10 September 2012	840.00	10	-
Payments for gas	30000 MT Fueloil	10 November 2011	20 September 2012	840.00	10	-
Payments for gas	35000 MT Gasoil	10 November 2011	10 September 2012	1200.00	10	-
Payments for gas	30000 MT Fueloil	10 November 2011	20 August 2012	840.00	10	-
Payments for gas	31000 MT Gasoil	10 November 2011	10 October 2012	1200.00	9	-
Payments for gas	35000 MT Gasoil	10 November 2011	20 August 2012	1200.00	10	-
Payments for gas	30000 MT Fueloil	14 November 2011	10 October 2012	840.00	26	-
Payments for gas	26000 MT Fueloil	14 November 2011	10 September 2012	840.00	22	-
Payments for gas	26000 MT Fueloil	14 November 2011	20 August 2012	840.00	22	-
Payments for gas	26000 MT Gasoil	15 November 2011	20 September 2012	1200.00	18	-
Payments for gas	22000 MT Fueloil	15 November 2011	20 July 2012	840.00	19	-
Payments for gas	22000 MT Fueloil	15 November 2011	10 August 2012	840.00	19	-
Payments for gas	19000 MT Fueloil	15 November 2011	20 September 2012	840.00	16	-
Payments for gas	15000 MT Fueloil	15 November 2011	10 October 2012	840.00	13	-
Payments for gas	20000 MT Gasoil	15 November 2011	10 January 2013	1200.00	96	-
Payments for gas	20000 MT Gasoil	17 November 2011	20 December 2012	1200.00	96	-
Payments for gas	20000 MT Gasoil	17 November 2011	20 November 2012	1200.00	96	-
Payments for gas	30000 MT Fueloil	17 November 2011	10 January 2013	850.00	220	-
Payments for gas	30000 MT Fueloil	17 November 2011	20 December 2012	850.00	220	-
Payments for gas	30000 MT Fueloil	17 November 2011	10 December 2012	850.00	220	-
Payments for gas	30000 MT Fueloil	18 November 2011	20 November 2012	850.00	220	-
Payments for gas	30000 MT Gasoil	18 November 2011	9 November 2012	1200.00	144	-
Payments for gas	30000 MT Gasoil	18 November 2011	19 October 2012	1200.00	144	-

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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	20000 MT Gasoil	21 November 2011	10 December 2012	1170.00	151	-
Payments for gas	20000 MT Fueloil	21 November 2011	19 October 2012	840.00	173	-
Payments for gas	20000 MT Fueloil	21 November 2011	9 November 2012	840.00	173	-
Payments for gas	32000 MT Fueloil	23 November 2011	10 January 2013	730.00	1,483	-
Payments for gas	22000 MT Gasoil	23 November 2011	10 January 2013	1050.00	864	-
Payments for gas	22000 MT Fueloil	23 November 2011	10 December 2012	730.00	1,019	-
Payments for gas	22000 MT Gasoil	24 November 2011	20 December 2012	1040.00	978	-
Payments for gas	17000 MT Gasoil	24 November 2011	10 December 2012	1040.00	755	-
Payments for gas	32000 MT Fueloil	25 November 2011	20 December 2012	720.00	1,700	-
Payments for gas	22000 MT Fueloil	25 November 2011	19 October 2012	720.00	1,169	-
Payments for gas	17000 MT Gasoil	25 November 2011	20 November 2012	1040.00	755	-
Payments for gas	22000 MT Fueloil	28 November 2011	9 November 2012	730.00	1,019	-
Payments for gas	22000 MT Fueloil	28 November 2011	20 November 2012	730.00	1,019	-
					41,257	**9,607**
Commodity put options						
Payments for gas	23000 MT Fueloil	20 October 2010	7 October 2011	412.00	-	(15)
Payments for gas	23000 MT Fueloil	20 October 2010	20 September 2011	412.00	-	(15)
Payments for gas	23000 MT Gasoil	20 October 2010	20 September 2011	640.50	-	(21)
Payments for gas	23000 MT Gasoil	20 October 2010	7 October 2011	640.50	-	(21)
Payments for gas	24000 MT Gasoil	21 October 2010	8 July 2011	645.00	-	-
Payments for gas	13000 MT Fueloil	22 October 2010	20 April 2011	435.00	-	(1)
Payments for gas	13000 MT Fueloil	22 October 2010	10 May 2011	435.00	-	(1)
Payments for gas	23000 MT Fueloil	22 October 2010	8 July 2011	426.00	-	-
Payments for gas	30000 MT Gasoil	26 October 2010	20 July 2011	640.70	-	(28)
Payments for gas	30000 MT Gasoil	26 October 2010	10 August 2011	640.70	-	(28)
Payments for gas	30000 MT Fueloil	26 October 2010	20 July 2011	432.00	-	(89)
Payments for gas	30000 MT Fueloil	26 October 2010	10 August 2011	432.00	-	(89)
Payments for gas	25000 MT Gasoil	27 October 2010	19 August 2011	632.00	-	(14)
Payments for gas	25000 MT Fueloil	29 October 2010	19 August 2011	428.50	-	(58)

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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	25000 MT Fueloil	29 October 2010	9 September 2011	428.50	-	(58)
Payments for gas	31200 MT Gasoil	26 January 2011	10 January 2012	752.00	-	-
Payments for gas	29600 MT Fueloil	26 January 2011	10 January 2012	484.00	-	-
Payments for gas	19400 MT Gasoil	28 January 2011	10 January 2012	771.50	-	-
Payments for gas	52000 MT Gasoil	6 May 2011	20 January 2012	830.00	-	-
Payments for gas	92000 MT Gasoil	6 May 2011	10 February 2012	820.50	-	-
Payments for gas	56000 MT Fueloil	6 May 2011	20 January 2012	578.00	-	-
Payments for gas	40000 MT Gasoil	6 May 2011	17 February 2012	821.00	-	-
Payments for gas	56000 MT Fueloil	6 May 2011	10 February 2012	552.00	-	-
Payments for gas	56000 MT Fueloil	6 May 2011	17 February 2012	557.00	-	-
Payments for gas	40000 MT Gasoil	10 May 2011	9 March 2012	836.00	-	-
Payments for gas	48000 MT Gasoil	10 May 2011	20 March 2012	843.00	-	-
Payments for gas	56000 MT Fueloil	10 May 2011	20 January 2012	562.00	-	-
Payments for gas	45000 MT Gasoil	10 May 2011	10 April 2012	836.00	-	-
Payments for gas	56000 MT Fueloil	10 May 2011	9 March 2012	561.00	-	-
Payments for gas	56000 MT Fueloil	11 May 2011	20 March 2012	560.00	-	-
Payments for gas	40000 MT Gasoil	11 May 2011	9 March 2012	845.50	-	-
Payments for gas	40000 MT Gasoil	11 May 2011	17 February 2012	837.00	-	-
Payments for gas	46000 MT Gasoil	11 May 2011	10 April 2012	835.00	-	-
Payments for gas	43000 MT Gasoil	11 May 2011	20 March 2012	827.00	-	-
Payments for gas	56000 MT Fueloil	11 May 2011	10 April 2012	562.00	-	-
Payments for gas	45000 MT Fueloil	12 May 2011	17 February 2012	548.00	-	-
Payments for gas	37000 MT Gasoil	12 May 2011	20 January 2012	804.00	-	-
Payments for gas	56000 MT Fueloil	13 May 2011	10 February 2012	557.00	-	-
Payments for gas	45000 MT Fueloil	13 May 2011	9 March 2012	547.00	-	-
Payments for gas	52000 MT Fueloil	16 May 2011	20 March 2012	541.50	-	-
Payments for gas	52000 MT Fueloil	16 May 2011	10 April 2012	543.00	-	-
Payments for gas	54000 MT Fueloil	16 May 2011	20 April 2012	533.50	-	-

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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	49500 MT Gasoil	17 May 2011	20 April 2012	816.00	-	-
Payments for gas	49500 MT Gasoil	17 May 2011	10 May 2012	815.00	-	-
Payments for gas	42300 MT Gasoil	17 May 2011	18 May 2012	816.00	-	-
Payments for gas	54000 MT Fueloil	17 May 2011	10 May 2012	526.00	-	-
Payments for gas	40000 MT Gasoil	20 May 2011	20 June 2012	780.00	-	-
Payments for gas	27000 MT Fueloil	20 May 2011	20 June 2012	519.00	-	-
Payments for gas	42000 MT Gasoil	23 May 2011	11 June 2012	787.00	-	-
Payments for gas	50000 MT Fueloil	23 May 2011	11 June 2012	520.00	-	-
Payments for gas	39000 MT Gasoil	23 May 2011	10 July 2012	785.00	-	-
Payments for gas	27000 MT Fueloil	23 May 2011	10 July 2012	521.00	-	-
Payments for gas	20000 MT Fueloil	2 June 2011	10 July 2012	550.00	-	-
Payments for gas	16000 MT Gasoil	16 June 2011	10 January 2012	845.00	-	-
Payments for gas	50000 MT Fueloil	16 June 2011	18 May 2012	525.00	-	-
Payments for gas	20000 MT Fueloil	16 June 2011	20 June 2012	525.00	-	-
Payments for gas	27900 MT Fueloil	21 June 2011	10 January 2012	574.00	-	-
Payments for gas	32000 MT Gasoil	5 August 2011	20 April 2012	808.00	-	-
Payments for gas	45000 MT Gasoil	5 August 2011	18 May 2012	783.50	-	-
Payments for gas	32000 MT Fueloil	5 August 2011	20 April 2012	520.00	-	-
Payments for gas	40000 MT Fueloil	5 August 2011	18 May 2012	520.00	-	-
Payments for gas	32000 MT Fueloil	5 August 2011	20 June 2012	530.00	-	-
Payments for gas	37000 MT Gasoil	5 August 2011	20 June 2012	808.00	-	-
Payments for gas	32000 MT Fueloil	8 August 2011	20 April 2012	516.00	-	-
Payments for gas	32000 MT Gasoil	8 August 2011	10 May 2012	773.00	-	-
Payments for gas	32000 MT Fueloil	8 August 2011	10 May 2012	519.00	-	-
Payments for gas	32000 MT Gasoil	8 August 2011	11 June 2012	777.00	-	-
Payments for gas	32000 MT Gasoil	8 August 2011	10 July 2012	775.50	-	-
Payments for gas	32000 MT Fueloil	9 August 2011	10 May 2012	486.50	-	-
Payments for gas	40000 MT Fueloil	9 August 2011	11 June 2012	494.00	-	-

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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	12800 MT Gasoil	11 August 2011	11 June 2012	770.00	-	-
Payments for gas	32000 MT Fueloil	11 August 2011	10 July 2012	504.00	-	-
Payments for gas	32000 MT Fueloil	11 August 2011	10 July 2012	503.00	-	-
Payments for gas	32000 MT Fueloil	16 August 2011	20 June 2012	505.00	-	-
Payments for gas	40000 MT Fueloil	16 August 2011	18 May 2012	538.95	-	-
Payments for gas	40000 MT Fueloil	17 August 2011	11 June 2012	555.00	-	-
Payments for gas	8500 MT Fueloil	19 August 2011	20 March 2012	516.25	-	-
Payments for gas	8500 MT Fueloil	19 August 2011	10 April 2012	523.80	-	-
Payments for gas	50000 MT Fueloil	8 September 2011	20 July 2012	526.00	(14)	-
Payments for gas	36000 MT Gasoil	8 September 2011	20 July 2012	785.00	(44)	-
Payments for gas	50000 MT Fueloil	8 September 2011	10 August 2012	525.00	(13)	-
Payments for gas	36000 MT Gasoil	8 September 2011	10 August 2012	782.00	(38)	-
Payments for gas	35000 MT Gasoil	9 September 2011	20 September 2012	755.00	(8)	-
Payments for gas	47000 MT Fueloil	9 September 2011	20 September 2012	500.00	(1)	-
Payments for gas	47000 MT Fueloil	13 September 2011	20 August 2012	492.00	(1)	-
Payments for gas	35000 MT Gasoil	13 September 2011	20 August 2012	729.00	(1)	-
Payments for gas	34000 MT Gasoil	14 September 2011	10 September 2012	703.00	-	-
Payments for gas	46000 MT Fueloil	14 September 2011	10 September 2012	470.00	-	-
Payments for gas	34000 MT Gasoil	20 September 2011	10 October 2012	718.00	(1)	-
Payments for gas	46000 MT Fueloil	20 September 2011	10 October 2012	489.00	-	-
Payments for gas	29000 MT Gasoil	2 November 2011	10 August 2012	735.00	(8)	-
Payments for gas	29000 MT Gasoil	2 November 2011	20 July 2012	735.00	(8)	-
Payments for gas	25000 MT Fueloil	4 November 2011	20 July 2012	490.00	(1)	-
Payments for gas	25000 MT Fueloil	4 November 2011	10 August 2012	490.00	(1)	-
Payments for gas	30000 MT Fueloil	10 November 2011	10 September 2012	536.00	(45)	-
Payments for gas	30000 MT Fueloil	10 November 2011	20 September 2012	527.00	(26)	-
Payments for gas	35000 MT Gasoil	10 November 2011	10 September 2012	765.00	(44)	-
Payments for gas	30000 MT Fueloil	10 November 2011	20 August 2012	527.00	(26)	-
Payments for gas	31000 MT Gasoil	10 November 2011	10 October 2012	760.00	(31)	-

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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	35000 MT Gasoil	10 November 2011	20 August 2012	760.00	(35)	-
Payments for gas	30000 MT Fueloil	14 November 2011	10 October 2012	510.00	(34)	-
Payments for gas	26000 MT Fueloil	14 November 2011	10 September 2012	513.00	(35)	-
Payments for gas	26000 MT Fueloil	14 November 2011	20 August 2012	513.00	(35)	-
Payments for gas	26000 MT Gasoil	15 November 2011	20 September 2012	773.00	(146)	-
Payments for gas	22000 MT Fueloil	15 November 2011	20 July 2012	513.00	(30)	-
Payments for gas	22000 MT Fueloil	15 November 2011	10 August 2012	513.00	(30)	-
Payments for gas	19000 MT Fueloil	15 November 2011	20 September 2012	510.00	(22)	-
Payments for gas	15000 MT Fueloil	15 November 2011	10 October 2012	510.00	(17)	-
Payments for gas	20000 MT Gasoil	15 November 2011	10 January 2013	772.00	(427)	-
Payments for gas	20000 MT Gasoil	17 November 2011	20 December 2012	750.00	(270)	-
Payments for gas	20000 MT Gasoil	17 November 2011	20 November 2012	750.00	(270)	-
Payments for gas	30000 MT Fueloil	17 November 2011	10 January 2013	490.00	(218)	-
Payments for gas	30000 MT Fueloil	17 November 2011	20 December 2012	490.00	(218)	-
Payments for gas	30000 MT Fueloil	17 November 2011	10 December 2012	483.00	(176)	-
Payments for gas	30000 MT Fueloil	18 November 2011	20 November 2012	482.00	(171)	-
Payments for gas	30000 MT Gasoil	18 November 2011	9 November 2012	750.00	(404)	-
Payments for gas	30000 MT Gasoil	18 November 2011	19 October 2012	748.50	(391)	-
Payments for gas	20000 MT Gasoil	21 November 2011	10 December 2012	735.00	(192)	-
Payments for gas	20000 MT Fueloil	21 November 2011	19 October 2012	444.00	(30)	-
Payments for gas	20000 MT Fueloil	21 November 2011	9 November 2012	444.00	(30)	-
					(3,492)	**(438)**
Swap commodity						
Payments for gas	11600 MT Gasoil	16 July 2010	10 January 2011	647.00	-	299
Payments for gas	11600 MT Fueloil	16 July 2010	10 January 2011	468.75	-	(424)
Payments for gas	45000 MT Fueloil	20 July 2010	20 January 2011	469.75	-	229
Payments for gas	45000 MT Gasoil	20 July 2010	20 January 2011	654.50	-	6,165
Payments for gas	45000 MT Gasoil	20 July 2010	10 February 2011	654.50	-	6,152
Payments for gas	45000 MT Fueloil	20 July 2010	10 February 2011	469.00	-	329

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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	45000 MT Gasoil	20 July 2010	18 February 2011	652.50	-	6,412
Payments for gas	45000 MT Fueloil	20 July 2010	18 February 2011	468.00	-	461
Payments for gas	33000 MT Gasoil	28 July 2010	10 May 2011	660.50	-	6,363
Payments for gas	33000 MT Fueloil	28 July 2010	10 May 2011	473.00	-	696
Payments for gas	31000 MT Gasoil	28 July 2010	10 June 2011	658.00	-	6,203
Payments for gas	31000 MT Fueloil	28 July 2010	10 June 2011	471.50	-	791
Payments for gas	16000 MT Gasoil	28 July 2010	8 July 2011	658.50	-	3,176
Payments for gas	16000 MT Fueloil	28 July 2010	8 July 2011	471.50	-	408
					-	**37,260**
Total					**(132,207)**	**(26,570)**
	including:	premiums on options	assets		**127,943**	**76,043**
		positive valuation*	assets		**156,686**	**1,830**
		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	(339,178)	(142,560)
Net gain/loss on derivative instruments – realised	488,280	(48,677)
Total net gain/loss on derivative instruments recognised in the income statement	**149,102**	**(191,237)**
of which:		
recognised under other operating expenses, net	(320,671)	(276,530)
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	**134,778**	**42,036**
Total net gain/loss on derivative instruments recognised in equity	**283,880**	**(149,201)**

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35. CONTINGENT LIABILITIES AND RECEIVABLES

35.1. Contingent receivables

	Dec 31 2011	Dec 31 2010
From related parties:		
under guarantees and sureties received	425	-
under promissory notes received	3,107	152
Total contingent receivables from related parties	**3,532**	**152**
From other entities:		
under guarantees and sureties received	428,021	369,720
under promissory notes received	97,112	71,153
Total contingent receivables from other entities	156,032	-
Total contingent assets	**681,165**	**440,873**

35.2. 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*	10,571,035	2,867,934
under promissory notes issued	857,696	771,473
Total contingent liabilities to other entities	**11,428,731**	**3,639,407**
Total contingent liabilities	**11,428,731**	**3,639,407**

* 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 contingent receivables is chiefly attributable to the recognition in 2011 by the gas distribution companies of PLN 156,032 thousand in receivables under EU grants for investment projects.

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.

35.3. 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

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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).

36. OFF-BALANCE SHEET LIABILITIES

36.1. Operating lease liabilities

	Dec 31 2011	Dec 31 2010
up to 1 year	5,473	-
from 1 to 5 years	8,176	-
over 5 years	-	-
Total	**13,649**	**-**

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

	Dec 31 2011	Dec 31 2010
Contractual liabilities	4,118,297	3,547,650
Completion of agreements as at the balance-sheet date	2,725,566	1,600,005
Contractual liabilities subsequent to the balance-sheet date	**1,392,731**	**1,947,645**

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37. INFORMATION ON RELATED PARTIES

37.1. Related-party transactions

Related party	Jan 1–Dec 31 As at	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	Amounts payable to related parties
Equity-accounted associates	Dec 31 2011	21,862	(88,293)	Dec 31 2011	1,510	1,510	-	-	7,283
	Dec 31 2010	19,313	13	Dec 31 2010	2,671	2,671	-	-	7,917
Non-consolidated subsidiaries and associates	Dec 31 2011	8,470	175,855	Dec 31 2011	2,551	2,369	28,822	-	42,801
	Dec 31 2010	6,120	137,270	Dec 31 2010	127,799	1,549	22,372	-	105,019
Related entities – total	**Dec 31 2011**	**30,332**	**87,562**	**Dec 31 2011**	**4,061**	**3,879**	**28,822**	**-**	**50,084**
	Dec 31 2010	**25,433**	**137,283**	**Dec 31 2010**	**130,470**	**4,220**	**22,372**	**-**	**112,936**

The principal transactions with shareholders in 2011and 2010 were dividend payments, discussed in detail in Note 10.

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

The Group 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 Group 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).

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37.2. 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 Group's day-to-day operations, i.e. natural gas trading and distribution, and sale of crude oil.

In 2011, the Group 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, the PGNiG Group 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., Zakłady Chemiczne POLICE S.A., Zakłady Azotowe w Tarnowie-Mościcach S.A., and PGE Elektrociepłownia Lublin-Wrotków Sp. z o.o.

37.3. Remuneration paid to members of management and supervisory bodies of the Group companies

	Jan 1–Dec 31 2011	Jan 1– Dec 31 2010
Remuneration paid to management staff	**31,931**	**31,336**
Parent	3,100	3,250
Subsidiaries	20,497	16,079
Jointly-controlled entity	7,534	11,218
Associates	800	789
Remuneration paid to supervisory staff	**9,414**	**11,796**
Parent	292	337
Subsidiaries	7,128	4,750
Jointly-controlled entity	1,262	5,977
Associates	732	732
Total	**41,345**	**43,132**

37.4. Loans granted to members of the management and supervisory boards of the Group companies

	Dec 31 2011	Dec 31 2010
Management Board members		
Interest rate (%)	0%-4%	1%-3.5%
Repayment period (years)	2-5 years	3-10 years
Value of outstanding loans	121	44
Supervisory Board members		
Interest rate (%)	0%-4%	0%-4%
Repayment period (years)	2-5 years	2-3 years
Value of outstanding loans	28	25
Total value of outstanding loans	**149**	**69**

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37.5 Remuneration paid to members of management and supervisory bodies of the Parent

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 made a decision to revoke the power of proxy granted to Mr Tadeusz Kulczyk.

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Name	Jan 1–Dec 31 2010		
	Total amount of remuneration, additional benefits and bonuses paid in 2010	Total amount of remuneration for holding positions in subordinated entities in 2010	**Total remuneration paid in 2010**
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.

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37.6. Fees paid to the audit firm for the mandatory audit of the annual consolidated financial statements of the Group and for other services

The consolidated financial statements of the PGNiG Group and the financial statements of PGNiG SA and its 21 subsidiaries for 2011 are audited by Deloitte Audyt Sp. z o.o. The agreement with the audit firm was executed for a period of three years (2010 – 2013). The agreement provides for:

- audit and translation into English of the financial statements for 12-month periods ended December 31st 2010, December 31st 2011 and December 31st 2012 (PGNiG SA and subsidiaries);
- review of the financial statements for the first quarter of each of 2011, 2012 and 2013 (PGNiG SA);
- review and translation of the financial statements for the first half of each of 2010, 2011 and 2012 (PGNiG SA);
- review of the financial statements for the third quarter of each of 2010, 2011 and 2012 (PGNiG SA);
- performance of agreed procedures related to financial ratios for 2010, 2011 and 2012 for the needs of the banks financing the Parent, provided for under outstanding loan agreements and note issuance agreements (PGNiG SA).

The table below presents the fees paid or payable by the Parent to the entity qualified to audit financial statements, for 2010-2011.

	Jan 1 – Dec 31 2011	Jan 1 – Dec 31 2010
Audit of annual consolidated financial statements	108	108
Audit of annual separate financial statements	122	122
Other certification services, including review of financial statements	449	320
Tax advisory services	-	-
Other services	31	12
Total	**710**	**562**

37.7. Non-consolidated 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 Parent pro rata to its interest in a given joint venture.

37.8. Foreign operations

PGNiG SA's interests in foreign operations

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 the Parent 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 the Parent 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 the terms of cooperation with respect to 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 the Parent 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 the Parent 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, the Parent 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 licencing 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 the Parent. 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, the Parent 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 the Parent 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, the Parent'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 the Parent 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 the Parent 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, the Parent'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 the Parent's accounting books amounted to PLN 291,922.0 thousand.

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 the Parent'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.

Parent's direct operations abroad – interests in exploration licences

The Parent 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 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 Parent 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 Parent 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 Group:

The companies of the PGNiG Group have a number of foreign branches, which conduct operating activities or support the Group's development outside of Poland.

PGNiG SA – the Parent
Operating Branch in Pakistan – Islamabad
Branch in Egypt – Cairo
Branch in Denmark – Copenhagen

Geofizyka Kraków Sp. z o.o.
Operating Branch in Pakistan – Islamabad
Branch in Slovakia – Bratislava
Branch in the Czech Republic – Ostrava
Branch in Libya – Tripoli

Geofizyka Toruń Sp. z o.o.
Branch in Thailand – Bangkok
Branch in Egypt – Cairo
Branch in Syria – Damascus

Poszukiwania Nafty i Gazu Jasło S.A.
Branch in Libya – Tripoli
Branch in the Czech Republic – Ostrava

Poszukiwania Nafty i Gazu Kraków Sp. z o.o.
Branch in Pakistan – Karachi
Branch in Kazakhstan – Almaty
Branch in the Republic of Uganda

Poszukiwania Nafty i Gazu NAFTA Sp. z o.o.
Branch in India – Baroda
Branch in Egypt – Cairo

Zakład Robót Górniczych Krosno Sp. z o.o.
Branch in the Czech Republic – Ostrava

(PLN '000)

Polish Oil and Gas Company – Libya B.V.
Branch in Libya – Tripoli

38. EMPLOYMENT (NUMBER OF EMPLOYEES)

Employment as at end of period, by segments	Dec 31 2011	Dec 31 2010
Head Office of PGNiG SA*	838	840
Exploration and Production	12,054	11,592
Trade and Storage	4,129	4,107
including companies accounted for using the equity method	288	298
Distribution	13,865	13,881
Other	2,185	2,296
Total	**33,071**	**32,716**

* PGNiG SA's Head Office is disclosed separately as it provides services to all segments.

39. RESTRUCTURING PROCESS WITHIN THE GROUP

In 2011, the Programme for Employment Streamlining and Redundancy Payments to the Employees of the PGNiG Group for 2009–2011 (Stage 3) ("the Programme"), adopted by the Extraordinary General Meeting of PGNiG SA on December 11th 2008, continued in effect. The Programme is based on the "stand-by" principle, which means that it can be implemented 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 (which includes a consent to commence redundancy payments on such terms as specified in the Programme) 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 or Group member companies, save for the special cases described below.

The special case concerned entities which were listed in the terms of the Programme as entities entitled to implement the Programme, provided that a relevant resolution was adopted by their General Meeting, and whose poor financial situation rendered it impossible to cover all costs of employment streamlining required under the Programme without the financial aid provided under the Programme. Such entities, in accordance with the Programme's terms, may apply for benefits to be paid from PGNiG SA's capital reserve designated as Central Restructuring Fund ("CRF") (subject to approval by the General Meeting of PGNiG SA) to their former employees with whom an employment contract was terminated.

ZUN Naftomet Sp. z o.o. (currently PGNiG Technologie Sp. z o.o.'s Naftomet Branch of Krosno) took advantage of this possibility and applied for financial aid from the CRF in order to make one-off redundancy payments to its 35 former employees, totalling 1,774.1 thousand, in accordance with the Programme's terms. The request was approved by virtue of a resolution adopted by the Extraordinary General Meeting of PGNiG SA of February 24th 2011 and executed.

Based on a resolution adopted by the Extraordinary General Meeting of PGNiG SA on October 5th 2011, redundancy payments from the CRF will be paid out upon termination of employment contracts to 124 former employees of the following companies:

- ZUN Naftomet Sp. z o.o. (currently PGNiG Technologie Sp. z o.o.'s Naftomet Branch of Krosno) – payments to 25 employees, totalling PLN 1,144.7 thousand;

(PLN '000)

- BUG Gazobudowa Sp. z o.o. (currently PGNiG Technologie Sp. z o.o.'s Gazobudowa Branch of Zabrze) – payments to 99 employees, totalling PLN 5,235.9 thousand.

40. CAPITAL MANAGEMENT

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

The Group 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 Group, 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 the Parent.

	Dec 31 2011	Dec 31 2010
Loans and borrowings, finance lease liabilities and liabilities under debt securities in issue	4,998,977	2,199,101
Trade and other payables	3,432,510	3,453,293
Cash and cash equivalents (-)	(1,504,792)	(1,373,292)
Net debt	**6,926,695**	**4,279,102**
Equity (attributable to owners of the parent)	**24,489,851**	**23,506,046**
Equity and net debt	**31,416,546**	**27,785,148**
Leverage	22.0%	15.4%

41. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

1. Acquisition of shares in PGNiG Termika S.A. (formerly Vattenfall Heat Poland S.A.)

   On January 11th 2012, PGNiG SPV 1 Sp. z o. o., a subsidiary of PGNiG SA, acquired control of Vattenfall Heat Poland S.A. (currently PGNiG Termika S.A.), whose core business is high-efficiency cogeneration of heat and electricity. For the agreed price, PGNiG SPV 1 Sp. z o. o. acquired 99.84% of shares conferring the right to 99.84 of total vote in the company. Pursuant to the preliminary share purchase agreement, the purchase price was PLN 2,957,456 thousand. Under the final share purchase agreement, that price was increased by interest at the rate of 5% for the period of four months from the agreement execution date, and 6% as of the fifth month after the agreement execution date and ending on the date of acquistion of control over the company. The final purchase price was PLN 3,016,700 thousand.

   The acquisition of PGNiG Termika S.A. will enable the PGNiG Group to diversify its revenue sources, in line with the PGNiG Group's updated strategy whereby power generation is to become one of the Group's three key growth areas.

   With this transaction, the PGNiG Group has advanced on the path to becoming an energy conglomerate supplying heat, electricity and gas to its customers.

   As at the date of these financial statements, transaction costs incurred by PGNiG SPV 1 Sp. z o.o. in connection with the acquisition of PGNiG Termika S.A. totalled PLN 7,542 thousand, which comprised mainly costs of advisory services and a brokerage fee. The transaction costs will be charged to the PGNiG Group's profit or loss for the financial year ending December 31st 2012.

   As the acquisition took place after the end of the reporting period, the profit or loss of the acquiree has not been accounted for in the profit or loss of PGNiG SPV 1 Sp. z o. o. for the reporting period ended December 31st 2011.

   As at the date of these consolidated financial statements, the work on estimating the fair value of the acquired assets and assumed liabilities was under way. The process of accounting for the acquisition cost of PGNiG Termika S.A. had not been completed by the date of these financial statements, therefore no additional disclosures concerning these items have been presented herein.

2. Other events subsequent to the balance sheet date:

a. 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.

b. 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%.

c. On January 31st 2012, PGNiG SA reported on execution of three letters of intent regarding cooperation in the area of 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.

d. 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.

e. 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.

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.

f. 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.

g. 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.

h. 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.

i. 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.

j. 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.

k. 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.