



Polskie Górnictwo Naftowe
i Gazownictwo SA

**INTERIM CONDENSED SEPARATE
FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED
JUNE 30TH 2011**

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Members of the Management Board

President of the Management Board	Michał Szubski	_____
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Vice-President of the Management Board	Radosław Dudziński	_____
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Vice-President of the Management Board	Sławomir Hinc	_____
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Vice-President of the Management Board	Marek Karabula	_____
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Vice-President of the Management Board	Mirosław Szkaluba	_____
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Warsaw, August 26th 2011

FINANCIAL HIGHLIGHTS

for the period ended June 30th 2011

	PLN		EUR	
	Jan 1–Jun 30 2011	Jan 1–Jun 30 2010	Jan 1–Jun 30 2011	Jan 1–Jun 30 2010
I. Sales revenue	11,023,462	10,365,954	2,778,580	2,588,770
II. Operating profit/(loss)	626,767	704,127	157,983	175,847
III. Pre-tax profit/(loss)	1,321,874	1,083,070	333,192	270,483
IV. Net profit/(loss)	1,186,243	910,251	299,005	227,324
V. Comprehensive income	1,278,933	986,186	322,369	246,288
VI. Net cash provided by/used in operating activities	1,135,076	1,718,053	286,108	429,063
VII. Net cash provided by/used in investing activities	(1,296,953)	(917,582)	(326,911)	(229,155)
VIII. Net cash provided by/used in financing activities	(94,328)	(331,943)	(23,776)	(82,899)
IX. Total net cash flow	(256,205)	468,528	(64,579)	117,009
X. Earnings/(loss) and diluted earnings/(loss) per ordinary share (PLN / EUR)	0.20	0.15	0.05	0.04
	As at Jun 30 2011	As at Dec 31 2010	As at Jun 30 2011	As at Dec 31 2010
XI. Total assets	25,779,232	25,550,931	6,466,471	6,451,767
XII. Liabilities and provisions for liabilities	6,544,587	6,887,218	1,641,646	1,739,064
XIII. Non-current liabilities	1,867,300	1,758,351	468,394	443,994
XIV. Current liabilities	4,677,287	5,128,867	1,173,252	1,295,070
XV. Equity	19,234,645	18,663,713	4,824,824	4,712,702
XVI. Share capital	5,900,000	5,900,000	1,479,958	1,489,786
XVII. Weighted average number of shares ('000)	5,900,000	5,900,000	5,900,000	5,900,000
XVIII. Book value per share and diluted book value per share (PLN / EUR)	3.26	3.16	0.82	0.80
XIX. Dividend per share declared or paid (PLN / EUR)	0.12	0.08	0.03	0.02

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

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

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

	Jun 30 2011	Dec 31 2010	Jun 30 2010
Average exchange rate for the period	3.9673	4.0044	4.0042
Exchange rate at the end of the period	3.9866	3.9603	4.1458

INCOME STATEMENT

for the period ended June 30th 2011

	Note	Jan 1–Jun 30 2011	Jan 1–Jun 30 2010
		unaudited	unaudited
Sales revenue	3	11,023,462	10,365,954
Raw and other materials used	4	(6,625,656)	(5,734,614)
Employee benefits	4	(457,184)	(435,657)
Depreciation and amortisation		(279,160)	(288,287)
Contracted services	4	(3,027,843)	(2,941,605)
Cost of products and services for own needs		5,760	4,973
Net other operating expenses	4	(12,612)	(266,637)
Total operating expenses		(10,396,695)	(9,661,827)
Operating profit/(loss)		626,767	704,127
Finance income	5	734,724	497,950
Finance expenses	5	(39,617)	(119,007)
Pre-tax profit/(loss)		1,321,874	1,083,070
Income tax	6	(135,631)	(172,819)
Net profit/(loss)		1,186,243	910,251
Earnings/loss and diluted earnings/loss per share attributable to holders of ordinary shares		0.20	0.15

STATEMENT OF COMPREHENSIVE INCOME

for the period ended June 30th 2011

	Note	Jan 1–Jun 30 2011	Jan 1–Jun 30 2010
		unaudited	unaudited
Net profit/(loss)		1,186,243	910,251
Currency translation differences on foreign operations		(2,147)	7,630
Valuation of hedging instruments		169,803	87,887
Valuation of financial instruments		(52,720)	(3,560)
Deferred tax related to other comprehensive income		(22,246)	(16,022)
Other		-	-
Other comprehensive income, net		92,690	75,935
Total comprehensive income		1,278,933	986,186

STATEMENT OF FINANCIAL POSITION
as at June 30th 2011

	Note	Jun 30 2011	Dec 31 2010
		unaudited	unaudited
ASSETS			
Non-current assets			
Property, plant and equipment	8	11,714,786	10,940,921
Investment property		3,116	3,441
Intangible assets		88,331	81,941
Financial assets available for sale	9	6,290,426	6,408,689
Other financial assets	10	2,211,430	2,260,801
Deferred tax assets		289,152	291,447
Other non-current assets		56,559	51,557
Total non-current assets		20,653,800	20,038,797
Current assets			
Inventories	11	1,327,183	879,349
Trade and other receivables	12	3,097,837	3,968,880
Current income tax receivable		-	-
Prepayments and accrued income		71,802	18,803
Financial assets available for sale		1,212	-
Derivative financial instrument assets		316,217	77,635
Cash and cash equivalents		309,649	565,854
Non-current assets held for sale		1,532	1,613
Total current assets		5,125,432	5,512,134
Total assets		25,779,232	25,550,931
EQUITY AND LIABILITIES			
Equity			
Share capital		5,900,000	5,900,000
Currency translation differences on foreign operations		(2,896)	(748)
Share premium account		1,740,093	1,740,093
Other capital reserves		10,338,733	9,245,707
Retained earnings/(deficit)		1,258,715	1,778,661
Total equity		19,234,645	18,663,713
Non-current liabilities			
Loans, borrowings and debt securities	13	25	279
Provisions	14	1,236,181	1,175,485
Deferred income		124,651	76,193
Deferred tax liabilities		490,004	491,539
Other non-current liabilities		16,439	14,855
Total non-current liabilities		1,867,300	1,758,351
Current liabilities			
Trade and other payables	15	2,538,155	2,921,635
Loans, borrowings and debt securities	13	1,147,787	1,218,692
Derivative financial instrument liabilities		162,237	104,443
Current tax liabilities		43,503	135,705
Provisions	14	154,414	156,263
Deferred income		631,191	592,129
Total current liabilities		4,677,287	5,128,867
Total liabilities		6,544,587	6,887,218
Total equity and liabilities		25,779,232	25,550,931

STATEMENT OF CASH FLOWS
for the period ended June 30th 2011

Note	Jan 1–Jun 30 2011 unaudited	Jan 1–Jun 30 2010 unaudited
Cash flows from operating activities		
Net profit/(loss)	1,186,243	910,251
Adjustments:		
Depreciation and amortisation	279,160	288,287
Net foreign exchange gains/losses	(24,750)	(114,175)
Net interest and dividend	(73,999)	(87,226)
Gain/(loss) from investing activities	(52,477)	56,248
Current income tax	135,631	172,819
Income tax paid	(249,318)	61,720
Other items, net	107,502	144,931
Net cash provided by/(used in) operating activities before changes in working capital	1,307,992	1,432,855
Change in working capital:		
Change in receivables, net	1,051,318	907,073
Change in inventories	(447,834)	(109,956)
Change in provisions	11,815	(4,503)
Change in current liabilities	(771,029)	(469,711)
Change in prepayments	(61,887)	(48,243)
Change in deferred income	44,701	10,538
Net cash provided by/(used in) operating activities	1,135,076	1,718,053
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	11,092	3,961
Sale of shares in related undertakings	-	-
Sale of shares in other undertakings	153,339	254
Sale of short-term securities	524	1,475
Acquisition of property, plant and equipment and intangible assets	(1,443,947)	(743,645)
Acquisition of shares in related undertakings	(14,239)	(64,817)
Acquisition of short-term securities	-	-
Decrease in loans advanced	89,345	138,796
Increase in loans advanced	(164,030)	(230,233)
Inflows from forward and futures contracts	22,327	50,814
Outflows on forward and futures contracts	-	(98,971)
Interest received	6,427	17,348
Dividends received	1,264	71
Proceeds from finance lease	1,228	10,030
Other items, net	39,717	(2,665)
Net cash provided by/(used in) investing activities	(1,296,953)	(917,582)
Cash flows from financing activities		
Net proceeds from issue of shares, other equity instruments and additional contributions to equity	-	-
Increase in loans and borrowings	-	1,600,000
Issue of debt securities	1,145,438	-
Repayment of loans and borrowings	-	(1,900,896)
Redemption of debt securities	(1,210,229)	-
Decrease in finance lease liabilities	(1,400)	(1,764)
Inflows from forward and futures contracts		
Outflows on forward and futures contracts		
Dividends paid		
Interest paid	(26,239)	(25,622)
Other items, net	(1,898)	(3,661)
Net cash provided by/(used in) financing activities	(94,328)	(331,943)
Net change in cash	(256,205)	468,528
Net foreign exchange gains/(losses)	-	-
Cash and cash equivalents at beginning of period	565,854	425,243
Cash and cash equivalents at end of period	309,649	893,771

STATEMENT OF CHANGES IN EQUITY
for the period ended June 30th 2011

	Equity				
	Share capital	Currency translation differences on foreign operations	Share premium account	Other capital reserves	Retained earnings/(deficit)
	(PLN '000)				
As at Jan 1 2011 (audited)	5,900,000	(749)	1,740,093	9,245,707	1,778,661
Transfers	-	-	-	998,189	(998,189)
Payment of dividend to owners	-	-	-	-	(708,000)
Net profit/loss for H1 2011	-	-	-	-	1,186,243
Other comprehensive income, net, for H1 2011	-	(2,147)	-	94,837	-
As at Jun 30 2011 (unaudited)	5,900,000	(2,896)	1,740,093	10,338,733	1,258,715
As at Jan 1 2010 (audited)	5,900,000	(2,948)	1,740,093	8,983,115	719,444
Transfers	-	-	-	170,904	(170,904)
Payment of dividend to owners	-	-	-	-	(472,000)
Net profit/loss for H1 2010	-	-	-	-	910,251
Other comprehensive income, net, for H1 2010	-	7,630	-	68,305	-
As at Jun 30 2010 (unaudited)	5,900,000	4,682	1,740,093	9,222,324	986,791

PGNiG S.A. FINANCIAL STATEMENTS – ADDITIONAL INFORMATION

As at June 30th 2011

1. GENERAL INFORMATION

1.1. Company name, core business and key registry data

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

On October 30th 1996, the Company was entered in the commercial register maintained by the District Court for the Capital City of Warsaw, 16th Commercial Division, under No. RHB 48382. On November 14th 2001, by virtue of the decision of the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register, PGNiG S.A. was entered into the Register of Entrepreneurs of the National Court Register under No. KRS 0000059492.

The Company's Industry Identification Number REGON is 012216736 and its Tax Identification Number NIP is 525-000-80-28.

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

Pursuant to the Articles of Association of PGNiG S.A. , the Company performs activities aimed at ensuring energy security of Poland. These relate in particular to the following:

- 1) ensuring continuity of gas supplies to consumers and maintaining necessary reserves,
- 2) ensuring safe operation of gas networks,
- 3) ensuring gaseous fuels balance, managing operations and capacity of power equipment connected to the common gas distribution network,
- 4) gas production.

Pursuant to its Articles of Association, the Company engages in production, service and trade activities in the following areas:

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

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

1.2. Duration of the Company

The duration of the Company is unspecified.

1.3. Period covered by these financial statements

These condensed interim separate financial statements present data as at June 30th 2011 and for the period from January 1st 2011 to June 30th 2011, as well as the comparative data for the corresponding periods of 2010.

1.4. Statement whether these financial statements contain aggregated data

PGNiG S.A. has a number of branches. As at June 30th 2011, PGNiG S.A. 's corporate structure comprised the Head Office based in Warsaw and the following branches:

- Lower Silesian Gas Trading Division in Wrocław and its gas sales units,
 - Upper Silesian Gas Trading Division in Zabrze and its gas sales units,
 - Carpathian Gas Trading Division in Tarnów and its gas sales units',
 - Mazovian Gas Trading Division in Warsaw and its gas sales units,
 - Pomeranian Gas Trading Division in Gdańsk and its gas sales units,
 - Greater Poland Gas Trading Division in Poznań and its gas sales units,
 - Odolanów Branch;
 - Sanok Branch;
 - Zielona Góra Branch;
 - Storage System Operator in Warsaw,
 - Central Measurement and Testing Laboratory in Warsaw;
 - Well Mining Rescue Station in Kraków,
- as well as the following foreign branches:
- Operator Branch in Pakistan;
 - Egypt Branch;
 - Denmark Branch.

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

PGNiG S.A., as the Parent Undertaking, also prepares consolidated financial statements containing the data of 26 subsidiary undertakings (including two groups and four indirect subsidiaries), one associated undertaking and one jointly-controlled undertaking.

1.5. Composition of the Management Board of PGNiG S.A.

For changes in the composition of the management and supervisory bodies, see the Interim Consolidated Financial Statements.

1.6. Shareholder structure of PGNiG S.A.

As at the date of release of these financial statements for H1 2011, the only shareholder holding 5% or more of the total vote at the General Shareholders Meeting of PGNiG S.A. was the State Treasury.

PGNiG S.A. 's shareholder structure is as follows:

Entity	Registered office	Number of shares	% of share capital held	% of votes held
<i>As at Jun 30 2011</i>				
State Treasury	Warsaw	4,272,416,557	72.41%	72.41%
Other	-	1,627,583,443	27.59%	27.59%
Total	-	5,900,000,000	100.00%	100.00%
<i>As at Dec 31 2010</i>				
State Treasury	Warsaw	4,273,650,532	72.43%	72.43%
Other	-	1,626,349,468	27.57%	27.57%
Total	-	5,900,000,000	100.00%	100.00%

1.7. Going-concern assumption

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

1.8. Mergers of commercial-law companies

In H1 2011, PGNiG S.A. did not merge with any other commercial-law companies.

1.9. Comparability of financial data for previous period with financial statements for current period

The aggregate financial statements of PGNiG S.A. for the current and comparable reporting periods were prepared using the same accounting policies.

1.10. Corrections resulting from qualifications contained in opinions of entities qualified to audit financial statements for years for which financial statements and comparable financial data are presented

The H1 2010 financial statements were reviewed, while the 2010 financial statements were audited by Deloitte Audyt Sp. z o.o. The auditor's opinion and report were unqualified. Consequently, no corrections which would result from such qualifications were made in the H1 2010 and 2010 financial statements.

1.11. Approval of the financial statements

These financial statements were submitted to the Management Board of PGNiG S.A. to be approved for publication on August 31st 2011.

2. APPLIED ACCOUNTING POLICIES

2.1. Basis of preparation

These financial statements were prepared in accordance with the historical cost convention, with the exception of financial assets available for sale and financial derivatives measured at fair value.

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

2.1.1. Compliance statement

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union ("EU") as at June 30th 2011.

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

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

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

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

The effect of new standards and interpretations on the financial statements is presented in the Interim Consolidated Financial Statements .

2.2. Presentation changes in the financial statements

In the financial statements for H1 2011, the Company has not introduced any changes in the comparative financial data relative to the data disclosed in the previously prepared and published financial statements.

2.3. Accounting policies

The accounting policies adopted in the preparation of these Interim Separate Financial Statements are consistent with the policies described in the Interim Consolidated Financial Statements of the PGNiG Group, prepared in accordance with the IFRS, for the six months ended June 30th 2011 (see Note 2.3. of the Interim Consolidated Financial Statements of the Group).

3. SALES REVENUE

The Company's business activity focuses on domestic sales (Poland). In H1 2011, revenue from export sales of products, goods for resale and materials to external customers accounted for 1.97% (2.03% in H1 2010) of total net revenue from sales of products, goods for resale and materials to external customers. The Company carries out exports sales mainly to Germany, Belgium and Switzerland.

	Jan 1–Jun 30 2011	Jan 1–Jun 30 2010
Domestic sales	10,806,503	10,155,590
Gas	10,342,273	9,839,034
Crude Oil	311,219	210,888
Helium	9,028	6,179
Propane-butane gas	24,477	22,573
Natural gasoline	1,716	1,877
LNG	15,056	13,832
Gas storage services	15,253	16,122
Geophysical and geological services	32,596	557
Hotel services	1,610	2,457
Other services	46,441	34,215
Other products	3,020	3,099
Materials and goods for resale	3,814	4,757
Export sales	216,959	210,364
Gas	33,048	29,387
Crude Oil	161,126	163,229
Helium	17,329	15,276
Geophysical and geological services	1,873	194
Other products and services	3,583	2,278
Total	11,023,462	10,365,954

A majority of the Company's non-current assets (other than financial instruments) are also located in Poland. As at June 30th 2011, the value of non-current assets located abroad accounted for 0.44% (0.37% as at December 31st 2010) of total non-current assets.

	Jun 30 2011	Dec 31 2010
Value of non-current assets other than financial instruments located in Poland	12,097,930	11,326,801
Non-current assets other than financial instruments located abroad	54,014	42,506
Total	12,151,944	11,369,307

3.1. Key customers

PGNiG S.A. does not have any single external customer who would account for 10% or more of its total revenue.

4. OPERATING EXPENSES

4.1. Raw and other materials used

	Jan 1–Jun 30 2011	Jan 1–Jun 30 2010
Cost of gas sold	(6,561,965)	(5,667,824)
Other raw and other materials used	(63,691)	(66,790)
Total	(6,625,656)	(5,734,614)

4.2. Employee benefits

	Jan 1–Jun 30 2011	Jan 1–Jun 30 2010
Salaries and wages	(325,884)	(305,719)
Social security and other benefits	(131,300)	(129,938)
Total	(457,184)	(435,657)

4.3. Contracted services

	Jan 1–Jun 30 2011	Jan 1–Jun 30 2010
Purchases of transmission and distribution services	(2,519,598)	(2,549,675)
Other contracted services	(508,245)	(391,930)
Total	(3,027,843)	(2,941,605)

4.4. Net other operating expenses

	Jan 1–Jun 30 2011	Jan 1–Jun 30 2010
Change in provisions, net	(841)	5,887
Change in impairment losses, net	16,261	(163,230)
Taxes and charges	(114,159)	(110,408)
Interest related to operating activities	36,904	40,524
Net foreign exchange gains/(losses) related to operating activities	(1,926)	(5,580)
Net gain/(loss) on valuation and settlement of hedging transactions related to operating activities	(17,741)	(47,089)
Cost of goods for resale and materials sold	(3,469)	(6,269)
Income from current settlement of deferred income recognised in the statement of financial position	703	701
Net gains/(losses) on disposal of non-financial non-current assets	4,185	(9,913)
Difference on valuation of assets distributed as dividend	-	-
Change in prepayments and inventories	46,124	42,307
Income from compensations, penalties	49,010	5,760
Cost of compensations, penalties	(986)	(387)
Property insurance	(9,460)	(3,112)
Other expenses, net	(17,217)	(15,828)
Total	(12,612)	(266,637)

5. FINANCE INCOME AND EXPENSES

	Jan 1–Jun 30 2011	Jan 1–Jun 30 2010
Finance income	734,724	497,950
Gain on valuation and settlement of forwards and futures	22,327	-
Interest income	74,138	87,211
Foreign exchange gains	25,654	114,447
Investment revaluation	1,931	1,650
Gain on disposal of investments	73,064	1,639
Dividends and other profit distributions	534,908	292,804
Other finance income	2,702	199
Finance expenses	(39,617)	(119,007)
Loss on valuation and settlement of forwards and futures	(34,768)	(108,414)
Interest expenses	(222)	(2,917)
Foreign exchange losses	-	-
Investment revaluation	(258)	(3,390)
Commissions on loans	(2)	(51)
Other finance expenses	(4,367)	(4,235)
Net finance income/expense	695,107	378,943

6. CORPORATE INCOME TAX

	Note	Jan 1–Jun 30 2011	Jan 1–Jun 30 2010
Pre-tax profit/loss		1,321,874	1,083,070
Tax rate applicable in the period		19%	19%
Tax calculated at the applicable tax rate		(251,155)	(205,783)
Permanent differences between pre-tax profit/loss and tax base		115,524	32,964
Corporate income tax disclosed in the income statement		(135,631)	(172,819)
Current income tax	6.1.	(157,116)	(217,596)
Deferred income tax	6.2.	21,485	44,777
Effective tax rate		10%	16%

6.1. Current income tax

	Jan 1–Jun 30 2011	Jan 1–Jun 30 2010
Pre-tax profit/loss	1,321,874	1,083,070
Differences between pre-tax profit/loss and tax base	(494,945)	56,816
Revenue not included in taxable income	(180,860)	90,559
Non-tax deductible expenses	527,316	724,060
Taxable revenue not recognised as revenue for accounting purposes	65,122	51,711
Tax deductible expenses, not recognised as expenses for accounting purposes	(905,491)	(809,514)
Deductions from income	(1,032)	-
Income tax base	826,929	1,139,886
Tax rate applicable in period	19%	19%
Corporate income tax	(157,116)	(216,578)
Increases, reliefs, exemptions, allowances and reductions in/of corporate income tax	-	(1,018)
Current income tax disclosed in tax return for period	(157,116)	(217,596)
Current income tax disclosed in the income statement	(157,116)	(217,596)

6.2. Deferred income tax

	Jan 1–Jun 30 2011	Jan 1–Jun 30 2010
Origination and reversal of deferred tax due to deductible temporary differences	(2,295)	28,322
Provisions for future liabilities	50	(2,667)
Impairment losses on financial assets, receivables and tangible assets under construction	(2,395)	4,745
Costs of FX risk, interest rate risk and commodity price risk hedges	1,299	25,530
Foreign exchange losses	-	-
Costs related to sales taxable in subsequent month	-	-
Tax loss for current period	-	-
Other	(1,249)	714
Origination and reversal of deferred tax due to taxable temporary differences	23,780	16,455
Difference between tax and accounting value of non-current assets	16,426	17,348
Finance lease income	(119)	990
Gain on valuation of FX risk, interest rate risk and commodity price risk hedges	(5,608)	(13,705)
Foreign exchange gains	-	-
Accrued interest	(4,525)	4,714
Income related to tax obligation arising in subsequent month	17,606	7,108
Other	-	-
Deferred income tax disclosed in the income statement	21,485	44,777

* Excluding the change in deferred income tax posted directly under equity (PLN (22,246) thousand) related to the valuation of financial instruments (PLN (16,022) thousand in H1 2010).

The current reporting period covered the tax period from January 1st 2011 to June 30th 2011. A 19% corporate income tax rate was applicable in the first half of 2011 to businesses operating in Poland. In the first half of 2010, the CIT rate was also 19%.

Regulations concerning value added tax, corporate and personal income tax, as well as 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 are often 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 authorised 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 better developed. In Poland, there are no formal procedures for determination of the final amount of tax due. Tax settlements may be inspected for a period of five years. Therefore, the amounts disclosed in financial statements may change at a later date, following their final determination by competent tax authorities.

The Company's foreign branches are subject to the tax regulations in force in the countries where they conduct their business activities and the provisions of double tax treaties. In the case of the foreign branches, tax rates effective in H1 2011 and H1 2010 ranged from 25% to 41% of tax base. The foreign branches did not pay corporate income tax in H1 2011 and H1 2010.

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

7. DIVIDEND PAID AND PROPOSED TO BE PAID

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

The record date in respect of the 2010 dividend was set for July 20th 2011 and the payment date – for October 6th 2011. The dividend for 2009 was paid on October 4th 2010.

8. PROPERTY, PLANT AND EQUIPMENT

	Jun 30 2011	Dec 31 2010
Land	23,513	23,597
Buildings and structures	5,027,818	5,171,059
Plant and equipment	1,301,608	1,354,023
Vehicles and other	79,833	85,226
Total tangible assets	6,432,772	6,633,905
Tangible assets under construction	5,282,014	4,307,016
Total property, plant and equipment	11,714,786	10,940,921

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

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

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

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

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

8.1 TANGIBLE ASSETS

Jun 30 2011

As at Jan 1 2011, net of accumulated depreciation and impairment losses

Increase

Decrease

Transfers from tangible assets under construction and between groups

Impairment losses

Depreciation for financial year

As at Jun 30 2011, net of accumulated depreciation and impairment losses

As at Jan 1 2011

Gross value

Accumulated depreciation and impairment loss

Net book value as at Jan 1 2011

As at Jun 30 2011

Gross value

Accumulated depreciation and impairment losses

Net book value as at Jun 30 2011

	Land	Buildings and structures	Plant and equipment	Vehicles and other	Total
As at Jan 1 2011, net of accumulated depreciation and impairment losses	23,597	5,171,059	1,354,023	85,226	6,633,905
Increase	6	75,753	517	755	77,031
Decrease	(118)	(53,650)	(2,136)	(647)	(56,551)
Transfers from tangible assets under construction and between groups	(1)	27,310	32,455	6,540	66,304
Impairment losses	29	(8,943)	(6,754)	(1,335)	(17,003)
Depreciation for financial year	-	(183,711)	(76,497)	(10,706)	(270,914)
As at Jun 30 2011, net of accumulated depreciation and impairment losses	23,513	5,027,818	1,301,608	79,833	6,432,772
As at Jan 1 2011					
Gross value	25,781	8,380,885	2,413,776	184,210	11,004,652
Accumulated depreciation and impairment loss	(2,184)	(3,209,826)	(1,059,753)	(98,984)	(4,370,747)
Net book value as at Jan 1 2011	23,597	5,171,059	1,354,023	85,226	6,633,905
As at Jun 30 2011					
Gross value	25,669	8,422,318	2,438,756	185,554	11,072,297
Accumulated depreciation and impairment losses	(2,156)	(3,394,500)	(1,137,148)	(105,721)	(4,639,525)
Net book value as at Jun 30 2011	23,513	5,027,818	1,301,608	79,833	6,432,772

Dec 31 2010	Land	Buildings and structures	Plant and equipment	Vehicles and other	Total
As at Jan 1 2010, net of accumulated depreciation and impairment losses	22,000	5,071,837	1,293,321	97,412	6,484,570
Increase	360	152,832	539	6	153,737
Decrease	(338)	(103,853)	(10,489)	(1,710)	(116,390)
Transfers from tangible assets under construction and between groups	1,422	530,628	228,992	12,116	773,158
Impairment losses	153	(73,687)	(12,622)	(256)	(86,412)
Depreciation for financial year	-	(406,698)	(145,718)	(22,342)	(574,758)
As at Dec 31 2010, net of accumulated depreciation and impairment losses	23,597	5,171,059	1,354,023	85,226	6,633,905
As at Jan 1 2010					
Gross value	24,337	7,857,297	2,216,519	177,650	10,275,803
Accumulated depreciation and impairment losses	(2,337)	(2,785,460)	(923,198)	(80,238)	(3,791,233)
Net book value as at Jan 1 2010	22,000	5,071,837	1,293,321	97,412	6,484,570
As at Dec 31 2010					
Gross value	25,781	8,380,885	2,413,776	184,210	11,004,652
Accumulated depreciation and impairment losses	(2,184)	(3,209,826)	(1,059,753)	(98,984)	(4,370,747)
Net book value as at Dec 31 2010	23,597	5,171,059	1,354,023	85,226	6,633,905

8.2. Impairment losses on property, plant and equipment

	Land	Buildings and structures	Plant and equipment	Vehicles and other	Total tangible assets	Tangible assets under construction	Total property, plant and equipment
As at Jan 1 2011	2,185	523,104	100,423	6,108	631,820	447,951	1,079,771
Increase	-	13,404	7,544	1,402	22,350	3,367	25,717
Decrease	(29)	(4,461)	(790)	(67)	(5,347)	-	(5,347)
As at Jun 30 2011	2,156	532,047	107,177	7,443	648,823	451,318	1,100,141
As at Jan 1 2010	2,338	449,417	87,801	5,852	545,408	337,276	882,684
Increase	-	84,652	15,936	479	101,067	110,675	211,742
Decrease	(153)	(10,965)	(3,314)	(223)	(14,655)	-	(14,655)
As at Dec 31 2010	2,185	523,104	100,423	6,108	631,820	447,951	1,079,771

As at the beginning of the period, impairment loss on tangible assets amounted to PLN 631,820 thousand, including:

- PLN 430,626 thousand on assets used directly in production,
- PLN 38,418 thousand on underground gas storage facilities,
- PLN 162,776 thousand on other tangible assets.

New impairment losses recognised in the reporting period amounted to PLN 22,350 thousand (of which PLN 10,228 thousand related to assets used directly in hydrocarbon production). Impairment losses of PLN (5,347) thousand were reversed in the reporting period.

The changes related to assets used directly in production were connected with revision of the earlier assumptions, review of the impairment evidence or disposal of assets.

As at the end of the period, impairment losses on tangible assets amounted to PLN 648,823 thousand, including:

- PLN 440,854 thousand on assets used directly in production,
- PLN 38,248 thousand on underground gas storage facilities,
- PLN 169,721 thousand on other tangible assets.

Out of the amount of impairment losses on tangible assets under construction as at the end of H1 2011, PLN 422,562 thousand related to capitalised cost of drilling work (as at the end of 2010, the impairment loss was PLN 425,464 thousand).

9. NON-CURRENT FINANCIAL ASSETS AVAILABLE FOR SALE

	Jun 30 2011	Dec 31 2010
Unlisted shares (gross value)	7,825,341	7,811,102
Listed shares available for sale (gross value)	-	78,000
Other financial assets available for sale (gross value)	125,241	142,541
Total, gross	7,950,582	8,031,643
Unlisted shares (net value)*	6,218,062	6,203,823
Listed shares available for sale (net value)*/**	-	130,720
Other financial assets available for sale (net value)*	72,364	74,146
Total, net	6,290,426	6,408,689

* Net of impairment loss.

** Marking to market included.

“Other financial assets available for sale” include financial assets available 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 potential sale was not known.

Following the sale of 4,000,001 shares in Zakłady Azotowe w Tarnowie-Mościcach S.A. on April 15th 2011, the item “Listed shares available for sale (gross value)” decreased by PLN 78,000 thousand, which is the acquisition cost of the shares in Zakłady Azotowe w Tarnowie-Mościcach S.A. (ZAT). In H1 2011, the result on valuation of the ZAT shares (a gain of PLN 64,200 thousand), previously disclosed under revaluation capital reserve, was charged to the income statement.

Under “Other financial assets available for sale”, the Company discloses, among other items, shares in POGC Libya BV. As at June 30th 2011, the Company's equity interest in POGC Libya BV was EUR 65,520 thousand (PLN 261,202 thousand, translated at the exchange rate quoted by the National Bank of Poland for June 30th 2011). As at June 30th 2011, the value of the interest as disclosed in the Company's books was PLN 291,922 thousand.

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

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

Considering the above, as at June 30th 2011 the Company did not recognise an impairment loss on the POGC Libya BV shares.

10. OTHER FINANCIAL ASSETS

	Jun 30 2011	Dec 31 2010
Finance lease receivables (Note 10.1.)	-	30,538
Loans advanced	2,209,341	2,230,126
Amounts receivable for sale of tangible assets	7,549	6,673
Other non-current investments	15	17
Other	25	47
Total, gross	2,216,930	2,267,401
Impairment loss	(5,500)	(6,600)
Total, net	2,211,430	2,260,801

10.1. 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 S.A. 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 S.A. The leased assets include real estate, movables, and property rights. The agreement was concluded for a period of 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 S.A. 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 agreed to be provided on October 6th 2011. Moreover, PGNiG S.A. and OGP GAZ-SYSTEM S.A. agreed to terminate the Operating Lease Agreement by mutual consent on October 7th 2011.

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 is recognised as a finance lease, in accordance with IAS 17. Lease payments comprise interest and principal. The interest portion is determined on the basis of 3M WIBOR effective in the month preceding the month for which the lease payment is charged, plus a margin.

Proceeds from the transmission system lease:

	Jun 30 2011	Jun 30 2010
Interest payment	1,093	9,325
Principal payment	1,228	10,030
Total	2,321	19,355

11. INVENTORIES

	Jun 30 2011	Dec 31 2010
Materials	1,319,789	871,865
at cost, including:	1,323,348	875,096
- gaseous fuel	1,172,837	753,078
at net realisable value, including:	1,319,789	871,865
- gaseous fuel	1,172,837	753,078
Semi-finished products and work in progress	-	-
at cost	-	-
at net realisable value	-	-
Finished products	6,763	7,064
at cost	6,763	7,064
at net realisable value	6,763	7,064
Goods for sale	631	420
at cost	631	420
at net realisable value	631	420
Total inventories, at the lower of cost and net realisable value	1,327,183	879,349

11.1. Change in inventories in period

	Jan 1–Jun 30 2011	Jan 1–Jun 30 2010
Inventories at cost, at beginning of period	882,581	1,114,300
Purchase	7,966,195	6,804,287
Other increases	2,127	19,295
Inventories charged to expenses of period	(7,398,289)	(6,412,881)
Sale	(3,701)	(3,754)
Other decreases	(118,171)	(297,635)
Inventories at cost, at end of period	1,330,742	1,223,612

12. TRADE AND OTHER RECEIVABLES

	Jun 30 2011	Dec 31 2010
Trade receivables from other undertakings	2,718,334	4,278,847
Trade receivables from related undertakings	30,487	106,005
VAT receivable	194,278	297,765
Taxes, customs duty and social security receivable	3,815	4,553
Due and payable portion of loans advanced	317,004	136,989
Finance lease receivables	33,084	2,335
Dividend receivable	533,644	-
Other receivables from related undertakings	86,543	87,271
Other receivables	65,843	73,345
Total gross receivables	3,983,032	4,987,110
Impairment loss on doubtful receivables (Note 12.1.)	(885,195)	(1,018,230)
Total net receivables	3,097,837	3,968,880
including:		
Trade receivables from other undertakings	2,005,093	3,449,940
Trade receivables from related undertakings	25,207	59,429
VAT receivable	194,278	297,764
Taxes, customs duty and social security receivable	3,815	4,553
Due and payable portion of loans advanced	292,833	112,967
Finance lease receivables	33,084	2,335
Dividend receivable	533,644	-
Other receivables from related undertakings	843	1,571
Other receivables	9,040	40,321

The standard payment deadline applied by the Company with respect to receivables arising in the ordinary course of sales is 14 days.

12.1. Impairment losses on receivables

	Jun 30 2011	Dec 31 2010
Impairment losses at beginning of period	(1,018,230)	(1,025,423)
Increase in impairment loss	(14,216)	(90,862)
Reversal of impairment loss	84,017	80,538
Use of impairment loss	64,334	19,717
Transfers between current and non-current portions	(1,100)	(2,200)
Impairment losses at end of period	(885,195)	(1,018,230)

13. BANK LOANS, BORROWINGS AND DEBT SECURITIES

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

	Currency	Jun 30 2011	Dec 31 2010	Effective interest rate (%)	Maturity date	Jun 30 2011	Dec 31 2010	Security
Current	Amount in original currency			Amount in PLN				
Finance lease	PLN	371	941	10.00%	Mar 25 2012	371	941	
Finance lease	PLN	209	450	10.00%	Nov 20 2011	209	450	
Finance lease	PLN	10	240	2.77%	Jul 21 2011	10	240	
Finance lease	PLN	539	619	0.83%	May 30 2012	539	619	
Finance lease	PLN	23	51	0.83%	Nov 30 2011	23	51	
Finance lease	PLN	45	43	1M Wibor 3.75%	Dec 4 2012	45	43	
Notes	PLN	-	19,947	1M Wibor + 0.95	Jan 21 2011	-	19,947	
Notes	PLN	-	39,976	1M Wibor + 1	Jan 5 2011	-	39,976	
Notes	PLN	-	19,947	1M Wibor + 0.95	Jan 21 2011	-	19,947	
Notes	PLN	-	39,970	1M Wibor+0.99	Jan 6 2011	-	39,970	
Notes	PLN	-	597,884	1M Wibor+1.15	Jan 26 2011	-	597,884	
Notes	PLN	-	498,624	1M Wibor+1.15	Jan 21 2011	-	498,624	
Notes	PLN	498,036	-	1M Wibor+1.15	Jul 25th 2011	498,036	-	
Notes	PLN	26,934	-	1M Wibor+0.39	Jul 18th 2011	26,934	-	
Notes	PLN	49,809	-	1M Wibor+0.40	Jul 28th 2011	49,809	-	
Notes	PLN	69,808	-	1M Wibor+0.40	Jul 20th 2011	69,808	-	
Notes	PLN	49,877	-	1M Wibor+0.40	Jul 18th 2011	49,877	-	
Notes	PLN	79,781	-	1M Wibor+0.40	Jul 20th 2011	79,781	-	
Notes	PLN	109,767	-	av. 2W/1M Wibor	Jul 15th 2011	109,767	-	
Notes	PLN	20,976	-	2W Wibor+0.60	Jul 8th 2011	20,976	-	
Notes	PLN	99,788	-	av. 2W/1M Wibor	Jul 15th 2011	99,788	-	
Notes	PLN	81,953	-	1M Wibor+0.39	Jul 22nd 2011	81,953	-	
Notes	PLN	24,925	-	1M Wibor+0.40	Jul 22nd 2011	24,925	-	
Notes	PLN	34,936	-	av. 2W/1M Wibor	Jul 13th 2011	34,936	-	
Total current						1,147,787	1,218,692	

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

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

Bank	Jun 30 2011		Dec 31 2010	
	Credit facilities granted	Undrawn amounts	Credit facilities granted	Undrawn amounts
Pekao S.A.	40,000	40,000	40,000	40,000
PKO BP S.A.	40,000	40,000	40,000	40,000
Bank Handlowy S.A.	40,000	40,000	40,000	40,000
Societe Generale	40,000	40,000	40,000	40,000
Millennium S.A.	40,000	1,155	40,000	40,000
BRE BANK S.A.	40,000	38,469	40,000	40,000
ING Bank Śląski	40,000	40,000	40,000	40,000
Total	280,000	239,624	280,000	280,000

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

13.2. Maturity of finance lease liabilities (recognised under liabilities)

	Jun 30 2011		
	(Discounted) payments disclosed in the statement of financial position	Interest	Lease payments due
Maturing in:			
up to 1 year	1,197	35	1,232
from 1 to 5 years	25	3	28
over 5 years	-	-	-
Total	1,222	38	1,260

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

14. PROVISIONS

	Provision for length-of-service awards and retirement severance payments	Provision for well decommissioning costs	Provision for environmental protection liabilities	Central Restructuring Fund	Provision for claims under extra-contractual use of land	Other	Total
As at Jan 1 2011	114,245	1,049,996	58,734	21,292	50,685	36,796	1,331,748
Increase	7,412	51,903	-	5,000	5,921	61,528	131,764
Decrease	(748)	(634)	(11,098)	(1,774)	-	(58,663)	(72,917)
As at Jun 30 2011	120,909	1,101,265	47,636	24,518	56,606	39,661	1,390,595
Non-current	104,274	1,077,693	39,924	-	-	14,290	1,236,181
Current	16,635	23,572	7,712	24,518	56,606	25,371	154,414
As at Jun 30 2011	120,909	1,101,265	47,636	24,518	56,606	39,661	1,390,595
Non-current	98,759	1,017,925	44,507	-	-	14,294	1,175,485
Current	15,486	32,071	14,227	21,292	50,685	22,502	156,263
As at Dec 31 2010	114,245	1,049,996	58,734	21,292	50,685	36,796	1,331,748

The technical rate adopted to calculate the discounted value of future retirement severance pay obligations was 2.7%, as the resultant of the 5.8% annual rate of return on assets and the 3.0% forecast annual salary growth rate (at the end of 2010, the adopted technical rate was 3%, as the resultant of 6.07% and 3.0%, respectively).

In H1 2011, a discount rate of 3.22% was applied to calculate the provision for well decommissioning costs incurred in Poland, as the resultant of the 5.8% rate of return on assets and the inflation rate assumed at the National Bank of Poland's continuous inflation target of 2.5% (as at the end of 2010, the adopted discount rate was 3.48%, as the resultant of 6.07% and 2.5%, respectively).

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

	Jun 30 2011	Dec 31 2010
Length-of-service awards		
Value of obligation shown in the statement of financial position at beginning of period	68,985	69,259
Interest cost	1,035	2,078
Current service cost	3,032	2,904
Benefits paid	(5,770)	(17,382)
Actuarial gain/loss	5,134	12,126
Gains/losses due to curtailments and settlements	-	-
Value of obligation shown in the statement of financial position at end of period	72,416	68,985
Retirement severance pays		
Value of obligation shown in the statement of financial position at beginning of period	45,260	42,506
Current service cost	2,442	2,323
Interest cost	898	1,735
Net actuarial gain/loss recognised during the year	477	490
Benefits paid	(950)	(2,525)
Past service cost	366	731
Gains/losses due to curtailments and settlements	-	-
Value of obligation shown in the statement of financial position at end of period	48,493	45,260
Total value of obligation shown in the statement of financial position at end of period	120,909	114,245

15. TRADE AND OTHER PAYABLES

	Jun 30 2011	Dec 31 2010
Trade payables to other undertakings	654,641	769,238
Trade payables to related undertakings	195,028	472,398
VAT payable	507,708	909,097
Other taxes, customs duty and social security contributions payable	69,584	50,570
Wages and salaries payable	475	1,184
Amounts payable for unused holidays	2,652	11,482
Amounts payable to other undertakings in connection with purchase of non-financial non-current assets	130,727	397,299
Amounts payable to related undertakings in connection with purchase of non-financial non-current assets	118,380	170,676
Additional contribution to equity payable under a relevant resolution	84,552	84,552
Dividend payable to owner	708,000	-
Other amounts payable to related undertakings	2,326	1,211
Other amounts payable to other undertakings	22,901	15,762
Accruals and deferred income and prepaid deliveries	41,181	38,166
Total	2,538,155	2,921,635
Including related undertakings (Note 18.2.)	400,290	728,837

16. CONTINGENT LIABILITIES AND RECEIVABLES

16.1. Contingent receivables

	Jun 30 2011	Dec 31 2010
From related undertakings:		
under guarantees and sureties received	-	-
under promissory notes received	5,498,956	5,303,928
Total contingent receivables from related undertakings	5,498,956	5,303,928
From other undertakings:		
under guarantees and sureties received	357,334	339,038
under promissory notes received	70,008	62,539
Total contingent receivables from other undertakings	427,342	401,577
Total contingent assets	5,926,298	5,705,505

16.2. Contingent liabilities

	Jun 30 2011	Dec 31 2010
To related undertakings		
under guarantees and sureties issued*	-	-
under promissory notes issued	-	-
Total contingent liabilities to related undertakings	-	-
To other undertakings		
under guarantees and sureties issued*	2,810,997	2,816,431
under promissory notes issued	676,047	676,047
Total contingent liabilities to other undertakings	3,487,044	3,492,478
Total contingent liabilities	3,487,044	3,492,478

* Contingent liabilities in foreign currencies were translated into the zloty at the exchange rates quoted by the National Bank of Poland for June 30th 2011 and December 31st 2010.

In H1 2011, there were no material changes in contingent liabilities.

As regards guaranties issued, due to a slight depreciation of the zloty against the euro in H1 2011, the value of the guarantee issued to the state of Norway (EUR 627,556 thousand) increased by PLN 16,505 thousand. Concurrently, a slight appreciation of the zloty against the US dollar in H1 2011 caused the value of the guarantee issued to National Oil Corporation Libya in 2008 (USD 108,000 thousand) to decrease by PLN 22,939 thousand.

16.3. Other contingent liabilities

Real estate tax

Pursuant to a decision of the Supreme Administrative Court in Warsaw of July 2nd 2001 returned by a bench of seven judges, underground excavations are not subject to real estate tax. Since wells are considered excavations for the purposes of oil and gas production, the local authorities (gminy) in the area of the operation of the Zielona Góra Branch resolved not to collect the relevant real estate tax; however some of the authorities decided that the well supporting infrastructure was instead subject to taxation.

The pipeline tax was introduced in 2001. In the previous years, the Zielona Góra Branch created provisions for possible claims of local authorities for real estate tax in the amount of PLN 821.3 thousand. Following the favourable outcomes of the court cases regarding this type of claims in the past, PGNiG S.A. reassessed the relevant risk and, having considered it to be negligible, released the provision in 2007. On the other hand, the local authorities in the Podkarpacie region have not filed any such claims so far. Therefore, the production units located in Podkarpacie did not declare or account for real estate tax on excavations for the period from 2001 to H1 2011. The related liability, if any, including interest, which is not past due and is not recognised in the financial statements, amounted to PLN 170,099 thousand as at June 30th 2011 (as at the end of 2010, it was PLN 136,802 thousand).

17. OFF-BALANCE SHEET LIABILITIES

17.1. Operating lease liabilities

	Jun 30 2011	Dec 31 2010
Payable in up to 1 year	4,397	-
Payable in 1 to 5 years	8,484	-
Payable in over 5 years	42	-
Total	12,923	-

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

	Jun 30 2011	Dec 31 2010
Contractual liabilities	4,439,850	4,576,948
Completion of agreements as at the balance-sheet date	2,756,832	2,154,641
Contractual liabilities subsequent to the balance-sheet date	1,683,018	2,422,307

18. INFORMATION ON RELATED UNDERTAKINGS

PGNiG S.A. holds shares in production and service companies. As at June 30th 2011, PGNiG S.A. had 39 related undertakings, including:

- 27 subsidiaries;
- 12 other related undertakings.

18.1. Consolidated undertakings of the Group in H1 2011

Company	Based in	% of share capital held by PGNiG S.A.	
PGNiG S.A. (Parent Undertaking)	Poland		
PGNiG S.A. 's subsidiaries		Jun 30 2011	Jun 30 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 Sp. z o.o.	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu Kraków Group ¹⁾	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu NAFTA Sp. z o.o.	Poland	100.00%	100.00%
Zakład Robót Górniczych Krosno Sp. z o.o.	Poland	100.00%	100.00%
Poszukiwania Naftowe Diament Sp. z o.o.	Poland	100.00%	100.00%
PGNiG Norway AS	Norway	100.00%	100.00%
Polish Oil And Gas Company – Libya B.V.	The Netherlands	100.00%	100.00%
Dolnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Górnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Karpacka Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Mazowiecka Spółka Gazownictwa Group ²⁾	Poland	100.00%	100.00%
Pomorska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Wielkopolska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Geovita 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%
POGC Trading GmbH	Germany	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 S.A. 's indirect subsidiaries			
BUG Gazobudowa Sp. z o.o. Zabrze	Poland	100.00%	100.00%
Zakład Urządzeń Naftowych Naftomet Sp. z o.o.	Poland	100.00%	100.00%
ZRUG Sp. z o.o. (Pogórska Wola)	Poland	100.00%	100.00%
Budownictwo Naftowe Naftomontaż Sp. z o.o.	Poland	100.00%	88.83%
NAFT-STAL Sp. z o.o. w upadłości likwidacyjnej (in bankruptcy by liquidation) ³⁾	Poland	-	59.88%
Jointly-controlled and associated undertakings 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 subsidiary – Oil Tech International - F.Z.E.

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

³⁾ On June 29th 2010, the District Court of Krosno issued a decision declaring bankruptcy by liquidation of NAFT-STAL Sp. z o.o. w upadłości likwidacyjnej (in bankruptcy by liquidation). That resulted in a loss of control over the subsidiary and its deconsolidation in Q3 2010.

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

18.2. Related-party transactions

Related party		Sales to related parties	Purchases from related parties	Balance as at	Receivables from related parties, gross	Receivables from related parties, net	Loans to related parties, gross	Loans to related parties, net	Trade and other payables to related parties	Amounts payable to related parties under loans, borrowings and debt securities
Undertakings consolidated with full or equity method	Jun 30 2011	173,690	2,392,149	Jun 30 2011	564,749	558,454	2,504,374	2,496,674	314,950	648,553
	Jun 30 2010	227,380	2,284,018	Dec 31 2010	66,006	59,877	2,344,743	2,336,493	641,781	119,840
Other related undertakings – non-consolidated	Jun 30 2011	2,894	6,457	Jun 30 2011	85,925	1,240	21,971	-	85,340	-
	Jun 30 2010	6,218	51,741	Dec 31 2010	127,270	1,123	22,372	-	87,056	-
Related undertakings – total	Jun 30 2011	176,584	2,398,606	Jun 30 2011	650,674	559,694	2,526,345	2,496,674	400,290	648,553
	Jun 30 2010	233,598	2,335,759	Dec 31 2010	193,276	61,000	2,367,115	2,336,493	728,837	119,840

The main transactions with shareholders in the first half of 2011 and 2010 were dividend payments, as detailed in Note 7.

In the first half of 2011, the Company did not enter into any material transactions with related parties other than on an arm's length basis.

The Company prepares documents in respect of related-party transactions in accordance with Art. 9a of the Act on Corporate Income Tax. The procedure is applied each time the PGNiG Group undertakings execute agreements (including framework agreements), annexes to agreements, orders (detailed agreements) or orders placed under framework agreements with related parties - if the total amount of amounts payable/receivable (to/from one counterparty 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 the provision of services, sale or delivery of intangible assets. The methods and manner of profit calculation and transaction pricing applied by the Company are 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 the additional transactional profit methods (profit split, transactional net margin).

18.3. Transactions with undertakings in which the state treasury holds equity interests

Since December 31st 2010, the Company has applied the exemption provided for in paragraphs 25-27 of revised IAS 24, which simplifies the disclosure requirements for transactions with parties related through shareholder State Treasury. If there are no particular transactions with such entities, the Company is allowed under IAS 24 to disclose the minimum scope of information, as presented below.

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

In H1 2011, the Company generated the highest turnovers with the following undertakings 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 H1 2010, the Company generated the highest turnover with the following undertakings in which the State Treasury holds equity interests: Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A., Polski Koncern Naftowy ORLEN S.A., Rafineria Trzebinia S.A., Zakłady Azotowe ANWIL S.A., Zakłady Azotowe PUŁAWY S.A., Zakłady Azotowe KĘDZIERZYN S.A., Zakłady Chemiczne POLICE S.A., Zakłady Azotowe w Tarnowie-Mościcach S.A., and PGE Elektrociepłownia Lublin-Wrotków Sp. z o.o.

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

	Jan 1–Jun 30 2011	Jan 1–Jun 30 2010
Remuneration paid to management staff	1,696	1,547
Remuneration paid to supervisory staff	145	166
Total	1,841	1,713

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

18.5. Joint ventures

In 2011, PGNiG S.A. 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 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 H1 2011, PGNiG S.A. continued cooperation with FX Energy Poland Sp. z o.o. in the following areas covered by licences awarded to PGNiG S.A.:

- "Płotki" – under the Agreement for Joint Operations dated May 12th 2000; licence interests: PGNiG S.A. – 51%, FX Energy – 49%,
- "Płotki" – "PTZ" (the Extended Zaniemyśl Area) – under the Operating Agreement of Mining Users dated October 26th 2005; licence interests: PGNiG S.A. – 51%, FX Energy – 24.5%, CalEnergy – 24.5%,
- "Poznań" – under the Agreement for Joint Operations dated June 1st 2005; licence interests: PGNiG S.A. – 51%, FX Energy – 49%,

and in the following areas covered by licences 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 S.A. – 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 S.A. – 49%,

- “Kutno” – under the Agreement for Joint Operations dated September 23rd 2010; licence interests: FX Energy – 50%, PGNiG S.A. – 50%,

As far as the “Płotki” and “Płotki” – “PTZ” areas are concerned, in H1 2011 production continued from the Roszków field in the “Płotki” area and from the Zaniemyśl field in the “Płotki” – “PTZ” area.

In the “Poznań” area, in H1 2011 gas production continued from the Środa Wielkopolska gas field and production of gas began from the Kromolice field. Work also began on development of the Winna Góra gas field. Drilling of the Lisewo-1k exploration borehole yielded a positive result. Furthermore, work started to drill the Pławce-2 exploration borehole with a planned depth of 4,000 metres in search for tight gas. 3D field work commenced in the Żerków-Pleszew area during H1 2011 as well.

In the “Warszawa-Południe” area work commenced in H1 2011 within block 254 to drill the Machnatka-2 exploration borehole with a planned depth of approximately 4,500 metres. Analytical work continued for the “Ostrowiec” area. In the “Kutno” area, preparatory work was conducted to drill a deep exploration borehole Kutno-2, with a planned depth of 6,450 metres.

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 H1 2011, PGNiG S.A. continued cooperation with EuroGasPolska Sp. z o.o. and Energia Bieszczady Sp. z o.o. in the “Bieszczady” licence area (the mining usufruct and licences for exploration and appraisal of crude oil and natural gas deposits in that area are held by PGNiG S.A.). Interests held in the project: PGNiG S.A. (operator) – 51%, EuroGas Polska Sp. z o.o. – 24%, and Energia Bieszczady Sp. z o.o. – 25%.

In the “Bieszczady” licence area, work continued in H1 2011 to drill the Niebieszczany-1 deep borehole. Furthermore, 2D field work was carried out in the Paszowa-Brzegi Dolne area. 2D seismic work is planned to start in H2 2011 in the Jaślicka-Baligród area.

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

In H1 2011, PGNiG S.A. continued cooperation with Orlen Upstream Sp. z o.o. in the “Sieraków” area (PGNiG S.A. 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 H1 2011. As no hydrocarbon flow was identified in the borehole, work was commenced to re-analyse the area.

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 S.A. 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 S.A. holds a 40% interest. PGNiG S.A. 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 S.A. holds a 20% interest.

In H1 2011, 136 km of 2D seismic was acquired in the “Karpaty Wschodnie” area and work commenced on processing of the data. Work also started on acquisition of a new 2D seismic survey in the Jordanów area.

All the assets, liabilities, income and expenses associated with the joint ventures described above have been presented in the statement of financial position and the income statement of PGNiG S.A. pro rata to the Company’s interest in a given joint venture.

19. OTHER MATERIAL INFORMATION

19.1. Restructuring process

In H1 2011, the Programme for Employment Streamlining and Redundancy Payments to Employees of the PGNiG Group for 2009–2011 (Stage 3) (“the Programme”), adopted by the Extraordinary General Shareholders Meeting of PGNiG S.A. on December 11th 2008, was in place at the Group. 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 where it would be justified by the scope of planned restructuring involving workforce downsizing and/or elimination of jobs.

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

Until the end of the reporting period, i.e. until June 30th 2011, no decisions on the implementation of the Programme at PGNiG S.A.’s branches were made.

19.2. Contracts for supplies of gaseous fuel and crude oil

In the first half of 2011, PGNiG S.A. entered into the following material long-term agreements for supplies of gaseous fuel:

1. On March 3rd 2011, an annex (“the Annex”) was signed to high-methane gas supplies agreement No. 4/S/98, concluded on January 14th 1999 between PGNiG S.A. and Zakłady Azotowe Puławy S.A. (“ZA Puławy”) for an indefinite term (“the Agreement”). The Annex adds new definitions to the Agreement, defines the procedure for placing declarations and ordering contracted capacity, and contains provisions relating to the minimum annual volume. In addition, the Annex provides for a contractual penalty if ZA Puławy fails to comply with any introduced limitations on intermittent contracted capacity. The value of the contract over a five-year period is estimated at approx. PLN 4,900,000 thousand. The Annex came into force on January 1st 2011.
2. On March 11th 2011, PGNiG S.A. and Elektrociepłownia Stalowa Wola S.A. of Stalowa Wola executed a Comprehensive Agreement for gaseous fuel supplies. The supplied fuel will be used to fire a CCGT unit at Elektrociepłownia Stalowa Wola S.A. The planned annual offtake is to amount to approx. 540 million cubic metres. Deliveries are due to start within 48 months from the date on which Elektrociepłownia Stalowa Wola S.A. submits a representation to the effect that it has obtained financing for the project and a gas network connection agreement. The value of the contract is estimated at approx. PLN 9,660,000 thousand. The agreement will remain in force for 14 years from the supplies start date.

19.3. Contracts for purchases of gaseous fuel

In H1 2011, PGNiG S.A. imported gas mainly under the following agreements and contracts, that is the long-term contract for imports of gas from Russia and the medium-term agreements for supplies of gas from European suppliers:

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

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

- Agreement on integrated gas supply services, executed with Severomoravská plynárenská, a.s., dated March 27th 2008. The agreement took effect on April 1st 2008 and remained in force until December 31st 2009. The agreement is extended annually. By way of an annex, the agreement

has been extended until December 31st 2011. Gas imported under the agreement is supplied to consumers in the municipality of Branice;

- Framework Agreement executed with VNG-Verbundnetz Gas AG, dated July 28th 2009. Under the Framework Agreement, the following two individual contracts were concluded:
 - individual contract for purchases of natural gas at the Gubin delivery point in the period October 1st 2009 – October 1st 2011;
 - individual contract for supplies of natural gas at the Kamminke delivery point in the period October 1st 2009– October 1st 2011.
- Agreement for supplies of natural gas executed with NAK Naftogaz Ukrainy, dated October 26th 2004, in force until 2020. Gas imported under the agreement is supplied to consumers in the Hrubieszów region (on January 1st 2011, the supplies were suspended).

Below are listed the agreements under which in H1 2011 PGNiG S.A. purchased domestically produced nitrogen-rich gas (classified in the Ls and Lw sub-groups) from entities outside the PGNiG Group:

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

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

Since December 2010, TRIAS Sp. z o.o. has not delivered gas to PGNiG S.A. TRIAS Sp. z o.o. requested PGNiG S.A. to consent to the suspension of supplies due to unfavourable hydro-geologic conditions.

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

In H1 2011, PGNiG S.A. concluded the following agreements:

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

Summer-period gas supplies help PGNiG S.A. to optimise its portfolio by taking advantage of favourable price trends prevailing on the European gas market in summer months. The execution of such contracts follows from PGNiG's strategy to optimise the terms of gas supplies.

In H1 2011, the most important changes in the existing contracts for purchases of gaseous fuel included:

- On March 21st 2011, PGNiG S.A. and OOO Gazprom Export signed an annex to Contract No. 2102-14/RZ-1/25/96, dated September 25th 1996, providing for supplies of Russian natural gas to the Republic of Poland. Under the annex, the parties agreed on an option to increase the daily offtake at the Vysokoye cross-border point to 15 million cubic metres, with the Annual Contracted Volumes remaining unchanged.
- On March 31st 2011, PGNiG S.A. requested OOO Gazprom Export to renegotiate the price of gas supplied by OOO Gazprom Export under Contract No. 2102-14/RZ-1/25/96, dated September 25th 1996, providing for supplies of natural gas to the Republic of Poland, so as to reduce the price. Currently, the negotiations are under way.
- On January 24th 2011, following the occurrence of circumstances specified in the contract, PGNiG S.A. formally requested VNG-Verbundnetz Gas AG. to renegotiate the price under the Lasów 2006 Contract for gas supplies executed between PGNiG S.A. and VNG AG. on August 17th 2006. Currently, the negotiations are under way.

20. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

- a. On July 4th 2011, the Management Board of PGNiG S.A. received a notification of instigation of anti-trust proceedings by the President of the Office of Competition and Consumer Protection ("UOKiK") concerning abuse of dominant position on the domestic natural gas retail market by PGNiG S.A.

According to the President of the UOKiK, the abuse of dominant position on the domestic natural gas retail market involved the inhibition of development of market conditions favourable to the emergence or growth of competitors on the domestic wholesale and retail gas markets by securing that a comprehensive gas supply agreement may be terminated upon notice in such a way that if the notice is served after September 30th of a given year, the termination is effective as of the end of the year following the year in which the notice was served, which may be in conflict with Art. 9.2.5 of the Act on Competition and Consumer Protection and Art. 102 of the Treaty on the Functioning of the European Union (OJEU C 115, May 9th 2008).

Pursuant to Art. 106 of the Act, the President of UOKiK may, by way of a decision, impose a fine on an entrepreneur abusing its dominant position of not more than 10% of the revenue earned in the financial year preceding the date of the decision. The amount of the fine is determined taking into account the duration, extent and circumstances of the breach of statutory provisions, as well as any previous violations of these provisions.

Under Art. 50.3 of the Act, PGNiG S.A. had the right to respond to the charges within fourteen days from the date of receipt of the notification of instigation of anti-trust proceedings.

On July 18th 2011, PGNiG S.A. sent a response to the notification to the President of UOKiK, including the documents and information requested by the President of UOKiK in the notification. Furthermore, PGNiG requested the President of UOKiK to extend by 14 days the deadline for clarifying its position on the charges presented in the decision to instigate the anti-trust proceedings. As grounds for the request, PGNiG cited the need to review the materials and documents collected so far in the course of the preliminary investigation and anti-trust proceedings.

On August 1st 2011 PGNiG S.A. sent to the President of UOKiK a response to the notification of the instigation of anti-trust proceedings concerning abuse by PGNiG S.A. of its dominant position on the Polish retail market of natural gas (after UOKiK had agreed to extend the deadline for filing a response to the charges by 14 days).

In response to the charges included in the notification, PGNiG S.A. denied in full the charge of abusing its dominant position on the domestic retail market of gaseous fuel through the inhibition of development of market conditions conducive to the emergence or growth of competition on the domestic retail and wholesale gas markets by securing that a comprehensive gas supply

agreement may be terminated upon notice in such a way that if the notice is served after September 30th of a given year, the termination is effective as of the end of the year following the year in which the notice was served.

PGNiG S.A. justified its position by presenting detailed technical and economic grounds for the adopted rules of terminating comprehensive agreements, which, in the Company's opinion, proves that the Company is not involved in any competition-restricting practices.

In view of the foregoing, PGNiG S.A. requested that the proceedings be discontinued, pursuant to Art. 105.1 of the of the Polish Code of Administrative Procedure in conjunction with Art. 83 of the Act on Competition and Consumer Protection of February 16th 2007.

- b. On July 7th 2011, the Management Board of PGNiG S.A. was notified that one of the two conditions precedent under the Comprehensive Agreement for Supply of Gaseous Fuel (the "Agreement") executed between PGNiG S.A. and Elektrociepłownia Stalowa Wola S.A. of Stalowa Wola ("ECSW") had been fulfilled.

The condition refers to the delivery by ECSW of the agreement on connection of the CCGT unit in Stalowa Wola to the transmission system operator's network.

The fulfilment of this condition does not result in the entry into force of the Agreement, which will become effective upon fulfilment of both conditions precedent specified in the Agreement, as reported by PGNiG S.A. in Current Report No. 34/2011 of March 11th 2011.

- c. On July 12th 2011, a corporate procedure was commenced in order to approve an Annex to the Programme for Employment Streamlining and Redundancy Payments to the Employees of the PGNiG Group for 2009-2011, which will enable the Group to finance additional social benefits from the capital reserve designated as Central Restructuring Fund also for former employees of PGNiG S.A.

On August 10th 2011, the Extraordinary General Shareholders Meeting of PGNiG S.A. adopted Resolution No. 6/VIII/2011 to approve the Annex to the Programme for Employment Streamlining and Redundancy Payments to the Employees of the PGNiG Group for 2009-2011 (Stage 3).

- d. On July 19th 2011, the Management Board of PGNiG S.A. issued a statement to SGT EUROPOL GAZ S.A. confirming that PLN 87,127.14 thousand was the full and final amount of settlement between PGNiG S.A. and SGT EUROPOL GAZ S.A. under Art. 3.3.3a of the agreement of January 27th 2010 executed between OOO Gazprom export, PGNiG S.A. and SGT EUROPOL GAZ S.A., as amended by Annex No. 1, concurrently calling upon SGT EUROPOL GAZ S.A. to make the payment. By the date of these financial statements, the amount of PLN 87,127.14 thousand was not paid to PGNiG S.A.'s account.
- e. On July 21st 2011, annexes (the "Annexes") were signed to the PLN 3,000,000 thousand Note Issue Programme agreements executed on June 10th 2010 with six banks, including Bank Polska Kasa Opieki SA, ING Bank Śląski SA, Powszechna Kasa Oszczędności Bank Polski SA, Bank Handlowy w Warszawie SA, Societe Generale SA, and BNP Paribas SA Polish Branch. The Note Issue Programme documentation includes a Guarantee Agreement and an Agency and Custody Agreement. Annexes to both agreements were signed.

Under the Annexes, the maximum value of the Note Issue Programme was increased from PLN 3,000,000 thousand to PLN 5,000,000 thousand and the end of its term was postponed from July 31st 2013 to July 31st 2015.

Notes will be issued to raise financing for PGNiG's day-to-day needs and to finance its equity investments following from the PGNiG Group's strategy.

- f. In July and August 2011, PGNiG S.A. continued the issue of notes (the "Notes") under the Short Term Note Issue Programme of December 1st 2010 (the "Programme").

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

As at August 26th 2011, the total par value of the Notes outstanding under the Programme was PLN 624,300 thousand.

- g. On August 19th 2011, Moody's Investors Service ("Moody's") revised its outlook on PGNiG S.A. from stable to negative, maintaining the Baa1 rating.

According to Moody's, the change of the outlook reflects the threats associated with implementation of PGNiG S.A.'s expansion plans in the upstream segment (the exploration and production business), the related financing requirements, and higher business risk compared with the PGNiG Group's core business in terms of performance volatility.

"The Update of Strategy for the PGNiG Group for 2011–2015" which the Company has published envisages investment expenditure of PLN 27bn, of which PLN 15bn is to be spent on oil and gas exploration and production in Poland and abroad. To date, annual capital expenditure usually ranged from PLN 3bn to PLN 4bn. Currently, the Strategy provides for both strong development of the Group's existing business, and for ventures in new areas, including the power generation industry.

Moody's pays attention not only to PGNiG S.A.'s strong historical financial ratios, but also to considerable volatility of the Group's performance. The principal reason behind the performance volatility is regulated gas selling prices, which do not reflect changing costs of gas purchase under long-term contracts (these in turn depend on changing prices of crude oil and foreign exchange rates). Previously this had no decisive influence on PGNiG S.A.'s rating as the Company had a very strong financial position and low debt. Moody's argues however that the performance volatility may have a negative effect on the Group's ability to cope with any potential adverse developments in its business environment while it implements an ambitious investment programme. According to Moody's, taking into consideration that PGNiG S.A. plans to expand its upstream operations, the expected growth in the role of the Group's non-regulated business may undermine its creditworthiness.

Moody's admits that in 2010 PGNiG S.A. generated good financial performance, nonetheless the agency expects that the difference between the tariff prices and the cost of acquisition of gas will hamper the Group's performance in 2011, despite the 12.7% rise in the tariff as of July 15th 2011. Moody's expects that limited cash generation by PGNiG S.A. combined with the ongoing investment programme will result in an increased debt level and deteriorated credit ratios compared with 2010.

Moody's believes that the Baa1 rating reflects the Group's dominant position on the natural gas market in Poland. This rating was assigned in view of the aforementioned performance volatility, the Group's strong dependence on gas imports (mainly from Russia), and the extensive investment programme. PGNiG S.A.'s current rating also reflects potential support from an owner, i.e. the State Treasury (A2, stable outlook).

Moody's has stated that at the current stage there is little likelihood that PGNiG S.A.'s rating outlook could be upgraded.

According to Moody's, PGNiG S.A.'s rating may be lowered in the following circumstances: PGNiG S.A.'s financial standing deteriorates, the Company incurs considerable financial debt in connection with an M&A transaction, the Company pays out an unexpectedly high dividend or makes substantial expenditure on exploration and production projects which turn out to be less effective than expected, or the probability of receiving support from the majority shareholder (the State Treasury) declines significantly.

- h. On August 22nd 2011, PGNiG S.A. and a bank operating in Poland (the "Bank") entered into an Agreement on Sale of PGNiG S.A.'s Debt Claim from Zakłady Chemiczne Police S.A. without recourse to the Company. PGNiG S.A. entered into an agreement on sold a debt of PLN 81,847 thousand. The selling price of the debt comprises a principal of PLN 71,285 thousand and interest of PLN 10,562 thousand, less a net discount equal to 30% of the interest amount. The debt selling price was paid by the Bank on August 25th 2011. The price terms of the transaction do not differ from standard market terms.

In PGNiG S.A.'s financial statements as at June 30th 2011 an impairment loss has been recognised in respect of the principal amount of the debt.

- i. On August 23rd 2011, PGNiG S.A. and PGNiG SPV 1 Sp. z o.o. entered into an agreement on a loan (the "Loan") of up to PLN 3.78bn. The Loan is to be repaid by December 31st 2012 and bears interest at a rate based on 3M WIBOR plus margin. The Loan will be used to finance the acquisition by PGNiG SPV 1 Sp. z o.o. of an equity interest in Vattenfall Heat Poland S.A. of

Warsaw and the transaction costs. PGNiG S.A. holds shares representing 100% of PGNiG SPV 1 Sp. z o.o.'s share capital and conferring the right to 100% of votes at its General Shareholders Meeting.

- j. On August 23rd 2011, PGNiG SPV 1 Sp. z o.o., which is wholly-owned by PGNiG S.A., executed a preliminary share purchase agreement with Vattenfall AB (the "Agreement"), concerning 24,591,544 shares in Vattenfall Heat Poland S.A. of Warsaw (the "Shares"), which account for more than 99.8% of the company's share capital and confer the right to more than 99.8% of the total vote at its General Shareholders Meeting. The Agreement was signed as a result of the negotiations reported by the Company in Current Report No. 120/2011 of August 23rd 2011.

The purchase price of the Shares as at the date of the Agreement was approximately PLN 2.96bn, which corresponded to an enterprise value of approximately PLN 3.5bn. The purchase price will be index linked to reflect the time value of money. The final purchase price will depend on the date when the transaction is ultimately closed. The 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 ownership of the Shares will be transferred following execution of the final share purchase agreement, subject to a condition precedent, i.e. clearance of the transaction by the President of the Office of Competition and Consumer Protection. If the clearance is not obtained within nine months, the Agreement will expire.

The Agreement contains representations and warranties, provisions relating to liability for default under the representations and warranties, as well as the right to withdraw from the Agreement in the event of a material adverse change stipulated in the Agreement, which are standard for this type of transactions. The Agreement does not contain any terms or conditions which would differ from standard terms and conditions used in similar agreements.

The acquisition of the Shares will be financed by PGNiG SPV 1 with a loan from PGNiG S.A., as reported by the Company in Current Report No. 121/2011 of August 23rd 2011.

The PGNiG Group treats the acquisition of the Shares in Vattenfall Heat Poland S.A. as a long-term investment.

The parties to the Agreement are not related parties.

The core business of Vattenfall Heat Poland S.A. is co-generation of heat and electricity. The company operates in Warsaw (Siekierki and Żerań CHP Plants, Kawęczyn and Wola Heat Generating Plants), as well as in Pruszków, where it also owns a distribution network. The installed thermal power of the generating units is approximately 4.8 GW, while the electric power is approximately 1 GW. Vattenfall Heat Poland S.A. satisfies around 75% of heat demand on the Warsaw market, with SPEC S.A. being its main customer.

- k. On August 24th 2011, Moody's Investors Service ("Moody's") assigned a temporary, long-term rating of Baa1 with a negative outlook to the EUR 1.2bn issue programme of medium-term, unsubordinated and unsecured bonds ("the Programme") which will be issued by PGNiG Finance AB, a wholly-owned subsidiary of PGNiG S.A. According to Moody's, the temporary rating assigned to the Programme is connected with the unconditional and irrevocable guarantee which is to be provided by PGNiG S.A. to PGNiG Finance AB under the Programme. Due to the guarantee, the temporary rating assigned to the Programme reflects the guarantor's creditworthiness and the outlook for PGNiG S.A. (Baa1, negative outlook).
- l. On August 25th 2011, the Management Board of PGNiG S.A. signed the documentation for an Eurobonds issue programme worth up to EUR 1,200,000 thousand (approximately PLN 4.99bn, translated at the mid-exchange rate quoted by the National Bank of Poland for August 25th 2011, Table No. 164/A/NBP/2011) (the "Programme") with PGNiG Finance AB of Stockholm (PGNiG's wholly-owned subsidiary) and three banks, including 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 bonds with maturities of up to 10 years. The proceeds raised by PGNiG Finance AB from the bond issue will be used to advance a loan to PGNiG S.A. PGNiG S.A. will use the loan to finance its general liquidity requirements.
- m. On August 25th 2011, an agreement was signed under which PGNiG S.A. provided a guarantee of up to EUR 1,500,000 thousand (approximately PLN 6.24bn, translated at the mid-exchange rate quoted by the National Bank of Poland for August 25th 2011, Table No. 164/A/NBP/2011) in respect of the liabilities of PGNiG Finance AB of Stockholm (PGNiG S.A.'s subsidiary) under the Eurobonds which are to be issued as part of the Eurobonds issue programme. The guarantee is

valid until December 31st 2026. The financial terms of the guarantee will be correlated with the terms of the Eurobond issues to be carried out by PGNiG Finance AB under the Programme. PGNiG S.A. holds 100% of shares in PGNiG Finance AB, representing 100% of the company's share capital and 100% of votes at its General Shareholders Meeting.

- n. On August 26th 2011, the Management Board of PGNiG S.A. reported that the forecasts of 2011 crude oil production from the fields situated in Poland were reduced to approximately 460 thousand tonnes, from the originally projected 480 thousand tonnes (see Current Report No. 9/2011 of January 19th 2011).

The adjustment of planned crude oil production from the Polish fields in 2011 follows from a temporary stoppage in collection by one of the customers of the gas obtained in the crude degassing process at the Dębno oil and gas production facility. Collection of this gas is the primary condition for steady operation of the facility (keeping the production of crude oil at a planned level). A further limitation of crude oil production followed as a result of an unplanned repair of the main crude oil storage tank at the Dębno oil and gas production facility, which prevented the feeding of crude oil into the pipeline and required production to be adjusted to the collection capabilities of those customers who receive crude oil by rail tankers.

In 2011, the estimated gas production from domestic fields remains unchanged at 4.3 billion cubic meters.

PGNiG S.A. also reports that the launch of production from the Skarv field, originally scheduled for August 2011, was postponed to the end 2011. As a result, the 2011 forecast for the production of oil and gas on the Norwegian Continental Shelf also needs to be updated. The production start date was changed in connection with tests carried out at the shipyard and additional work on the Skarv FPSO unit. The Skarv FPSO unit has been anchored at the Skarv field in the Norwegian Sea. As soon as the Company receives information from the Skarv field operator, it will publish updated information on the gas and oil production volume from the field.

The oil and gas production forecast for 2012 remains unchanged.