PGNiG

Polskie Górnictwo Naftowe i Gazownictwo SA

INTERIM CONDENSED SEPARATE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30TH 2010

CONTENTS

Members of the Management Board

President of the Management Board	Michał Szubski	
Vice-President of the Management Board	Radosław Dudziński	
Vice-President of the Management Board	Sławomir Hinc	
Vice-President of the Management Board	Marek Karabuła	
Vice-President of the Management Board	Mirosław Szkałuba	

Warsaw, August 17th 2010

FINANCIAL HIGHLIGHTS
for the period ended June 30th 2010

	PLN		EUR	
	Jan 1 – Jun 30 2010	**Jan 1 – Jun 30 2009**	**Jan 1 – Jun 30 2010**	**Jan 1 – Jun 30 2009**
I. Sales revenue	10,365,954	9,910,231	2,588,770	2,193,305
II. Operating profit/loss	704,127	(943,941)	175,847	(208,910)
III. Pre-tax profit/loss	1,083,070	(651,938)	270,483	(144,285)
IV. Net profit/loss	910,251	(489,318)	227,324	(108,295)
V. Comprehensive income	986,186	(459,457)	246,288	(101,686)
VI. Net cash provided by/(used in) operating activities	1,718,053	275,054	429,063	60,874
VII. Net cash provided by/(used in) investing activities	(917,582)	(1,392,662)	(229,155)	(308,220)
VIII. Net cash provided by/(used in) financing activities	(331,943)	567,159	(82,899)	125,522
IX. Total net cash flow	468,528	(550,449)	117,009	(121,824)
X. Earnings/(loss) and diluted earnings/(loss) per share (PLN/EUR)	0.15	(0.08)	0.04	(0.02)
	As at Jun 30 2010	**As at Dec 31 2009**	**As at Jun 30 2010**	**As at Dec 31 2009**
XI. Total assets	24,551,103	24,183,549	5,921,922	5,886,653
XII. Liabilities and provisions for liabilities	6,697,213	6,843,846	1,615,421	1,665,899
XIII. Non-current liabilities	1,677,026	1,638,725	404,512	398,891
XIV. Current liabilities	5,020,187	5,205,121	1,210,909	1,267,008
XV. Equity	17,853,890	17,339,703	4,306,501	4,220,754
XVI. Share capital	5,900,000	5,900,000	1,423,127	1,436,152
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)	3.03	2.94	0.73	0.72
XIX. Dividend per share declared or paid (PLN / EUR)	0.08	0.09	0.02	0.02

Items of the income statement, the statement of comprehensive income and the 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 mid EUR 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 2010	Dec 31 2009	Jun 30 2009
Average exchange rate for the period	4.0042	4.3406	4.5184
Exchange rate at end of the period	4.1458	4.1082	4.4696

(PLN '000)

INCOME STATEMENT
for the period ended June 30th 2010

	Note	Jan 1 – Jun 30 2010 unaudited	Jan 1 – Jun 30 2009 unaudited
Sales revenue	**3**	**10,365,954**	**9,910,231**
Raw and other materials used	4	(5,734,614)	(7,442,621)
Employee benefits	4	(435,657)	(397,349)
Depreciation and amortisation		(288,287)	(317,063)
Contracted services	4	(2,941,605)	(2,566,674)
Cost of products and services for own needs Cost of products and services for own needs		4,973	5,941
Other operating expenses, net	4	(266,637)	(136,406)
Total operating expenses		**(9,661,827)**	**(10,854,172)**
Operating profit/(loss)		**704,127**	**(943,941)**
Finance income	5	497,950	631,257
Finance expenses	5	(119,007)	(339,254)
Pre-tax profit/(loss)		**1,083,070**	**(651,938)**
Corporate income tax	6	(172,819)	162,620
Net profit/(loss)		**910,251**	**(489,318)**
Earnings/loss and diluted earnings/loss per share attributable to ordinary shareholders		0.15	(0.08)

STATEMENT OF COMPREHENSIVE INCOME
for the period ended June 30th 2010

	Note	Jan 1 – Jun 30 2010 unaudited	Jan 1 – Jun 30 2009 unaudited
Net profit/(loss)		**910,251**	**(489,318)**
Currency translation differences on foreign operations		7,630	604
Valuation of hedging instruments		87,887	-
Valuation of financial instruments		(3,560)	36,120
Deferred tax related to other comprehensive income		(16,022)	(6,863)
Other		-	-
Other comprehensive net income/(loss)		**75,935**	**29,861**
Total comprehensive income		**986,186**	**(459,457)**

(PLN '000)

STATEMENT OF FINANCIAL POSITION
as at June 30th 2010

	Note	Jun 30 2010	Dec 31 2009
		unaudited	audited
ASSETS			
Non-current assets			
Property, plant and equipment	8	10,070,610	9,726,870
Investment property		3,475	3,778
Intangible assets		83,099	68,954
Financial assets available for sale	9	6,288,792	6,219,361
Other financial assets	10	2,436,329	2,417,571
Deferred tax asset		311,959	299,660
Other non-current assets		34,588	35,892
Total non-current assets		**19,228,852**	**18,772,086**
Current assets			
Inventories	11	1,220,176	1,110,220
Trade and other receivables	12	3,011,397	3,687,081
Current income tax receivable		-	161,546
Prepayments and accrued income		58,917	9,370
Financial assets available for sale		-	-
Derivative financial instruments		137,990	18,002
Cash and cash equivalents		893,771	425,243
Non-current assets held for sale		**-**	**1**
Total current assets		**5,322,251**	**5,411,463**
Total assets		**24,551,103**	**24,183,549**
EQUITY AND LIABILITIES			
Equity			
Share capital		5,900,000	5,900,000
Currency translation differences on foreign operations		4,682	(2,948)
Share premium account		1,740,093	1,740,093
Other capital reserves		9,222,324	8,983,114
Retained earnings/(losses)		986,791	719,444
Total equity		**17,853,890**	**17,339,703**
Non-current liabilities			
Loans, borrowings and debt securities	13	1,222	2,619
Provisions	14	1,130,533	1,084,367
Deferred income		14,465	3,941
Deferred tax liability		514,805	531,260
Other non-current liabilities		16,001	16,538
Total non-current liabilities		**1,677,026**	**1,638,725**
Current liabilities			
Trade and other payables	15	2,295,170	2,359,695
Loans, borrowings and debt securities	13	1,604,215	1,904,065
Liabilities under derivative financial instruments		317,509	260,428
Current tax liability		117,770	-
Provisions	14	139,231	134,652
Deferred income		546,292	546,281
Total current liabilities		**5,020,187**	**5,205,121**
Total liabilities		**6,697,213**	**6,843,846**
Total equity and liabilities		**24,551,103**	**24,183,549**

(PLN '000)

STATEMENT OF CASH FLOWS
for the period ended June 30th 2010

	Note	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
		unaudited	unaudited
Cash flows from operating activities			
Net profit/(loss)		910,251	(489,318)
Adjustments:			
Depreciation and amortisation		288,287	317,063
Net foreign exchange gains/(losses)		(114,175)	(272,900)
Net interest and dividend		(87,226)	(17,827)
Profit/(loss) on investing activities		56,248	42,058
Current income tax		172,819	(162,620)
Income tax paid		61,720	(141,350)
Other items, net		144,931	474,776
Net cash provided by/(used in) operating activities before changes in working capital		**1,432,855**	**(250,118)**
Change in working capital:			
Change in receivables, net		907,073	1,125,617
Change in inventories		(109,956)	387,350
Change in provisions		(4,503)	23,598
Change in current liabilities		(469,711)	(934,142)
Change in prepayments		(48,243)	(47,863)
Change in deferred income		10,538	(29,388)
Net cash provided by/(used in) operating activities		**1,718,053**	**275,054**
Cash flows from investing activities			
Sale of property, plant and equipment and intangible assets		3,961	9,413
Sale of shares in related undertakings		-	-
Sale of shares in other undertakings		254	-
Sale of short-term securities		1,475	5,607
Acquisition of property, plant and equipment and intangible assets		(743,645)	(899,166)
Acquisition of shares in related undertakings		(64,817)	(56,733)
Acquisition of short-term securities		-	-
Decrease in loans advanced		138,796	151,393
Increase in loans advanced		(230,233)	(615,926)
Inflows from derivative financial instruments		50,814	55,199
Outflows on derivative financial instruments		(98,971)	(109,224)
Interest received		17,348	43,067
Dividend received		71	3,461
Proceeds from financed lease		10,030	23,200
Other items, net		(2,665)	(2,953)
Net cash provided by/(used in) investing activities		**(917,582)**	**(1,392,662)**
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	760,000
Issue of debt securities		-	-
Decrease in loans and borrowings		(1,900,896)	(160,000)
Redemption of debt securities		-	-
Decrease in financed lease liabilities		(1,764)	(1,393)
Inflows from derivative financial instruments		-	-
Outflows on derivative financial instruments		-	-
Dividend paid		-	-
Interest paid		(25,622)	(26,755)
Other items, net		(3,661)	(4,693)
Net cash provided by/(used in) financing activities		**(331,943)**	**567,159**
Net change in cash		**468,528**	**(550,449)**
Net foreign exchange gains/(losses)		-	-
Cash and cash equivalents at beginning of period		**425,243**	**808,173**
Cash and cash equivalents at end of period		**893,771**	**257,724**

STATEMENT OF CHANGES IN EQUITY
for the period ended June 30th 2010

	Equity					
	Share capital	Currency translation differences on foreign operations	Share premium account	Other capital reserves	Retained earnings (losses)	**Total**
	(PLN ‘000)					
As at Jan 1 2010 (audited)	**5,900,000**	**(2,948)**	**1,740,093**	**8,983,115**	**719,444**	**17,339,704**
Transfers	-	-	-	170,904	(170,904)	**-**
Payment of dividend to shareholders	-	-	-	-	(472,000)	**(472,000)**
Comprehensive income for H1 2010	-	7,630	-	68,305	910,251	**986,186**
As at Jun 30 2010 (unaudited)	**5,900,000**	**4,682**	**1,740,093**	**9,222,324**	**986,791**	**17,853,890**
As at Jan 1 2009 (audited)	**5,900,000**	**(582)**	**1,740,093**	**8,953,301**	**588,560**	**17,181,372**
Transfers	-	-	-	3,991	(3,991)	**-**
Payment of dividend to shareholders	-	-	-	-	(531,000)	**(531,000)**
Comprehensive income for H1 2009	-	604	-	29,257	(489,318)	**(459,457)**
As at Jun 30 2009 (unaudited)	**5,900,000**	**22**	**1,740,093**	**8,986,549**	**(435,749)**	**16,190,915**

PGNiG S.A. FINANCIAL STATEMENTS – ADDITIONAL INFORMATION
as at June 30th 2010

1. GENERAL INFORMATION

1.1. Company Name, Core Business and Key Registry Data

On October 30th 1996, Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna (“PGNiG S.A.”, “the Company”), registered office at ul. Marcina Kasprzaka 25, Warsaw, was entered in the commercial register maintained by the District Court for the Capital City of Warsaw, XVI Commercial Division, under No. RHB 48382. On November 14th 2001, by virtue of the decision of the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register, PGNiG 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.

The PGNiG S.A. shares are listed on the Warsaw Stock Exchange (Giełda Papierów Wartościowych w Warszawie S.A.).

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 the 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 mains,
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

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

(PLN '000)

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

The duration of the Company is unspecified.

1.3. Period Covered by these Financial Statements

These condensed interim financial statements contain data as at June 30th 2010 and for the period from January 1st to June 30th 2010, as well as the comparable data for the corresponding periods of 2009.

1.4. Indication whether These Financial Statements Contain Aggregated Data

PGNiG S.A. prepares aggregate financial statements. As at June 30th 2010, PGNiG S.A. comprised the Head Office, 11 domestic branches and 4 foreign branches (in Algeria, Denmark, Egypt and Pakistan).

The presented aggregate financial statements of PGNiG S.A. were prepared based on financial data derived from integrated accounting books of the Company's domestic branches and three foreign branches and based on the financial statements of the branch in Pakistan. As at the balance-sheet, the 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 for the balance-sheet date, while the items of the income statement, the statement of comprehensive income and the statement of cash flows were translated using the 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 month in the given financial year.

Currency translation differences resulting from the translation were posted to the revaluation capital reserve.

PGNiG S.A., as the Parent Undertaking of the PGNiG Group, also prepares consolidated financial statements containing the data of 23 subsidiary undertakings (including: two capital groups, one indirect subsidiary), one associated undertaking and one jointly-controlled undertaking.

1.5. Composition of the Management and Supervisory Bodies

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 June 30th 2010, PGNiG S.A.'s shareholder structure was as follows:

Shareholder	Registered office	Number of shares	% of share capital held	% of votes held
State Treasury	Warsaw	4,286,369,105	72.65%	72.65%
Other	-	1,613,630,895,	27.35%	27.35%
Total	**-**	**5,900,000,000**	**100.00%**	**100.00%**

1.7. Going-Concern Assumption

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

1.8. Mergers of Commercial-Law Companies

In H1 2010, 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 Financial Period

The aggregate financial statements of PGNiG S.A. for the current and comparable reporting periods were prepared using the same accounting policies. Following presentation changes made by the Company in the income statement in 2010, appropriate changes were also made in the presentation of the H1 2009 data (presented in Note 2.2.). As a result, the financial data for the current and comparable periods are fully comparable.

1.10. CORRECTIONS RESULTING FROM RESERVATIONS CONTAINED IN OPINIONS OF ENTITIES QUALIFIED TO AUDIT FINANCIAL STATEMENTS FOR YEARS FOR WHICH FINANCIAL STATEMENTS AND COMPARABLE FINANCIAL DATA ARE PRESENTED

The H1 2009 financial statements were reviewed, while the 2009 financial statements were audited by Deloitte Audyt Sp. z o.o. The Auditor’s report and opinion did not include any reservations. Consequently, no corrections which would result from such reservations were made in the H1 2009 and 2009 financial statements.

1.11. Approval of the Financial Statements

These financial statements will be submitted to the Management Board of PGNiG S.A. for disclosure approval on August 31st 2010.

2. INFORMATION ON THE APPLIED ACCOUNTING POLICIES

2.1. Basis for the Preparation of the Financial Statements

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), while all values, unless indicated otherwise, are expressed in thousands of złotys (PLN '000). Differences, if any, between the total amounts and the sum of particular items are due to rounding off.

2.1.1. Compliance Statement

These condensed interim financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union as at June 30th 2010.

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

The scope of information disclosed in these condensed interim 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 updated standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee presented below, which have been endorsed by the EU, apply to the Group's business and are effective for annual reporting periods beginning on or after January 1st 2010.

2.2.2. 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

The Company changed the H1 2009 income statement to ensure comparability of the data for the previous reporting period with the data for the current period.

In H1 2010, the Company changed the presentation of the costs of gas fuel transport via the gas transit pipeline on the basis of which the price for gas fuel is calculated. The Company made an appropriate reclassification in the income statement for H1 2009, and moved the amount of PLN 62,675 thousand from contracted services to raw and other materials used. The pre-tax profit and net profit remained unchanged.

2.3. Applied 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 2010 (see Note 2.3. of the Interim Consolidated Financial Statements of the Group).

(PLN '000)

3. SALES REVENUE

The Company's business activity focuses on domestic sales. In H1 2010, the revenue from export sales of products, goods for resale and materials to external customers accounted for 2.03% (1.86% in H1 2009) of the total net revenue from sales of products, goods for resale and materials to external customers. The Company exports mainly to Switzerland, Germany and Belgium.

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Domestic sales	**10,155,590**	**9,726,056**
Natural gas	9,839,034	9,442,242
Crude oil	210,888	168,136
Helium	6,179	5,151
Propane-butane gas	22,573	17,790
Gasoline	1,877	929
LNG	13,832	10,117
Geophysical and geological services	557	14,309
Hotel services	2,457	2,781
Other services	50,337	55,890
Other products	3,099	4,011
Materials and goods for resale	4,757	4,700
Export sales	**210,364**	**184,175**
Natural gas	29,387	22,630
Crude oil	163,229	149,442
Helium	15,276	10,564
Geophysical and geological services	194	480
Other products and services	2,278	1,059
Total	**10,365,954**	**9,910,231**

The majority of the Company's non-current assets (other than financial instruments) are also located in Poland. As at June 30th 2010, the value of non-current assets located abroad accounted for 0.43% (0.39% as at December 31st 2009) of total non-current assets.

	Jun 30 2010	Dec 31 2009
Non-current assets other than financial instruments located in Poland	10,458,084	10,096,093
Non-current assets other than financial instruments located abroad	45,647	39,061
Total	**10,503,731**	**10,135,154**

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.

(PLN '000)

4. OPERATING EXPENSES

4.1. Raw and other materials used

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Cost of gas sold	(5,667,824)	(7,371,963)
Other raw and other materials used	(66,790)	(70,658)
Total	**(5,734,614)**	**(7,442,621)**

4.2. Employee Benefits

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Salaries and wages	(305,719)	(281,909)
Social security and other benefits	(129,938)	(115,440)
Total	**(435,657)**	**(397,349)**

4.3. Contracted Services

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Purchase of transmission and distribution services	(2,549,675)	(2,146,328)
Other contracted services	(391,930)	(420,346)
Total	**(2,941,605)**	**(2,566,674)**

4.4. Other Net Operating Expenses

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Change in provisions, net	5,887	18,586
Change in impairment charges, net	(163,230)	(267,500)
Taxes and charges	(110,408)	(124,419)
Interest related to operating activities	40,524	50,611
Net foreign exchange gains/(losses) related to operating activities	(5,580)	39,475
Gain/(loss) on valuation and execution of hedging transactions related to operating activities	(47,089)	44,611
Value of goods for resale and materials sold	(6,269)	(3,573)
Income from current settlement of deferred income recognised in the statement of financial position	701	63
Gains/(losses) on disposal of non-financial non-current assets	(9,913)	136
Difference on valuation of assets distributed as dividend	-	-
Provision for costs related to withdrawal of assets from lease	-	-
Change in prepayments and inventories	42,307	38,815
Income from compensations and penalties	5,760	93,266
Other expenses, net	(19,327)	(26,477)
Total	**(266,637)**	**(136,406)**

(PLN '000)

5. FINANCE INCOME AND EXPENSES

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Finance income	**497,950**	**631,257**
Gain on valuation of hedging transactions	-	-
Gain on execution of hedging transactions	-	-
Interest revenue	87,211	13,239
Foreign exchange gains	114,447	294,368
Investment revaluation	1,650	240
Gain on disposal of investments	1,639	5,607
Dividends and other profit distributions	292,804	160,353
Other finance income	199	157,450
Finance expenses	**(119,007)**	**(339,254)**
Loss on valuation of hedging transactions	(60,257)	(222,171)
Loss on execution of hedging transactions	(48,157)	(54,025)
Interest expenses	(2,917)	(19,522)
Foreign exchange losses	-	-
Investment revaluation	(3,390)	(457)
Loss on disposal of investments	-	-
Commissions on loans	(51)	(507)
Other finance expenses	(4,235)	(42,572)
Net finance income/expense	**378,943**	**292,003**

6. CORPORATE INCOME TAX

	Note	Jan 1 - June 30 2010	Jan 1 - June 30 2009
Pre-tax profit\loss		1,083,070	(651,938)
Tax rate applicable in the period		19%	19%
Tax calculated at the applicable tax rate		(205,783)	123,868
Permanent differences between pre-tax profit\(loss) and tax base		32,964,00	38,752
Corporate income tax disclosed in the income statement		**(172,819)**	**162,620**
Current income tax	6.1.	(217,596)	-
Deferred income tax	6.2.	44,777	162,620
Effective tax rate		16%	25%

6.1. Current Income Tax

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Pre-tax profit\loss	**1,083,070**	**(651,938)**
Differences between profit\(loss) before tax and tax base	56,816	501,872
Revenue not recognised in taxable income	90,559	(129,514)
Non-taxable revenue	724,060	1,417,633
Taxable revenue not recognised as revenue for accounting purposes	51,711	112,870
Tax deductible expenses, not recognised as expenses for accounting purposes	(809,514)	(899,117)
Deductions from income	-	-
Income tax base	**1,139,886**	**(150,066)**
Tax rate applicable in period	19%	19%
Corporate income tax	(216,578)	28,513
Increases, reliefs, exemptions, allowances and reductions in/of corporate income tax	(1,018)	(28,513)
Current income tax disclosed in tax return for period	(217,596)	-
Current income tax disclosed in the income statement	**(217,596)**	**-**

(PLN '000)

6.2. Deferred Income Tax

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Origination and reversal of deductible temporary differences* related to:	**28,322**	**59,739**
Provisions for future liabilities	(2,667)	(7,182)
Impairment charges on financial assets, receivables and tangible assets under construction	4,745	9,215
Costs of FX risk and interest rate risk hedges	25,530	41,442
Foreign exchange losses	-	(25,559)
Costs related to sales taxable in subsequent month	-	5
Tax loss	-	28,513
Other	714	13,305
Origination and reversal of taxable temporary differences related to:	**16,455**	**102,881**
Difference between tax and accounting value of non-current assets	17,348	43,336
Finance lease income	990	2,399
Positive valuation of FX risk and interest rate risk hedges	(13,705)	26,869
Foreign exchange gains	-	2,946
Accrued interest on receivables	4,714	18,814
Income related to tax obligation arising in subsequent month	7,108	8,760
Other	-	(243)
Deferred income tax disclosed in the income statement	**44,777**	**162,620**

* Excluding the change in deferred income tax posted directly under equity PLN (16,022) thousand related to the valuation of financial instruments PLN (6,863) thousand in H1 2009.

The current reporting period covered the tax period from January 1st 2010 to June 30th 2010.
A 19% corporate income tax rate was applicable in the first half of 2010 to businesses operating in Poland. In the first half of 2009, the CIT rate was also 19%.

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

The Company's foreign branches are subject to tax regulations in force in the countries where they conduct their business activities and the provisions of double tax treaties. In the case of foreign branches, the tax rates effective in H1 2010 and H1 2009 ranged from 25% to 41% of tax base. Foreign branches did not pay corporate income tax in those periods.

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 the period	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Dividend per share declared (PLN)	0.08	0.09
Number of shares ('000)	5,900,000	5,900,000
Dividend declared (PLN '000), including:	472,000	531,000
- in-kind dividend paid to the State Treasury	340,000	382,500
- cash dividend paid to the State Treasury	-	-
- cash dividend paid to other shareholders of the Company	132,000	148,500

The record date in respect of the 2009 dividend was set for July 27th 2010 and the dividend date – for October 4th 2010. The dividend for 2008 was paid on October 2nd 2009.

8. PROPERTY, PLANT AND EQUIPMENT

	Jun 30 2010	Dec 31 2009
Land	23,190	22,000
Buildings and structures	5,033,696	5,071,837
Plant and equipment	1,246,501	1,293,321
Vehicles and other	87,859	97,412
Total tangible assets	**6,391,246**	**6,484,570**
Tangible assets under construction	3,679,364	3,242,300
Total property, plant and equipment	**10,070,610**	**9,726,870**

PGNiG S.A. currently operates seven underground gas storage facilities (UGS). Six of them are located in worked out natural gas deposits, and one, UGS 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 fuel acceptance 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 proper operation of the facility. This applies to UGS facilities located in worked out natural hydrocarbon deposits. In the case of the facility located in a salt diapir (UGS Mogilno), gas necessary for safe operation of the facility was injected into storage chambers during the first injection cycle, with concurrent debrining.

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

(PLN '000)

8.1 TANGIBLE ASSETS

Jun 30 2010	Land	Buildings and structures	Plant and equipment	Vehicles and other	**Total**
As at Jan 1 2010, net of depreciation and impairment losses	22,000	5,071,837	1,293,321	97,412	**6,484,570**
Increase	172	60,374	175	36	**60,757**
Decrease	(35)	(15,329)	(3,660)	(770)	**(19,794)**
Transfers from tangible assets under construction and between groups	901	132,873	25,754	1,896	**161,424**
Impairment loss	152	(17,202)	2,446	377	**(14,227)**
Depreciation for the financial year	-	(198,857)	(71,535)	(11,092)	**(281,484)**
As at Jun 30 2010, net of depreciation and impairment losses	**23,190**	**5,033,696**	**1,246,501**	**87,859**	**6,391,246**
As at Jan 1 2010					
Gross value*	24,337	7,857,297	2,216,519	177,650	**10,275,803**
Accumulated depreciation and impairment loss	(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 Jun 30 2010	25,376	8,008,164	2,232,455	177,406	**10,443,401**
Gross value*	(2,186)	(2,974,468)	(985,954)	(89,547)	**(4,052,155)**
Accumulated depreciation and impairment loss	**23,190**	**5,033,696**	**1,246,501**	**87,859**	**6,391,246**

(PLN '000)

Dec 31 2009	Land	Buildings and structures	Plant and equipment	Vehicles and other	**Total**
As at Jan 1 2009, net of depreciation and impairment losses	36,495	5,588,763	1,338,078	91,754	**7,055,090**
Increase	-	83,751	(6,391)	540	**77,900**
Decrease	(16,440)	(186,296)	16,153	(2,254)	**(188,837)**
Transfers from tangible assets under construction and between groups	2,071	341,199	184,949	31,792	**560,011**
Impairment loss	(126)	(329,106)	(87,801)	(2,261)	**(419,294)**
Depreciation for financial year	-	(426,474)	(151,667)	(22,159)	**(600,300)**
As at Dec 31 2009, net of depreciation and impairment losses	**22,000**	**5,071,837**	**1,293,321**	**97,412**	**6,484,570**
As at Jan 1 2009	38,747	7,688,478	2,056,179	155,698	**9,939,102**
Gross value	(2,252)	(2,099,715)	(718,101)	(63,944)	**(2,884,012)**
Accumulated depreciation and impairment loss	**36,495**	**5,588,763**	**1,338,078**	**91,754**	**7,055,090**
Net book value as at Jan 1 2009					
	24,337	7,857,297	2,216,519	177,650	**10,275,803**
As at Dec 31 2009	(2,337)	(2,785,460)	(923,198)	(80,238)	**(3,791,233)**
Gross value	**22,000**	**5,071,837**	**1,293,321**	**97,412**	**6,484,570**
Accumulated depreciation and impairment loss					
Net book value as at Dec 31 2009					

(PLN '000)

8.2. Impairment Losses on Property, Plant and Equipment

	Land	Buildings and structures	Plant and equipment	Vehicles and other	**Total tangible assets**	Tangible assets under construction	**Total property, plant and equipment**
As at Jan 1 2010	2,338	449,417	87,801	5,852	**545,408**	337,276	**882,684**
Increase	-	21,313	-	-	**21,313**	25,618	**46,931**
Decrease	(152)	(4,111)	(2,446)	(377)	**(7,086)**	-	**(7,086)**
As at Jun 30 2010	**2,186**	**466,619**	**85,355**	**5,475**	**559,635**	**362,894**	**922,529**
As at Jan 1 2009	2,212	120,311	-	3,591	**126,114**	381,018	**507,132**
Increase	13,914	361,211	96,672	3,347	**475,144**	(43,736)	**431,408**
Decrease	(13,788)	(32,105)	(8,871)	(1,086)	**(55,850)**	(6)	**(55,856)**
As at Dec 31 2009	**2,338**	**449,417**	**87,801**	**5,852**	**545,408**	**337,276**	**882,684**

As at the beginning of the period, impairment loss on tangible assets amounted to PLN 545,408 thousand, including:
- PLN 412,640 thousand on assets used directly in production,
- PLN 28,015 thousand on underground gas storage facilities,
- PLN 104,753 thousand on other tangible assets.

The current period saw a PLN 21,313 thousand increase in impairment losses (including PLN 2,299 thousand related to assets used directly in production), and a PLN (7,086) thousand decrease in impairment losses (including PLN (7,086) thousand decrease related to assets directly used in production).
Changes in assets used directly in production were connected with the update of adopted assumptions, review of impairment evidence or disposal of assets.

As at the end of the period, impairment losses on tangible assets amounted to PLN 559,635 thousand, including:
- PLN 407,853 thousand on assets used directly in production,
- PLN 28,029 thousand on underground gas storage facilities,
- PLN 123,753 thousand on other tangible assets.

Out of the amount of Impairment charges on tangible assets under construction as at the end of H1 2010, PLN 341,376 thousand related to capitalised cost of drilling work (as at the end of 2009, the impairment was PLN 315,772 thousand).

(PLN '000)

9. NON-CURRENT FINANCIAL ASSETS AVAILABLE FOR SALE

	Jun 30 2010	Dec 31 2009
Unlisted shares (gross)	7,761,972	7,688,863
Listed shares available for sale (gross)	78,000	78,000
Other financial assets available for sale (gross)	142,573	142,663
Total, gross	**7,982,545**	**7,909,526**
Unlisted shares (net)*	6,158,647	6,085,566
Listed shares available for sale (net)**	56,000	59,560
Other financial assets available for sale (net)*	74,145	74,235
Total, net	**6,288,792**	**6,219,361**

* Net of impairment loss.
** Measurement at market value 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 disposal was not known.

Under "Listed shares available for sale", gross amount of PLN 78,000 thousand (PLN 56,000 thousand net) relates to shares in Zakłady Azotowe w Tarnowie-Mościcach S.A. of Tarnów (ZAT). The result of valuation of the ZAT shares (decline in H1 2010 compared with the end of 2009) was disclosed under the revaluation reserve. The Company treats the investment in the undertaking as a long-term investment for which there is an active market, therefore any changes in its measurement following from changes in its current market value are recognised directly in the Group's equity, until a decision to dispose of the investment is made.

10. OTHER FINANCIAL ASSETS

	Jun 30 2010	Dec 31 2009
Finance lease receivables (Note 10.1.)*	265,311	283,285
Loans advanced	2,171,604	2,135,618
Amounts receivable under sale of tangible assets	7,042	7,392
Other non-current investments	19	16
Other	53	60
Total, gross	**2,444,029**	**2,426,371**
Impairment loss	(7,700)	(8,800)
Total, net	**2,436,329**	**2,417,571**

* Non-current receivables include the lease value of the property, plant and equipment which in October 2010 will be transferred, in an estimated amount of PLN 249m, to the State Treasury as in-kind dividend.

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 and production and trading business were separated by leasing the transmission assets to Gaz-System S.A. The leased assets include real estate, movables, and economic rights. The agreement was concluded for 17 years.
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 finance lease, in accordance with IAS 17. The lease payment comprises 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 margin.

Proceeds under transmission system lease agreement:

	Jun 30 2010	Jun 30 2009
Interest payment	9,325	25,601
Principal payment	10,030	23,201
Total	**19,355**	**48,802**

(PLN '000)

11. INVENTORIES

	Jun 30 2010	Dec 31 2009
Materials	1,213,585	1,102,381
at cost, including:	1,217,021	1,106,462
- gas fuel	1,054,089	968,901
at net realisable value, including:	1,213,585	1,102,381
- gas fuel	1,054,089	968,901
Semi-finished products and work in progress	-	-
at cost	-	-
at net realisable value	-	-
Finished products	6,215	7,218
at cost	6,215	7,218
at net realisable value	6,215	7,218
Goods for sale	376	621
at cost	376	621
at net realisable value	376	621
Total inventories, at the lower of cost or net realisable value	**1,220,176**	**1,110,220**

11.1. Change in Inventories in Period

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Inventories at cost, at beginning of period	1,114,300	1,582,974,
Purchase	6,804,287	7,508,780
Other increases	19,295	28,293,
Inventories charged to expenses of period	(6,412,881)	(7,615,368)
Sale	(3,754)	(3,841)
Other decreases	(297,635)	(304,902)
Inventories at cost, at end of period	**1,223,612**	**1,195,936**

(PLN '000)

12. TRADE AND OTHER RECEIVABLES

	Jun 30 2010	Dec 31 2009
Trade receivables from other undertakings	2,838,550	3,893,032
Trade receivables from related undertakings	78,056	87,918
VAT receivable	179,429	202,687
Other taxes, customs and social security receivable	3,124	4,738
Due and payable portion of loans advanced	466,949	223,178
Finance lease receivables	24,287	23,093
Other receivables from related undertakings	378,391	86,741
Other receivables	202,040	191,117
Total gross receivables	**4,170,826**	**4,712,504**
Impairment loss on doubtful receivables (Note 12.1.)	**(1,159,429)**	**(1,025,423)**
Total net receivables	**3,011,397**	**3,687,081**
including:		
Trade receivables from other undertakings	1,974,162	3,137,153
Trade receivables from related undertakings	29,451	40,905
VAT receivable	179,429	202,687
Other taxes, customs and social security receivable	3,124	4,738
Due and payable portion of loans advanced	441,702	202,456
Finance lease receivables	24,287	23,093
Other receivables from related undertakings	292,710	1,059
Other receivables	66,532	74,990

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

12.1. Impairment Losses on Receivables

	Jun 30 2010	Dec 31 2009
Impairment losses at beginning of period	(1,025,423)	(987,751)
Increase in impairment charge	(153,675)	(291,397)
Reversal of impairment charge	12,161	182,130
Use of impairment charge	8,608	73,245
Transfers between current and non-current portions	(1,100)	(1,650)
Impairment losses at end of period	**(1,159,429)**	**(1,025,423)**

(PLN '000)

13. BANK LOANS, BORROWINGS AND DEBT SECURITIES

	Currency	Jun 30 2010	Dec 31 2009	Effective interest rate (%)	Maturity date	Jun 30 2010	Dec 31 2009
Non-current		Amount in original currency				Amount in PLN	
Finance lease	PLN	371	951	10.00%	Mar 25 2012	371	951
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	841	0.83%	May 30 2012	539	841
Finance lease	PLN	23	50	0.83%	Nov 30 2011	23	50
Finance lease	PLN	70	87	1M Wibor 3.75%	Dec 4 2012	70	87
Total non-current						**1,222**	**2,619**

	Currency	Jun 30 2010	Dec 31 2009	Effective interest rate (%)	Maturity date	Jun 30 2010	Dec 31 2009
Current		Amount in original currency				Amount in PLN	
Credit facility	PLN	-	759,566	1M Wibor + 0.2%	Jul 27 2010	-	759,566
Credit facility	PLN	-	800,482	1M Wibor + 0.2%	Jul 27 2010	-	800,482
Credit facility	PLN	-	240,316	1M Wibor + 0.2%	Jul 27 2010	-	240,316
Credit facility	PLN	-	100,113	1M Wibor + 0.2%	Jul 27 2010	-	100,113
Credit facility	PLN	300,283	-	7.48%	Jul 27 2010	300,283	-
Credit facility	PLN	300,188	-	7.00%	Jul 27 2010	300,188	-
Credit facility	PLN	1,000,524	-	1M Wibor + 0.2%	Jul 27 2010	1,000,524	-
Finance lease	PLN	1,134	1,082	10.00%	Mar 25 2012	1,134	1,082
Finance lease	PLN	470	449	10.00%	Nov 20 2011	470	449
Finance lease	PLN	911	1,363	2.77%	Jul 21 2011	911	1,363
Finance lease	PLN	589	560	0.83%	May 30 2012	589	560
Finance lease	PLN	53	51	0.83%	Nov 30 2011	53	51
Finance lease	PLN	22	40	1M Wibor 4.43%	Jul 31 2010	22	40
Finance lease	PLN	41	43	1M Wibor 3.75%	Dec 4 2012	41	43
Total current						**1,604,215**	**1,904,065**

(PLN '000)

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

13.1. Received Credit Facilities and Amounts Undrawn under the Credit Facilities

Bank	Jun 30 2010		Dec 31 2009	
	Received credit facilities	Undrawn amount	Received credit facilities	Undrawn amount
Pekao S.A.	40,000	40,000	40,000	40,000
PKO BP S.A.	40,000	40,000	40,000	40,000
Bank Handlowy S.A.	40,000	40,000	40,000	40,000
Societe Generale	40,000	40,000	40,000	40,000
Millennium S.A.	40,000	40,000	40,000	40,000
BRE Bank S.A.	40,000	40,000	40,000	40,000
Bank syndicate *	2,487,480	887,480	2,464,920	564,920
Total	**2,727,480**	**1,127,480**	**2,704,920**	**804,920**

*A EUR 600m credit facility maturing on July 27th 2010, granted by a syndicate of banks (Bank Handlowy w Warszawie S.A., Bank Polska Kasa Opieki S.A., Credit Agricole CIB (formerly Calyon S.A.), Fortis Bank (Nederland) N.V., Bank PKO Bank Polski S.A., Societe Generale S.A. Polish Branch, ING Bank Śląski S.A., West LB AG, Bank Polska Kasa Opieki S.A. (formerly Bank BPH S.A.), Bank Millennium S.A., Nordea Bank Polska S.A., Landesbank Baden-Wurttemberg, DnB NOR Bank AS.A.).

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)

Maturity:	Jun 30 2010		
	(Discounted) payments disclosed in the statement of financial position	Interest	Lease payments due
up to 1 year	3,220	111	3,331
from 1 to 5 years	1,222	15	1,237
over 5 years	-	-	-
Total	**4,442**	**126**	**4,568**

Maturity:	Dec 31 2009		
	(Discounted) payments disclosed in the statement of financial position	Interest	Lease payments due
up to 1 year	3,587	193	3,780
from 1 to 5 years	2,619	85	2,704
over 5 years	-	-	-
Total	**6,206**	**278**	**6,484**

(PLN '000)

14. PROVISIONS

	Provision for length-of-service awards and retirement severance pays	Provision for gas allowances	Provision for well decommi-ssioning costs	Provision for environ-mental protection liabilities	Provision for potential liability under transmission services	Central Restructuring Fund	Other	**Total**
As at Jan 1 2010	111,765	20,410	916,231	75,993	34,391	10,450	49,779	**1,219,019**
Increase	4,340	-	64,160	-	-	13,000	61,302	**142,802**
Decrease	(4,353)	(9,704)	-	(17,830)	-	(2,158)	(58,012)	**(92,057)**
As at Jun 30 2010	**111,752**	**10,706**	**980,391**	**58,163**	**34,391**	**21,292**	**53,069**	**1,269,764**
Non-current	97,188	-	967,596	50,510	-	-	15,239	**1,130,533**
Current	14,564	10,706	12,795	7,653	34,391	21,292	37,830	**139,231**
As at Jun 30 2010	**111,752**	**10,706**	**980,391**	**58,163**	**34,391**	**21,292**	**53,069**	**1,269,764**
Non-current	97,451	-	904,867	67,326	-	-	14,723	**1,084,367**
Current	14,314	20,410	11,364	8,667	34,391	10,450	35,056	**134,652**
As at Dec 31 2009	**111,765**	**20,410**	**916,231**	**75,993**	**34,391**	**10,450**	**49,779**	**1,219,019**

The technical rate adopted to calculate the discounted value of the future retirement severance pay obligations was 3%, as the resultant of the 5,98% annual return on assets and the 2,9% forecast salary growth (at the end of 2009 the adopted technical rate was 2.1%, as the resultant of 6.24% and 4.1%, respectively).

In H1 2010, a discount rate of 3.40% was applied to calculate the provision for well decommissioning costs, as the resultant of the 5.98% 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 2009 the adopted discount rate was 3.65%, as the resultant of 6.24% and 2.5%, respectively).

(PLN '000)

14.1. Actuarial Income Statement for the Provision for Length-of-Service Awards and Retirement Severance Pays

	Jun 30 2010	Dec 31 2009
Length-of-service awards		
Value of obligation shown in the statement of financial position at beginning of period	69,259	70,503
Interest cost	1,005	2,890
Current service cost	2,883	3,071
Benefits paid	(4,967)	(16,316)
Actuarial gain/loss	(1,771)	9,111
Gains/losses due to curtailments or settlements	-	-
Value of obligation shown in the statement of financial position at end of period	**66,409**	**69,259**
Retirement Severance Pays		
Value of obligation shown in the statement of financial position at beginning of period	42,506	38,706
Current service cost	2,115	2,243
Interest cost	839	2,223
Net actuarial gain/loss recognised during the year	490	478
Benefits paid	(973)	(1,875)
Past service cost	366	731
Gains/losses due to curtailments or settlements	-	-
Value of obligation shown in the statement of financial position at end of period	**45,343**	**42,506**
Total value of obligation shown in the statement of financial position at end of period	**111,752**	**111,765**

15. TRADE AND OTHER PAYABLES

	Jun 30 2010	Dec 31 2009
Trade payables to other undertakings	723,267	665,644
Trade payables to related undertakings	181,329	404,232
VAT payable	413,629	748,190
Other taxes, duties and social security contributions payable	84,002	45,139
Wages and salaries payable	610	1,340
Amounts payable for unused holidays	2,255	10,503
Amounts payable under purchase of non-financial non-current assets	137,912	186,643
Amounts payable under purchase of non-financial non-current assets from related undertakings	120,110	146,851
Additional contribution to equity payable under a relevant resolution	102,172	93,795
Dividend payable to owner	472,000	-
Other amounts payable to related undertakings	2,055	1,565
Other amounts payable to other undertakings	14,762	19,589
Accruals and deferred income and prepaid deliveries	41,067	36,204
Total	**2,295,170**	**2,359,695**
Including related undertakings (Note 18.2.)	405,666	646,443

(PLN '000)

16. CONTINGENT LIABILITIES

16.1. Contingent Liabilities under Issued Sureties and Guarantees

Creditor – beneficiary of the Company's surety/guarantee	Amount of contingent liability incurred in original currency	Currency of contingent liability	Amount of contingent liability* incurred in PLN	Contingent liability expiry date	Debtor	Contingent liability under
Contingent liabilities incurred by PGNiG S.A.						
NATIONAL OIL CORPORATION	108,000	USD	366,617	Jun 1 2013	Polish Oil and Gas Company LIBYA B.V.	Bank guarantee
STATE OF NORWAY	627,556	EUR	2,601,720	Jan 1 2050	PGNiG Norway AS	Bank guarantee
TMF NEDERLAND B.V.	1,000	EUR	4,146	Nov 30 2010	Polish Oil and Gas Company LIBYA B.V.	Bank guarantee
ENERGY REGULATORY OFFICE	10,000	PLN	10,000	Jun 10 2020	PGNiG Energia S.A.	Performance bond
PKO BP S.A. II Warsaw Regional Corporate Branch	70	PLN	70	Jan 31 2012	ORLEN-GAZ of Warsaw	Performance bond
Total			**2,982,553**			

* Contingent liabilities in the foreign currency translated into the złoty at exchange rates quoted by the National Bank of Poland for June 30th 2010.

Table 35.1. does not show bank guarantees which were issued at the request of the Company to beneficiaries to whom the PGNiG S.A. carries material liabilities under agreements for provision of goods and services. As at June 30th 2010, the value of the bank guarantees was PLN 930,657 thousand (PLN 912,546 thousand as at December 31st 2009).

16.2. Contingent Liabilities under Promissory Notes Outstanding

Beneficiary	Amount of promissory note issued in the currency	Currency	Amount of promissory note issued in the złoty	Expiry date
Polska Agencja Rozwoju Przedsiębiorczości (PARP)	2,557	PLN	2,557	Dec 31 2014
Total			**2,557**	

(PLN '000)

16.3. Other Contingent Liabilities

Real Estate Tax

Pursuant to a decision of the Supreme Administrative Court in Warsaw of July 2nd 2001 undertaken by a bench of seven judges, 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 operation of the Zielona Góra Branch resolved not to collect real estate tax thereunder; however some authorities decided that it is the well supporting infrastructure that is subject to taxation.
The pipeline tax was introduced in 2001. In the previous years, the Zielona Góra Branch created provisions for claims of the local authorities due to real estate tax in the amount of PLN 821.3 thousand. Following a favourable outcome of court cases regarding this type of claims in the past, PGNiG S.A. reassessed the risk thereunder and, having considered it low, released the provision in 2007. However, the local authorities in the Podkarpacie region have never filed any such claims so far. Therefore, the mining plants located in Podkarpacie did not declare or account for real estate tax on excavations for the period from 2001to H1 2010. The related liability, if any, including interest, which is not past due and is not recognised in the financial statements, amounted to PLN 157,865.0 thousand as at June 30th 2010 (as at the end of 2009, it was PLN 127,514.3 thousand).

Claims Related to Real Estate

Further, owners of the following real estate raise claims against PGNiG S.A.:
- land plots through which gas pipelines are planned to run,
- land plots on which existing gas pipelines and gas installations are located.

Given the fact that the owners' claims related to real estate are often groundless (as confirmed by expert opinions), the estimation of a liability, if any, is impossible.

17. OFF-BALANCE SHEET LIABILITIES

17.1. Operating Lease Liabilities

	Jun 30 2010	Dec 31 2009
Payable in up to 1 year	-	-
Payable in 1 to 5 years	-	-
Payable in over 5 years	-	-
Total	**-**	**-**

17.2. Contractual Liabilities (Not Yet Disclosed in the Statement of Financial Position)

	Jun 30 2010	Dec 31 2009
Contractual liabilities	4,658,929	4,865,464
Completion of agreements as at the balance-sheet date	1,808,310	1,406,823
Contractual liabilities subsequent to the balance-sheet date	**2,850,619**	**3,458,641**

(PLN '000)

18. INFORMATION ON RELATED UNDERTAKINGS

PGNiG S.A. holds shares in production and service companies. As at June 30th 2010, PGNiG S.A. had 41 related undertakings, including:

- 27 subsidiary undertakings, and
- 14 other related undertakings.

18.1. Consolidated Subsidiary and Associated Undertakings

Company	Country	% of share capital held	
		Jun 30 2010	Jun 30 2009
Subsidiaries			
GK GEOFIZYKA Kraków [1)]	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%
GK Poszukiwania Nafty i Gazu Kraków [2)]	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.	Netherlands	100.00%	100.00%
Dolnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Górnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Karpacka Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
GK Mazowiecka Spółka Gazownictwa [3)]	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%
BUG Gazobudowa Sp. z o. o. of Zabrze	Poland	100.00%	100.00%
Budownictwo Naftowe Naftomontaż Sp. z o.o.	Poland	88.83%	88.83%
Zakład Urządzeń Naftowych Naftomet Sp. z o.o.	Poland	100.00%	100.00%
B.S. i P.G. Gazoprojekt S.A.	Poland	75.00%	75.00%
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%	-
Subsidiaries of subsidiary BN Naftomontaż Krosno Sp. z o. o.			
NAFT-STAL Sp. z o.o. w upadłości(in bankruptcy) [4)]	Poland	59.88%	59.88%
Jointly-controlled and associated undertakings valued with equity method			
SGT EUROPOL GAZ S.A. [5)]	Poland	49.74%	49.74%
GAS - TRADING S.A.	Poland	43.41%	43.41%

[1)] Geofizyka Kraków Sp. z o.o. consolidated its subsidiary – GEOFIZYKA Kraków Libya JSC – until January 19th 2010 (i.e. until the company was deleted from the Central Commercial Register).

[2)] 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.

[3)] The Mazowiecka Spółka Gazownictwa Group comprises Mazowiecka Spółka Gazownictwa Sp. z o.o. and its subsidiary, Powiśle Park Sp. z o.o., which has been consolidated since Q1 2009.

[4)] On June 29th 2010, the District Court for Krosno resolved to declare the bankruptcy of NAFT-STAL sp. z o.o. w upadłości (in bankruptcy) and to liquidate the company's assets.

[5)] Including a 48% direct interest and 1.74% held indirectly through GAS-TRADING S.A.

(PLN '000)

18.2. Transactions with Related Undertakings

Related undertaking		Sales to related undertakings	Purchases from related undertakings	Balance as at	Receivables from related undertakings, gross	Receivables from related undertakings, net	Loans to related undertaking, gross	Loans to related undertakings, net	Amounts payable to related undertakings
Undertakings consolidated with full or equity method	Jun 30 2010	227,380	2,284,018	Jun 30 2010	324,245	317,208	2,607,316	2,598,516	294,014
	Jun 30 2009	130,378	2,069,774	Dec 31 2009	46,432	40,986	2,330,173	2,319,723	533,706
Other non-consolidated related undertakings	Jun 30 2010	6,218	51,741	Jun 30 2010	132,202	4,953	31,236	7,090	111,652
	Jun 30 2009	3,251	31,849	Dec 312009	128,227	978	28,623	9,551	112,737
Related undertakings – total	**Jun 30 2010**	**233,598**	**2,335,759**	**Jun 30 2010**	**456,447**	**322,161**	**2,638,552**	**2,605,606**	**405,666**
	Jun 30 2009	**133,629**	**2,101,623**	**Dec 312009**	**174,659**	**41,964**	**2,358,796**	**2,329,274**	**646,443**

The principal transactions with shareholders in the first half of 2010 and 2009 were dividend payments, as detailed in Note 7.

In the first half of 2010, the Company did not enter into any material non-arm's length transactions with related undertakings.

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

(PLN '000)

18.3. Transactions with Undertakings in which the State Treasury Holds Equity Interests

In H1 2010, PGNiG S.A. generated the highest turnover with the following undertakings in which the State Treasury holds equity interests: Operator Gazociągów Przesyłowych GAZ-SYSTEM S.A., Zakłady Azotowe PUŁAWY S.A., Polski Koncern Naftowy ORLEN S.A., Zakłady Azotowe ANWIL S.A., Rafineria Trzebinia S.A., and Zakłady Azotowe KĘDZIERZYN S.A.

The H1 2010 sales to these undertakings reached PLN 1,449m (14.0% of sales revenue), while the H1 2010 purchases from these undertaking amounted to PLN 805m (8.3% of operating expenses). As at June 30th 2010, the carrying value of receivables was PLN 588m, while the value of liabilities was PLN 69m.

In H1 2009, PGNiG S.A. 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 POLICE S.A., and Zakłady Azotowe PUŁAWY S.A.

The H1 2009 sales to these undertakings reached PLN 1,389m (14% of sales revenue), while the H1 2009 purchases from these undertaking amounted to PLN 698m (6.4% of operating expenses).
As at December 31st 2009, the carrying value of receivables was PLN 729m, while the value of liabilities was PLN 86m.

18.4. Remuneration Paid, Loans and Other Similar Benefits Granted to Members of Management and Supervisory Bodies

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Remuneration paid to management staff	1,547	1,416
Remuneration paid to supervisory staff	166	178
Total	**1,713**	**1,594**

During the financial year, the Company did not enter into any other material transactions with members of the Company's management and 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 material shareholders. The Company did not advance any loan to such persons.

18.5. Joint Ventures

In the first half of 2010, PGNiG S.A. cooperated with the following companies in Poland: FX Energy Poland Sp. z o.o., EuroGas Polska Sp. z o.o. and Energia Bieszczady Sp. z o.o., Orlen Upstream Sp. z o.o., Energia Karpaty Zachodnie Sp. z o.o. Sp. k., and Energia Karpaty Wschodnie Sp. z o.o. Sp. k.

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

In the first half of 2009, PGNiG S.A. continued cooperation with FX Energy Poland Sp. z o.o. in the following areas covered by licenses awarded to PGNiG S.A.:

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

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

- Block 255 – under Agreement for Joint Operations dated October 29th 1999 (FX Energy – 81.82%, PGNiG S.A. – 18.18%);
- "Ostrowiec" – under Agreement for Joint Operations dated February 27th 2009, covering license block no. 163 and block no. 164 (FX Energy – 51%, PGNiG S.A. – 49%).

In the "Płotki" area, gas was produced from the Klęka and Roszków deposits. In H1 2010 the production from the Klęka deposit was completed and the decision to decommissioning the well with infrastructure was made. Total production of natural gas from the Klęka deposit was at approximately 76m cubic metres. In the “Płotki”-“PTZ” area gas was produced from the Zaniemyśl deposit

In the “Poznań” area, the reprocessing and interpretation of 3D seismic data of Żerków-Pleszew was completed. In July 2010, PGNiG S.A. obtained licenses for the production of natural gas from the Kromolice, Kromolice S and Środa Wielkopolska deposits located in the “Poznań” area. Drilling of the Lisewo-1k and Pławce 2 wells (tight gas) is planned to commence in H2 2010.

Despite finishing production from the Wilga deposit (“Block 255”) and the absence of hydrocarbon flow in the Ostrowiec-1 exploratory well, in H1 2010 data were further analysed to decide whether work in the area should be continued.

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 2010, PGNiG S.A. continued cooperation with EuroGas Polska Sp. z o.o. and Energia Bieszczady Sp. z o.o. in the “Bieszczady” license area (mining usufruct and licenses for exploration and appraisal of crude oil and natural gas deposits in that area are held by PGNiG S.A.)

In H1 2010, in the “Bieszczady” area, the processing and interpretation of 2D seismic surveys on Kostarowce-Zahutyń located in the Carpathian Mountains area were completed and the location for the Niebieszczany-1 exploratory well was selected. The drilling of the well is expected to commence in H2 2010.

Orlen Upstream Sp. z o.o., registered office at ul. J. G. Bennetta 2B, 02-159 Warsaw,

In H1 2010, 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, workover and test of the Sieraków-4 well was completed. Drilling of the Sieraków-3 wells is planned to commence in H2 2010.

Energia Karpaty Zachodnie Sp. z o.o. Sp. k., 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 “Budzów”, “Bielsko-Biała”, “Bestwina” and “Cieszyn” areas. 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.

In H1 2010, in cooperation with Energia Karpaty Zachodnie Sp. z o.o. Sp. k, PGNiG S.A. commenced the reprocessing of 3,000 km of 2D data in the licensed areas.

Energia Karpaty Wschodnie Sp. z o.o. Sp. k., registered office at ul. Śniadeckich 17, 00-654 Warsaw.

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.

All the assets, liabilities, income and expenses connected with the joint ventures described above are presented in the statement of financial position and the income statement of PGNiG S.A. pro rata to its interest in a given joint venture.

19. OTHER MATERIAL INFORMATION

19.1. Restructuring Process

In H1 2010, the Programme for Employment Streamlining and Redundancy Payments to the Employees of the PGNiG Group for 2009–2011 (Stage 3), adopted by the Extraordinary General Shareholders Meeting of PGNiG S.A. on December 11th 2008, was continued at the Group. For more information on the Programme see Note 40 to the Consolidated Financial Statements.

19.2. Contracts for the Supply of Gas Fuel and Crude Oil

In H1 2010, PGNiG S.A. and Grupa Lotos S.A. signed a comprehensive agreement on supply of gas fuel, for an indefinite term. . The agreement provides for the supply of gas fuel starting from December 16th 2011. The annual supplies of natural gas to Grupa Lotos will be 403m m^3 in 2012 and the target annual volume is 447m m^3. The estimated value of the agreement in the period of five years amounts to approximately PLN 2.208bn.

19.3. Contracts for the Purchase of Gas Fuel

In H1 2010, PGNiG S.A. imported gas mainly under the following agreements and contracts, that is the long- and short-term contracts for imports of gas from Russia and Germany, and medium-term agreements on gas supplies from German suppliers:

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

The Company also imported gas which was not introduced to the transmission grid, but supplied to individual regions of Poland. Such imports were performed under the following agreements and contracts:

- the agreement on natural gas supplies executed with NAK Naftogaz Ukrainy, dated October 26th 2004, in force until 2020. Gas imported under the agreement is supplied to consumers in the Hrubieszów area.
- the 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 and will remain in force until December 31st 2010. Gas imported under the agreement is supplied to consumers in the commune of Branice.
- the Framework Agreement with VNG – Verbundnetz Gas Aktiengesellschaft, dated July 28th 2009.
  Under the Framework Agreement, the following two individual contracts were concluded:
  1. Individual Contract for supply of natural gas to the Gubin delivery point in the period October 1st 2009 – October 1st 2011,
  2. Individual Contract for supply of natural gas to the Kamminke delivery point in the period October 1st 2009– October 1st 2011.

On January 27th 2010 a trilateral Memorandum of Understanding was signed between PGNiG S.A., OAO Gazprom Export and SGT EuRoPol GAZ S.A. The Memorandum of Understanding provides for extending the term of the existing contract for the supply of natural gas from the Russian Federation to the Republic of Poland until December 31st 2037, with an option of further extension until December 31st 2045, and increasing the volume of natural gas supplies under the Contract up to approximately 10.2 billion cubic meters of natural gas according to Polish standards. The Memorandum also provides for extending the term of the contract for the transit of natural gas through the territory of Poland over the pipeline owned by EuRoPol GAZ with other terms and conditions remaining unchanged. Currently, PGNiG S.A. is waiting for the Governments of the Republic of Poland and the Russian Federation to sign the draft Protocol (approved by the Polish Council of Ministers) concerning changes to the

Additional Protocol of February 12th 2003 to the Agreement of August 25th 1993 between the Government of the Russian Federation and the Government of the Republic of Poland on the construction of a pipeline system for the transit of Russian gas through the territory of Poland and on supplies of Russian gas to Poland. Following the execution of the documents by the Governments, PGNiG S.A. and OOO Gazprom Eksport will sign a relevant annex introducing the necessary changes to the Yamal Contract, concerning in particular an extension of the Yamal Contract's term and an increase in annual supplies of natural gas in the period 2010–2037, with a breakdown of supplies by individual delivery points.

Moreover, January 2010 saw the return of the issue of possible gas supplies through the E.ON Ruhrgas to the Drozdowicze cross-border delivery point.

Following negotiations, on May 3rd 2010 PGNiG S.A. and E.ON Ruhrgas signed a two-year Gas Sales Contract, providing for PGNiG S.A.'s purchase of gas in quantities of up to 350m m^3 (according to the GOST standards) and launch of supplies between June and late December 2010. If E.ON Ruhrgas fails to commence the supplies within the predefined period, the quantities will be reduced in accordance with the contractual provisions. In 2011, the quantity of gas supplied under the contract will amount to approximately 240m m^3 (according to the GOST standards).

The agreement is conditional and will only take effect upon the fulfilment of conditions precedent, such as obtainment of relevant corporate approvals by the both parties and E.ON Ruhrgas's securing agreements on gas transit within the territory of Ukraine to the Drozdowicze cross-border point.

E.ON Ruhrgas failed to secure the required transport consents by the originally prescribed deadline of May 28th 2010. On June 2nd 20120, the parties signed a Memorandum of Understanding to the Gas Sales Contract of May 3rd 2010, providing for an extension of the deadline for the fulfilment of conditions precedent by both parties until June 25th 2010. If the new conditions are not fulfilled, the Contract will expire. Given the German party's intensive negotiations with Gazprom and NAK Naftogaz Ukrainy, PGNiG S.A. and E.ON Ruhrgas executed Amendment No. 2 to the Gas Sales Contract of May 3rd 2010. Amendment No. 2 provides for new deadlines for the fulfilment of conditions precedent: July 26th 2010 for E.ON Ruhrgas and August 2nd 2010 for PGNiG S.A. On July 28th 2010, Amendment No. 3 to the Gas Sales Contract of May 3rd 2010 was signed, extending the deadline for fulfilment of conditions precedent from August 2nd 2010 to October 1st 2010.

In H1 2010, PGNiG S.A. purchased domestically produced gas under agreements concluded with the same partners from which the Company purchased gas earlier, with the exception of P.L. Energia S.A. On January 21st 2010, TRIAS Sp. z o.o. assumed PGNiG S.A.'s rights and obligations under the agreement with P.L. Energia S.A.

Below are listed the agreements under which in H1 2010 PGNiG S.A. purchased nitrogen-rich gas (classified in the Ls and Lw sub-groups) from entities outside the PGNiG Group:

1. Natural gas sales agreement between PGNiG S.A. and FX Energy Poland Sp. z o.o., dated December 18th 2000, concerning the field located in the Kłęka (Fences) area in Poland. In April 2010, due to technical problems, production from the Kłęka field was discontinued and gas from the field has not been supplied to PGNiG S.A.
2. Natural gas sales agreement between PGNiG S.A. and FX Energy Poland Sp. z o.o., dated December 8th 2005 (concerning the Zaniemyśl field).
3. Natural gas sales agreement between PGNiG S.A. and Calenergy Resources Poland Sp. z o.o., dated December 8th 2005 (concerning the Zaniemyśl field).
4. Natural gas sales agreement between PGNiG S.A. and DPV Service Sp. z o.o., dated January 13th 2009 (concerning the Antonin field).
5. Natural gas sales agreement between PGNiG S.A. and FX Energy Poland Sp. z o.o., dated June 19th 2009 (concerning the Roszków field).
6. Natural gas sales agreement executed between PGNiG S.A. and TRIAS Sp. z o.o. (formerly, P.L. Energia S.A.), dated June 29th 2009 (concerning the Grabówka field).

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

In June 2010, supplies of gas from the markets east of Poland were disrupted again. Due to the policy of the main supplier and the political and economic situation in the transit countries, disruptions in gas supplies may also occur in the future. Moreover, there is a risk of supplies falling short of demand, unless the governments of the Republic of Poland and the Russian Federation sign an inter-governmental agreement by the middle of October of 2010. If such an inter-governmental agreement is not signed, OGP GAZ-SYSTEM S.A. can be expected to introduce gas consumption limits in accordance with the Regulation of the Council of Ministers on the manner and procedure for the introduction of natural gas consumption limits, dated September 19th 2007. The limits to be introduced by OGP GAZ-SYSTEM S.A. may turn out to be insufficient to balance the reduced demand with gas supplies

19.4. Free of Charge Acquisition of PGNiG S.A. Shares by Eligible Employees

For detailed information on free-of-charge acquisition of PGNiG S.A. shares by eligible employees, see the Consolidated Financial Statements.

20. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

a. On July 26th 2010, a PLN 1,235m bond issue programme was launched, pursuant to the agreement concerning a bond issue programme with a value of up to PLN 3 billion (Current Report No. 30/2010 of June 10th 2010) concluded on June 10th 2010 with six banks, namely: Bank Polska Kasa Opieki S.A., ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Bank Handlowy w Warszawie S.A., Societe Generale S.A., and BNP Paribas S.A. Poland Branch. Proceeds from the first issue were used to repay a multi-currency loan maturing on July 27th 2010. The bonds bear interest based on the WIBOR rate plus a margin, whose level depends on the use of the Programme and the ratio of consolidated net debt to consolidated EBITDA.

b. On July 30th 2010, PGNiG S.A. entered into a comprehensive agreement on supply of gas fuel ("the Agreement") with KGHM Polska Miedź S.A. of Lubin ("KGHM"). The Agreement provides for the sale of natural gas to be used as a power generation fuel to power two combined cycle (gas and steam) units with the capacity of 45 MWe each, delivered to the Głogów and Polkowice collection points via the distribution network operated by Wielkopolska Spółka Gazownictwa Sp. z o.o. The target annual amount of gas to be delivered is 266m cubic metres. The Agreement is effective from its date until June 30th 2033, and contains a clause whereunder the start of gas deliveries may be rescheduled to a later date, between July 1st and December 31st 2012. The value of the Agreement is estimated at approximately PLN 4bn. The estimated maximum contractual penalties may exceed 10% of the Agreement's value, depending on the quantities ordered but not collected by KGHM. The Agreement contains no provisions under which compensation in excess of the contractual penalties may be sought.

c. On August 3rd 2010, PGNiG S.A. entered into agreements terminating the gas sales contracts executed on December 1st 2003 with Energetyka Sp. z o.o. (a subsidiary of KGHM Polska Miedź S.A.). The contracts provided for the supply of natural gas used as a source of energy and delivered to the Żukowice and Polkowice collection points. The contracts were terminated due to the parties' inability to meet the contractual terms of natural gas deliveries as well as due to the completion of negotiations of a new contract for the supply of natural gas to KGHM Polska Miedź S.A. No financial implications are expected to arise from the contracts' termination.

d. On August 16th 2010 the Supervisory Board of PGNiG received the resignation of Mr Waldemar Wójcik from the position of PGNiG SA's Vice-President responsible for Mining, with effect from August 15th 2010.