



# **PGNiG**

Polskie Górnictwo Naftowe  
i Gazownictwo SA

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED  
JUNE 30TH 2010**

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Members of the Management Board

President of the Management  
Board

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Management Board

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Vice-President of the  
Management Board

Sławomir Hinc

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Vice-President of the  
Management Board

Marek Karabuła

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Vice-President of the  
Management Board

Mirosław Szałuba

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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	10,761,916	10,253,588	2,687,657	2,269,296
II. Operating profit\loss	1,201,671	(679,238)	300,103	(150,327)
III. Pre-tax profit\loss	1,216,630	(576,857)	303,838	(127,668)
IV Net profit\loss attributable to owners of the parent	991,870	(493,448)	247,707	(109,209)
V. Net profit\loss	994,225	(493,007)	248,296	(109,111)
VI. Comprehensive income attributable to owners of the parent	1,078,153	(432,749)	269,256	(95,775)
VII. Total comprehensive income	1,080,508	(432,308)	269,844	(95,677)
VIII. Net cash provided by/(used in) operating activities	2,638,455	1,095,633	658,922	242,483
IX. Net cash provided by/(used in) investing activities	(1,439,794)	(1,698,271)	(359,571)	(375,857)
X. Net cash provided by/(used in) financing activities	(302,302)	527,521	(75,496)	116,750
XI. Total net cash flow	896,359	(75,117)	223,855	(16,625)
XII. Net earnings/(loss) and diluted net earnings/(loss) per share attributable to owners of the parent (PLN/EUR)	0.17	(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
XIII. Total assets	31,984,391	31,073,899	7,714,890	7,563,872
XIV. Liabilities and provisions for liabilities	9,939,079	9,636,592	2,397,385	2,345,697
XV. Non-current liabilities	3,790,164	3,737,598	914,218	909,790
XVI. Current liabilities	6,148,915	5,898,994	1,483,167	1,435,907
XVII. Equity	22,045,312	21,437,307	5,317,505	5,218,175
XVIII. Share capital	5,900,000	5,900,000	1,423,127	1,436,152
XIX. Weighted average number of shares ('000)	5,900,000	5,900,000	5,900,000	5,900,000
XX. Book value per share and diluted book value per share (PLN / EUR)	3.74	3.63	0.90	0.88
XXI. 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

**CONSOLIDATED INCOME STATEMENT**  
**for the period ended June 30th 2010**

	Note	Jan 1 – Jun 30 2010 Unaudited	Jan 1 – Jun 30 2009 Unaudited
<b>Sales revenue</b>	<b>3</b>	<b>10,761,916</b>	<b>10,253,588</b>
Raw and other materials used	4	(5,940,676)	(7,672,873)
Employee benefits	4	(1,282,851)	(1,228,475)
Depreciation and amortisation		(745,201)	(762,489)
Contracted services	4	(1,518,088)	(1,285,473)
Cost of products and services for own needs		361,441	359,567
Cost of products and services for own needs			
Other operating expenses, net	4	(434,870)	(343,083)
<b>Total operating expenses</b>		<b>(9,560,245)</b>	<b>(10,932,826)</b>
<b>Operating profit/(loss)</b>		<b>1,201,671</b>	<b>(679,238)</b>
Finance income	5	34,841	169,951
Finance expenses	5	(19,510)	(67,374)
Share in profit/(loss) of undertakings valued with equity method	6	(372)	(196)
<b>Pre-tax profit/(loss)</b>		<b>1,216,630</b>	<b>(576,857)</b>
Corporate income tax	7	(222,405)	83,850
<b>Net profit/(loss)</b>		<b>994,225</b>	<b>(493,007)</b>
Attributable to:			
Equity holders of the parent		991,870	(493,448)
Non-controlling interests		2,355	441
<b>Earnings/loss and diluted earnings/loss per share attributable to ordinary shareholders of the parent</b>	<b>9</b>	<b>0.17</b>	<b>(0.08)</b>

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

	Note	Jan 1 – Jun 30 2010 unaudited	Jan 1 – Jun 30 2009 unaudited
<b>Net profit/(loss)</b>		<b>994,225</b>	<b>(493,007)</b>
Currency translation differences on foreign operations		17,977	31,442
Valuation of hedging instruments		87,888	-
Valuation of financial instruments		(3,560)	36,120
Deferred tax related to other comprehensive income		(16,022)	(6,863)
Other		-	-
<b>Other comprehensive net income/(loss)</b>		<b>86,283</b>	<b>60,699</b>
<b>Total comprehensive income</b>		<b>1,080,508</b>	<b>(432,308)</b>
Attributable to:			
Equity holders of the parent		1,078,153	(432,749)
Non-controlling interests		2,355	441

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**as at June 30th 2010**

	Note	Jun 30 2010	Dec 31 2009
		unaudited	audited (see Note (2.2.1.))
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	23,621,205	22,888,917
Investment property	12	6,899	7,480
Intangible assets	13	192,228	173,459
Investments in associated undertakings valued with equity method	6	556,151	556,523
Financial assets available for sale	14	86,139	89,789
Other financial assets	15	279,748	299,879
Deferred tax asset	16	725,250	591,622
Other non-current assets	17	48,945	49,373
<b>Total non-current assets</b>		<b>25,516,565</b>	<b>24,657,042</b>
<b>Current assets</b>			
Inventories	18	1,383,654	1,258,870
Trade and other receivables	19	2,578,939	3,680,039
Current income tax receivable	20	8,752	199,413
Prepayments and accrued income	21	258,997	55,253
Financial assets available for sale	22	3,602	7,467
Derivative financial instruments	36	137,990	18,002
Cash and cash equivalents	23	2,093,837	1,196,325
Non-current assets held for sale	24	2,055	1,488
<b>Total current assets</b>		<b>6,467,826</b>	<b>6,416,857</b>
<b>Total assets</b>		<b>31,984,391</b>	<b>31,073,899</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	26	5,900,000	5,900,000
Currency translation differences on foreign operations		(33,185)	(51,162)
Share premium account		1,740,093	1,740,093
Other capital reserves		12,236,277	11,455,447
Retained earnings/(losses)		2,189,791	2,382,452
<b>Equity attributable to equity holders of the parent</b>		<b>22,032,976</b>	<b>21,426,830</b>
Equity attributable to non-controlling interests		12,336	10,477
<b>Total equity</b>		<b>22,045,312</b>	<b>21,437,307</b>
<b>Non-current liabilities</b>			
Loans, borrowings and debt securities	27	68,146	44,086
Provisions	28	1,361,655	1,315,759
Deferred income	29	1,074,917	1,090,675
Deferred tax liability	30	1,267,238	1,268,432
Other non-current liabilities	31	18,208	18,646
<b>Total non-current liabilities</b>		<b>3,790,164</b>	<b>3,737,598</b>
<b>Current liabilities</b>			
Trade and other payables	32	2,987,482	2,733,417
Loans, borrowings and debt securities	27	1,733,101	1,984,077
Liabilities under derivative financial instruments	35	317,509	260,428
Current tax liability	20	221,032	47,409
Provisions	28	258,617	240,240
Deferred income	29	631,174	633,423
<b>Total current liabilities</b>		<b>6,148,915</b>	<b>5,898,994</b>
<b>Total liabilities</b>		<b>9,939,079</b>	<b>9,636,592</b>
<b>Total equity and liabilities</b>		<b>31,984,391</b>	<b>31,073,899</b>

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

	Note	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
		Unaudited	unaudited
<b>Cash flows from operating activities</b>			
Net profit/(loss)		994,225	(493,007)
Adjustments:			
Share in net profit/(loss) of undertakings valued with equity method		372	196
Depreciation and amortisation		745,201	762,489
Net foreign exchange gains/(losses)		(115,927)	(247,237)
Net interest and dividend		(6,251)	14,660
Profit/(loss) on investing activities		59,614	38,690
Current income tax		222,405	(83,850)
Income tax paid		3,118	(229,030)
Other items, net	33	93,222	471,585
<b>Net cash provided by/(used in) operating activities before changes in working capital</b>		<b>1,995,979</b>	<b>234,496</b>
Change in working capital:			
Change in receivables, net	33	1,094,587	1,293,584
Change in inventories	33	(124,784)	362,468
Change in provisions	33	9,026	48,756
Change in current liabilities	33	(115,033)	(669,876)
Change in prepayments	33	(203,316)	(145,861)
Change in deferred income	33	(18,004)	(27,934)
<b>Net cash provided by/(used in) operating activities</b>		<b>2,638,455</b>	<b>1,095,633</b>
<b>Cash flows from investing activities</b>			
Sale of property, plant and equipment and intangible assets		10,760	12,255
Sale of shares in non-consolidated undertakings		254	-
Sale of short-term securities		10,726	5,607
Acquisition of property, plant and equipment and intangible assets		(1,475,555)	(1,784,840)
Acquisition of shares in non-consolidated undertakings		(446)	(3,517)
Acquisition of short-term securities		(5,250)	-
Interest received		9,514	25,622
Dividend received		87	3,461
Proceeds from financed lease		10,030	23,200
Other items, net		86	19,941
<b>Net cash provided by/(used in) investing activities</b>		<b>(1,439,794)</b>	<b>(1,698,271)</b>
<b>Cash flows from financing activities</b>			
Net proceeds from issue of shares, other equity instruments and additional contributions to equity		-	-
Increase in loans and borrowings		1,677,396	798,073
Issue of debt securities		-	-
Decrease in loans and borrowings		(1,930,396)	(219,726)
Redemption of debt securities		-	-
Decrease in financed lease liabilities		(19,397)	(18,382)
Inflows from derivative financial instruments		-	-
Outflows on derivative financial instruments		-	-
Dividend paid		-	-
Interest paid		(29,561)	(31,491)
Other items, net		(344)	(953)
<b>Net cash provided by/(used in) financing activities</b>		<b>(302,302)</b>	<b>527,521</b>
<b>Net change in cash</b>	<b>33</b>	<b>896,359</b>	<b>(75,117)</b>
Net foreign exchange gains/(losses)		1,153	(842)
<b>Cash and cash equivalents at beginning of period</b>		<b>1,196,316</b>	<b>1,420,863</b>
<b>Cash and cash equivalents at end of period</b>		<b>2,092,675</b>	<b>1,345,746</b>

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

	Equity (attributable to equity holders of the parent)					Equity (attributable to non- controlling interests)	Total equity
	Share capital	Currency translation differences on foreign operations	Share premium account	Other capital reserves	Retained earnings (losses)	Total	
As at Jan 1 2010 (audited)	5,900,000	(51,162)	1,740,093	11,455,447	2,347,193	21,391,571	10,477
Effect of change in accounting policies concerning connection charge (see Note 2.2.1.)	-	-	-	-	35,259	35,259	-
As at Jan 1 2010 after change in accounting policies (audited)	5,900,000	(51,162)	1,740,093	11,455,447	2,382,452	21,426,830	10,477
Transfers	-	-	-	712,524	(712,531)	(7)	7
Payment of dividend to shareholders	-	-	-	-	(472,000)	(472,000)	(503)
Comprehensive income for H1 2010	-	17,977	-	68,306	991,870	1,078,153	2,355
As at Jun 30 2010 (unaudited)	5,900,000	(33,185)	1,740,093	12,236,277	2,189,791	22,032,976	12,336
As at Jan 1 2009 (audited)	5,900,000	(39,060)	1,740,093	10,729,053	2,376,809	20,706,895	9,030
Transfers	-	-	-	663,914	(663,918)	(4)	4
Payment of dividend to shareholders	-	-	-	-	(531,000)	(531,000)	(205)
Comprehensive income for H1 2009	-	31,442	-	29,257	(493,448)	(432,749)	441
As at Jun 30 2009 (unaudited)	5,900,000	(7,618)	1,740,093	11,422,224	688,443	19,743,142	9,270



## **CONSOLIDATED FINANCIAL STATEMENTS – ADDITIONAL INFORMATION**

### **as at June 30th 2010**

#### **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", "the Parent Undertaking"), registered office at ul. Marcina Kasprzaka 25, 01-224 Warsaw, is the Parent Undertaking of the PGNiG Group ("the PGNiG Group", "the Group").

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

The PGNiG S.A. shares are listed on the Warsaw Stock Exchange.

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

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

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

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

##### **1.2. Duration of the PGNiG Group**

The Company was established as a result of 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.

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

The duration of the Parent Undertaking and the Group's subsidiary undertakings is unspecified.

##### **1.3. Period Covered by these Consolidated Financial Statements**

These interim consolidated 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 Consolidated Financial Statements Contain Aggregated Data

These financial statements contain the aggregated data of the Parent Undertaking, twenty three subsidiary undertakings (including: two capital groups, one indirect subsidiary), one associated undertaking and one co-subsidiary.

#### 1.5. Organisation of the PGNiG Group and Its Consolidated Undertakings

As at June 30th 2010, the PGNiG Group comprised PGNiG S.A., as the Parent Undertaking, and 36 production and service companies, including:

- 27 subsidiaries of PGNiG S.A.
- 9 indirect subsidiaries of PGNiG S.A.

The following table presents the list of the PGNiG Group members as at June 30th 2010:

#### Companies of the PGNiG Group

	Company	Share capital (PLN)	Value of shares held by PGNiG S.A. (PLN)	% of share capital held by PGNiG S.A.	% of votes held by PGNiG S.A.
<b>PGNiG S.A.'s subsidiaries</b>					
1	Poszukiwania Nafty i Gazu Jasło Sp. z o.o.	100,000,000.00	100,000,000.00	100.00%	100.00%
2	Poszukiwania Nafty i Gazu Kraków Sp. z o.o.	105,231,000.00	105,231,000.00	100.00%	100.00%
3	Poszukiwania Nafty i Gazu NAFTA Sp. z o.o.	60,000,000.00	60,000,000.00	100.00%	100.00%
4	GEOFIZYKA Kraków Sp. z o.o.	64,400,000.00	64,400,000.00	100.00%	100.00%
5	GEOFIZYKA Toruń Sp. z o.o.	66,000,000.00	66,000,000.00	100.00%	100.00%
6	Poszukiwania Naftowe Diament Sp. z o.o.	62,000,000.00	62,000,000.00	100.00%	100.00%
7	Zakład Robót Górniczych Krosno Sp. z o.o.	26,903,000.00	26,903,000.00	100.00%	100.00%
8	PGNiG Norway AS (NOK) <sup>1)</sup>	951,327,000.00	951,327,000.00	100.00%	100.00%
9	Polish Oil and Gas Company - Libya B.V. (EUR) <sup>1)</sup>	20,000.00	20,000.00	100.00%	100.00%
10	INVESTGAS SA	502,250.00	502,250.00	100.00%	100.00%
11	Dolnośląska Spółka Gazownictwa Sp. z o.o.	658,384,000.00	658,384,000.00	100.00%	100.00%
12	Górnośląska Spółka Gazownictwa Sp. z o.o.	1,300,338,000.00	1,300,338,000.00	100.00%	100.00%
13	Karpacka Spółka Gazownictwa Sp. z o.o.	1,484,953,000.00	1,484,953,000.00	100.00%	100.00%
14	Mazowiecka Spółka Gazownictwa Sp. z o.o.	1,255,800,000.00	1,255,800,000.00	100.00%	100.00%
15	Pomorska Spółka Gazownictwa Sp. z o.o.	614,696,000.00	614,696,000.00	100.00%	100.00%
16	Wielkopolska Spółka Gazownictwa Sp. z o.o.	1,033,186,000.00	1,033,186,000.00	100.00%	100.00%
17	B.S. i P.G. Gazoprojekt S.A.	4,000,000.00	3,000,000.00	75.00%	75.00%
18	BUG Gazobudowa Sp. z o.o.	39,220,000.00	39,220,000.00	100.00%	100.00%
19	Zakład Urządzeń Naftowych Naftomet Sp. z o.o.	23,500,000.00	23,500,000.00	100.00%	100.00%
20	Geovita Sp. z o.o.	86,139,000.00	86,139,000.00	100.00%	100.00%
21	Budownictwo Naftowe Naftomontaż Sp. z o.o.	44,751,000.00	39,751,000.00	88.83%	88.83%
22	Górnictwo Naftowe Sp. z o.o.	50,000.00	50,000.00	100.00%	100.00%
23	NYSAGAZ Sp. z o.o.	6,800,000.00	3,468,000.00	51.00%	51.00%
24	ZRUG Sp. z o.o. (Pogórska Wola)	4,300,000.00	4,300,000.00	100.00%	100.00%
25	BUD-GAZ PPUH Sp. z o.o.	51,760.00	51,760.00	100.00%	100.00%
26	PPUiH TURGAZ Sp. z o.o. w likwidacji (in liquidation)	176,000.00	90,000.00	51.14%	51.14%
27	PGNiG Energia S.A.	5,000,000.00	5,000,000.00	100.00%	100.00%
<b>PGNiG S.A.'s indirect subsidiaries</b>					
28	Geofizyka Torun Kish Ltd (Rial) <sup>1)</sup>	10,000,000.00	10,000,000.00 <sup>2)</sup>	100.00%	100.00%
29	Oil Tech International F.Z.E. (USD) <sup>1)</sup>	20,000.00	20,000.00	100.00%	100.00%
30	Zakład Gospodarki Mieszkaniowej Sp. z o.o. (Piła)	1,806,500.00	1,806,500.00	100.00%	100.00%
31	Biogazownia Ostrowiec Sp. z o.o.	5,000.00	5,000.00	100.00%	100.00%
32	„Polskie Elekrownie Gazowe” Sp. z o.o. <sup>3)</sup>	2,500,000.00	1,288,000.00	51.52%	51.52%
33	GAZ Sp. z o.o. (Błonie)	300,000.00	153,000.00	51.00%	51.00%
34	GAZ MEDIA Sp. z o.o. (Wołomin)	300,000.00	153,000.00	51.00%	51.00%
35	NAFT-STAL Sp. z o.o. w upadłości (in bankruptcy)	667,500.00	450,000.00	67.40%	67.40%
36	Powiśle Park Sp. z o.o. (Warsaw)	81,131,000.00	81,131,000.00	100.00%	100.00%

<sup>1)</sup> Figures shown in foreign currencies.

<sup>2)</sup> Share capital not paid in.

<sup>3)</sup> PGNiG Energia S.A. holds 51.52% shares in the company, while the remaining 48.48% is held by PGNiG S.A.

## Consolidated Undertakings of the Group in H1 2010

Company	Country	% of share capital held	
		Jun 30 2010	Jun 30 2009
Subsidiaries			
GK GEOFIZYKA Kraków <sup>1)</sup>	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 <sup>2)</sup>	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu NAFTA Sp. z o.o.	Poland	100.00%	100.00%
Zakład Robót Górniczych Krosno Sp. z o.o.	Poland	100.00%	100.00%
Poszukiwania Naftowe Diament Sp. z o.o.	Poland	100.00%	100.00%
PGNiG Norway AS	Norway	100.00%	100.00%
Polish Oil And Gas Company – Libya B.V.	The Netherlands	100.00%	100.00%
Dolnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Górnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Karpacka Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
GK Mazowiecka Spółka Gazownictwa <sup>3)</sup>	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. 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) <sup>4)</sup>	Poland	59.88%	59.88%
Jointly-controlled and associated undertakings valued with equity method			
SGT EUROPOL GAZ S.A. <sup>5)</sup>	Poland	49.74%	49.74%
GAS - TRADING S.A.	Poland	43.41%	43.41%

<sup>1)</sup> 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).

<sup>2)</sup> 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.

<sup>3)</sup> 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.

<sup>4)</sup> 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.

<sup>5)</sup> Including a 48% direct interest and 1.74% held indirectly through GAS-TRADING SA.

## 1.6. Changes in the Group's Structure, Including Changes Resulting from Mergers, Acquisitions or Disposals of the Group Undertakings, as well as Long-Term Investments, Demergers, Restructuring or Discontinued Operations

The key changes in the PGNiG Group's structure which occurred in H1 2010 included:

- January 4th 2010 saw the entry in the National Court Register of a share capital increase at Górnośląska Spółka Gazownictwa sp. z o.o., which took place in 2009. The share capital was increased by PLN 850 thousand (to PLN 1,300,338 thousand).
- On January 11th 2010, PGNiG Energia S.A., a company established on December 7th 2009, was entered in the National Court Register. The company's share capital amounts to PLN 5,000 thousand and is divided into 50,000 shares with a par value of PLN 100 per share. All the shares were acquired by PGNiG S.A.

- On January 19th 2010, Geofizyka Kraków Libia S.A., based in Janur, Libya (an indirect subsidiary of PGNiG S.A. through Geofizyka Kraków Sp. z o.o.) was deleted from the Central Commercial Register of the Great Socialist People's Libyan Arab Jamahiriya.
- On March 31st 2010, the State Treasury entered into an agreement for the sale of 1,390 shares in Agencja Rynku Energii S.A. with Związek Pracodawców Porozumienie Producentów Węgla Brunatnego of Bogatynia, one of the company's shareholders. In connection with the expiry of preference attached to the shares sold by the State Treasury, PGNiG S.A.'s total vote at the company's General Shareholders Meeting rose to 14.79%.
- On May 12th 2010, Biogazownia Ostrowiec Sp. z o.o. was established. The company's share capital amounts to PLN 5,000 thousand and was fully paid in cash by PGNiG Energia S.A. The company was entered in the National Court Register on May 13th 2010.
- On June 2nd 2010, the District Court for Katowice issued a decision to discontinue the bankruptcy proceedings concerning Walcownia Rur Jedność Sp. z o.o. of Siemianowice Śląskie. The decision is not final.
- On June 14th 2010, PGNiG Energia S.A. purchased from PGE Energia Odnawialna S.A. 1,288 shares in Polskie Elektrownie Gazowe Sp. z o.o., representing 51.52% of the company's share capital. By the date of these financial statements, the purchase had not been entered in the National Court Register. On June 30th 2010, the Annual General Shareholders Meeting of Polskie Elektrownie Gazowe Sp. z o.o. adopted a resolution on further existence of the company and cancellation of the liquidation proceedings.
- On June 14th 2010, the Annual General Shareholders Meeting of PPUiH TURGAZ Sp. z o.o. w likwidacji (in liquidation) approved the liquidation report prepared as at the balance-sheet date, i.e. May 17th 2010 (a day before the distribution of liquidation amounts between shareholders). The liquidation of PPUiH TURGAZ Sp. z o.o. w likwidacji (in liquidation) was completed. By virtue of a decision issued by the District Court for Rzeszów on July 14th 2010, the company was deleted from the National Court Register.
- On June 23rd 2010, a PLN 1,000 thousand share capital increase at ZRUG TORUŃ S.A. was entered in the National Court Register. PGNiG S.A. did not participate in the share capital increase, so its shareholding fell to 25.24%.
- 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), a fully consolidated subsidiary undertaking of BN Naftomontaż Krosno Sp. z o. o. (subsidiary of PGNiG S.A.) and to liquidate the company's assets.

### **1.7. Composition of the Management Board of PGNiG S.A.**

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

As at June 30th 2010, PGNiG S.A.'s Management Board was composed of five members:

- Michał Szubski – President of the Management Board,
- Radosław Dudziński – Vice-President for Strategy,
- Sławomir Hinc – Vice-President for Finance,
- Mirosław Szałuba – Vice-President for Social Dialogue and Assets,
- Waldemar Wójcik – Vice-President for Oil Mining.

The following change in the composition of PGNiG S.A.'s Management Board occurred in H1 2010:

On April 26th 2010, the Supervisory Board of PGNiG S.A. received Mr Mirosław Dobrut's resignation from the position of Vice-President of PGNiG S.A.'s Management Board, responsible for Gas and Trade, with effect from April 30th 2010. The reason for the resignation was the appointment of Mr

Mirosław Dorbut for the position of President of the Management Board of SGT EUROPOL GAZ S.A. of Warsaw, made by the company's Extraordinary General Shareholders Meeting on April 20th 2010.

From June 30th 2010 to the date of these financial statements, the following change in the composition of PGNiG S.A.'s Management Board occurred:

On July 19th 2010, the Supervisory Board of PGNiG S.A. appointed Mr Marek Karabuła as Vice-President of the Management Board.

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.

As at the date of these financial statements, the Management Board of PGNiG S.A. was composed of five members:

- Michał Szubski – President of the Management Board
- Radosław Dudziński – Vice-President for Strategy,
- Sławomir Hinc – Vice-President for Finance,
- Marek Karabuła – Vice-President for Gas and Trade,
- Mirosław Szałuba – Vice-President for Social Dialogue and Assets.

### **1.8. Commercial Proxies**

As at June 30th 2010, the following persons served as commercial proxies for PGNiG S.A.:

- Ewa Bernacik
- Tadeusz Kulczyk
- Mieczysław Jakiel

In H1 2010, there were no changes regarding commercial proxies for PGNiG S.A.

The granted powers of proxy are joint powers of proxy, i.e. for the effectiveness of legal actions a commercial proxy must act jointly with a member of PGNiG S.A.'s Management Board.

From June 30th 2010 to the date of these financial statements there have been no changes regarding commercial proxies for PGNiG S.A.

### **1.9. Composition of the Supervisory Board of PGNiG S.A.**

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

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

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

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

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

to the Supervisory Board who satisfy the criteria defined above are put forward by the Supervisory Board.

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

As at June 30th 2010, the Supervisory Board was composed of eight members:

- Stanisław Rychlicki – Chairman of the Supervisory Board,
- Marcin Moryń – Deputy Chairman of the Supervisory Board,
- Mieczysław Kawecki – Secretary of the Supervisory Board,
- Grzegorz Banaszek – Member of the Supervisory Board,
- Agnieszka Chmielarz – Member of the Supervisory Board,
- Marek Karabuła – Member of the Supervisory Board,
- Mieczysław Puławski – Member of the Supervisory Board,
- Jolanta Siergiej – Member of the Supervisory Board.

In H1 2010, there were no changes in the composition of PGNiG S.A.'s Supervisory Board.

In the period from June 30th 2010 to the date of these financial statements the following change occurred in the composition of PGNiG S.A.'s Supervisory Board:

On July 19th 2010, Mr Marek Karabuła resigned from membership of the Supervisory Board of PGNiG S.A. The reason for the resignation was his appointment to the Management Board of PGNiG S.A.

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

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

#### 1.10. Shareholder Structure of PGNiG S.A.

As at the date of release of these consolidated financial statements for H1 2010, the only shareholder holding at least 5% of the total vote at the General Shareholders Meeting of PGNiG S.A. was the State Treasury.

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%
<b>Total</b>	<b>-</b>	<b>5,900,000,000</b>	<b>100.00%</b>	<b>100.00%</b>

#### 1.11. Going-Concern Assumption

These consolidated financial statements were prepared based on the assumption that the Group members 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 their businesses, with the exception of Naft-Stal Sp. z o.o. of Krosno w upadłości (in bankruptcy).

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), a fully consolidated subsidiary undertaking of BN Naftomontaż Krosno Sp. z o.o. (subsidiary of PGNiG S.A.) and to liquidate the company's assets. Due to the small scale of its business, the company has no material impact on the Group's financial statements.

#### 1.12. Mergers of Commercial-Law Companies

In H1 2010, there were no mergers of the Parent Undertaking and the Group companies with any other commercial-law companies.

### **1.13. Approval of the Financial Statements**

These financial statements will be submitted to the Parent Undertaking's Management Board for disclosure approval on August 31st 2010.

## **2. INFORMATION ON THE APPLIED ACCOUNTING POLICIES**

### **2.1. Basis for the Preparation of the Consolidated Financial Statements**

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

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

#### **2.1.2. Consolidation Methods**

The consolidated financial statements comprise the financial statements of PGNiG S.A. as the parent undertaking and the financial statements of companies controlled by the parent undertaking (or by subsidiary undertakings of the parent undertaking), prepared as at June 30th 2010, with the exception of the subsidiaries whose effect on the consolidated financial statements would not be material.

Subsidiary undertakings are consolidated with full method from the acquisition date, which is the date of assuming control over the company, until the date of the loss of control over the subsidiary. Whether a given company is controlled by the parent undertaking is determined on the basis of the ability of the parent undertaking to exercise influence on the financial and operational policies of the subsidiary in order to derive benefits from its operations. As at the acquisition date, assets, equity and liabilities of the acquired undertaking are valued at fair value. Excess of the acquisition cost over fair value of the identifiable acquired net assets is disclosed as goodwill. If the acquisition cost is lower than fair value of the identifiable acquired net assets, the difference is disclosed as profit in the income statement for the period in which the acquisition took place.

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

The financial statements of the subsidiaries are prepared for the same reporting period as the financial statements of the parent undertaking, with the use of consistent accounting policies. If necessary, the financial statements of subsidiaries or associated undertakings are adjusted to ensure that the accounting rules applied by a given undertaking are the same as those applied by the parent undertaking.

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

Net profit (loss) of undertakings acquired or sold during the year is disclosed in the consolidated financial statements from the acquisition date to the disposal date. If the parent undertaking loses control over a subsidiary undertaking, the consolidated financial statements include the results for the part of the year covered by the financial statements in which the Group still held such control.

## **2.2. Changes in Applied Accounting Policies and Changes to the Scope of Disclosure**

### **2.2.1. First-Time Adoption of Standards and Interpretations**

In the current year, the Group has adopted all the new and 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.

- IFRS 1 (revised) *First-Time Adoption of International Financial Reporting Standards* – endorsed by the EU on November 25th 2009 (effective for annual periods beginning on or after January 1st 2010),
- IFRS 3 (revised) *Business Combinations* – endorsed by the EU on June 3rd 2009 (effective for annual periods beginning on or after July 1st 2009),
- Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters* – endorsed by the EU on June 3rd 2010 (effective for annual periods beginning on or after January 1st 2010),
- Amendments to IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* – endorsed by the EU on March 23rd 2010 (effective for annual periods beginning on or after January 1st 2010),
- Amendments to IAS 27 *Consolidated and Separate Financial Statements* – endorsed by the EU on June 3rd 2009 (effective for annual periods beginning on or after July 1st 2009),
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*, endorsed by the EU on September 15th 2009 (effective for annual periods beginning on or after July 1st 2009),
- Amendments to various standards and interpretations *Amendments to International Financial Reporting Standards (2009)* – amendments made as part of the process of making annual improvements to the Standards, published on April 16th 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9 and IFRIC 16) aimed chiefly at eliminating any inconsistencies and clarification of wording – endorsed by the EU on March 23rd 2010 (effective for annual periods beginning on or after January 1st 2010),
- IFRIC 12 *Service Concession Arrangements* – endorsed by the EU on March 25th 2009 (effective for annual periods beginning on or after March 30th 2009),
- IFRIC 15 *Agreements for the Construction of Real Estate* – endorsed by the EU on July 22nd 2009 (effective for annual periods beginning on or after January 1st 2010),
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* – endorsed by the EU on June 4th 2009 (effective for annual periods beginning on or after July 1st 2009),
- IFRIC 17 *Distributions of Non-cash Assets to Owners* – endorsed by the EU on November 26th 2009 (effective for annual periods beginning on or after November 1st 2009),
- IFRIC 18 *Transfers of Assets from Customers* – endorsed by the EU on November 27th 2009 (effective for annual periods beginning on or after November 1st 2009).

With the exception of the revised IFRIC 18, the application of the above standards and interpretations has not caused any material changes in the Group's accounting policy and in the presentation of its financial statements.

#### **Application of the Revised IFRIC 18**

IFRIC 18 *Transfers of Assets from Customers* was adopted to standardise the accounting policies applied to account for any items of property, plant or equipment received from customers or for cash received to construct property, plant or equipment. In the case of the PGNiG Group, the new interpretation is important for the gas companies (operators of distribution systems) and their disclosure of connection charges or ready connections. Before the adoption of IFRIC 18, the Group accounted for the above items using policies consistent with those applied in the case of government grants, specified in IAS 20. Under these policies, the value of received assets was recognised as deferred income and then released as income to the income statement over the period corresponding to the useful life of a given item of property, plant and equipment. In accordance with new IFRIC 18, as of July 1st 2009 new connection charges received by the gas distribution sector companies are recognised directly in income. Connection charges received before July 1st 2009 are included in the income statement in the same way as before.

The PGNiG Group applied the new regulations in the financial statements for H1 2010 but with the effective date as from July 1st 2009, which resulted in the necessity to restate the opening balance as at January 1st 2010. As a result of the application of IFRIC 18, the equity of the PGNiG Group as at January 1st 2010 rose by PLN 35,259 thousand.

## **2.2.2. Standards and Interpretations Published and Endorsed for Use in the EU but Not Effective Yet**

While preparing these financial statements, the Group did not apply the following standards, amendments and interpretations which have been published and endorsed for application in the EU but have not yet become effective:

- Amendments to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* – endorsed by the EU on December 23rd 2009 (effective for annual periods beginning on or after February 1st 2010),
- Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards – Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters* – endorsed by the EU on June 30th 2010 (effective for annual periods beginning on or after July 1st 2010).

The Group decided not to apply the standards, changes to standards, and interpretations early.

## **2.2.3. Standards and Interpretations not yet Endorsed for Use by the EU**

The IFRSs endorsed by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), with the exception of the following standards, amendments and interpretations, which as at June 30th 2010 had not been endorsed for application:

- IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after January 1st 2013),
- Amendments to various standards and interpretations *Amendments to International Financial Reporting Standards (2010)* – amendments made as part of the process of making annual improvements to the Standards, published on May 6th 2010 (IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, and IFRIC 13) aimed chiefly at eliminating any inconsistencies and clarification of wording (effective for annual periods beginning on or after January 1st 2011),
- Amendments to IAS 24 *Related Party Disclosures* – simplifying disclosure requirements for government-related entities and clarifying the definition of a related party – endorsed by the EU on July 19th 2010 (effective for annual periods beginning on or after January 1st 2011),
- Amendments to IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement* – endorsed by the EU on July 19th 2010 (effective for annual periods beginning on or after January 1st 2011),
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* – endorsed by the EU on July 23rd 2010 (effective for annual periods ending on or after July 1st 2010).

The Group estimates that the above standards, interpretations and amendments to the standards would not have a material bearing on the financial statements if they were applied by the companies as at the balance sheet date.

## **2.3. Accounting Policies**

Below are presented the key accounting policies adopted by the PGNiG Group.

### **2.3.1. Investments in Associated Undertakings**

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

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

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

Gains and losses resulting from transactions between the Group and its associated undertakings are eliminated in consolidation proportionately to the Group's interest in this associated undertakings'

equity. Financial statements of the associated undertakings are drawn up to the same date as the Group's financial statements, using consistent accounting policies. If necessary, adjustments are made in the financial statements of associated undertakings to conform to the accounting policies of the Parent Undertaking. Losses incurred by the associated undertaking may indicate impairment of its assets and relevant impairment losses would then need to be recognised.

### **2.3.2. Interests in Joint Ventures**

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

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

### **2.3.3. Translation of Items Denominated in Foreign Currencies**

The functional currency (measurement currency) and the reporting currency of PGNiG S.A. and its subsidiary undertakings, with the exception of POGC Libya B.V. and PGNiG Norway AS, is the Polish złoty (PLN). The transactions denominated in foreign currencies are initially disclosed at the exchange rate of the functional currency effective as at the transaction date. Cash assets and liabilities denominated in foreign currencies are translated at the exchange rate of the functional currency effective as at the balance sheet date. All foreign exchange gains and losses are charged to the consolidated income statement, except for the foreign exchange gains and losses from the translation of assets, equity and liabilities of foreign undertakings, which, until the disposal of interests in such undertaking, are disclosed directly in equity. Non-cash items valued at their historical cost in foreign currency are translated at the exchange rate effective as at the date of the initial transaction. Non-cash items valued at fair value in a foreign currency are translated at the exchange rate effective as at the date of determining the fair value.

To hedge against foreign currency risk, the Parent Undertaking enters into forwards and option contracts (see below: accounting policies for derivative financial instruments applied by the Group).

The functional currencies of the foreign undertakings are as follows: the Pakistan rupee (PKR) for the Operating Division in Pakistan, the Polish złoty (PLN) for the Divisions in Egypt, Denmark and Algeria, and the euro and the Norwegian krone (NOK) for the subsidiary undertakings (POGC Libya B.V. and PGNiG Norway AS, respectively). As at the balance sheet date, the assets and liabilities of the foreign undertakings are translated into the reporting currency of PGNiG S.A. at the exchange rate effective as at the balance sheet date, and the items of its income statement are translated at the average exchange rate for a given financial year. Foreign exchange gains and losses resulting from such a restatement are disclosed as a separate item directly under equity. Upon disposal of a foreign undertaking, the accumulated deferred foreign exchange gains or losses disclosed under equity, are recognised in the income statement.

### **2.3.4. Property, Plant and Equipment**

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

Items of property, plant and equipment are initially disclosed at cost (i.e. valued at their historical cost). Cost includes any expenditure incurred to purchase or produce the asset as well as any expenditure subsequently incurred to enhance the usefulness of the asset, replace any part of or renew such asset. Interest on third-party financing is also disclosed at cost (see note 2.3.6.).

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

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

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

Property, plant and equipment, except for land and tangible assets under construction are depreciated using the straight-line method over their estimated economic useful lives:

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

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

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

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

### **2.3.5. Exploration and Evaluation Assets**

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

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

The Group recognises drilling expenditure incurred during exploration and prospecting work under assets as tangible assets under construction.

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

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

### **2.3.6. Borrowing Costs**

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

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

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

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

The above cost capitalisation policies do not apply to:

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

### 2.3.7. Investment Property

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

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

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

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

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

Buildings and structures	2–40 years
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### 2.3.8. Intangible Assets

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

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

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

Research expense is recognised in profit or loss when incurred

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

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

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

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

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

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

Acquired licenses, patent rights and similar items	2–15 years
Acquired computer software	2–10 years
Perpetual usufruct right to land	40–99 years.

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

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

Intangible assets with an indefinite useful life are not amortised.

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

### **2.3.9. Leases**

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

#### **2.3.9.1. The Group as a Lessor**

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

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

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

#### **2.3.9.2. The Group as a Lessee**

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

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

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

### **2.3.10. Impairment of Property, Plant and Equipment and Intangible Assets**

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

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

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

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

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

### **2.3.11. Financial Assets**

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

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

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

#### **2.3.11.1. Financial Assets Measured at Fair Value Through Profit or Loss**

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

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

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

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

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

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

#### **2.3.11.2. Investments Held to Maturity**

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

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

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

#### **2.3.11.3. Financial Assets Available for Sale**

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

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

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

#### **2.3.11.4. Loans and Receivables**

Loans and receivables comprise non-derivative financial assets with fixed or determinable payment terms which are not traded on an active market.

Loans and receivables are measured at amortised cost using the effective interest rate method less impairment losses. Interest revenue is recognised using the effective interest rate, except for current receivables, where the recognition of interest is immaterial.

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

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

Uncollectible receivables are recognised as loss if deemed unrecoverable. Write-down or cancellation of past due or uncollectible receivables reduces the impairment losses which had been previously recognised on such receivables.

Past due or uncollectible receivables which have been cancelled or written down and with respect to which no impairment losses have been recognised or the impairment losses that have been recognised were lower than full amounts of the receivables, are charged to other operating or finance expenses, as appropriate.

#### **2.3.11.5. Positive Valuation of Derivatives**

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

#### **2.3.12. Impairment of Financial Assets**

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

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

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

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

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

#### **2.3.13. Hedge Accounting**

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

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

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



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

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

The type of hedging applied is the hedging of future, highly probable cash flows related to gas purchases.

The selected hedging instruments include purchased fix/float commodity swaps and Asian commodity call options (European style).

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

### **2.3.14. Inventories**

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

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

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

The gas fuel in the storage facilities is valued separately for each storage unit, at the average weighted acquisition cost.

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

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

### **2.3.15. Trade and Other Receivables**

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

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

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

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

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

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

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

### **2.3.16. Cash and Cash Equivalents**

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

The balance of cash and cash equivalents disclosed in the consolidated statement of cash flows consists of the aforementioned cash and cash equivalents, less outstanding overdraft facilities.

### **2.3.17. Non-Current Assets Held for Sale**

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

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

Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. If the fair value is lower than the carrying value, the resulting difference is recognised in profit or loss. Any reversal of the difference is also recognised in profit or loss, but only up to the amount of the previous charge.

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

### **2.3.18. Equity**

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

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

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

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

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

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

In accordance with IAS, net profit for the previous year can be allocated only to the company's equity or dividends for shareholders. The option provided by the Polish legal system whereby profit can be allocated to the Company Social Benefits Fund, the Restructuring Fund, employee profit-sharing schemes or other purposes is not reflected in IAS. Therefore, the Group recognises the aforementioned reductions in profit as the cost of the period in which the binding obligation to release

the funds occurred. Distribution of profit among employees is recognised in payroll cost, while funds transferred to the Company Social Benefits Fund are disclosed under employee benefit costs.

### **2.3.19. Bank Loans and Borrowings**

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

The difference between net funding and redemption value is disclosed under finance income or expenses over the term of the loan or borrowing.

### **2.3.20. Provisions**

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

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

The Group creates the following provisions:

- provision for well decommissioning costs
- provision for length-of-service awards and retirement severance pays
- provision for gas allowances to former employees
- provision for environmental protection liabilities
- provision for penalties
- provision for potential liability.

#### **2.3.20.1. Provision for Well Decommissioning Costs**

The Parent Undertaking creates a provision for future well decommissioning costs and contributions to the Mine Decommissioning Fund.

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

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

The Mine Decommissioning Fund is created based on the Amendment of July 27th 2001 to the Mining and Geological Law. Contributions to the Fund are charged at 10% of the value of the tax depreciation of mining assets in correspondence with other operating expenses.

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

#### **2.3.20.2. Provision for Length-of-Service Awards and Retirement Severance Pays**

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

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

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

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

- Assumptions related to the probability of staff turnover and retirement: the calculations are based on staff turnover and retirement probability tables presented by sex, age, total years in service, years in service with the Group and remuneration, which were drawn up based on information provided by the Group companies regarding employees whose employment relationship has terminated. The turnover probability table does not include cases involving the implementation of restructuring plans and organisational changes over recent years;
- Death rate assumptions: the calculations are based on figures derived from standard life span tables;
- Salary increase assumptions: the calculations are based on market trend figures;
- Discount rate is calculated on the basis on the rate of return on assets and the projected salary growth rate.

#### **2.3.20.3. Provision for Gas Allowances to Former Employees**

The Parent Undertaking pays gas allowances to its former employees who had retired by the end of 1995. This allowance scheme will be in effect until 2010, after which the Parent Undertaking will discontinue to pay the allowances. The provision for the cost of gas allowances is determined in accordance with the actuarial valuation principles applied to estimate the amount of the provision for length-of-service awards and retirement severance pays.

#### **2.3.20.4. Provision for Environmental Protection Liabilities**

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

#### **2.3.20.5. Provision for Penalties**

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

#### **2.3.20.6. Provision for Potential Liability**

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

#### **2.3.20.7. Other Provisions**

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

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

The Group measures provisions using the discount method, if the effect of changes in the time value of money is material. Long-term provisions are discounted by the Group with a discount rate that is based on the rate of return on risk-free assets and the inflation rate as determined by the constant inflation target of the National Bank of Poland.

#### **2.3.21. Accruals and Deferrals**

The companies of the PGNiG Group disclose deferrals if they relate to expenses whose cost relates to future reporting periods. They are disclosed as a separate item of assets in the statement of financial position.

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

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

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

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

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

#### **2.3.22. Trade and Other Payables**

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

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

#### **2.3.23. Financial Liabilities**

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

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

##### **2.3.23.1. Financial Liabilities Measured at Fair Value through Profit or Loss**

A financial liability is classified as held for trading if:

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

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

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

##### **2.3.23.2. Financial Liabilities Measured at Amortised Cost**

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

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

Following initial recognition, they are measured at amortised cost with the use of the effective interest rate method. The adjusted acquisition cost includes cost of obtaining the loan or borrowing as well as discounts or premiums obtained at settlement of the liability.

The difference between net funding and redemption value is disclosed under finance income or expenses over the term of the loan or borrowing.

#### **2.3.24. Sales Revenue**

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

##### **2.3.24.1. Sales of Goods and Products**

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

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

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

#### **2.3.24.2. Rendering of Services**

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

#### **2.3.24.3. Interest Revenue**

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

#### **2.3.24.4. Dividends**

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

#### **2.3.24.5. Lease Revenue**

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

#### **2.3.25. Government Grants**

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

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

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

#### **2.3.26. Employee Benefits**

Short-term employee benefits paid by the Group include:

- wages and social security contributions,
- short-term compensated absences,
- profit-sharing and bonus payments,
- non-monetary benefits.

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

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

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

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

### 2.3.27. Income Tax

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

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

Deferred tax is a future tax liability or asset, resulting from differences between book (accounting) value of assets and liabilities and their tax value used to calculate the tax base.

Deferred tax liabilities are recognised for all taxable temporary differences, while a deferred tax asset is recognised to the extent that it is probable that taxable profit will be available against which deductible temporary differences can be utilised. A deferred tax liability or asset is not recognised if the temporary differences arise in connection with goodwill or in connection with initial recognition of a different asset/liability in a transaction which does not affect either the accounting or the taxable profit. Deferred tax liabilities are recognised for temporary differences associated with investments in subsidiaries, associates, and joint ventures unless the Group is able to control the timing of the reversal of the difference and it is probable that the reversal will not occur in the foreseeable future.

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

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

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

### 2.3.28. Operating Segments

The Company has adopted division into business segments as the basic division of its operations. The application of new IFRS 8 "Operating Segments" has not caused any change in the segmental division relative to that presented in the financial statements for the previous years. The Group's segments subject to reporting in accordance with the IFRS are as follows:

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

b) *Trading and storage.* The segment encompasses the sale of natural gas, either from imports or domestic sources, and operation of underground gas storage facilities for trading purposes. Since the completion of the trading business integration process, the sale of natural gas has been conducted by PGNiG S.A. For the segment's purposes, three underground gas storage facilities are used: in Mogilno, Wierzchowice and Husów. Work related to the operation and expansion of the said facilities is performed by PGNiG S.A. and INVESTGAS S.A. (a Group member). The segment's activities comprise the sale of methane-rich and nitrogen-rich gas fed into the transmission and distribution system. Gas trading business is governed by the Energy Law, with prices established on the basis of tariffs approved by the President of URE.

c) *Distribution.* The segment encompasses transmitting natural gas through the distribution network. Natural gas distribution services are rendered by six Gas Companies, which supply gas to individual,

industrial and wholesale customers. In addition, they are responsible for operating, repairing and expanding the distribution network.

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

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

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

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

Internal transactions within a segment have been eliminated.

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

## **2.4. Key Reasons for Uncertainty of Estimates**

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

### **2.4.1. Additional Contributions to the Equity of PI GAZOTECH Sp. z o.o.**

In H1 2010, actions were pending instituted by PGNiG S.A., to rescind or assert invalidity of resolutions of the Extraordinary General Shareholders Meeting of PI GAZOTECH Sp. z o.o. concerning additional contributions to this company's equity. As the date of these financial statements, the proceedings were pending.

PGNiG S.A.'s action instituted against PI GAZOTECH Sp. z o.o. to rescind or assert invalidity of the resolutions of the General Shareholders Meeting of PI GAZOTECH Sp. z o.o., dated April 23rd 2004, including the resolution obliging PGNiG S.A. to pay additional contributions in the amount of PLN 52,000 thousand. The proceedings started on March 7th 2006 and have been held before the Regional Court of Warsaw, the Warsaw Court of Appeals and the Supreme Court. In response to a cassation complaint filed by PGNiG S.A., in the ruling of May 14th 2009 the Supreme Court allowed PGNiG S.A.'s objection that the agenda for the General Shareholders Meeting of PI GAZOTECH Sp. z o.o. held on April 23rd 2004 lacked the necessary detail, reversed the ruling issued by the Warsaw Court of Appeals on February 4th 2008 and remanded the case for re-examination by the Court of Appeals. On October 13th 2009, the Court of Appeals reversed the ruling issued by the Regional Court and remanded the case for re-examination by the Regional Court. On June 25th 2010, the Regional Court granted PGNiG S.A.'s claims and declared the resolution concerning share redemption and the resolution concerning the additional contributions as invalid.

Proceedings based on PGNiG S.A.'s action against PI GAZOTECH Sp. z o.o. to rescind or assert invalidity of the resolution of the General Shareholders Meeting of PI GAZOTECH Sp. z o.o., dated January 19th 2005, whereunder PGNiG S.A. is obliged to pay additional contributions in the amount of PLN 25,999 thousand, held before the Regional Court of Warsaw. By virtue of the ruling of October 31st 2008, the Regional Court dismissed PGNiG S.A.'s action. PGNiG S.A. filed an appeal against the ruling. The measures to safeguard the claim were maintained until the ruling became final. PGNiG S.A. advised the Court of Appeals of the ruling issued by the Supreme Court on May 14th 2009 and which is of relevance for the discussed case. On July 30th 2009, the Court of Appeals reversed the Regional Court's ruling and remanded the case for re-examination by the Regional Court.

Proceedings based upon PGNiG S.A.'s action against PI GAZOTECH Sp. z o.o. to rescind or assert invalidity of the resolution of the General Shareholders Meeting of PI GAZOTECH Sp. z o.o., dated October 6th 2005, whereunder PGNiG S.A. is obliged to pay additional contributions in the amount of PLN 6,552 thousand, instigated before the Regional Court of Warsaw were concluded in the first



instance. On May 30th 2008, the Regional Court dismissed the Company's claim and reversed the decision concerning implementation of measures to safeguard the claim. The proceedings to maintain the safeguarding measures have been held before the Court of Appeals and the Regional Court of Warsaw since July 22nd 2008. On February 17th 2009, PGNiG S.A. filed a complaint concerning the Regional Court's repeated reversal of the decision concerning implementation of the safeguarding measures. On April 23rd 2009, the Warsaw Court of Appeals once more reversed the District Court's decision reversing the decision concerning implementation of the safeguarding measures, and referred the case to the District Court of Warsaw. PGNiG S.A. advised the Court of Appeals of the ruling issued by the Supreme Court on May 14th 2009, which is of relevance for the discussed case. In its ruling of December 21st 2009, the Court of Appeals reversed the Regional Court's unfavourable ruling and remanded the case for re-examination by the Regional Court. In its decision of May 25th 2010, the Court of Appeals again reversed the decision of the Regional Court reversing the decision concerning implementation of the safeguarding measures, and referred the case to the Regional Court of Warsaw.

In connection with the foregoing, in the financial statements for H1 2010 the Parent Undertaking retained in the accounting books a PLN 84,552 thousand liability and receivable from PI GAZOTECH Sp. z o.o. on additional contribution to equity, and a PLN 84,552 thousand impairment loss recognised on that receivable, as well as revalued its provision for potential payable interest, increasing it to PLN 16,791.7 thousand (from PLN 13,017.5 thousand at the end of 2009).

#### **2.4.2. Impairment of Non-Current Assets**

The Group's key operating assets include the mining assets, the transmission infrastructure and gas fuel storage facilities. These assets were tested for impairment. The Group computed and recognised material impairment losses on the assets, based on an assessment of their current and future usefulness or planned decommissioning and sales. All relevant information on the value of the recognised impairment losses is included in Note 11.2.

In the case of the mining assets, there is uncertainty connected with the estimates of natural gas and crude oil resources, on the basis of which the related cash flows are estimated. Any changes in the estimates of the resources directly affect the amount of the impairment losses on the mining assets.

Another significant uncertainty is connected with the risk that the Energy Regulatory Authority might change its decision as to the prices of the gas fuel distribution services. Any change in those prices would materially affect the cash flows at the distribution companies, which could lead to the necessity to remeasure the impairment losses on the distribution assets.

#### **2.4.3. Useful Lives of Tangible Assets**

Item 2.3.4. of the financial statements presents depreciation rates for the key group of tangible assets. The useful lives of the tangible assets were determined on the basis of assessments made by the engineering personnel who are in charge of their operation. Any such assessment is connected with uncertainty as to the future business environment, technology changes and market competition, which could lead to a different assessment of the economic usefulness of the assets and their remaining useful lives and ultimately have a material effect on the value of the tangible assets and the future depreciation charges.

#### **2.4.4. Estimating Natural Gas Sales**

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

#### **2.4.5. Provision for Decommissioning Costs and Environmental Protection**

The provision for well decommissioning costs and other provisions for environmental protection liabilities described in Note 28 represent significant items among the provisions presented in the consolidated financial statements. These provisions are based on the estimates of future decommissioning and restoration costs, which significantly depend on the adopted discount rate and the estimated cash-flow period.

#### **2.4.6. Impairment of SGT EUROPOL GAZ S.A. Shares**

As part of measurement of the value of SGT EUROPOL GAZ S.A. shares, the Parent Undertaking tested these shares for impairment, using the discounted cash flow method and relying in its calculations on the data included in SGT EUROPOL GAZ S.A.'s budget for 2006–2019, as discussed in detail in Note 6. The results of the impairment tests show that the value of the shares varies considerably depending on the adopted assumptions as to future cash flows, the adopted discount rate and the estimated cash-flow period, which ultimately may have a material effect on the value of the shares in the future.

#### **2.5. Presentation Changes in the Financial Statements**

##### **Presentation Changes in the Income Statement**

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.

##### **Presentation Changes in the Report Concerning the Reporting Segments**

In H1 2010, the Group continued the presentation changes first introduced in Q1 2010, concerning the manner of accounting for the produced gas sold by the Trade and Storage Segment. The Group adjusted the data for H1 2009 to ensure its comparability with the current period. The adjustment consisted in decreasing the value of inter-segment sales in the Exploration and Production Segment by PLN 88,740 thousand, and decreasing by the same amount the value of other expenses in the Trade and Storage segment and the amounts of eliminations. These adjustments resulted in a reduction of the Exploration and Production segment's result and a concurrent increase in the Trade and Storage segment's result by PLN 88,740 thousand. Other items and results remained unchanged.

### 3. OPERATING SEGMENTS

#### 3.1. Reportable Segments

The tables below set forth data on the revenues, costs and profits/losses, as well as the assets, equity and liabilities of the Group's reportable segments for the periods ended June 30th 2010 and June 30th 2009

Period ended Jun 30 2010	Exploration and production	Trading and storage	Distribution	Other	Eliminations	Total
<b>Income statement</b>						
Sales to external customers	1,055,219	9,552,903	43,225	110,569	-	10,761,916
Sales to other segments	596,719	178,349	1,791,684	98,024	(2,664,776)	-
<b>Total segment revenue</b>	<b>1,651,938</b>	<b>9,731,252</b>	<b>1,834,909</b>	<b>208,593</b>	<b>(2,664,776)</b>	<b>10,761,916</b>
Depreciation and	(300,115)	(67,118)	(372,478)	(5,490)	-	(745,201)
Other costs	(1,012,042)	(9,321,528)	(936,303)	(187,407)	2,642,236	(8,815,044)
<b>Total segment costs</b>	<b>(1,312,157)</b>	<b>(9,388,646)</b>	<b>(1,308,781)</b>	<b>(192,897)</b>	<b>2,642,236</b>	<b>(9,560,245)</b>
<b>Operating profit/(loss)</b>	<b>339,781</b>	<b>342,606</b>	<b>526,128</b>	<b>15,696</b>	<b>(22,540)</b>	<b>1,201,671</b>
Net finance expenses						15,331
Share in net profit/(loss) of equity-accounted		(372)				(372)
<b>Pre-tax profit/(loss)</b>						<b>1,216,630</b>
Income tax						(222,405)
<b>Net profit/(loss)</b>						<b>994,225</b>
<b>Statement of financial position</b>						
Segment assets	11,733,397	10,115,296	11,478,227	320,524	(3,168,583)	30,478,861
Investments in equity-accounted undertakings		556,151				556,151
Unallocated assets						224,129
Deferred tax asset						725,250
<b>Total assets</b>						<b>31,984,391</b>
Total equity						22,045,312
Segment liabilities	1,719,412	2,975,309	2,074,560	84,976	(3,168,583)	3,685,674
Unallocated liabilities						4,986,167
Deferred tax liability						1,267,238
<b>Total equity and liabilities</b>						<b>31,984,391</b>
<b>Other information</b>						
Capital expenditure on property, plant and equipment and intangible	(853,362)	(233,233)	(385,074)	(3,886)	-	(1,475,555)
Impairment losses on assets	(933,715)	(2,195,344)	(849,489)	(3,778)	-	(3,982,326)
Impairment losses on unallocated assets						(53,269)

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Period ended Jun 30 2009	Exploration and production	Trading and storage	Distribution	Other	Eliminations	Total
<b>Income statement</b>						
Sales to external customers	953,210	9,190,319	26,551	83,508		10,253,588
Sales to other segments	562,795	107,267	1,509,290	86,375	(2,265,727)	-
Total segment revenue	1,516,005	9,297,586	1,535,841	169,883	(2,265,727)	10,253,588
Depreciation and amortisation	(325,540)	(69,144)	(362,739)	(5,066)		(762,489)
Other costs	(1,087,105)	(10,302,006)	(871,484)	(169,219)	2,259,477	(10,170,337)
Total segment costs	(1,412,645)	(10,371,150)	(1,234,223)	(174,285)	2,259,477	(10,932,826)
<b>Operating profit/(loss)</b>	<b>103,360</b>	<b>(1,073,564)</b>	<b>301,618</b>	<b>(4,402)</b>	<b>(6,250)</b>	<b>(679,238)</b>
Net finance expenses						102,577
Share in net profit/(loss) of equity-accounted undertakings		(196)				(196)
<b>Pre-tax profit/(loss)</b>						<b>(576,857)</b>
Income tax						83,850
<b>Net profit/(loss)</b>						<b>(493,007)</b>
<b>Statement of financial position</b>						
Segment assets	10,732,542	9,306,352	10,400,811	295,679	(2,726,079)	28,009,305
Investments in equity-accounted undertakings		556,686				556,686
Unallocated assets						108,034
Deferred tax asset						617,316
<b>Total assets</b>						<b>29,291,341</b>
Total equity						19,752,412
Segment liabilities	1,698,183	3,116,400	1,989,499	95,079	(2,726,079)	4,173,082
Unallocated liabilities						4,093,944
Deferred tax liability						1,271,903
<b>Total equity and liabilities</b>						<b>29,291,341</b>
<b>Other information</b>						
Capital expenditure on property, plant and equipment and intangible assets	(828,534)	(480,826)	(459,037)	(16,443)	-	(1,784,840)
Impairment losses on assets	(581,087)	(2,159,389)	(1,398,377)	(8,441)	-	(4,147,294)
Impairment losses on unallocated assets						(53,339)

### 3.2. Information on Geographical Areas

#### Geographical Areas

The Group's business activity focuses on domestic sales (Poland). In H1 2010, the revenue from export sales of products, goods for resale and materials to external customers (to other countries) was 4.43% (4.71% in H1 2009) of the total net revenue from sales of products, goods for resale and materials to external customers.

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Domestic sales	10,284,913	9,770,973
High-methane gas	9,111,680	8,595,417
Nitrogen-rich gas	603,306	753,763
Crude oil	210,887	168,136
Helium	6,178	5,150
Propane-butane gas	22,286	17,610
Gasoline	1,877	929
LNG	13,832	10,117
Geophysical and geological services	55,635	15,343
Exploration services	41,110	29,922
Construction and erection	60,278	43,221
Design services	18,606	10,938
Hotel services	15,590	16,721
Other services	106,698	83,647
Other products	9,320	10,383
Materials and goods for resale	7,630	9,676
Export sales	477,003	482,615
High-methane gas	29,387	22,630
Nitrogen-rich gas	-	-
Crude oil	163,229	149,442
Helium	15,276	10,563
Propane-butane gas	-	-
Gasoline	-	-
LNG	-	-
Geophysical and geological services	80,711	108,619
Exploration services	167,018	161,147
Construction and erection	6,873	15,922
Design services	215	1,750
Hotel services	-	-
Other services	12,064	5,325
Other products	1,952	6,772
Materials and goods for resale	278	445
<b>Total</b>	<b>10,761,916</b>	<b>10,253,588</b>

The Group sells its products and services to the following countries: Switzerland, India, Kazakhstan, Germany, Pakistan, Uganda, Libya, Belgium, United Arab Emirates, Ukraine, Slovakia, Czech Republic, Russia, Slovenia, Norway, Egypt, Denmark.

A majority of the Group's non-current assets (other than financial instruments) are also located in Poland. The value of non-current assets located abroad as at June 30th 2010 amounted to 12.40% of the total value of assets (10.50% as at December 31st 2009).

	Jun 30 2010	Dec 31 2010
Value of non-current assets other than financial instruments located in Poland	20,866,843	20,647,131
Value of non-current assets other than financial instruments located abroad*	2,953,489	2,422,725
<b>Total</b>	<b>23,820,332</b>	<b>23,069,856</b>

\* As at June 30th 2010, PLN 2,588,616 thousand was attributable to PGNiG Norway AS (PLN 2,151,133 thousand as at the end of 2009).

### 3.3. Key Customers

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

## 4. OPERATING EXPENSES

### 4.1. Raw and other materials used

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Cost of gas sold	(5,668,521)	(7,372,692)
Other raw and other materials used	(272,155)	(300,181)
<b>Total</b>	<b>(5,940,676)</b>	<b>(7,672,873)</b>

### 4.2. Employee Benefits

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Salaries and wages	(934,379)	(889,813)
Social security and other benefits	(348,472)	(338,662)
<b>Total</b>	<b>(1,282,851)</b>	<b>(1,228,475)</b>

### 4.3. Contracted Services

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Purchases of transmission services from OGP Gaz - System S.A.	(787,666)	(679,430)
Costs of dry wells written off	(90,085)	(47,340)
Other contracted services	(640,337)	(558,703)
<b>Total</b>	<b>(1,518,088)</b>	<b>(1,285,473)</b>

### 4.4. Other Net Operating Expenses

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Change in impairment charges, net	(165,754)	(284,582)
Change in provisions, net	2,308	18,227
Taxes and charges	(353,457)	(354,219)
Net interest related to operating activities	41,480	50,272
Net foreign exchange gains/(losses) related to operating activities	124,827	290,149
Gain/(loss) on derivative instruments related to operating activities	(155,504)	(231,567)
Value of goods for resale and materials sold	(9,580)	(10,465)
Income from current settlement of deferred income recognised in the statement of financial position	32,699	37,390
Gains/(losses) on disposal of non-financial non-current assets	(11,105)	(4,530)
Property insurance	(16,429)	(16,332)
Domestic and international business trips	(25,542)	(26,799)
Change in inventories	147,663	148,505
Income from compensations, penalties, fines etc.	,13,456	104,056
Other expenses, net	(59,932)	(63,188)
<b>Total</b>	<b>(434,870)</b>	<b>(343,083)</b>

## 5. FINANCE INCOME AND EXPENSES

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
<b>Finance income</b>	<b>34,841</b>	<b>169,951</b>
Gain on derivative instruments	-	-
Interest revenue	27,303	23,596
Foreign exchange gains	-	2,458
Investment revaluation	674	133,412
Gain on disposal of investments	1,243	5,607
Dividends and other profit distributions	5,312	4,025
Other finance income	309	853
<b>Finance expenses</b>	<b>(19,510)</b>	<b>(67,374)</b>
Loss on derivative instruments	-	-
Interest expenses	(6,892)	(23,517)
Foreign exchange losses	(4,840)	-
Investment revaluation	(3,390)	(38,748)
Loss on disposal of investments	-	-
Commissions on loans	(393)	(736)
Costs related to guarantees issued	(2,935)	(3,647)
Other finance expenses	(1,060)	(726)
<b>Net finance income/expense</b>	<b>15,331</b>	<b>102,577</b>

## 6. EQUITY METHOD VALUATION OF ASSOCIATED UNDERTAKINGS

### 6.1. Net Book Value of Interests in Equity-Accounted Associated Undertakings

	Jun 30 2010	Dec 31 2009
<b>SGT EUROPOL GAZ S.A.</b>		
PGNiG Group's interest*	49.74%	49.74%
Core business	Gas fuel transmission	Gas fuel transmission
Valuation of interests using equity method	1,498,658	1,436,380
Cost	38,400	38,400
Share in change in equity	1,537,058	1,474,780
Impairment charges	(998,358)	(936,080)
<b>Net book value of investment</b>	<b>538,700</b>	<b>538,700</b>
<b>GAS-TRADING SA</b>		
PGNiG Group's interest	43.41%	43.41%
Core business	Trade	Trade
Valuation of interests using equity method	16,160	16,532
Cost	1,291	1,291
Share in change in equity	17,451	17,823
Impairment charges	-	-
<b>Net book value of investment</b>	<b>17,451</b>	<b>17,823</b>
<b>Total net book value of investments</b>	<b>556,151</b>	<b>556,523</b>

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

## 6.2. Reconciliation of the Value of Interests in Equity-Accounted Associated Undertakings

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
<b>Net book value of investments as at beginning of period</b>	556,523	556,882
Dividend paid by <b>GAS-TRADING S.A.</b>	-	-
<b>Valuation recognised in the income statement, including:</b>	<b>(372)</b>	<b>(196)</b>
Valuation of <b>SGT EUROPOL GAZ S.A.</b>	-	-
Valuation of <b>GAS-TRADING S.A.</b>	(372)	(196)
<b>Net book value of investments as at end of period</b>	<b>556,151</b>	<b>556,686</b>

The Parent Undertaking estimated its equity interest in SGT EUROPOL GAZ S.A. on the basis of the value of the company's equity as shown in its financial statements prepared as at June 30th 2010 in accordance with the Polish Accountancy Act, adjusted to reflect differences in the accounting policies applied by the Group and results on intra-Group transactions. The differences in the accounting policies concerned the recognition of interest expenses in the net value of property, plant and equipment (until the end of 2008). Until the end of 2008, the Group applied the standard approach (in accordance with IAS 23) and did not recognise borrowing costs in the initial value of property, plant and equipment. As of the beginning of 2009, the Group capitalises borrowing costs in the value of property, plant and equipment, therefore the adjustment consists in continued elimination of these costs with respect to the previous years. Subsequently, the Parent Undertaking tested the interest in SGT EUROPOL GAZ S.A. for impairment using the discounted cash flow method on the basis of information included in SGT EUROPOL GAZ S.A.'s budget for 2006-2019. Discounted cash flow includes all cash flows generated by SGT EUROPOL GAZ S.A., including cash flow related to the servicing of interest-bearing external financing (interest expenses and repayment of principal amounts of loans and borrowings). As at June 30th 2010, the Parent Undertaking valued its interest in SGT EUROPOL GAZ SA using the equity method, at PLN 1,498,658 thousand.

The results of impairment tests differ significantly depending on adopted assumptions.

Due to changes in exchange rates and tariff policies, the assumptions adopted for the valuation of equity interests carry – for reasons beyond the Company's control – significant uncertainty.

Taking the above factors into account, as at June 30th 2010 the Parent Undertaking estimated the net book value of SGT EUROPOL GAZ S.A. using the discounted cash flow method at PLN 538,700 thousand. This valuation did not differ from the one performed as at December 31st 2009.

## 7. CORPORATE INCOME TAX

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

### 7.1. Income Tax Disclosed in the Income Statement

Note	Jan 1 - June 30 2010	Jan 1 - June 30 2009
Pre-tax profit\loss	1,216,630	(576,857)
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	(231,160)	109,603
Permanent differences between pre-tax profit\loss and tax base	8,755	(25,753)
<b>Corporate income tax disclosed in the consolidated income statement</b>	<b>(222,405)</b>	<b>83,850</b>
Current income tax	7.2. (347,618)	(92,169)
Deferred income tax	7.3. 125,213	176,019
Effective tax rate	18%	15%

### 7.2. Current Income Tax

	Jan 1 - June 30 2010	Jan 1 - June 30 2009
Pre-tax profit\loss (consolidated)	1,216,630	(576,857)
Consolidation adjustments	300,458	226,820
Differences between profit\loss before tax and tax base	107,246	528,948
Taxable revenue not recognised as revenue for accounting purposes	112,803	166,639



Tax deductible expenses, not recognised as expenses for accounting purposes	(1,135,169)	(1,237,887)
Revenue not recognised in taxable income	7,375	212,193
Non-tax deductible expenses	(1,135,899)	(1,810,217)
Deductions from income	1,088	2,172
Income tax base	1,624,334	178,911
Tax rate applicable in period	19%	19%
Corporate income tax	(308,623)	(33,993)
Increases, reliefs, exemptions, allowances and reductions in/of corporate income tax	(38,995)	(58,176)
Current income tax disclosed in tax return for period	(347,618)	(92,169)
<b>Current income tax disclosed in consolidated income statement</b>	<b>(347,618)</b>	<b>(92,169)</b>

### 7.3. Deferred Income Tax

	Jan 1 - June 30 2010	Jan 1 - June 30 2009
<b>Origination and reversal of deferred tax due to deductible temporary differences</b>	<b>129,417</b>	<b>98,796</b>
Impairment charges on financial assets, receivables and tangible assets under construction	4,808	11,032
Provisions for future liabilities	1,216	(1,704)
Costs of FX risk and interest rate risk hedges	25,530	41,400
Foreign exchange losses	(89)	(25,618)
Costs related to sales taxable in subsequent month	-	-
Investment incentives (Norway)	88,408	42,608
Tax loss for current period	-	28,513
Other	9,544	2,565
<b>Origination and reversal of deferred tax due to taxable temporary differences</b>	<b>(4,204)</b>	<b>77,223</b>
Difference between tax and accounting value of non-current assets	5,314	34,803
Positive valuation of FX risk and interest rate risk hedges	(13,705)	26,869
Foreign exchange gains on loans and deposits	(1,067)	3,147
Accrued interest	(289)	3,341
Income related to tax obligation arising in subsequent month	7,108	8,773
Other	(1,565)	290
<b>Deferred income tax disclosed in consolidated income statement</b>	<b>125,213</b>	<b>176,019</b>
<b>Deferred income tax disclosed in other net comprehensive income, including:</b>	<b>(3,938)</b>	<b>6,768</b>
- relating to valuation of financial instruments	(16,022)	(6,863)
- relating to differences on currency translation of deferred tax of foreign operations	12,084	13,631
<b>Transfer from current income tax receivable</b>	<b>13,547</b>	<b>-</b>
<b>Total changes</b>	<b>134,822</b>	<b>182,787</b>

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.

Foreign subsidiaries and foreign branches of the Parent Undertaking and of Polish subsidiary undertakings are subject to tax regulations in force in the countries where they conduct their business activities and the provisions of double tax treaties. In the case of foreign branches of subsidiary undertakings, the tax rates effective in H1 2010 and H1 2009 ranged from 3% to 38% of tax base. Foreign branches of the Parent Undertaking did not pay corporate income tax in H1 2009 and H1 2010.

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

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

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

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

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

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

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

## **8. DISCONTINUED OPERATIONS**

In H1 2010, the Group did not cease any activities and is not planning to discontinue any of its existing operations.

## **9. EARNINGS/LOSS PER SHARE**

Basic earnings/(loss) per share are calculated by dividing the net profit/(loss) attributable to holders of the Parent Undertaking's ordinary shares for a given reporting period by the weighted average number of outstanding ordinary shares in the financial year.

Diluted earnings/(loss) per share are calculated by dividing the net profit/(loss) attributable to holders of the ordinary shares for a given reporting period (less interest on redeemable preference shares convertible into ordinary shares) by the weighted average number of outstanding ordinary shares in the reporting period (adjusted for the effect of dilutive options and dilutive redeemable preference shares convertible into ordinary shares).

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Net profit\loss attributable to equity holders of the parent	991,870	(493,448)
Net profit\loss attributable to equity holders of the parent used for calculating diluted earnings\loss per share	991,870	(493,448)
Weighted average number of outstanding ordinary shares used for calculating basic earnings\loss per share ('000)	5,900,000	5,900,000
Weighted average number of outstanding ordinary shares used for calculating diluted earnings\loss per share ('000)	5,900,000	5,900,000
Basic earnings\loss per share for financial period attributable to holders of ordinary shares of the parent	0.17	(0.08)
Diluted earnings\loss per share for financial period attributable to holders of ordinary shares of the parent	0.17	(0.08)

The weighted average number of shares was computed in the manner presented in the table below:

Start date	End date	Number of outstanding ordinary shares (‘000)	Number of days	Weighted average number of shares (‘000)
<b>Jun 30 2010</b>				
Jan 1 2010	Jun 30 2010	5,900,000	181	5,900,000
<b>Total</b>			<b>181</b>	<b>5,900,000</b>
<b>Jun 30 2009</b>				
Jan 1 2009	Jun 30 2009	5,900,000	181	5,900,000
<b>Total</b>			<b>181</b>	<b>5,900,000</b>

#### 10. DIVIDEND PAID AND PROPOSED BY THE PARENT UNDERTAKING

Dividends declared and paid 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)	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	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.

## 11. PROPERTY, PLANT AND EQUIPMENT

	Jun 30 2010	Dec 31 2009
Land	66,063	65,498
Buildings and structures	13,503,738	13,744,065
Plant and equipment	2,316,068	2,324,912
Vehicles and other	934,358	936,055
<b>Total tangible assets</b>	<b>16,820,227</b>	<b>17,070,530</b>
Tangible assets under construction	6,800,978	5,818,387
<b>Total property, plant and equipment</b>	<b>23,621,205</b>	<b>22,888,917</b>

### TANGIBLE ASSETS

#### Jun 30 2010

As at Jan 1 2010, net of depreciation and impairment losses	65,498	13,744,065	2,324,912	936,055	<b>17,070,530</b>
Increase	172	61,806	21,673	33,722	<b>117,373</b>
Decrease	(44)	(97,757)	(7,800)	(3,252)	<b>(108,853)</b>
Transfers from tangible assets under construction and between groups	770	288,413	145,326	52,031	<b>486,540</b>
Impairment loss	151	(18,660)	2,434	(1,893)	<b>(17,968)</b>
Depreciation for the financial year	(484)	(474,129)	(170,477)	(82,305)	<b>(727,395)</b>
<b>As at Jun 30 2010, net of depreciation and impairment losses</b>	<b>66,063</b>	<b>13,503,738</b>	<b>2,316,068</b>	<b>934,358</b>	<b>16,820,227</b>

Land	Buildings and structures	Plant and equipment	Vehicles and other	Total
65,498	13,744,065	2,324,912	936,055	<b>17,070,530</b>
172	61,806	21,673	33,722	<b>117,373</b>
(44)	(97,757)	(7,800)	(3,252)	<b>(108,853)</b>
770	288,413	145,326	52,031	<b>486,540</b>
151	(18,660)	2,434	(1,893)	<b>(17,968)</b>
(484)	(474,129)	(170,477)	(82,305)	<b>(727,395)</b>
<b>66,063</b>	<b>13,503,738</b>	<b>2,316,068</b>	<b>934,358</b>	<b>16,820,227</b>

#### As at Jan 1 2010

Gross value*	76,001	20,307,452	4,138,796	1,661,929	<b>26,184,178</b>
Accumulated depreciation and impairment loss	(10,503)	(6,563,387)	(1,813,884)	(725,874)	<b>(9,113,648)</b>
<b>Net book value as at Jan 1 2010</b>	<b>65,498</b>	<b>13,744,065</b>	<b>2,324,912</b>	<b>936,055</b>	<b>17,070,530</b>

#### As at Jun 30 2010

Gross value*	76,899	20,524,580	4,273,495	1,734,382	<b>26,609,356</b>
Accumulated depreciation and impairment loss	(10,836)	(7,020,842)	(1,957,427)	(800,024)	<b>(9,789,129)</b>
<b>Net book value as at Jun 30 2010</b>	<b>66,063</b>	<b>13,503,738</b>	<b>2,316,068</b>	<b>934,358</b>	<b>16,820,227</b>

**Dec 31 2009**

As at Jan 1 2009, net of depreciation and impairment losses  
Increase  
Decrease  
Transfers from tangible assets under construction and between groups  
Impairment loss  
Depreciation for financial year  
**As at Dec 31 2009, net of depreciation and impairment losses**

Land	Buildings and structures	Plant and equipment	Vehicles and other	Total
82,372	13,557,215	2,322,574	903,316	<b>16,865,477</b>
-	32,871	9,808	107,041	<b>149,720</b>
(16,821)	(168,765)	(24,231)	(129,196)	<b>(339,013)</b>
3,286	1,096,955	411,044	201,681	<b>1,712,966</b>
(2,370)	184,693	(47,943)	13,067	<b>147,447</b>
(969)	(958,904)	(346,340)	(159,854)	<b>(1,466,067)</b>
<b>65,498</b>	<b>13,744,065</b>	<b>2,324,912</b>	<b>936,055</b>	<b>17,070,530</b>

As at Jan 1 2009

Gross value  
Accumulated depreciation and impairment loss  
**Net book value as at Jan 1 2009**

89,427	19,003,262	3,773,102	1,541,040	<b>24,406,831</b>
(7,055)	(5,446,047)	(1,450,528)	(637,724)	<b>(7,541,354)</b>
<b>82,372</b>	<b>13,557,215</b>	<b>2,322,574</b>	<b>903,316</b>	<b>16,865,477</b>

As at Dec 31 2009

Gross value  
Accumulated depreciation and impairment loss  
**Net book value as at Dec 31 2009**

76,001	20,307,452	4,138,796	1,661,929	<b>26,184,178</b>
(10,503)	(6,563,387)	(1,813,884)	(725,874)	<b>(9,113,648)</b>
<b>65,498</b>	<b>13,744,065</b>	<b>2,324,912</b>	<b>936 055</b>	<b>17,070,530</b>

**11.1. Property, Plant and Equipment Used under Finance Lease**

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

	Jun 30 2010				Dec 31 2009			
	Initial value of capitalised finance lease	Depreciation	Impairment loss	Net book value	Initial value of capitalised finance lease	Depreciation	Impairment loss	Net book value
Buildings and structures	-	-	-	-	-	-	-	-
Plant and equipment	127,024	(35,546)	-	91,478	108,689	(38,063)	-	70,626
Vehicles and other	42,170	(9,831)	(433)	31,906	31,632	(6,926)	(495)	24,211
	<b>169,194</b>	<b>(45,377)</b>	<b>(433)</b>	<b>123,384</b>	<b>140,321</b>	<b>(44,989)</b>	<b>(495)</b>	<b>94,837</b>

## 11.2. Impairment Losses on Property, Plant and Equipment

	Land	Buildings and structures	Plant and equipment	Vehicles and other	Total tangible assets	Tangible assets under construction	Total property, plant and equipment
<b>As at Jan 1 2010</b>	4,689	1,209,333	97,858	20,756	<b>1,332,636</b>	346,075	<b>1,678,711</b>
Increase	-	22,968	17	2,356	<b>25,341</b>	25,846	<b>51,187</b>
Decrease	(151)	(4,308)	(2,451)	(463)	<b>(7,373)</b>	-	<b>(7,373)</b>
<b>As at Jun 30 2010</b>	<b>4,538</b>	<b>1,227,993</b>	<b>95,424</b>	<b>22,649</b>	<b>1,350,604</b>	<b>371,921</b>	<b>1,722,525</b>
<b>As at Jan 1 2009</b>	2,319	1,394,026	49,915	33,823	<b>1,480,083</b>	395,291	<b>1,875,374</b>
Increase	16,158	373,061	96,698	5,057	<b>490,974</b>	422	<b>491,396</b>
Decrease	(13,788)	(557,754)	(48,755)	(18,124)	<b>(638,421)</b>	(49,638)	<b>(688,059)</b>
<b>As at Dec 31 2009</b>	<b>4,689</b>	<b>1,209,333</b>	<b>97,858</b>	<b>20,756</b>	<b>1,332,636</b>	<b>346,075</b>	<b>1,678,711</b>

As at the beginning of the period, impairment loss on tangible assets amounted to PLN 1,332,636 thousand, including:

- PLN 412,640 thousand on assets used directly in production,
- PLN 780,121 thousand on distribution assets,
- PLN 139,875 thousand on other tangible assets.

The current period saw a PLN 25,341 thousand increase in impairment losses (including PLN 2,299 thousand related to assets used directly in production), and a PLN 7,373 thousand decrease in impairment losses (including PLN 7,086 thousand decrease related to assets directly used in production).

As at the end of the period, impairment losses on tangible assets amounted to PLN 1,350,604 thousand, including:

- PLN 407,853 thousand on assets used directly in production,
- PLN 783,949 thousand on distribution assets,
- PLN 158,802 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).

## 12. INVESTMENT PROPERTY

	Jun 30 2010	Dec 31 2009
As at beginning of period, net of depreciation and impairment losses	7,480	8,181
Increase	-	-
Decrease	(23)	(2,327)
Transfers to/from property, plant and equipment	(280)	1,055
Impairment loss	2	1,175
Depreciation for financial year	(280)	(604)
<b>As at end of period, net of depreciation and impairment losses</b>	<b>6,899</b>	<b>7,480</b>
As at beginning of period		
Gross value	9,829	11,066
Accumulated depreciation and impairment loss	(2,349)	(2,885)
<b>Net book value</b>	<b>7,480</b>	<b>8,181</b>
As at end of period		
Gross value	9,494	9,829
Accumulated depreciation and impairment loss	(2,595)	(2,349)
<b>Net book value</b>	<b>6,899</b>	<b>7,480</b>

The Group's investment property includes office/amenity buildings partly held for rent, as well as industrial buildings and structures, and land. As at the end of the reporting period, the net book value of the office/amenity buildings recognised as investment property amounted to PLN 3,786 thousand (PLN 4,963 thousand as at the end of 2009), whereas the net book value of industrial buildings and structures as at the end of the reporting period amounted to PLN 3,812 thousand (PLN 2,294 thousand as at the end of 2009). The value of land and perpetual usufruct rights to land was PLN 301 thousand as at the end of the reporting period (PLN 223 thousand as at the end of H1 2010).

In the reporting period, the Group generated PLN 2,072 thousand in revenue from rental of investment property (PLN 4,141 thousand in H1 2010).

Operating expenses incurred in generating revenue from rental of investment property amounted to PLN 1,244 thousand in the reporting period (PLN 2,529 thousand in H1 2010).

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

### 13. INTANGIBLE ASSETS

<b>Jun 30 2010</b>	Development expense	Goodwill	Perpetual usufruct right to land – acquired against a consideration **	Other intangible assets	<b>Total</b>
As at Jan 1 2010, net of amortisation and impairment losses	2,197	-	48,383	122,879	<b>173,459</b>
Increase	-	-	-	601	<b>601</b>
Decrease	-	-	119	(76)	<b>43</b>
Transfers from tangible assets under construction and between groups	199	-	3,269	32,488	<b>35,956</b>
Impairment loss	-	-	(305)	-	<b>(305)</b>
Amortisation for financial year	(259)	-	(312)	(16,955)	<b>(17,526)</b>
<b>As at Jun 30 2010, net of amortisation and impairment losses</b>	<b>2,137</b>	<b>-</b>	<b>51,154</b>	<b>138,937</b>	<b>192,228</b>
As at Jan 1 2010					
Gross value	3,793	-	68,496	272,442	<b>344,731</b>
Accumulated amortisation and impairment loss	(1,596)	-	(20,113)	(149,563)	<b>(171,272)</b>
<b>Net book value as at Jan 1 2010</b>	<b>2,197</b>	<b>-</b>	<b>48,383</b>	<b>122,879</b>	<b>173,459</b>
As at Jun 30 2010					
Gross value	3,992	-	71,832	298,014	<b>373,838</b>
Accumulated amortisation and impairment loss	(1,855)	-	(20,678)	(159,077)	<b>(181,610)</b>
<b>Net book value as at Jun 30 2010</b>	<b>2,137</b>	<b>-</b>	<b>51,154</b>	<b>138,937</b>	<b>192,228</b>

\* Furthermore, the Group holds perpetual usufruct right to land, obtained free of charge, which is disclosed as an off-balance-sheet item. As at June 30th 2010, the estimated value of this right amounted to PLN 481,402 thousand (PLN 481,425 thousand as at the end of 2009).



**Dec 31 2009**

As at Jan 1 2009, net of amortisation and impairment losses	1,459	-	51,134	99,128	<b>151,721</b>
Increase	-	-	4,878	6,213	<b>11,091</b>
Decrease	-	-	(9,388)	(9,444)	<b>(18,832)</b>
Transfers from tangible assets under construction and between groups	1,110	-	2,573	47,944	<b>51,627</b>
Impairment loss	-	-	(179)	7,572	<b>7,393</b>
Amortisation for financial year	(372)	-	(635)	(28,534)	<b>(29,541)</b>
<b>As at Dec 31 2009, net of amortisation and impairment losses</b>	<b>2,197</b>	<b>-</b>	<b>48,383</b>	<b>122,879</b>	<b>173,459</b>

Development expense	Goodwill	Perpetual usufruct right to land – acquired for consideration	Other intangible assets	Total
1,459	-	51,134	99,128	<b>151,721</b>
-	-	4,878	6,213	<b>11,091</b>
-	-	(9,388)	(9,444)	<b>(18,832)</b>
1,110	-	2,573	47,944	<b>51,627</b>
-	-	(179)	7,572	<b>7,393</b>
(372)	-	(635)	(28,534)	<b>(29,541)</b>
<b>2,197</b>	<b>-</b>	<b>48,383</b>	<b>122,879</b>	<b>173,459</b>

As at Jan 1 2009

Gross value	2,693	-	66,200	214,396	<b>283,289</b>
Accumulated amortisation and impairment loss	(1,234)	-	(15,066)	(115,268)	<b>(131,568)</b>
<b>Net book value as at Jan 1 2009</b>	<b>1,459</b>	<b>-</b>	<b>51,134</b>	<b>99,128</b>	<b>151,721</b>

2,693	-	66,200	214,396	<b>283,289</b>
(1,234)	-	(15,066)	(115,268)	<b>(131,568)</b>
<b>1,459</b>	<b>-</b>	<b>51,134</b>	<b>99,128</b>	<b>151,721</b>

As at Dec 31 2009

Gross value	3,793	-	68,496	272,442	<b>344,731</b>
Accumulated amortisation and impairment loss	(1,596)	-	(20,113)	(149,563)	<b>(171,272)</b>
<b>Net book value as at Dec 31 2009</b>	<b>2,197</b>	<b>-</b>	<b>48,383</b>	<b>122,879</b>	<b>173,459</b>

3,793	-	68,496	272,442	<b>344,731</b>
(1,596)	-	(20,113)	(149,563)	<b>(171,272)</b>
<b>2,197</b>	<b>-</b>	<b>48,383</b>	<b>122,879</b>	<b>173,459</b>

**13.1. Impairment Losses on Intangible Assets**

**As at Jan 1 2010**

Increase	-	-	278	16	<b>294</b>
Decrease	-	-	305	-	<b>305</b>

Development expense	Goodwill	Perpetual usufruct right to land – acquired for consideration	Other intangible assets	Total
-	-	278	16	<b>294</b>
-	-	305	-	<b>305</b>
-	-	-	-	<b>-</b>
<b>-</b>	<b>-</b>	<b>583</b>	<b>16</b>	<b>599</b>

**As at Jun 30 2010**

**As at Jan 1 2009\***

Increase	-	-	99	7,588	<b>7,687</b>
Decrease	-	-	188	15	<b>203</b>

-	-	99	7,588	<b>7,687</b>
-	-	188	15	<b>203</b>
-	-	(9)	(7,587)	<b>(7,596)</b>
<b>-</b>	<b>-</b>	<b>278</b>	<b>16</b>	<b>294</b>

**As at Dec 31 2009\***

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

	Jun 30 2010	Dec 31 2009
Unlisted shares (gross)	26,873	26,873
Listed shares available for sale (gross)	78,101	78,101
Other financial assets available for sale (gross)	56,433	56,524
<b>Total, gross</b>	<b>161,407</b>	<b>161,498</b>
Unlisted shares (net)*	23,084	23,084
Listed shares available for sale (net)**	56,049	59,608
Other financial assets available for sale (net)*	7,006	7,097
<b>Total, net</b>	<b>86,139</b>	<b>89,789</b>

\* Net of impairment loss.

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

“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 Group 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.

#### 15. OTHER FINANCIAL ASSETS

	Jun 30 2010	Dec 31 2009
Finance lease receivables (Note 15.1.)*	265,311	283,285
Loans advanced	5,958	8,075
Amounts receivable under sale of tangible assets	7,041	7,392
Non-current deposits	412	554
Amounts receivable under licences and mining usufruct rights	-	-
Other	1,098	591
<b>Total, gross</b>	<b>279,820</b>	<b>299,897</b>
Impairment loss	(72)	(18)
<b>Total, net</b>	<b>279,748</b>	<b>299,879</b>

\* 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.

##### 15.1. Finance Lease

With a view to implementing the PGNiG Restructuring and Privatisation Programme adopted by the Polish Council of Ministers on October 5th 2004, a lease agreement was executed on July 6th 2005 between PGNiG 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
<b>Total</b>	<b>19,355</b>	<b>48,802</b>

## 16. DEFERRED TAX ASSET

	Jun 30 2010	Dec 31 2009
Provisions for gas allowances	2,034	3,878
Provisions for length-of-service awards and severance pays	61,119	61,166
Provision for unused holidays	1,447	3,539
Provision for well decommissioning costs	101,337	101,472
Other provisions	45,303	40,584
Impairment losses on tangible assets	70,727	65,816
Impairment losses on shares	9,806	9,822
Impairment losses on interest on receivables	3,918	2,165
Negative valuation of derivatives	59,820	50,989
Foreign exchange losses	542	630
Accrued interest on loans and liabilities	269	161
Connection charge	76,579	68,282
Unpaid salaries and wages, including contributions to the Social Insurance Institution (ZUS)	9,155	5,479
Revaluation of prepayments/deferred income due to hyperinflation	9,247	9,761
Investment incentives (Norway)	249 393	148,901
Other	24,554	18,977
<b>Total</b>	<b>725,250</b>	<b>591,622</b>

## 17. OTHER NON-CURRENT ASSETS

	Jun 30 2010	Dec 31 2009
Granting access to geological information	24,103	25,616
Charges for establishment of mining usage rights	5,680	5,503
Connection charge	17,290	17,000
Other prepayments and accrued income	1,872	1,254
<b>Total</b>	<b>48,945</b>	<b>49,373</b>

## 18. INVENTORIES

	Jun 30 2010	Dec 31 2009
Materials		
at cost, including:	1,381,544	1,255,118
- gas fuel	1,054,089	968,901
at net realisable value, including:	1,365,162	1,238,084
- gas fuel	1,054,089	968,901
Semi-finished products and work in progress		
at cost	10,669	11,097
at net realisable value	10,640	11,018
Finished products		
at cost	6,855	8,484
at net realisable value	6,791	8,421
Goods for sale		
at cost	1,147	1,530
at net realisable value	1,061	1,347
<b>Total inventories at acquisition (or production) cost</b>	<b>1,400,215</b>	<b>1,276,229</b>
<b>Total inventories, at the lower of cost or net realisable value</b>	<b>1,383,654</b>	<b>1,258,870</b>

## 18.1. Change in Inventories in Period

	Jan 1 - Jun 30 2010	Jan 1 - Jun 30 2009
<b>Inventories at cost, at beginning of period</b>	<b>1,276,229</b>	<b>1,736,267</b>
Purchase	6,968,487	7,791,026
Other increases	51,201	78,855
Inventories charged to expenses of period	(6,555,558)	(7,875,442)
Sale	(6,818)	(12,538)
Other decreases	(333,326)	(343,898)
<b>Inventories at cost, at end of period</b>	<b>1,400,215</b>	<b>1,374,270</b>

## 19. TRADE AND OTHER RECEIVABLES

	Jun 30 2010	Dec 31 2009
Trade receivables	3,136,731	4,078,728
Trade receivables from related undertakings	51,112	51,134
VAT receivable	194,912	227,757
Other taxes, customs and social security receivable	26,870	12,498
Due and payable portion of loans advanced to related undertakings	25,278	20,547
Receivables from equity-accounted associated undertakings	1,600	2,626
Finance lease receivables	24,287	23,093
Other receivables from related undertakings	13,459	7,545
Prepayments for tangible assets under construction	67,834	74,833
Additional contribution to equity of subsidiary undertaking payable under a relevant resolution*	84,552	84,552
Receivables under breach of contract	87,466	87,466
Other receivables	109,004	111,978
<b>Total gross receivables, including:</b>	<b>3,823,105</b>	<b>4,782,757</b>
Gross receivables (including due and payable portion of loans) from related undertakings (Note 38.1)	176,001	166,404
<b>Impairment loss on doubtful receivables (Note 19.1)</b>	<b>(1,244,166)</b>	<b>(1,102,718)</b>
<b>Total net receivables</b>	<b>2,578,939,</b>	<b>3,680,039</b>
including:		
Trade receivables	2,225,641	3,278,713
Trade receivables from related undertakings	10,935	9,567
VAT receivable	194,912	227,757
Other taxes, customs and social security receivable	26,870	12,497
Due and payable portion of loans advanced to related undertakings	1,131	1,476
Receivables from equity-accounted associated undertakings	1,600	2,625
Finance lease receivables	24,287	23,093
Other receivables from related undertakings	4,544	31
Prepayments for tangible assets under construction	67,834	74,833
Additional contribution to equity of subsidiary undertaking payable under a relevant resolution*	-	-
Receivables under breach of contract	-	-
Other receivables, including:	21,185	49,447
Net receivables (including due and payable portion of loans) from related undertakings (Note 38.1)	18,210	13,699

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

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

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

## 19.1. Impairment Losses on Receivables

	Jun 30 2010	Dec 31 2009
Impairment losses at beginning of period	(1 102 718)	(1 033 601)
Creation of impairment charge	(177 017)	(346 934)
Reversal of impairment charge	26 291	201 978
Use of impairment charge	9 279	75 878
Transfers between current and non-current portions	(1)	(39)
<b>Impairment losses at end of period</b>	<b>(1 244 166)</b>	<b>(1 102 718)</b>

## 20. CURRENT INCOME TAX

	Jun 30 2010	Dec 31 2009
Current income tax payable at beginning of period	47,409	47,552
Change in current income tax receivable*	(177,114)	139,799
Current income tax receivable at beginning of period	199,413	59,614
Current income tax receivable transferred to deferred income tax	(13,547)	-
Current income tax receivable at end of period	8,752	199,413
Corporate income tax (expense in the period)	347,618	416,091
Income tax paid in the period	3,118	(556,033)
<b>Current income tax payable at end of period</b>	<b>221,031</b>	<b>47,409</b>

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

## 21. ACCRUALS AND DEFERRED INCOME

	Jun 30 2010	Dec 31 2009
Property tax	144,547	-
Contribution to the Company Social Benefits Fund	26,876	-
Valuation of long-term contracts	21,486	13,331
Software licenses, maintenance and upgrades	10,467	7,231
Property insurance	5,941	7,577
Granting access to geological information	3,055	3,052
Rents and charges	731	1,228
Finance expenses settled over time	21	845
Oil and gas field development costs	-	1,242
Costs of contract performance preparation	-	9,344
Other expenses settled over time	45,873	11,403
<b>Total</b>	<b>258,997</b>	<b>55,253</b>

## 22. CURRENT FINANCIAL ASSETS AVAILABLE FOR SALE

	Jun 30 2010	Dec 31 2009
Unlisted shares (gross)	-	-
Listed shares (gross)	-	-
Short-term deposit (gross)	-	142
Investment fund units (gross)	3,602	8,000
Treasury bills (gross)	-	-
<b>Total (gross)</b>	<b>3,602</b>	<b>8,142</b>
Unlisted shares (net)*	-	-
Listed shares (net)*	-	-
Short-term deposit (net)	-	142
Investment fund units (net)	3,602	7,325
Treasury bills (net)	-	-
<b>Total (net)</b>	<b>3,602</b>	<b>7,467</b>

\* Net of impairment losses.

## 23. CASH AND CASH EQUIVALENTS

	Jun 30 2010	Dec 31 2009
Cash in hand and at banks	209,884	328,074
Bank deposits	1,736,657	862,527
Highly liquid short-term securities *	140,139	-
Other cash**	7,157	5,724
<b>Total</b>	<b>2,093,837</b>	<b>1,196,325</b>

\* Bills (treasury, NBP bills, etc.), deposit certificates maturing in less than three months.

\*\* Cash in transit, cheques and third-party notes maturing in less than three months.

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

## 24. NON-CURRENT ASSETS HELD FOR SALE

The net book value of the Group's assets classified as non-current assets held for sale amounted to PLN 2,055 thousand (PLN 1,488 thousand as at the end of 2009). These chiefly include buildings and land usufruct rights planned to be sold in the second half of 2010.

## 25. CONTINGENT ASSETS

### 25.1. Contingent Receivables under Guarantees and Sureties Received

Company transferring contingent receivable	Amount of contingent receivables received in original currency	Currency of contingent receivables	Amount of contingent receivables received* in PLN	Contingent receivable expiry date	Contingent receivables under
<b>Contingent receivables received by PGNiG S.A.</b>					
Bank Pekao S.A.	85,217	PLN	85,217	Apr 30 2013	Performance bond
ING Bank Śląski	83,334	PLN	83,334	Jan 7 2012	Insurance guarantee
PZU S.A.	66,429	PLN	66,429	Jan 18 2013	Insurance guarantee
Sain-Gobain Construction Products Polska Sp. z o. o.	10,955	PLN	10,955	unspecified	Surety under civil law
Dresdner Bank S.A.	9,000	PLN	9,000	Dec 31 2010	Bank guarantee
Glas Trosch Holding AG	8,000	PLN	8,000	Jun 30 2011	Surety under civil law
InterRisk Towarzystwo Ubezpieczeń S.A.	8,000	PLN	8,000	Nov 26 2010	Insurance guarantee
Kredyt Bank S.A.	3,900	PLN	3,900	Jan 25 2011	Bank guarantee
DZ BANK Polska S.A.	3,745	PLN	3,745	Dec 31 2010	Performance bond
TUIR "Warta" S.A.	2,722	PLN	2,722	Oct 15 2010	Insurance guarantee
ING Bank Śląski S.A.	2,000	PLN	2,000	Dec 31 2010	Bank guarantee
PZU S.A.	1,950	PLN	1,950	Sep 14 2010	Insurance guarantee
Bank Handlowy w Warszawie S.A.	1,910	PLN	1,910	Mar 31 2011	Bank guarantee
PZU S.A.	1,860	PLN	1,860	Aug 11 2010	Insurance guarantee
TU Euler Hermes S.A.	1,841	PLN	1,841	Oct 15 2010	Insurance guarantee
DZ BANK Polska S.A.	1,698	PLN	1,698	Dec 31 2010	Performance bond
Bank Pekao S.A.	1,527	PLN	1,527	Jan 31 2011	Bank guarantee
Towarzystwo Inwestycyjne Zakładów Ostrowieckich Spółka z o.o.	1,500	PLN	1,500	unspecified	Promissory note surety
DZ BANK Polska S.A.	1,463	PLN	1,463	Dec 31 2010	Performance bond
RBS Bank Polska S.A.	1,300	PLN	1,300	Dec 20 2010	Bank guarantee
RBS Bank Polska S.A.	1,280	PLN	1,280	Dec 20 2010	Bank guarantee
Bank of Tokyo-Mitsubishi UFJ(Polska)S.A.	1,262	PLN	1,262	Dec 31 2010	Bank guarantee
Deutsche Bank Polska S.A.	951	PLN	951	unspecified	Bank guarantee
Polski Bank Spółdzielczy w Ciechanowie	820	PLN	820	Apr 29 2011	Bank guarantee
Hestia, Sopot	796	PLN	796	Nov 30 2011	Insurance guarantee
Millennium Bank S.A.	740	PLN	740	Sep 30 2010	Bid bond
Małopolski Oddział Wojewódzki NFZ w Krakowie (Kraków Province Division of the National Health Fund in Kraków)	737	PLN	737	Nov 30 2010	Payment guarantee
BANK PEKAO S.A.	650	PLN	650	Nov 30 2010	Bank guarantee
Deutsche Bank Polska S.A., Al.	649	PLN	649	Apr 30 2011	Bank guarantee
UniCredit Bank Austria AG	640	PLN	640	Dec 30 2010	Bank guarantee
ING Bank Śląski S.A. CBK of Kraków	608	PLN	608	Dec 31 2010	Bank guarantee
TU InterRisk S.A.	536	PLN	536	Oct 27 2012	Insurance guarantee
TU i R WARTA S.A.	531	PLN	531	Dec 4 2010	Performance bond
Alior Bank S.A. Warsaw	530	PLN	530	Aug 31 2010	Bank guarantee

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Nordea Bank Polska S.A.	519	PLN	519	Feb 17 2011	Performance bond
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## 25.1. Contingent Receivables under Guarantees and Sureties Received (continued)

Company transferring contingent receivable	Amount of contingent receivables received in original currency	Currency of contingent receivables	Amount of contingent receivables received* in PLN	Contingent receivable expiry date	Contingent receivables under
Nordea Bank Polska S.A.	519	PLN	519	Feb 27 2011	Performance bond
DZ Bank Polska S.A.	515	PLN	515	Aug 31 2010	Bank guarantee
Siersza Power Plant of Południowy Koncern Energetyczny S.A.	511	PLN	511	unspecified	Payment guarantee
Bank Handlowy S.A. of Warsaw	500	PLN	500	Sep 14 2010	Bank guarantee
Other contingent receivables (each under PLN 500 thousand)	17,246	PLN	17,246	2010-2015	Bank guarantees, performance bonds, insurance guarantees, bid bonds etc.
<b>Contingent receivables received by the Gas Companies</b>					
PZU S.A.	1,713	PLN	1,713	Jul 30 2010	Security and statutory warranty
PZU S.A.	1,339	PLN	1,339	Feb 12 2013	Performance bond
Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A.	1,171	PLN	1,171	Jul 31 2010	Performance bond
InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group	777	PLN	777	Dec 31 2011	Performance bond
INTERRISK SA	735	PLN	735	Apr 30 2011	Insurance guarantee
Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A.	699	PLN	699	Dec 31 2011	Performance bond
Other contingent receivables (each under PLN 500 thousand)	6,999	PLN	6,999	2010-2015	Bank guarantees, performance bonds, insurance guarantees, bid bonds etc.
<b>Contingent receivables received by other PGNiG Group companies</b>					
Siemens Financial Service GmbH	608	PLN	608	Dec 4 2011	Performance bond
Other contingent receivables (each under PLN 500 thousand)	3,891	PLN	3,891	2010-2013	Bank guarantees, performance bonds, insurance guarantees, bid bonds etc.
<b>Total</b>			<b>346,823</b>		

As at the end of the previous period, contingent receivables under guarantees and sureties received amounted to PLN 364,902 thousand.



## 25.2. Contingent Receivables under Promissory Notes

Drawer	Promissory note amount in the original currency	Promissory note currency	Promissory note amount (PLN)	Promissory note expiry date
<b>Promissory notes received by PGNiG S.A.</b>				
ZRUG Sp. z o.o. of Pogórska Wola	13,530	PLN	13,530	Jan 30 2011
ZRUG Sp. z o.o. of Pogórska Wola	6,765	PLN	6,765	Jan 30 2011
ZRUG Sp. z o.o. of Pogórska Wola	3,569	PLN	3,569	Nov 30 2014
ZRUG Sp. z o.o. of Pogórska Wola	10,000	PLN	10,000	Jun 30 2022
Bioagra S.A.	8,000	PLN	8,000	unspecified
STOCZNIA MARYNARKI WOJENNEJ S.A.	5,000	PLN	5,000	unspecified
Porcelana Śląska Sp. z o.o. of Katowice	4,982	PLN	4,982	unspecified
Huta Szkła Deco-Glass of Krosno	2,000	PLN	2,000	unspecified
Huta Będzin S.A. of Będzin	1,065	PLN	1,065	unspecified
Kuźnia "Glinik" Sp. z o.o. of Gorlice	1,000	PLN	1,000	unspecified
Huta Szkła "MAKORA" s. j. of Krosno	1,000	PLN	1,000	unspecified
Polska Ceramika Ogniotrwała "Żarów"	900	PLN	900	unspecified
S.V.Z POLAND Sp. z o.o.	900	PLN	900	unspecified
Interminglass Sp. z o.o.	800	PLN	800	unspecified
Poland Smelting Technologies Polst Sp. z o.o.	800	PLN	800	Dec 21 2010
HUTA SZKŁA LUCYNA Zakład NYSA	800	PLN	800	unspecified
DEKORGLASS DZIAŁDOWO S.A.	790	PLN	790	unspecified
Otwocki Zakład Energetyki Ciepłej Sp. z o.o.	778	PLN	778	unspecified
STOCK POLSKA Sp. z o.o.	680	PLN	680	unspecified
Fabryka Porcelany Wałbrzych	600	PLN	600	Dec 31 2015
K&K Sp. z o.o. Warszawa	550	PLN	550	unspecified
Huta Szkła Marta 2 Sp. Z o. o. Chełm	550	PLN	550	unspecified
"SANTE" A. Kowalski Sp. J.	550	PLN	550	unspecified
Spółdzielnia Mleczarska Ryki	532	PLN	532	unspecified
Toyota Motor Manufacturing Poland Sp. z o. o.	530	PLN	530	unspecified
Systemy Grzewcze PHU "BEST"	500	PLN	500	unspecified
Uzdrowisko Krynica "Żegiestów" S.A.	500	PLN	500	unspecified
MPWiK w Lublinie Sp. z o.o.	500	PLN	500	unspecified
Mahle Polska Sp. z o.o.	500	PLN	500	unspecified
Other promissory notes (each under PLN 500 thousand)	15,259	PLN	15,259	2010-2012, unspecified
<b>Promissory notes received by the Gas Companies</b>				
TESGAS Sp. z o.o. Przeźmierowo	1,545	PLN	1,545	2010-2014
PHARMGAZ POZNAŃ	723	PLN	723	May 30 2011
PHARMGAS Sp. z o.o. of Poznań	524	PLN	524	Jan 30 2012
Other promissory notes (each under PLN 500 thousand)	1,863	PLN	1,863	2010-2014
<b>Promissory notes received by other PGNiG Group companies</b>				
Control Process S.A. of Tarnów	1,531	PLN	1,531	Nov 19 2010
IZOSTAL Zawadzkie	1,500	PLN	1,500	Sep 6 2012
Other promissory notes (each under PLN 500 thousand)	1,779	PLN	1,779	2010-2013
<b>Total</b>			<b>93,395</b>	

As at the end of the previous period, contingent receivables under promissory notes amounted to PLN 94,746 thousand.

## 25.2. Contingent Receivables under Promissory Notes

Drawer	Promissory note amount in original currency	Promissory note currency	Promissory note amount in PLN	Promissory note expiry date
<b>Promissory notes issued to the benefit of PGNiG S.A. by:</b>				
ZRUG Sp. z o.o. of Pogórska Wola	13,530	PLN	13,530	Jan 30 2011
ZRUG Sp. z o.o. of Pogórska Wola	6,765	PLN	6,765	Jan 30 2011
ZRUG Sp. z o.o. of Pogórska Wola	3,569	PLN	3,569	Nov 30 2014
ZRUG Sp. z o.o. of Pogórska Wola	10,000	PLN	10,000	Jun 30 2022
Bioagra S.A.	8,000	PLN	8,000	unspecified
STOCZNIA MARYNARKI WOJENNEJ S.A.	5,000	PLN	5,000	unspecified
Porcelana Śląska Sp. z o.o. of Katowice	4,982	PLN	4,982	unspecified
Huta Szkła Deco-Glass of Krosno	2,000	PLN	2,000	unspecified
Huta Będzin S.A. of Będzin	1,065	PLN	1,065	unspecified
Kuźnia Glinik Sp. z o.o. of Gorlice	1,000	PLN	1,000	unspecified
Huta Szkła MAKORA s.j. of Krosno	1,000	PLN	1,000	unspecified
Polska Ceramika Ogniotrwała Żarów	900	PLN	900	unspecified
S.V.Z POLAND Sp. z o.o.	900	PLN	900	unspecified
Interminglass Sp. z o.o.	800	PLN	800	unspecified
Poland Smelting Technologies Polst Sp. z o.o.	800	PLN	800	Dec 21 2010
HUTA SZKŁA LUCYNA Zakład NYSA	800	PLN	800	unspecified
DEKORGLASS DZIAŁDOWO S.A.	790	PLN	790	unspecified
Otwocki Zakład Energetyki Ciepłej Sp. z o.o.	778	PLN	778	unspecified
STOCK POLSKA Sp. z o.o.	680	PLN	680	unspecified
Fabryka Porcelany of Wałbrzych	600	PLN	600	Dec 31 2015
K&K Sp. z o.o. of Warsaw	550	PLN	550	unspecified
Huta Szkła Marta 2 Sp. z o. o. of Chelm	550	PLN	550	unspecified
SANTE A. Kowalski Sp. J.	550	PLN	550	unspecified
Spółdzielnia Mleczarska Ryki	532	PLN	532	unspecified
Toyota Motor Manufacturing Poland Sp. z o. o.	530	PLN	530	unspecified
Systemy Grzewcze PHU BEST	500	PLN	500	unspecified
Uzdrowisko Krynica Żegiestów S.A.	500	PLN	500	unspecified
MPWiK w Lublinie Sp. z o.o.	500	PLN	500	unspecified
Mahle Polska Sp. z o.o.	500	PLN	500	unspecified
Other promissory notes (each under PLN 500 thousand)	15,259	PLN	15,259	2010-2012, unspecified
<b>Promissory notes issued to the benefit of Gas Companies</b>				
TESGAS Sp. z o.o. of Przeźmierowo	1,545	PLN	1,545	2010-2014
PHARMGAZ POZNAŃ	723	PLN	723	May 30 2011
PHARMGAS Sp. z o.o. of Poznań	524	PLN	524	Jan 30 2012
Other promissory notes (each under PLN 500 thousand)	1,863	PLN	1,863	2010-2014
<b>Promissory notes issued to the benefit of other PGNiG Group companies</b>				
Control Process SA Tarnów	1,531	PLN	1,531	Nov 19 2010
IZOSTAL Zawadzkie	1,500	PLN	1,500	Sep 6 2012
Other promissory notes (each under PLN 500 thousand)	1,779	PLN	1,779	2010-2013
<b>Total</b>			<b>93,395</b>	

As at the end of the previous period, contingent receivables under promissory notes amounted to PLN 94,746 thousand.

## 26. SHARE CAPITAL

	Jun 30 2010	Dec 31 2009
Total number of shares ('000)	5,900,000	5,900,000
Par value per share (PLN)	1	1
Total share capital	5,900,000	5,900,000

## 27. BANK LOANS, BORROWINGS AND DEBT SECURITIES

	Currency	Jun 30 2010	Dec 31 2009	Effective interest rate (%)	Maturity date	Jun 30 2010	Dec 31 2009	Security
		Amount in original currency				Amount in PLN		
<b>Non-current</b>								
Lease liabilities	PLN	20,232	23,351	1M Wibor; 8 - 10%	2011-2015	20,232	23,351	Blank promissory note with a promissory note declaration
Lease liabilities	CHF	4,263	5,108	8% on average	2011-2013	13,362	14,130	Blank promissory note with a promissory note declaration
Lease liabilities	USD	9,648	1,615	1M Libor+margin; 8% on average	2011-2015	32,752	4,605	Blank promissory note with a promissory note declaration, direct debit authorisation
Credit facility from Pekao S.A.	PLN	1,800	2,000	1M Wibor+margin	Apr 30 2014	1,800	2,000	Ordinary contractual mortgage, Deposit contractual mortgage, assignments of rights
<b>Total non-current</b>						<b>68,146</b>	<b>44,086</b>	

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	Currency	Jun 30 2010	Dec 31 2009	Effective interest rate (%)	Maturity date	Jun 30 2010	Dec 31 2009	Security
Current		Amount in original currency				Amount in PLN		
Current portion of lease liabilities	PLN	11,423	15,096	1M Wibor; 8 - 10%	2010	11,423	15,096	Blank promissory note with a promissory note declaration
Current portion of lease liabilities	CHF	2,555	3,837	8% on average	2010	8,008	10,612	Blank promissory note with a promissory note declaration
Current portion of lease liabilities	USD	2,975	981	1M Libor+margin; 8% on average	2010	10,100	2,797	Blank promissory note, authorisation to current account
Lease liabilities	EUR	18	168	7% on average	Aug 28 2010	74	689	Blank promissory note with a promissory note declaration
Credit facility from Pekao S.A.	PLN	11,975	17,869	1M Wibor+margin	Dec 31 2010	11,975	6,871	Security (deposit) mortgage
Credit facility from Societe Generale S.A.	PLN	2,381	17,870	1M Wibor+margin	Feb 28 2011	2,381	-	Assignment of claims, blank promissory note
Working capital facility from Pekao S.A.	PLN	5,000	5,501	1M Wibor+margin	Dec 31 2010	5,000	5,001	Promissory note, registered pledge
Overdraft facility from Pekao S.A.	PLN	4,418	4,041	1M Wibor+margin	Dec 31 2010	4,418	6,477	Promissory note, registered pledge
Overdraft facility from ING Bank Śląski S.A.	PLN	10,024	4,232	1M Wibor+margin	Aug 26 2010	10,024	5,057	Promissory note, registered pledge
Overdraft facility from Societe Generale S.A.	USD	523	-	1M Libor	Dec 31 2010	1,777	-	Blank promissory note, assignment of claims
								Mortgage, assignment of rights under insurance policy, blank promissory note with promissory note declaration, power of attorney over current account, assignment of claims
Overdraft facility from Pekao S.A.	PLN	18,392	19,878	1M Wibor+margin	Dec 30 2010	18,392	1,384	Blank promissory note, assignment of claims
Overdraft facility from BRE S.A.	USD	2,712	-	1M Libor	May 31 2011	9,207	-	Registered pledge, assignment of receivables, Security (deposit) mortgage, representation on submission to enforcement
Overdraft facility from BGK S.A.	PLN	13,269	12,533	3M Wibor+margin	May 31 2010	13,269	10,597	Registered pledge, mortgage, power of attorney over current account, representation on submission to enforcement
Working capital facility from BGK S.A.	PLN	7,273	-	1M Wibor+margin	Jul 28 2012	7,273	9,091	Assignment of claims
Overdraft facility from Deutsche Bank Polska S.A.	PLN	4,994	157	O/N Wibor+margin	Oct 20 2010	4,994	157	Blank promissory note
Working capital facility from Kredyt Bank S.A.	PLN	2,323	-	O/N Wibor+margin	Apr 15 2011	2,323	-	
Limit under Visa cards from Kredyt Bank S.A.	PLN	136	136	limit under VISA cards	Dec 31 2010	136	136	-
Credit facility from ING Bank Śląski S.A.	PLN	2,543	5,244	1M Wibor+margin	Jan 31 2011	2,543	5,244	Blank promissory note, assignment of claims
Overdraft facility from Deutsche Bank Polska S.A.	PLN	3,474	2,748	1M Wibor+margin	Jan 4 2011	3,474	2,748	Blank promissory note, mortgage
Overdraft facility from Pekao S.A.	PLN	2,445	-	1M Wibor+margin	Dec 31 2010	2,445	-	Blank promissory note, assignment of claims, power of attorney over bank account, representation on submission to enforcement
Short-term loan from ING Bank Śląski S.A.	PLN	-	264	1M Wibor+margin	Jun 30 2010	-	264	Assignment of claims
Short-term loan from Getin Bank S.A.	PLN	14	54	1M Wibor+margin	Aug 16 2010	14	54	Transfer of ownership
Short-term loan from PKO BP S.A.	PLN	868	724	1M Wibor+margin	Mar 31 2010	868	724	Security (deposit) mortgage
Short-term loan from Nordea Bank Polska S.A.	PLN	1,488	-	1M Wibor+margin	Jan 28 2011	1,488	-	Security (deposit) mortgage
								Mortgage, assignment of rights under insurance policy, assignment of claims under lease agreement, promissory note, power of attorney over bank accounts
Credit facility from Pekao S.A.	PLN	500	600	1M Wibor+margin	Apr 30 2014	500	600	
Syndicated credit facility (Bank Handlowy)	PLN	1,600,995	1,900,478	1M Wibor+margin	Jul 27 2010	1,600,995	1,900,478	Guarantees from Gas Companies
<b>Total current</b>						<b>1,733,101</b>	<b>1,984,077</b>	

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

## 27.1. 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.	25,000	13,025	21,000	14,129
Societe Generale S.A.	3,000	619	3,000	3,000
Komercni Banka AS	805	805	1,554	1,554
BRE Bank S.A.	6,000	6,000	6,000	6,000
Societe Generale SA	6,000	6,000	6,000	6,000
Deutsche Bank Polska S.A.	6,000	6,000	6,000	6,000
Pekao S.A.	12,000	2,582	12,000	523
ING Bank Śląski S.A.	12,000	1,976	12,000	6,943
Pekao S.A.	20,000	1,608	20,000	18,616
Societe Generale S.A.	5,092	3,315	4,275	4,275
BRE Bank S.A.	11,881	2,674	-	-
HSBC Polska	10,184	1,218	8,551	4,275
Deutsche Bank	3,000	2,750	3,000	2,700
Kredyt Bank S..A.	3,500	1,177	1,500	1,500
ING Bank Śląski S.A.	6,000	2,543	6,000	756
Deutsche Bank Polska S.A.	5,000	3,474	5,000	2,252
Pekao S.A.	5,000	2,445	5,000	5,000
BZ WBK S.A.	3,900	3,900	3,900	3,900
Nordea S.A.	1,500	12	-	-
PKO BP S.A.	900	32	900	176
Societe Generale S.A.	40,000	40,000	40,000	40,000
Bank Handlowy S.A.	40,000	40,000	40,000	40,000
Millennium S.A.	40,000	40,000	40,000	40,000
Pekao S.A.	40,000	40,000	40,000	40,000
PKO BP S.A.	40,000	40,000	40,000	40,000
BRE Bank S.A.	40,000	40,000	40,000	40,000
Bank syndicate (agent: Bank Handlowy w Warszawie S.A.)*	2,487,480	887,480	2,464,920	564,920
<b>Total</b>	<b>2,874,242</b>	<b>1,189,635</b>	<b>2,830,600</b>	<b>892,519</b>

\*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-Wuerttemberg, DnB NOR Bank AS.).

## 27.2. 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	29,605	2,339	31,944
from 1 to 5 years	66,346	4,036	70,382
over 5 years	-	-	-
<b>Total</b>	<b>95,951</b>	<b>6,375</b>	<b>102,326</b>

  

Maturity:	Dec 31 2009		
	(Discounted) payments disclosed in the statement of financial position	Interest	Lease payments due
up to 1 year	29,194	2,092	31,286
from 1 to 5 years	42,086	4,107	46,193
over 5 years	-	-	-
<b>Total</b>	<b>71,280</b>	<b>6,199</b>	<b>77,479</b>

## 28. PROVISIONS

	Provision for length-of- service awards and retirement severance pays	Provision for gas allowances	Provision for well decommi- ssioning costs	Provision for penalty imposed by the Office for Competition and Consumer Protection	Provision for environmen- tal protection liabilities	Provision for potential liability under transmission services	Central Restructuring Fund	Other	Total
As at Jan 1 2010	321,043	20,410	916,231	179	126,100	34,391	10,450	127,195	<b>1,555,999</b>
Provisions created during the year	15,704	-	64,160	-	5	-	13,000	96,465	<b>189,334</b>
Transfers	-	-	-	-	279	-	-	(279)	<b>-</b>
Provisions used	(14,650)	(9,704)	-	-	(18,119)	-	(2,158)	(80,430)	<b>(125,061)</b>
<b>As at Jun 30 2010</b>	<b>322,097</b>	<b>10,706</b>	<b>980,391</b>	<b>179</b>	<b>108,265</b>	<b>34,391</b>	<b>21,292</b>	<b>142,951</b>	<b>1,620,272</b>
Non-current	274,328	-	967,596	-	98,710	-	-	21,021	<b>1,361,655</b>
Current	47,769	10,706	12,795	179	9,555	34,391	21,292	121,930	<b>258,617</b>
<b>As at Jun 30 2010</b>	<b>322,097</b>	<b>10,706</b>	<b>980,391</b>	<b>179</b>	<b>108,265</b>	<b>34,391</b>	<b>21,292</b>	<b>142,951</b>	<b>1,620,272</b>
Non-current	275,556	-	904,867	-	115,525	-	-	19,811	<b>1,315,759</b>
Current	45,487	20,410	11,364	179	10,575	34,391	10,450	107,384	<b>240,240</b>
<b>As at Dec 31 2009</b>	<b>321,043</b>	<b>20,410</b>	<b>916,231</b>	<b>179</b>	<b>126,100</b>	<b>34,391</b>	<b>10,450</b>	<b>127,195</b>	<b>1,555,999</b>

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).

Non-current provisions are discounted at the rate of 3.40%.

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

	Jun 30 2010	Dec 31 2009
<b>Length-of-service awards</b>		
Value of obligation shown in the statement of financial position at beginning of period	210,914	216,894
Interest cost	3,058	8,893
Current service cost	8,377	8,846
Past service cost	-	-
Benefits paid	(15,154)	(49,748)
Actuarial gain/loss	(3,544)	26,029
Gains/losses due to curtailments or settlements	-	-
Other (deconsolidation of a subsidiary)	-	-
Value of obligation shown in the statement of financial position at end of period	<b>203,651</b>	<b>210,914</b>
<b>Retirement Severance Pays</b>		
Value of obligation shown in the statement of financial position at beginning of period	110,129	100,195
Current service cost	6,296	6,560
Interest cost	2,573	6,819
Net actuarial gain/loss recognised during the year	3,168	3,105
Benefits paid	(4,234)	(7,581)
Past service cost	514	1,031
Gains/losses due to curtailments or settlements	-	-
Value of obligation shown in the statement of financial position at end of period	<b>118,446</b>	<b>110,129</b>
<b>Total value of obligation shown in the statement of financial position at end of period</b>	<b>322,097</b>	<b>321,043</b>

## 29. DEFERRED INCOME

	Jun 30 2010	Dec 31 2009
<b>Non-current</b>		
Value of gas service lines financed by customers, not covered by depreciation charges	564,828	587,006
Connection charge	492,665	495,995
Other	17,424	7,674
<b>Total non-current</b>	<b>1,074,917</b>	<b>1,090,675</b>
<b>Current</b>		
Value of gas service lines financed by customers, not covered by depreciation charges	53,827	59,197
Connection charge	19,630	18,344
Forecast gas sales	541,307	545,817
Other	16,410	10,065
<b>Total current</b>	<b>631,174</b>	<b>633,423</b>

### 30. DEFERRED TAX LIABILITY

	Jun 30 2010	Dec 31 2009
Foreign exchange differences	1,428	361
Accrued interest	523	282
Positive valuation of FX and interest rate risk hedges	13,705	-
Revenue related to tax obligation arising in subsequent month	4,594	11,702
Difference between tax and accounting value of non-current assets	1,237,107	1,250,048
Other	9,881	6,039
<b>Total</b>	<b>1,267,238</b>	<b>1,268,432</b>

### 31. OTHER NON-CURRENT LIABILITIES

	Jun 30 2010	Dec 31 2009
Liabilities under licences, rights to geological information and mining usage rights	15,971	16,537
Other non-current liabilities	2,237	2,109
<b>Total</b>	<b>18,208</b>	<b>18,646</b>
Including related undertakings (Note 38.1.)	142	64

### 32. TRADE AND OTHER PAYABLES

	Jun 30 2010	Dec 31 2009
Trade payables	966,033	899,524
Trade payables to related undertakings	11,471	11,405
VAT payable	464,131	860,122
Other taxes, duties and social security contributions payable	275,474	132,972
Dividend payable to owner	472,000	-
Wages and salaries payable	69,955	44,623
Amounts payable for unused holidays	10,886	28,691
Amounts payable under purchase of non-financial non-current assets	215,067	316,609
Amounts payable under purchase of non-financial non-current assets from related undertakings	27,240	31,221
Additional contribution to equity payable under a relevant resolution*	84,552	84,552
Amounts payable to equity-accounted associated undertakings	6,559	8,943
Other amounts payable to related undertakings	11,843	16,298
Accruals and deferred income and prepaid deliveries	304,298	243,290
Other	67,973	55,167
<b>Total</b>	<b>2,987,482</b>	<b>2,733,417</b>
Including related undertakings (Note 38.1.)	141,665	152,419

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



### 33. CAUSES OF DIFFERENCES BETWEEN THE ITEMS OF THE STATEMENT OF FINANCIAL POSITION AND THE CHANGES CAUSED BY CHANGES IN CERTAIN ITEMS OF THE STATEMENT OF CASH FLOWS. BREAKDOWN OF THE OPERATING ACTIVITY. "OTHER ADJUSTMENTS"

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
<b>Change in cash</b>		
1) Cash in statement of financial position at beginning of period	1,196,325	1,421,939
a) Net foreign exchange gains (losses) on cash at beginning of period*	9	1,076
<b>Cash and cash equivalents in statement of cash flows at beginning of period (1-a)</b>	<b>1,196,316</b>	<b>1,420,863</b>
2) Cash in statement of financial position at end of period	2,093,837	1,345,980
b) Net foreign exchange gains (losses) on cash at end of period	1,162	234
<b>Cash and cash equivalents in statement of cash flows at end of period (2-b)</b>	<b>2,092,675</b>	<b>1,345,746</b>
<b>I. Change in cash in statement of financial position (2-1)</b>	<b>897,512</b>	<b>(75,959)</b>
<b>II. Change in net foreign exchange gains (losses) on cash (b-a)</b>	<b>1,153</b>	<b>(842)</b>
<b>Change in cash in statement of cash flows (I. - II.)</b>	<b>896,359</b>	<b>(75,117)</b>

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

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
<b>Change in receivables</b>		
<b>Change in other financial assets in statement of financial position</b>	<b>20,131</b>	<b>22,766</b>
<b>Change in net receivables in statement of financial position</b>	<b>1,101,100</b>	<b>1,129,458</b>
Change in lease receivables in financial assets – adjustment to investment activity	(17,974)	(23,200)
Change in lease receivables - adjustment to investment activity	1,194	(842)
Change in investment receivables under sale and purchase of intangible assets and property, plant and equipment	(6,671)	86,303
Other	(3,193)	79,099
<b>Change in net receivables in statement of cash flows</b>	<b>1,094,587</b>	<b>1,293,584</b>

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
<b>Change in inventory</b>		
<b>Change in inventory in statement of financial position</b>	<b>(124,784)</b>	<b>362,468</b>
Tangible assets under construction transferred to inventory - adjustment to investment activity	-	-
<b>Change in inventory in statement of cash flows</b>	<b>(124,784)</b>	<b>362,468</b>

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
<b>Change in provisions</b>		
<b>Change in provisions in statement of financial position</b>	<b>64,273</b>	<b>85,316</b>
Change in provision for well decommissioning costs which adjusts property, plant and equipment - adjustment to investment activity	(55,247)	(36,560)
<b>Change in provisions in statement of cash flows</b>	<b>9,026</b>	<b>48,756</b>

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
<b>Change in current liabilities</b>		
<b>Change in current liabilities in statement of financial position</b>	<b>254,065</b>	<b>(251,399)</b>
Change in investment liabilities under purchase of intangible assets and property, plant and equipment	105,523	115,701
Change in dividends payable to the owner	(472,000)	(531,000)
Other	(2,621)	(3,178)
<b>Change in current liabilities in statement of cash flows</b>	<b>(115,033)</b>	<b>(669,876)</b>
	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
<b>Change in prepayments</b>		
<b>Change in other assets in statement of financial position</b>	<b>428</b>	<b>(3,911)</b>
<b>Change in prepayments in statement of financial position</b>	<b>(203,744)</b>	<b>(141,950)</b>
Prepayments related to tangible assets leased to third parties – reclassification within operating activity	-	-
<b>Change in prepayments in statement of cash flows</b>	<b>(203,316)</b>	<b>(145,861)</b>
	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
<b>Change in deferred income</b>		
<b>Change in deferred income in statement of financial position</b>	<b>(18,007)</b>	<b>(27,939)</b>
Deferred income related to tangible assets leased to third parties – reclassification within operating activity	3	5
Non-current assets received free of charge	-	-
<b>Change in deferred income in statement of cash flows</b>	<b>(18,004)</b>	<b>(27,934)</b>
	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
<b>Other net items in operating activity</b>		
Derivatives	24,982	374,441
Expenditure on non-financial non-current assets which was charged to expense	59,551	40,421
Currency translation differences on foreign operations	12,493	63,767
Other	(3,804)	(7,044)
<b>Total</b>	<b>93,222</b>	<b>471,585</b>

### 34. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT POLICY

#### 34.1. Financial Instruments by Category (net carrying values)

	Jun 30 2010	Dec 31 2009
Financial assets at fair value through profit or loss	-	-
Financial assets available for sale (unlisted shares)	30,090	30,181
Financial assets available for sale (listed shares)	56,049	59,608
Financial investments held to maturity	-	-
Loans and receivables	4,517,303	4,609,658
Positive value of derivatives*	137,990	18,002
Cash (cash in hand and cash at banks, cheques and cash in transit)	217,041	333,798
Financial liabilities at amortised cost	3,986,491	3,713,818
Negative value of derivatives*	317,509	260,428

\*On April 1st 2009, the Parent Undertaking commenced to apply hedge accounting in accordance with IAS 39.

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

#### 34.2. Net Gains and Losses Relating to Financial Assets and Liabilities

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Financial assets at fair value through profit or loss	-	-
Financial assets available for sale	-	(217)
Impairment recognised in profit or loss for period	-	(217)
Financial investments held to maturity	-	-
Loans and receivables	(59,406)	56,292
Interest on deposits, BSB, REPO	23,697	18,885
Interest on receivables*	41,908	51,255
Interest on loans advanced	3,606	4,710
Net income from short-term securities	1,474	5,607
Impairment losses on receivables	(120,110)	(124,937)
Impairment losses on loans	(11,666)	94,139
Foreign currency measurement of loans advanced in foreign currencies	1,685	6,633
Positive value of derivatives	175,163	138,307
Financial liabilities at amortised cost	(11,700)	(32,905)
Negative value of derivatives	(258,413)	(371,500)
<b>Total effect on profit or loss</b>	<b>(154,356)</b>	<b>(210,023)</b>

\* Including PLN 9,325 thousand of interest on receivables under finance lease (PLN 25,601 thousand in the first half of 2010).

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Financial assets available for sale (valuation charged directly to equity)	(3,560)	36,120
Valuation of hedging instruments (valuation recognised directly under equity)	87,888	-
<b>Total effect on equity</b>	<b>84,328</b>	<b>36,120</b>

The revaluation of financial instruments recognised directly in equity relates in entirety to shares in Zakłady Azotowe w Tarnowie-Mościcach S.A.

### 34.3. Financial Risk Management Objectives and Policies

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

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

#### **Credit risk**

The Group understands credit risk as the likelihood of failure by the counterparty to meet its obligations on time or failure to meet such obligations at all.

Credit risk has three primary aspects:

- creditworthiness of customers with whom the Group enters into transactions involving physical sale of products,
- creditworthiness of financial institutions (banks) with whom the Group enters into hedging transactions,
- creditworthiness of entities with whom the Group enters into investment transactions.

The credit risk resulting from a third party's inability to perform its obligations under a contract concerning financial instruments of the Company is generally limited to the amounts, if any, by which a third party's liabilities exceed the Group's liabilities. As a rule, the PGNiG Group concludes transactions in financial instruments with multiple entities with high creditworthiness. The key criteria for the selection of counterparties to whom the Company entrusts a portion of its assets include their financial standing as confirmed by rating agencies, as well as their market shares and reputation.

The PGNiG Group is exposed to credit risk under:

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

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

#### **Maximum Exposure to Credit Risk**

	Jun 30 2010	Dec 31 2009
Loans advanced	1,131	1,475
Deposits with other entities (bank deposits, BSB, REPO)	1,880,810	870,548
Trade receivables	2,635,362	3,737,635
Positive value of derivatives	137,990	18,002
Financial guarantees issued	8,218,200	8,089,326
<b>Total</b>	<b>12,873,493</b>	<b>12,716,986</b>

Exposure to credit risk under loans advanced is exclusively attributable to loans advanced by the Parent Undertaking to the subsidiary and associated undertakings. Loans to those undertakings are advanced in line with the internal procedure "PGNiG S.A.'s Lending Policy with Respect to the Group Undertakings and Undertakings in which PGNiG S.A. Holds Equity Interests". The policy stipulates detailed rules governing the conclusion and monitoring of loan agreements, thus minimising the Parent Undertaking's exposure to credit risk under such agreements. Loans are advanced only if the borrower meets a number of conditions and provides appropriate security. The credit risk under such agreements is further materially mitigated by the fact that the borrowers' operations serve the Group's common interests.

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

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

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

The Parent Undertaking conducts ongoing analyses of how customers perform their contractual obligations related to financial settlements. Under a majority of the agreements, the customer is obliged to make advance payments by the dates provided for in the agreement. At the end of the contractual settlement period, the customer is obliged to make payment for gas fuel actually received by the deadline provided for in the agreement. The standard payment deadline is 14 days from the invoice issue date, but other payment deadlines are also used.

PGNiG S.A. intends to implement the examination of creditworthiness of all its customers, based on their financial documents, at specified intervals (semi-annually or annually). The purpose of the examination is to show the financial standing of the customer, determine the maximum level of debt at which the customer would still be able to maintain its financial liquidity, and identify any circumstances enabling the customer to declare its bankruptcy.

PGNiG S.A. uses the following contract performance security instruments:

- Mortgage (ordinary mortgage (*hipoteka zwykła*) and security (deposit) mortgage (*hipoteka kaucyjna*)),
- Bank guarantee;
- Security deposit;
- Ordinary or registered pledge;
- Insurance guarantee;
- Blank promissory note;
- Statement on voluntary submission to enforcement under Art. 777 of the Polish Code of Civil Procedure;
- Assignment of claims under long-term agreements;
- Cash deposit placed in an account indicated by PGNiG S.A.;
- rating,
- Surety.

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

The balance of receivables from customers is monitored on an ongoing basis, in line with internal procedures applicable at the Parent Undertaking. If a customer's failure to make a payment when due has been identified, the Company takes appropriate measures to collect the debt.

The debt-collection measures are governed by "The Guidelines for Monitoring and Collection of Receivables from Customers Buying Gas/Crude Oil/Other Products" and "Interest Receivable Management Procedure". During debt collection, legal tools are used and debt-collection measures are taken to assess the level and causes of associated risk. In this respect, standard steps of debt-collection are taken: a payment demand, a telephone call to the customer, notice and discontinuance of gas fuel supply with simultaneous termination of the agreement under Art. 6.3a of the Polish Energy Law. If these measures fail, a suit is filed with the court and an application is filed to enter the customer in the National Register of Debts maintained by Biuro Informacji Gospodarczej S.A. of Wrocław.

Statutory interest is charged on delayed payments.

In the event of a temporary deterioration in a customer's financial standing, at the customer's request, an agreement is concluded providing for the repayment of debt in instalments and simultaneously negotiations are undertaken to receive additional contract performance security.

As a rule, no agreements on cancellation of principal and interest are currently concluded.

A customer's request for cancellation of interest (with a value exceeding the equivalent of EUR 5,000) is forwarded to the Supervisory Board for approval in line with corporate procedures.

As at June 30th 2010, receivables which are past due but not impaired, disclosed in the consolidated statement of financial position, stood at PLN 421,432 thousand (PLN 550,168 thousand as at the end of 2009).

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

Period of delay	Jun 30 2010	Dec 31 2009
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Up to 1 month	234,579	417,986
From 1 to 3 months	158,109	101,394
From 3 months to 1 year	25,103	23,032
From 1 year to 5 years	3,416	7,756
Over 5 years	225	-
<b>Total net past due receivables</b>	<b>421,432</b>	<b>550,168</b>

The Group identifies, measures and minimises its credit exposure to individual banks with which it executes investment transactions. The reduction of credit exposure was achieved through the diversification of the portfolio of counterparties (mainly banks) with which the Group executes investment transactions. Moreover, the Group has concluded Framework Agreements with all banks with which it invests funds. These Framework Agreements stipulate detailed terms and conditions for execution and settlement of any financial transactions. In the first half of 2010, the Group invested its significant long-term excess liquidity in credit risk free highly liquid instruments, including in particular treasury bills and treasury bonds issued by the State Treasury.

The Group measures the related credit risk by regularly reviewing the banks' financial standings, as reflected in ratings assigned by rating agencies such as Fitch, Standards&Poor's and Moody's.

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

As in the case of the risk related to investment transactions, the risk under purchased guarantees is measured by regularly reviewing the financial standing of the banks issuing the guarantees.

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

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

### **Market Risk**

The Group defines market risk as the probability that its economic value or financial performance will be adversely affected by changes in the financial and commodity markets.

The main objective of the market risk management is to identify, measure, monitor and mitigate key sources of risk, including:

- currency risk;
- interest-rate risk;
- commodity risk (related to gas and oil prices).

As at June 30th 2010, the Group held a financial instrument in the form of 4,000,001 shares in Zakłady Azotowe w Tarnowie-Mościciach S.A. (a company listed on the Warsaw Stock Exchange), which was exposed to the price volatility risk. Given that the shares are held by the Company as a long-term equity investment and that there is no instrument available on the market which could be used as a hedge against volatility of their price, the Company did not hedge that risk. Changes in the value this financial instrument, recognised directly in equity, are presented in Note 34.2.

### **Currency Risk**

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

In the first half of 2010, some of the Group's financial liabilities towards financial institutions were denominated in the euro. The largest item of those liabilities was a credit facility in the amount of EUR 600m.

Trade payables under long-term contracts for gas fuel deliveries are denominated in the US dollar and the euro.

The scale of the Group's exposure to currency risk is significant, as further discussed in the section devoted to sensitivity analysis.

The hedging measures implemented by the Parent Undertaking are mainly intended to provide protection against exchange-rate volatility accompanying payments for gas fuel deliveries settled in

foreign currencies. The Company's liabilities are hedged with forward transactions and option strategies.

#### *Interest-Rate Risk*

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

As the interest-rate risk associated with loans advanced by the Group was not significant, the Group did not hedge that risk.

In the first half of 2010, the Parent Undertaking had a credit facility available to finance its operations. As at June 30th 2010, drawdowns under the facility amounted to PLN 1,600m. The facility bears interest at a variable rate of 1M WIBOR plus the bank's margin. Given that the interest-rate risk associated with the facility is negligible, it remains unhedged. Similarly, the Group did not hedge the interest-rate risk associated with loans contracted by its subsidiaries, which was also insignificant.

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

#### *Commodity Risk*

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

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

In H1 2010, the Parent Undertaking started to thoroughly examine and hedge this risk category.

To date, the following risk types have been identified (these risks have been taken into account in the net exposure, that is the actual value at risk within the Group):

- risk associated with purchase prices of gas under long-term contracts or at spot prices,
- risk associated with domestic production of crude oil,
- risk associated with domestic production of natural gas,
- risk associated with fixed selling price as approved in the gas tariff.

The Group applied natural hedging and purchased fix/float commodity swaps and Asian commodity call options (European style) to hedge this risk category.

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

#### *Liquidity Risk*

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

The Group monitors and plans its liquidity levels on a continuous basis. In order to protect itself against the liquidity risk, as at the end of June 30th 2010 the Group was party to credit facility agreements for up to PLN 2,874,242 thousand (PLN 2,830,600 thousand, as at the end of 2009). For more detailed information, refer to Note 27.1.

As at June 30th 2010, the Parent Undertaking had drawn EUR 399,79m (PLN 1,600m) under its EUR 600m credit facility. In H1 2010, the other Group companies' drawdowns under their credit lines were more than twice as high as at the end of 2009.

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

The liquidity risk is addressed through PGNiG S.A.'s liquidity management procedure, implemented across the Company's organisational units. It offers a systematised set of measures designed to ensure proper liquidity management by: settlement of payments, preparation of cash-flow projections, optimum management of free cash flows, securing and restructuring of financing of day-to-day

operations and investment projects, protection against the risk of a temporary liquidity loss due to unforeseen events, and servicing of credit agreements.

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

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

**Financial liabilities at amortised cost, by maturity**

<b>Jun 30 2010</b>	Liabilities under loans and borrowings	Finance lease liabilities	Trade payables	<b>Total expenditure</b>
up to 1 year	1,703,496	31,944	2,987,482	4,722,922
from 1 to 5 years	1,800	70,382	15,579	87,761
over 5 years	-	-	2,629	2,629
<b>Total</b>	<b>1,705,296</b>	<b>102,326</b>	<b>3,005,690</b>	<b>4,813,312</b>

  

<b>Dec 31 2009</b>	Liabilities under loans and borrowings	Finance lease liabilities	Trade payables	<b>Total expenditure</b>
up to 1 year	1,954,883	31,285	2,733,417	4,719,585
from 1 to 5 years	2,000	46,194	16,017	64,211
over 5 years	-	-	2,629	2,629
<b>Total</b>	<b>1,956,883</b>	<b>77,479</b>	<b>2,752,063</b>	<b>4,786,425</b>

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



### Derivative instruments by maturity

	Net book value as at Dec 31 2009	Contractual cash flows, incl.:	up to 1 year	from 1 to 5 years	over 5 years
<i>-interest rate swaps (IRS) and forward contracts, used as risk hedging instruments</i>	(311,290)	(382,288)	(230,587)	(151,701)	-
- inflows	-	1,812,181	1,219,631	592,550	-
- outflows	-	(2,194,469)	(1,450,218)	(744,251)	-
<i>- forward transactions</i>	(3,552)	(2,397)	(2,397)	-	-
- inflows	-	237,723	237,723	-	-
- outflows	-	(240,120)	(240,120)	-	-
<i>- currency options**</i>	65,577	-	-	-	-
- inflows	-	-	-	-	-
- outflows	-	-	-	-	-
<i>- commodity options**</i>	2,800	-	-	-	-
- inflows	-	-	-	-	-
- outflows	-	-	-	-	-
<i>- commodity swaps***</i>	3,753	-	-	-	-
- inflows	-	-	-	-	-
- outflows	-	-	-	-	-
<i>- option premiums paid</i>	63,193	-	-	-	-
<b>Total</b>	<b>(179,519)</b>	<b>(384,685)</b>	<b>(232,984)</b>	<b>(151,701)</b>	<b>-</b>
	Net book value as at Dec 31 2008*	Contractual cash flows, incl.:	up to 1 year	from 1 to 5 years	over 5 years
<i>-interest rate swaps (IRS) and forward contracts, used as risk hedging instruments</i>	(254,586)	(246,735)	558	(247,293)	-
- inflows	-	1,859,021	98,030	1,760,991	-
- outflows	-	(2,105,756)	(97,472)	(2,008,284)	-
<i>- currency options**</i>	(13,778)	-	-	-	-
- inflows	-	-	-	-	-
- outflows	-	-	-	-	-
<i>- option premiums paid</i>	25,938	-	-	-	-
<b>Total</b>	<b>(242,426)</b>	<b>(246,735)</b>	<b>558</b>	<b>(247,293)</b>	<b>-</b>

\* Net book value (positive valuation less negative valuation of the assets) represents the fair value, i.e. payments under swap contracts are discounted, whereas cash flows are shown at undiscounted amounts.

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

\*\*\*Non-deliverable swaps, settled based on difference from the average price.

The Group has not identified any other material risks inherent in its day-to-day operations

### **Risk Management Policy**

To ensure effective financial risk management, on February 17th 2003 the Management Board of the Parent Undertaking implemented the "Policy of Financial Risk Management at PGNiG S.A." which defines the distribution of functions and responsibilities between individual organisational units of the Company in the process of managing and monitoring the financial risk.

The Management Board is responsible for the financial risk management at the Parent Undertaking and for ensuring compliance with the adopted policy, however, specific activities related to the process of the risk management are the responsibility of individual organisational units.

The bodies responsible for compliance with the „Policy of Financial Risk Management at PGNiG S.A.“ and periodic updates of the policy are:

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

### **Sensitivity Analysis**

To determine a reliable range of changes that may occur with respect to particular currency risk and interest rate risk factors, the Company used the market implied volatility level for a half-year period and assumed 15% as the average value for the purpose of the sensitivity analysis as at the end of June 2010 with respect to exchange rates (for the end of 2009, the assumed volatility was also 15%). The half-year period reflects the frequency with which the Company discloses results of the sensitivity analysis of financial instruments in its reports.

The results of the analysis of sensitivity to currency risk carried out as at June 30th 2010 indicated that the net profit would have been lower by PLN 256.24m had the EUR/PLN, USD/PLN, NOK/PLN and other currencies' exchange rates increased by 15%, *ceteris paribus* (profit lower by PLN 265.23m on the back of stronger NOK and by PLN 0.42m due to the strengthening of other currencies, vs. its growth by PLN 6.87m due to stronger EUR and by PLN 2.55m due to stronger USD).

The most significant factors with a bearing on the outcome of the sensitivity analysis are lower positive valuation and higher negative valuation of CCIRS derivatives hedging the loan advanced to PGNiG Norway AS, which is eliminated from the consolidated financial statements.

If the loan was recognised in the statement of financial position (which is the case in the non-consolidated financial statements) the cash flows related to the loan and hedging transactions would offset one another. As a result, the changes in positive (negative) valuation of the loan would be offset by negative (positive) changes in the valuation of CCIRS transactions. In aggregate, the items would be insensitive to the exchange rate and interest rate changes.

Lower profit would be mainly attributable to an increase in the negative portion of the fair value of financial derivatives (negative fair value of swap transactions).

The adverse effect on the result on financial instruments in NOK would be slightly reduced by an increase in the positive portion of the fair value of financial derivatives executed on USD and EUR and the valuation of assets in those currencies.

With the exchange rates higher by 15%, the positive portion of the fair value of financial derivatives executed on USD and EUR would grow and so would foreign exchange losses on trade payables related to EUR and USD.

The net profit as at June 30th 2010 would have been higher by PLN 297.02m had the EUR/PLN, USD/PLN, NOK/PLN and other currencies' exchange rates decreased by 15%, *ceteris paribus* (profit higher by PLN 265.23m on the back of weaker NOK, by PLN 29.92m due to weaker USD, by PLN 1.44m due to weaker EUR and by PLN 0.42m due to the depreciation of other currencies). The positive financial result would be mainly attributable to an increase in the positive portion of the fair value of financial derivatives (positive fair value of swap transactions in NOK). The positive financial result would be slightly reduced by a decrease in the positive portion of the fair value of financial derivatives executed on USD hedging the liabilities and expenses related to purchases of gas fuel.

The results of the analysis of sensitivity to currency risk carried out as at December 31st 2009 indicate that the net profit would have been lower by PLN 245.15m had the EUR/PLN, USD/PLN, NOK/PLN and other currencies' exchange rates increased by 15%, *ceteris paribus* (profit lower by PLN 234.56m on the back of stronger NOK and by PLN 16.7m due to stronger USD vs. profit's rise by PLN 6.32m due to stronger EUR and by PLN 0.21m due to the strengthening of other currencies).

The most significant factors with a bearing on the outcome of the sensitivity analysis are lower positive valuation and higher negative valuation of CCIRS derivatives hedging the loan advanced to PGNiG Norway AS, which is eliminated from the consolidated financial statements.

If the loan was recognised in the statement of financial position (which is the case in the non-consolidated financial statements), the cash flows related to the loan and hedging transactions would offset one another. As a result, the changes in positive (negative) valuation of the loan would be offset by negative (positive) changes in the valuation of CCIRS transactions. In aggregate, the items would be insensitive to the exchange rate and interest rate changes.

Lower profit would be mainly attributable to an increase in the negative portion of the fair value of financial derivatives (negative fair value of swap transactions).

The adverse effect on the result of financial instruments in NOK would be slightly reduced by the increase in the positive portion of the fair value of financial derivatives executed on USD and EUR and the valuation of assets in those currencies.

With exchange rates higher by 15%, the positive portion of the fair value of financial derivatives executed on USD would grow and so would EUR/PLN and USD/PLN foreign exchange losses on trade payables. A slight increase would also be posted in the negative valuation of derivatives executed on EUR.

The net profit as at December 31st 2009 would be higher by PLN 247.22m if the EUR/PLN, USD/PLN, NOK/PLN and other currencies' exchange rates decreased by 15%, *ceteris paribus* (profit higher by PLN 234.56m on the back of weaker NOK and by PLN 21.17m due to weaker USD against a drop by PLN 8.72m due to weaker EUR and PLN 0.21m due to the depreciation of other currencies). The positive financial result would be mainly attributable to an increase in the positive portion of the fair value of financial derivatives (positive fair value of swap transactions in NOK). The positive financial result would be slightly reduced by the decrease in the positive portion of the fair value of financial derivatives executed on USD hedging the liabilities and expenses related to purchases of gas fuel.

The following pages present detailed information on the analysis of sensitivity of the Group's currency financial instruments to exchange rate fluctuations in the first half of 2010 and 2009.

## Sensitivity of Financial Instruments in Foreign Currencies to Exchange Rate Fluctuations

	Currency risk								
	15%					-15%			
	for EUR	for USD	for NOK	for other currencies		for EUR	for USD	for NOK	for other currencies
<b>Net book value as at Jun 30 2010</b>									
<i>Exchange rate change by:</i>									
<b>Financial assets</b>									
Financial assets available for sale**	13,819	-	-	-	-	-	-	-	-
Other financial assets	190	26	3	-	-	(26)	(3)	-	-
Trade and other receivables	495,750	4 264	14 645	50 466	4 987	(4 264)	(14 645)	(50 466)	(4 987)
Financial assets held for trading	-	-	-	-	-	-	-	-	-
Derivative financial instruments*	129,569	13 310	73 244	-	-	(3 050)	(33 156)	341 367	-
Cash and cash equivalents	105,875	6 952	3 438	3 183	2 307	(6 952)	(3 438)	(3 183)	(2 307)
<b>Effect on financial assets before tax</b>		<b>24 552</b>	<b>91 330</b>	<b>53 649</b>	<b>7 294</b>	<b>(14 292)</b>	<b>(51 242)</b>	<b>287 718</b>	<b>(7 294)</b>
Tax at 19%		(4 665)	(17 353)	(10 193)	(1 386)	2 715	9 736	(54 666)	1 386
<b>Effect on financial assets after tax</b>		<b>19 887</b>	<b>73 977</b>	<b>43 456</b>	<b>5 908</b>	<b>(11 577)</b>	<b>(41 506)</b>	<b>233 052</b>	<b>(5 908)</b>
<i>Total currencies</i>			143 228				174 061		
<b>Financial liabilities</b>									
Loans, borrowings and debt securities (including finance lease)	75,280	11	8,075	-	3,205	(11)	(8,075)	-	(3,205)
Trade and other payables	936,759	16,063	80,109	39,728	4,614	(16,063)	(80,109)	(39,728)	(4,614)
Liabilities under derivative financial instruments*	315,641	-	-	341,367	-	-	-	-	-
<b>Effect on financial liabilities before tax</b>		<b>16,074</b>	<b>88,184</b>	<b>381,095</b>	<b>7,819</b>	<b>(16,074)</b>	<b>(88,184)</b>	<b>(39,728)</b>	<b>(7,819)</b>
Tax at 19%	-	(3,054)	(16,755)	(72,408)	(1,486)	3,054	16,755	7,548	1,486
<b>Effect on financial liabilities after tax</b>		<b>13,020</b>	<b>71,429</b>	<b>308,687</b>	<b>6,333</b>	<b>(13,020)</b>	<b>(71,429)</b>	<b>(32,180)</b>	<b>(6,333)</b>
<i>Total currencies</i>			399,469				(122,962)		
<b>Total increase/decrease</b>		6,867	2,548	(265,231)	(425)	1,443	29,923	265,232	425
<b>Total currencies</b>			<b>(256,241)</b>				<b>297,023</b>		
<b>Exchange rates as at the balance-sheet date and their change:</b>									
EUR/PLN	4.1458	4.7677	4.1458	4.1458	4.1458	3.5239	4.1458	4.1458	4.1458
USD/PLN	3.3946	3.3946	3.9038	3.3946	3.3946	3.3946	2.8854	3.3946	3.3946
NOK/PLN	0.5220	0.5220	0.5220	0.6003	0.5220	0.5220	0.5220	0.4437	0.5220

\* In the case of financial derivatives, the table presents only the effect of exchange rate fluctuations on the income statement. In connection with the implementation of hedge accounting at the Parent Undertaking as of April 1st 2009, part of the changes in the valuation of financial derivatives will be charged directly to equity. In the case of an increase in exchange rates by 15%, equity would grow by PLN 199,228 thousand (PLN 161,375 thousand after tax). In the case of a drop in exchange rates by 15%, equity would be lower by PLN 83,597 thousand (PLN 67,714 thousand after tax).

\*\* The item includes shares which as of the 2009 the Group will disclose at historical values, therefore the change in exchange rates will not have a bearing on the valuation of those assets and the result for the period.

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	Net book value as at Dec 31 2009					Currency risk			
	Exchange rate change:					15%			
		for EUR	for USD	for NOK	for other currencies	for EUR	for USD	for NOK	for other currencies
<b>Financial assets</b>									
Financial assets available for sale**	13,819	-	-	-	-	-	-	-	-
Other financial assets	167	23	2	-	-	(23)	(2)	-	-
Trade and other receivables	315,160	19,063	8,926	13,729	5,555	(19,063)	(8,926)	(13,729)	(5,555)
Financial assets held for trading	-	-	-	-	-	-	-	-	-
Derivative financial instruments	18,002	-	26,579	-	-	(1,821)	(21,063)	302,572	-
Cash and cash equivalents	291,372	6,510	7,954	27,541	1,701	(6,510)	(7,954)	(27,541)	(1,701)
<b>Effect on financial assets before tax</b>		<b>25,596</b>	<b>43,461</b>	<b>41,270</b>	<b>7,256</b>	<b>(27,417)</b>	<b>(37,945)</b>	<b>261,302</b>	<b>(7,256)</b>
Tax at 19%		(4,863)	(8,258)	(7,841)	(1,379)	5,209	7,210	(49,647)	1,379
<b>Effect on financial assets after tax</b>		<b>20,733</b>	<b>35,203</b>	<b>33,429</b>	<b>5,877</b>	<b>(22,208)</b>	<b>(30,735)</b>	<b>211,655</b>	<b>(5,877)</b>
<i>Total currencies</i>			<i>95,242</i>				<i>152,835</i>		
<b>Financial liabilities</b>									
Loans, borrowings and debt securities (including finance lease)	32,833	103	1,110	-	3,711	(103)	(1,110)	-	(3,711)
Trade and other payables	744,009	16,546	62,970	28,279	3,807	(16,546)	(62,970)	(28,279)	(3,807)
Liabilities under derivative financial instruments	260,428	1,143	-	302,572	-	-	-	-	-
<b>Effect on financial liabilities before tax</b>		<b>17,792</b>	<b>64,080</b>	<b>330,851</b>	<b>7,518</b>	<b>(16,649)</b>	<b>(64,080)</b>	<b>(28,279)</b>	<b>(7,518)</b>
Tax at 19%	-	(3,381)	(12,175)	(62,862)	(1,428)	3,163	12,175	5,373	1,428
<b>Effect on financial liabilities after tax</b>		<b>14,411</b>	<b>51,905</b>	<b>267,989</b>	<b>6,090</b>	<b>(13,486)</b>	<b>(51,905)</b>	<b>(22,906)</b>	<b>(6,090)</b>
<i>Total currencies</i>			<i>340 395</i>				<i>(94 387)</i>		
<b>Total increase/decrease</b>		<b>6 322</b>	<b>(16 702)</b>	<b>(234,560)</b>	<b>(213)</b>	<b>(8,722)</b>	<b>21 170</b>	<b>234,561</b>	<b>213</b>
<b>Total currencies</b>			<b>(245,153)</b>				<b>247,222</b>		
<b>Exchange rates as at the balance-sheet date and their change:</b>									
EUR/PLN	4.1082	0.0000	4.1082	4.1082	4.1082	0.0000	4.1082	4.1082	4.1082
USD/PLN	2.8503	2.8503	0.0000	2.8503	2.8503	2.8503	0.0000	2.8503	2.8503
NOK/PLN	0.4946	0.4946	0.4946	0.0000	0.4946	0.4946	0.4946	0.0000	0.4946

\* In the case of financial derivatives, the table presents only the effect of exchange rate fluctuations on the income statement. In connection with the implementation of hedge accounting at the Parent Undertaking as of April 1st 2009, part of the changes in the valuation of financial derivatives will be charged directly to equity. In the case of an increase in exchange rates by 15%, equity would grow by PLN 86,869 thousand (PLN 70,364 after tax). In the case of a drop in exchange rates by 15%, equity would be lower by PLN 61,842 thousand (PLN 50,092 thousand after tax).

\*\* The item includes shares which as of the end of 2009 the Group will disclose at historical values, therefore the change in exchange rates will not have a bearing on the valuation of those assets and the result for the period.

The Group assessed the sensitivity of energy commodity derivatives. For the purposes of the H1 2010 sensitivity analysis, a 35% variability was assumed for the derivatives (no sensitivity analyses were carried out in prior periods as the Group held no energy commodity derivatives).

The table below presents findings of the analysis of sensitivity of energy commodity derivatives to price changes in H1 2010.

	Carrying value as at Jun 30 2010		Price risk		
	Price change by:				
	35%		-35%		
	Gasoil	Fueloil	Gasoil	Fueloil	
<b>Financial assets</b>					
Assets under energy commodity derivatives	8,421	23,606	22,227	(1,361)	(730)
<b>Effect on financial assets before tax</b>		<b>23,606</b>	<b>22,227</b>	<b>(1,361)</b>	<b>(730)</b>
19% tax		(4,485)	(4,223)	259	139
<b>Effect on financial assets after tax</b>		<b>19,121</b>	<b>18,004</b>	<b>(1,102)</b>	<b>(591)</b>
<i>Total commodities</i>		<i>37,125</i>		<i>(1,693)</i>	
<b>Financial liabilities</b>					
Liabilities under energy commodity derivatives	1,868	-	-	-	-
<b>Effect on financial liabilities before tax</b>		-	-	-	-
19% tax		-	-	-	-
<b>Effect on financial liabilities after tax</b>		-	-	-	-
<i>Total commodities</i>		<i>-</i>		<i>-</i>	<i>-</i>
Total increase/decrease		19,121	18,004	(1,02)	(591)
Total commodities		<b>37,125</b>		<b>(1,693)</b>	

The table presents the impact of price changes on the Group's profit or loss. Some changes in the value of energy commodity derivatives affect directly equity. If prices rose by +35%, equity would increase by PLN 104,427 thousand (PLN 84,586 thousand after tax). If prices fell by -35%, equity would decrease by PLN 68,848 thousand (PLN 55,767 thousand after tax).

The Group analysed the sensitivity of financial instruments related to loans advanced, contracted loans and lease liabilities based on a floating interest rate. To determine a reliable range of changes that may occur with respect to particular interest rate risk factors, the Group uses the average values of changes in interest rates in the previous year (excluding the interest rates in which no change has occurred). The average range of interest rate fluctuations used in the sensitivity analysis for the first half of 2010 was +/-100 basis points (the range for 2009 was +/-200 basis points).

As at June 30th 2010, the sensitivity of liabilities on floating-rate loans and leases to interest rate changes by +/-100 basis points was +/-PLN 18,01m.

As at December 31st 2009, the sensitivity of liabilities on floating-rate loans and leases to interest rate changes by +/-200 basis points was +/-PLN 40,56m.

#### Sensitivity of Financial Instruments to Interest Rate Changes

	Net book value			change:	
	As at Jun 30 2010	+100bp		-100bp	
<b>Contracted loans</b>	1,705,296	17,053		(17,053)	
<b>Lease liabilities</b>	95,951	960		(960)	
<b>Total</b>	<b>1,801,247</b>	<b>18,013</b>		<b>(18,013)</b>	

  

	Net book value			change:	
	As at Dec 31 2009	+200bp		-200bp	
<b>Contracted loans</b>	1,956,883	39,138		(39,138)	
<b>Lease liabilities</b>	71,280	1,426		(1,426)	
<b>Total</b>	<b>2,028,163</b>	<b>40,564</b>		<b>(40,564)</b>	

### 35. DERIVATIVE INSTRUMENTS

#### Valuation methods

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

As at June 30th 2010, the Parent Undertaking held three types of derivative instruments: currency basis swaps, purchased call options and risk reversal strategies (purchase of call options and sale of put options).

To hedge against the risk of fluctuations in gas fuel prices, the Parent Undertaking used two types of derivatives: fix/float commodity swaps and Asian commodity call options (European style).

Call and put options were measured at fair value in accordance with the Garman-Kohlhagen model, while commodity options were valued with the use of the Turnbull-Wakeman analytical approximations model based on the Edgeworth expansion.

Derivatives were measured on the basis of such market data as interest rates, foreign-exchange rates and volatility as at June 30th 2010.

Valuation to fair value was performed with the use of Exante application.

#### Hedge Accounting

Since April 1st 2009, the Parent Undertaking has applied cash-flow hedge accounting for foreign-exchange transactions, while since June 1st 2010 it has applied cash-flow hedge accounting with respect to commodity transactions. For details see Note 2.3.13.

#### Derivative Instruments

Hedged item	Par value in currency	Date of hedging transaction	Maturity date	Exercise price (exercise price range)	Measurement at fair value	
					Jun 30 2010	Dec 31 2009
Cross Currency Rate Swap						
PGNiG Norway loan	NOK 300m	Nov 8 2007	Jan 17 2011	0.4686	(17,697)	(13,119)
PGNiG Norway loan	NOK 300m	Nov 12 2007	Jan 17 2011	0.4627	(19,451)	(14,979)
PGNiG Norway loan	NOK 300m	Nov 15 2007	Jan 17 2011	0.4596	(20,403)	(15,939)
PGNiG Norway loan	NOK 300m	Nov 19 2007	Jan 17 2011	0.4534	(22,306)	(17,859)
PGNiG Norway loan	NOK 300m	Nov 22 2007	Jan 17 2011	0.4588	(20,648)	(16,187)
PGNiG Norway loan	NOK 300m	Nov 30 2007	Jan 17 2011	0.4461	(24,599)	(20,091)
PGNiG Norway loan	NOK 344m	Jan 18 2008	Jan 17 2011	0.4530	(25,668)	(20,539)
PGNiG Norway loan	NOK 344m	Jan 18 2008	Jan 17 2011	0.4530	(25,677)	(20,554)
PGNiG Norway loan	NOK 330m	Jan 12 2009	Jan 16 2012	0.4300	(35,503)	(30,620)
PGNiG Norway loan	NOK 330m	Jan 12 2009	Jan 16 2012	0.4300	(35,648)	(30,803)
PGNiG Norway loan	NOK 330m	Jan 13 2009	Jan 16 2012	0.4380	(32,571)	(27,616)
PGNiG Norway loan	NOK 322m	Jan 13 2009	Jan 16 2012	0.4400	(31,119)	(26,280)
					(311,290)	(254,586)
Call options						
Payments for gas	USD 10m	Jul 16 2009	Jan 8 2010	3.6000	-	-
Payments for gas	USD 10m	Jul 16 2009	Jan 8 2010	3.6000	-	-
Payments for gas	EUR 5m	Jul 20 2009	Jan 8 2010	4.6000	-	-
Payments for gas	USD 10m	Jul 20 2009	Jan 8 2010	3.6000	-	-
Payments for gas	USD 10m	Jul 24 2009	Jan 19 2010	3.5500	-	-
Payments for gas	USD 10m	Jul 28 2009	Jan 19 2010	3.5000	-	-
Payments for gas	USD 10m	Jul 31 2009	Jan 19 2010	3.3000	-	1
Payments for gas	USD 10m	Aug 3 2009	Feb 10 2010	3.3000	-	41
Payments for gas	USD 10m	Aug 3 2009	Jan 8 2010	3.2000	-	-
Payments for gas	EUR 5m	Aug 4 2009	Feb 10 2010	4.4000	-	77



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**Derivative Instruments (continued)**

Hedged item	Par value in currency	Date of hedging transaction	Maturity date	Exercise price (exercise price range)	Measurement at fair value	
					Jun 30 2010	Dec 31 2009
Payments for gas	USD 10m	Aug 13 2009	Feb 10 2010	3.3000	-	41
Payments for gas	USD 10m	Aug 20 2009	Jan 19 2010	3.4000	-	-
Payments for gas	USD 10m	Aug 21 2009	Feb 19 2010	3.4000	-	34
Payments for gas	USD 10m	Aug 21 2009	Feb 10 2010	3.4000	-	18
Payments for gas	USD 10m	Aug 25 2009	Jan 8 2010	3.3000	-	-
Payments for gas	USD 10m	Sep 7 2009	Mar 10 2010	3.3000	-	131
Payments for gas	USD 10m	Sep 8 2009	Feb 10 2010	3.3000	-	41
Payments for gas	USD 10m	Sep 8 2009	Mar 10 2010	3.3300	-	113
Payments for gas	USD 10m	Sep 9 2009	Feb 10 2010	3.2000	-	85
Payments for gas	USD 10m	Sep 10 2009	Feb 19 2010	3.3300	-	55
Payments for gas	USD 10m	Sep 14 2009	Feb 19 2010	3.4000	-	34
Payments for gas	USD 10m	Sep 14 2009	Feb 19 2010	3.3000	-	68
Payments for gas	USD 10m	Sep 15 2009	Feb 19 2010	3.3000	-	68
Payments for gas	USD 10m	Sep 15 2009	Mar 10 2010	3.3000	-	131
Payments for gas	USD 10m	Sep 16 2009	Mar 19 2010	3.3000	-	166
Payments for gas	USD 10m	Sep 17 2009	Mar 19 2010	3.2800	-	181
Payments for gas	USD 10m	Sep 21 2009	Mar 19 2010	3.2500	-	205
Payments for gas	USD 10m	Sep 21 2009	Mar 10 2010	3.2500	-	166
Payments for gas	USD 10m	Oct 1 2009	Mar 10 2010	3.2500	-	166
Payments for gas	USD 10m	Oct 5 2009	Jan 19 2010	3.2000	-	4
Payments for gas	USD 10m	Oct 5 2009	Jan 19 2010	3.2000	-	4
Payments for gas	USD 10m	Oct 6 2009	Jan 8 2010	3.1000	-	-
Payments for gas	USD 10m	Oct 12 2009	Mar 19 2010	3.2500	-	205
Payments for gas	USD 10m	Oct 12 2009	Jan 8 2010	3.1200	-	-
Payments for gas	USD 10m	Oct 13 2009	Jan 8 2010	3.1000	-	-
Payments for gas	USD 10m	Oct 14 2009	Jan 8 2010	3.0800	-	1
Payments for gas	EUR 5m	Oct 14 2009	Mar 10 2010	4.5000	-	106
Payments for gas	USD 10m	Oct 15 2009	Jan 19 2010	3.0500	-	44
Payments for gas	USD 10m	Oct 20 2009	Apr 9 2010	3.2700	-	280
Payments for gas	EUR 7m	Oct 20 2009	Jan 19 2010	4.4000	-	13
Payments for gas	EUR 6m	Oct 21 2009	Feb 19 2010	4.4000	-	124
Payments for gas	USD 10m	Oct 23 2009	Apr 9 2010	3.2700	-	280
Payments for gas	USD 10m	Oct 26 2009	Feb 10 2010	3.0500	-	221
Payments for gas	USD 10m	Nov 2 2009	Feb 10 2010	3.1000	-	164
Payments for gas	USD 10m	Nov 2 2009	Feb 19 2010	3.1000	-	216
Payments for gas	USD 10m	Nov 4 2009	Feb 19 2010	3.1200	-	194
Payments for gas	USD 10m	Nov 5 2009	Mar 19 2010	3.1700	-	283
Payments for gas	USD 10m	Nov 5 2009	Apr 20 2010	3.2000	-	395
Payments for gas	USD 10m	Nov 6 2009	Apr 20 2010	3.3500	-	247
Payments for gas	USD 10m	Nov 6 2009	May 10 2010	3.3500	-	319
Payments for gas	USD 10m	Nov 9 2009	Apr 20 2010	3.3000	-	289
Payments for gas	USD 10m	Nov 9 2009	May 10 2010	3.3000	-	366
Payments for gas	USD 10m	Nov 9 2009	Feb 19 2010	3.0000	-	364
Payments for gas	USD 10m	Nov 10 2009	Mar 10 2010	3.0500	-	398
Payments for gas	EUR 6m	Nov 10 2009	Apr 9 2010	4.4000	-	288
Payments for gas	EUR 6m	Nov 12 2009	May 10 2010	4.3800	-	400
Payments for gas	USD 10m	Nov 12 2009	May 10 2010	3.2500	-	421
Payments for gas	USD 10m	Nov 13 2009	Apr 9 2010	3.2000	-	353
Payments for gas	USD 10m	Nov 18 2009	Apr 9 2010	3.2000	-	353
Payments for gas	USD 10m	Nov 23 2009	Apr 20 2010	3.2000	-	395
Payments for gas	USD 10m	Nov 23 2009	May 20 2010	3.2000	-	534
Payments for gas	USD 10m	Nov 23 2009	May 20 2010	3.2300	-	493
Payments for gas	USD 10m	Nov 23 2009	May 20 2010	3.0500	-	814
Payments for gas	USD 10m	Nov 25 2009	Feb 10 2010	2.9500	-	400
Payments for gas	USD 10m	Nov 25 2009	Apr 9 2010	3.0000	-	701
Payments for gas	USD 10m	Nov 25 2009	May 10 2010	3.0500	-	750
Payments for gas	USD 10m	Dec 1 2009	May 20 2010	3.2000	-	534
Payments for gas	USD 10m	Dec 2 2009	Jun 10 2010	3.2100	-	604
Payments for gas	USD 10m	Dec 2 2009	Mar 19 2010	2.9900	-	583
Payments for gas	USD 10m	Dec 2 2009	Mar 19 2010	2.9900	-	583

**Derivative Instruments (continued)**

Hedged item	Par value in currency	Date of hedging transaction	Maturity date	Exercise price (exercise price range)	Measurement at fair value	
					Jun 30 2010	Dec 31 2009
Payments for gas	USD 10m	Dec 2 2009	May 10 2010	3.0500	-	750
Payments for gas	USD 10m	Dec 3 2009	Mar 10 2010	2.9500	-	626
Payments for gas	USD 10m	Dec 3 2009	Jun 18 2010	3.2100	-	636
Payments for gas	EUR 7m	Dec 3 2009	Mar 19 2010	4.2700	-	412
Payments for gas	USD 10m	Dec 8 2009	Mar 10 2010	3.0000	-	497
Payments for gas	EUR 6m	Dec 8 2009	Jun 10 2010	4.3500	-	536
Payments for gas	USD 10m	Jan 18 2010	Jul 9 2010	3.2300	1,684	-
Payments for gas	EUR 5m	Jan 20 2010	Jul 9 2010	4.2000	89	-
Payments for gas	USD 10m	Feb 2 2010	Jul 9 2010	3.1300	2,666	-
Payments for gas	USD 10m	Feb 2 2010	Jul 20 2010	3.1300	2,705	-
Payments for gas	EUR 5m	Feb 3 2010	Aug 10 2010	4.2000	299	-
Payments for gas	USD 10m	Feb 3 2010	Jul 20 2010	3.3000	1,224	-
Payments for gas	USD 10m	Feb 3 2010	Aug 10 2010	3.3200	1,409	-
Payments for gas	USD 10m	Mar 1 2010	Jul 9 2010	3.1000	2,965	-
Payments for gas	USD 10m	Mar 2 2010	Jul 9 2010	3.1000	2,965	-
Payments for gas	USD 10m	Mar 2 2010	Jul 20 2010	3.1000	2,997	-
Payments for gas	USD 10m	Mar 2 2010	Aug 10 2010	3.1400	2,753	-
Payments for gas	USD 10m	Mar 3 2010	Aug 10 2010	3.1400	2,753	-
Payments for gas	USD 10m	Mar 3 2010	Jul 20 2010	3.1000	2,997	-
Payments for gas	EUR 5m	Mar 3 2010	Sep 10 2010	4.1000	668	-
Payments for gas	USD 10m	Mar 3 2010	Aug 20 2010	3.1300	2,923	-
Payments for gas	USD 10m	Mar 4 2010	Aug 20 2010	3.1300	2,923	-
Payments for gas	USD 10m	Mar 4 2010	Aug 20 2010	3.1300	2,923	-
Payments for gas	USD 10m	Mar 5 2010	Sep 10 2010	3.1500	2,909	-
Payments for gas	USD 10m	Mar 5 2010	Aug 20 2010	3.4000	1,153	-
Payments for gas	USD 10m	Mar 8 2010	Sep 10 2010	3.1300	3,068	-
Payments for gas	USD 10m	Mar 8 2010	Aug 10 2010	3.1000	3,111	-
Payments for gas	USD 10m	Mar 10 2010	Sep 20 2010	3.4000	1,456	-
Payments for gas	USD 10m	Mar 10 2010	Sep 20 2010	3.4000	1,456	-
Payments for gas	USD 10m	Mar 11 2010	Sep 10 2010	3.4000	1,379	-
Payments for gas	USD 10m	Mar 12 2010	Sep 10 2010	3.1000	3,314	-
Payments for gas	USD 10m	Mar 16 2010	Sep 20 2010	3.1000	3,363	-
Payments for gas	USD 10m	Mar 16 2010	Sep 20 2010	3.1000	3,363	-
Payments for gas	USD 10m	Apr 9 2010	Jul 9 2010	3.0000	3,964	-
Payments for gas	USD 10m	Apr 12 2010	Jul 20 2010	3.0000	3,988	-
Payments for gas	USD 10m	Apr 12 2010	Jul 20 2010	3.3600	847	-
Payments for gas	USD 10m	Apr 13 2010	Jul 9 2010	3.0000	3,964	-
Payments for gas	USD 10m	Apr 14 2010	Jul 20 2010	2.9700	4,287	-
Payments for gas	USD 10m	Apr 14 2010	Jul 20 2010	2.9600	4,386	-
Payments for gas	EUR 7m	Apr 14 2010	Jul 20 2010	4.0000	1,098	-
Payments for gas	EUR 6m	Apr 26 2010	Oct 8 2010	4.0000	1,306	-
Payments for gas	USD 10m	May 7 2010	Aug 10 2010	3.5200	594	-
Payments for gas	USD 10m	May 10 2010	Aug 10 2010	3.3000	1,531	-
Payments for gas	USD 10m	May 10 2010	Aug 10 2010	3.2800	1,660	-
Payments for gas	USD 10m	May 10 2010	Sep 10 2010	3.3000	1,883	-
Payments for gas	USD 10m	May 13 2010	Aug 20 2010	3.3000	1,671	-
Payments for gas	USD 10m	May 13 2010	Aug 20 2010	3.3000	1,671	-
Payments for gas	USD 10m	May 13 2010	Jul 9 2010	3.2500	1,496	-
Payments for gas	EUR 7m	May 13 2010	Aug 20 2010	4.1300	700	-
Payments for gas	USD 10m	May 24 2010	Aug 20 2010	3.5200	733	-
Payments for gas	USD 10m	May 27 2010	Sep 20 2010	3.6000	808	-
Payments for gas	USD 10m	May 27 2010	Sep 10 2010	3.5800	787	-
Payments for gas	EUR 7m	May 27 2010	Sep 20 2010	4.3000	465	-
Payments for gas	USD 10m	May 27 2010	Oct 8 2010	3.6000	966	-
Payments for gas	EUR 7m	May 28 2010	Nov 10 2010	4.3000	691	-
Payments for gas	USD 10m	May 28 2010	Oct 8 2010	3.5500	1,098	-
Payments for gas	USD 10m	May 28 2010	Sep 10 2010	3.5200	945	-
Payments for gas	USD 10m	May 28 2010	Oct 20 2010	3.5300	1,250	-
Payments for gas	USD 10m	Jun 9 2010	Sep 20 2010	3.7000	613	-
Payments for gas	USD 10m	Jun 9 2010	Sep 20 2010	3.7000	613	-

**Derivative Instruments (continued)**

Hedged item	Par value in currency	Date of hedging transaction	Maturity date	Exercise price (exercise price range)	Measurement at fair value	
					Jun 30 2010	Dec 31 2009
Payments for gas	USD 10m	Jun 9 2010	Oct 20 2010	3.7500	746	-
Payments for gas	EUR 8m	Jun 9 2010	Dec 10 2010	4.4000	716	-
Payments for gas	USD 10m	Jun 9 2010	Oct 20 2010	3.7000	835	-
Payments for gas	USD 10m	Jun 10 2010	Nov 10 2010	3.7500	874	-
Payments for gas	USD 10m	Jun 10 2010	Nov 10 2010	3.7200	930	-
Payments for gas	USD 10m	Jun 10 2010	Dec 10 2010	3.7500	1,046	-
Payments for gas	USD 10m	Jun 10 2010	Oct 8 2010	3.7000	755	-
Payments for gas	USD 10m	Jun 11 2010	Sep 20 2010	3.6000	808	-
Payments for gas	USD 10m	Jun 11 2010	Oct 20 2010	3.7000	835	-
Payments for gas	USD 10m	Jun 11 2010	Oct 8 2010	3.6600	832	-
Payments for gas	USD 10m	Jun 11 2010	Nov 10 2010	3.6700	1,032	-
Payments for gas	USD 10m	Jun 14 2010	Oct 8 2010	3.5500	1,098	-
Payments for gas	USD 10m	Jun 14 2010	Nov 10 2010	3.6000	1,201	-
Payments for gas	USD 10m	Jun 14 2010	Dec 10 2010	3.6500	1,265	-
Payments for gas	USD 10m	Jun 14 2010	Nov 19 2010	3.6000	1,261	-
Payments for gas	USD 10m	Jun 15 2010	Nov 19 2010	3.6200	1,209	-
Payments for gas	USD 10m	Jun 15 2010	Nov 19 2010	3.6000	1,261	-
Payments for gas	USD 10m	Jun 15 2010	Dec 10 2010	3.6500	1,265	-
Payments for gas	USD 10m	Jun 15 2010	Dec 10 2010	3.6300	1,315	-
Payments for gas	USD 10m	Jun 16 2010	Nov 19 2010	3.5500	1,404	-
Payments for gas	USD 10m	Jun 16 2010	Dec 10 2010	3.6000	1,395	-
Payments for gas	USD 10m	Jun 21 2010	Nov 10 2010	3.7300	910	-
Payments for gas	USD 10m	Jun 21 2010	Dec 10 2010	3.7500	1,046	-
					<b>129,569</b>	<b>18,002</b>

Put options

Payments for gas	EUR 5m	Jul 16 2009	Jan 8 2010	2.8030	-	(83)
Payments for gas	USD 15m	Jul 16 2009	Jan 8 2010	2.8100	-	(99)
Payments for gas	USD 15m	Jul 20 2009	Jan 8 2010	2.7980	-	(73)
Payments for gas	USD 15m	Jul 24 2009	Jan 19 2010	2.7285	-	(58)
Payments for gas	USD 15m	Jul 28 2009	Jan 19 2010	2.6900	-	(27)
Payments for gas	USD 15m	Aug 20 2009	Jan 19 2010	2.7425	-	(75)
Payments for gas	USD 15m	Aug 21 2009	Feb 19 2010	2.7070	-	(214)
Payments for gas	USD 15m	Aug 21 2009	Feb 10 2010	2.6720	-	(113)
Payments for gas	USD 15m	Aug 25 2009	Jan 8 2010	2.6350	-	-
Payments for gas	USD 15m	Sep 7 2009	Mar 10 2010	2.7025	-	(292)
Payments for gas	USD 15m	Sep 8 2009	Feb 10 2010	2.6570	-	(94)
Payments for gas	USD 15m	Sep 8 2009	Mar 10 2010	2.6595	-	(207)
Payments for gas	USD 15m	Sep 10 2009	Feb 19 2010	2.6575	-	(131)
Payments for gas	USD 15m	14 Sep 2009	Feb 19 2010	2.6800	-	(165)
Payments for gas	USD 15m	Sep 16 2009	Mar 19 2010	2.6445	-	(214)
Payments for gas	USD 15m	Sep 17 2009	Mar 19 2010	2.6070	-	(158)
Payments for gas	USD 15m	Oct 20 2009	Apr 9 2010	2.5980	-	(204)
Payments for gas	USD 15m	Oct 23 2009	Apr 9 2010	2.5900	-	(192)
Payments for gas	USD 15m	Nov 6 2009	Apr 20 2010	2.6600	-	(343)
Payments for gas	USD 15m	Nov 6 2009	May 10 2010	2.6685	-	(423)
Payments for gas	USD 15m	Nov 9 2009	Apr 20 2010	2.6320	-	(286)
Payments for gas	USD 15m	Nov 9 2009	May 10 2010	2.6300	-	(339)
Payments for gas	USD 15m	Nov 12 2009	May 10 2010	2.5800	-	(249)
Payments for gas	USD 15m	Nov 13 2009	Apr 9 2010	2.5900	-	(192)
Payments for gas	USD 15m	Nov 18 2009	Apr 9 2010	2.5550	-	(147)
Payments for gas	USD 15m	Nov 23 2009	Apr 20 2010	2.5680	-	(185)
Payments for gas	USD 15m	Nov 23 2009	May 20 2010	2.5850	-	(285)
Payments for gas	USD 15m	Nov 23 2009	May 20 2010	2.5680	-	(257)
Payments for gas	USD 15m	Dec 1 2009	May 20 2010	2.5665	-	(255)
Payments for gas	USD 16m	Dec 2 2009	Jun 10 2010	2.5280	-	(239)
Payments for gas	USD 17m	Dec 3 2009	Jun 18 2010	2.5200	-	(243)

### Derivative Instruments (continued)

Hedged item	Par value in currency	Date of hedging transaction	Maturity date	Exercise price (exercise price range)	Measurement at fair value	
					Jun 30 2010	Dec 31 2009
Payments for gas	USD 10m	Jan 18 2010	Jul 9 2010	2.5950	-	-
Payments for gas	USD 10m	Feb 3 2010	Jul 20 2010	2.6400	-	-
Payments for gas	USD 10m	Feb 3 2010	Aug 10 2010	2.6400	-	-
Payments for gas	USD 10m	Mar 5 2010	Aug 20 2010	2.6300	-	-
Payments for gas	USD 10m	Mar 10 2010	Sep 20 2010	2.6395	(2)	-
Payments for gas	USD 10m	Mar 10 2010	Sep 20 2010	2.6400	(2)	-
Payments for gas	USD 10m	Mar 11 2010	Sep 10 2010	2.6510	(1)	-
Payments for gas	USD 10m	Apr 12 2010	Jul 20 2010	2.6240	-	-
Payments for gas	USD 10m	Jun 21 2010	Nov 10 2010	3.0550	(334)	-
Payments for gas	USD 10m	Jun 21 2010	Dec 10 2010	3.0712	(460)	-
					<b>(799)</b>	<b>(5,842)</b>

### Forward transactions

PGNiG Norway loan	NOK 50m	Jun 21 2010	Dec 31 2010	0.5147	(498)	-
PGNiG Norway loan	NOK 40m	Jun 21 2010	Dec 31 2010	0.5135	(443)	-
PGNiG Norway loan	NOK 50m	Jun 28 2010	Dec 31 2010	0.5165	(407)	-
PGNiG Norway loan	NOK 100m	Jun 28 2010	Dec 31 2010	0.5164	(829)	-
PGNiG Norway loan	NOK 50m	Jun 28 2010	Dec 31 2010	0.5165	(407)	-
PGNiG Norway loan	NOK 100m	Jun 28 2010	Dec 31 2010	0.5169	(780)	-
PGNiG Norway loan	NOK 30m	Jun 28 2010	Dec 31 2010	0.5184	(188)	-
PGNiG Norway loan	NOK 40m	Jun 30 2010	Dec 31 2010	0.5232	-	-
					<b>(3,552)</b>	<b>-</b>

### Call commodity options

Payments for gas	6500 MT** Gasoil	May 27 2010	Aug 10 2010	640.00	214	-
Payments for gas	6500 MT Fueloil	May 27 2010	Aug 10 2010	440.00	63	-
Payments for gas	6800 MT Gasoil	Jun 2 2010	Oct 8 2010	640.00	221	-
Payments for gas	6800 MT Fueloil	Jun 2 2010	Oct 8 2010	440.00	64	-
Payments for gas	10000 MT Gasoil	Jun 8 2010	Nov 10 2010	665.00	365	-
Payments for gas	10000 MT Fueloil	Jun 8 2010	Nov 10 2010	465.00	193	-
Payments for gas	12000 MT Gasoil	Jun 10 2010	Jan 10 2011	685.00	217	-
Payments for gas	12000 MT Fueloil	Jun 10 2010	Jan 10 2011	477.00	125	-
Payments for gas	12000 MT Fueloil	Jun 15 2010	Nov 19 2010	490.00	163	-
Payments for gas	12000 MT Gasoil	Jun 15 2010	Dec 10 2010	695.00	313	-
Payments for gas	12000 MT Fueloil	Jun 15 2010	Dec 10 2010	490.00	163	-
Payments for gas	6000 MT Gasoil	Jun 16 2010	Nov 19 2010	705.00	119	-
Payments for gas	6000 MT Gasoil	Jun 17 2010	Dec 10 2010	710.00	104	-
Payments for gas	6000 MT Fueloil	Jun 17 2010	Nov 19 2010	490.00	82	-
Payments for gas	6000 MT Fueloil	Jun 17 2010	Dec 10 2010	490.00	82	-
Payments for gas	12000 MT Gasoil	Jun 15 2010	Nov 19 2010	695.00	312	-
					<b>2,800</b>	<b>-</b>

### Commodity swaps

Payments for gas	6500 MT Gasoil	May 26 2010	Jul 20 2010	603.75	1,012	-
Payments for gas	6500 MT Fueloil	May 26 2010	Jul 20 2010	412.50	669	-
Payments for gas	5900 MT Gasoil	May 28 2010	Aug 20 2010	644.00	113	-
Payments for gas	5900 MT Fueloil	May 28 2010	Aug 20 2010	439.00	77	-
Payments for gas	5900 MT Gasoil	Jun 1 2010	Sep 10 2010	623.00	530	-
Payments for gas	5900 MT Fueloil	Jun 1 2010	Sep 10 2010	425.25	350	-
Payments for gas	6700 MT Gasoil	Jun 1 2010	Sep 20 2010	617.50	726	-
Payments for gas	6700 MT Fueloil	Jun 1 2010	Sep 20 2010	423.50	437	-
Payments for gas	10000 MT Gasoil	Jun 8 2010	Oct 20 2010	630.75	604	-
Payments for gas	10000 MT Fueloil	Jun 8 2010	Oct 20 2010	436.75	297	-
Payments for gas	12000 MT Gasoil	Jun 9 2010	Dec 20 2010	632.75	642	-

### Derivative Instruments (continued)

Hedged item	Par value in currency	Date of hedging transaction	Maturity date	Exercise price (exercise price range)	Measurement at fair value	
					Jun 30 2010	Dec 31 2009
Payments for gas	12000 MT Fueloil	Jun 9 2010	Dec 20 2010	441.50	164	-
Payments for gas	10000 MT Gasoil	Jun 11 2010	Nov 19 2010	649.50	(31)	-
Payments for gas	10000 MT Gasoil	Jun 11 2010	Dec 10 2010	649.00	(14)	-
Payments for gas	10000 MT Fueloil	Jun 11 2010	Nov 19 2010	449.70	(141)	-
Payments for gas	10000 MT Fueloil	Jun 14 2010	Dec 10 2010	452.00	(218)	-
Payments for gas	14100 MT Gasoil	Jun 14 2010	Oct 20 2010	654.50	(299)	-
Payments for gas	14100 MT Fueloil	Jun 14 2010	Oct 20 2010	455.50	(433)	-
Payments for gas	14100 MT Fueloil	Jun 14 2010	Nov 10 2010	456.00	(457)	-
Payments for gas	14100 MT Gasoil	Jun 14 2010	Nov 10 2010	654.00	(275)	-
					<b>3,753</b>	-
Total					<b>(179,519)</b>	<b>(242,426)</b>
including:					<b>63,193</b>	<b>25,938</b>
premiums on options positive valuation*					<b>74,797</b>	<b>(7,936)</b>
negative valuation liabilities					<b>(317,509)</b>	<b>(260,428)</b>

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

\*\* MT – metric tonnes.

Positive valuation of derivatives as at the end of period is presented in the statement of financial position in a separate item of current assets. Negative valuation of derivatives is presented in the statement of financial position in a separate item of current liabilities. The effects of measurement of open items are recognised in profit/loss for the period or directly in equity in the event of occurrence of an effective portion constituting an effective hedge of fair value changes of financial derivatives designated to hedge cash flows. In the event of delivery of derivative and the hedge item, the Company's equity is decreased/increased, and the effective value is recognized to profit and loss account to the place where the costs of the hedge item arise. The ineffective part and fair value of transactions which are not designated as hedge transactions are recognized in other item of the profit/loss for the period.

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
Profit/(loss) on valuation of derivative instruments – unrealised	(76,015)	(237,365)
Profit/(loss) on derivative instruments – realised	(7,235)	4,172
<b>Total profit/(loss) on derivative instruments recognised in the income statement</b>	<b>(83,250)</b>	<b>(233,193)</b>
including:		
recognised in other net operating expenses	(155,504)	(231,567)
recognised in the costs of consumption of raw materials and materials*	72,254	(1,626)
<b>Profit/(loss) on valuation of derivative instruments recognised under other comprehensive income – unrealised*</b>	<b>87,888</b>	-
<b>Total Profit/(loss) on valuation of derivative instruments recognised under equity</b>	<b>4,638</b>	<b>(233,193)</b>

\*Since April 1st 2009, the Parent Undertaking has applied hedge accounting.

## 36. CONTINGENT LIABILITIES

### 36.1. Contingent Liabilities under Issued Sureties and Guarantees

Beneficiary	Amount of contingent liability incurred in original currency	Currency of contingent liability	Amount of contingent liability incurred in PLN	Contingent liability expiry date	Contingent liability under
<b>Contingent liabilities incurred by PGNiG S.A.</b>					
STATE OF NORWAY	627,556	EUR	2,601,720	Jan 1 2050	Bank guarantee
NATIONAL OIL CORPORATION	108,000	USD	366,617	Jun 1 2013	Bank guarantee
ENERGY REGULATORY OFFICE	10,000	PLN	10,000	Jun 10 2020	Performance bond
TMF NEDERLAND B.V.	1,000	EUR	4,146	Nov 30 2010	Bank guarantee
PKO BP S.A. II Warsaw Regional Corporate Branch	70	PLN	70	Jan 31 2012	Performance bond
<b>Contingent liabilities incurred by the Gas Companies</b>					
Contingent liabilities incurred by the Gas Companies	1,250,000	EUR	5,182,250	Jan 27 2012	Repayment guarantee
Other (each under PLN 500 thousand)	326	PLN	326	2010-2013	Guarantee
<b>Contingent liabilities incurred by Geofizyka Kraków Sp. z o.o.</b>					
Customs Office of Pakistan	800	USD	2,716	Dec 1 2010	Customs duty guarantee
Komerční Banka a.s. Ostrava, the Czech Republic	5,000	CZK	805	Mar 18 2011	Bank guarantee
Orlen Upstream Sp. z o.o.	584	PLN	584	Oct 15 2010	Contractual guarantee
<b>Contingent liabilities incurred by Geofizyka Toruń Sp. z o.o.</b>					
Oil India	1,801	USD	6,113	Apr 15 2011	Bank guarantee
PPC	1,598	USD	5,425	Dec 17 2010	Bank guarantee
ADANI	1,259	USD	4,275	Jul 25 2010	Bank guarantee
GSPC	1,408	USD	4,780	Dec 1 2011	Bank guarantee
CAIRN	684	USD	2,322	Jul 8 2010	Bank guarantee
Oil India	658	USD	2,232	Jun 15 2011	Bank guarantee
ADANI	20,000	THB	2,094	until the equipment is taken away	Bank guarantee
Oil India	558	USD	1,893	Nov 15 2010	Bank guarantee
CAIRN	510	USD	1,731	Nov 11 2010	Bank guarantee
Oil India	333	USD	1,130	Apr 15 2011	Bank guarantee
PGE Elektrownia Bełchatów S.A.	858	PLN	858	Aug 28 2010	Bank guarantee
PGE Elektrownia Bełchatów S.A.	509	PLN	509	Jul 21 2010	Bank guarantee
Other (each under PLN 500 thousand)	141	USD	480	2010	Bank guarantee
Other (each under PLN 500 thousand)	35	PLN	35	2013	Bank guarantee
<b>Contingent liabilities incurred by PNiG Jasło Sp. z o.o.</b>					
TURKISH PETROLEUM OVERSEAS CO.LTD	200	USD	679	Apr 30 2011	Performance bond
RWE GAS STORAGE	198	EUR	820	Aug 16 2010	Bid bond
Zakład Komunalny "Kleszczów" Sp. z o.o.	500	PLN	500	Aug 15 2010	Bid bond
<b>Contingent liabilities incurred by PN Diament Sp. z o.o.</b>					
Other (each under PLN 500 thousand)	3,005	PLN	3,005	2010-2014	Bid bonds, performance bond
<b>Contingent liabilities incurred by BUG Gazobudowa Zabrze Sp. z o.o.</b>					
IMP Promont Montaza Lubljana	128	EUR	529	Mar 8 2013	Insurance guarantee
Hydrobudowa Polska S.A. Przeźmierowo	2,298	PLN	2,298	Dec 31 2010	Performance bond
GAZ-SYSTEM Gdańsk Branch	655	PLN	655	Dec 30 2012	Performance bond
IMP Promont Montaza Lubljana	180	EUR	748	Aug 31 2013	Performance bond
ALKAT Kraków	1,519	PLN	1,519	Aug 31 2010	Performance bond
Dąbrowa Górnicza Municipality	1,792	PLN	1,792	Sep 30 2011	Performance bond
BONATTI S.p.A Parma, Italy	206	EUR	856	Apr 30 2011	Performance bond
Other (each under PLN 500 thousand)	1,688	PLN	1,688	2010	Bid bond
<b>Total</b>			<b>8,218,200</b>		

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

As at the end of the previous period, contingent liabilities under granted sureties and guarantees amounted to PLN 8,089,326 thousand.

As at June 30th 2010, the agreement concluded by PGNiG S.A and Gas Distribution Companies on September 22nd 2005 (for guarantees supporting Loan Agreement concluded between PGNiG S.A. and a bank syndicate on July 27th 2005) was in force. The agreement concerns irrevocable and unconditional guarantees granted, jointly and severally, by the Companies to Bank Handlowy w Warszawie S.A. (the Facility Agent) for timely repayment of a loan of up to EUR 1,250,000 thousand by the date falling 18 months from the termination of the agreement for Facility Tranche A, i.e. by January 27th 2012. The Company repaid EUR 600,000 thousand of the term loan and secured availability of a renewable facility of the same amount. The renewable facility was used both in the first half of 2010 and 2009. The loan is secured with guarantees granted by Gas Distribution Companies.

Table 36.1. does not show bank guarantees which were issued at the request of the Parent Undertaking to beneficiaries to whom the Parent Undertaking 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 2010).

### 36.2. 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
<b>Promissory notes issued by PGNiG S.A.</b>				
Polska Agencja Rozwoju Przedsiębiorczości (PARP)	2,557	PLN	2,557	Dec 31 2014
<b>Promissory notes issued by PNiG Jasło Sp. z o.o.</b>				
ING Bank Śląski S.A.	12,000	PLN	12,000	Aug 26 2010
Bank PEKAO S.A.	7,000	PLN	7,000	Dec 31 2010
Bank PEKAO S.A.	5,000	PLN	5,000	Dec 31 2010
Bank PEKAO S.A.	198	EUR	820	Aug 16 2010
Bank PEKAO S.A.	180	USD	611	Dec 18 2010
Bank PEKAO S.A.	500	PLN	500	Aug 15 2010
Other (each under PLN 500 thousand)	175	USD	594	2010
<b>Promissory notes issued by PN Diament Sp. z o.o.</b>				
BRE BANK S.A.	4,000	PLN	4,000	unspecified
<b>Promissory notes issued by BUG Gazobudowa Zabrze Sp. z o.o.</b>				
TU ALLIANZ	15,000	PLN	15,000	Mar 14 2011
Bank PEKAO S.A.	1,600	EUR	6,633	Jul 31 2010
ING Bank Śląski	6,000	PLN	6,000	Jan 30 2011
ERGO HESTIA Katowice	6,000	PLN	6,000	Sep 28 2011
Deutsche Bank	5,000	PLN	5,000	Jan 4 2011
Bank PEKAO S.A.	5,000	PLN	5,000	Dec 31 2010
GENERALI TU	4,000	PLN	4,000	Aug 31 2010
Bank PEKAO S.A.	3,000	PLN	3,000	Jul 31 2010
Bank PEKAO S.A.	180	EUR	748	Aug 31 2013
Other (each under PLN 500 thousand)	30	PLN	30	unspecified
<b>Promissory notes issued by BN Naftomontaż Krosno Sp. z o.o.</b>				
TU InterRiskSA O/Kielce	1,173	PLN	1,173	2010-2013
<b>Total</b>			<b>85,666</b>	

As at the end of the previous period, contingent liabilities under promissory notes outstanding amounted to PLN 71,548 thousand.

### 36.3. 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 Podkarpackie region have never filed any such claims so far. Therefore, the mining plants located in Podkarpackie did not declare or account for real estate tax on excavations for the period from 2001 to 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 thousand as at June 30th 2010 (as at the end of 2009, it was PLN 127,514.3 thousand).

### Claims Related to Real Estate

In its business activities, the PGNiG Group uses facilities which can be located on land not owned by the Group. With respect to a part of these facilities, the Group does not hold a legal title to use the land on which the facilities are located. In the future, the Group may be required to cover the cost of extra-contractual use of property or convert (wind up) facilities. The Group believes that it is impossible to provide a reliable assessment of potential liabilities thereunder due to an unspecified number of lots of land and the lack of consistency of court decisions. The Group recognises the costs of extra-contractual use of land in the financial statements when the legal status of the land is determined (e.g. by way of a settlement, a final court judgement, etc.). In the opinion of the Group, based on past experience it appears that the related charges, if any, will not have a material bearing on the Group's financial standing.

## 37. OFF-BALANCE SHEET LIABILITIES

### 37.1. 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	-	-
<b>Total</b>	<b>-</b>	<b>-</b>

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

	Jun 30 2010	Dec 31 2009
Contractual liabilities	3,776,346	3,810,209
Completion of agreements as at the balance-sheet date	1,283,668	914,763
<b>Contractual liabilities subsequent to the balance-sheet date</b>	<b>2,492,678</b>	<b>2,895,446</b>



### 38. INFORMATION ON RELATED UNDERTAKINGS

#### 38.1. 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
Associated undertakings consolidated with the equity method	Jun 30 2010	10,338	9	Jun 30 2010	1,600	1,600	-	-	6,559
	Jun 30 2009	14,833	62,680	Dec 31 2009	2,626	2,625	-	-	8,943
Non-consolidated subsidiary and associated undertakings	Jun 30 2010	31,087	131,393	Jun 30 2010	149,123	15,479	31,236	7,089	135,248
	Jun 30 2009	2,642	105,539	Dec 31 2009	143,231	9,598	28,622	9,551	143,540
<b>Related undertakings – total</b>	<b>Jun 30 2010</b>	<b>41,425</b>	<b>131,402</b>	<b>Jun 30 2010</b>	<b>150,723</b>	<b>17,079</b>	<b>31,236</b>	<b>7,089</b>	<b>141,807</b>
	<b>Jun 30 2009</b>	<b>17,475</b>	<b>168,219</b>	<b>Dec 31 2009</b>	<b>145,857</b>	<b>12,223</b>	<b>28,622</b>	<b>9,551</b>	<b>152,483</b>

The principal transactions with shareholders in the first half of 2010 and 2009 were dividend payments, as detailed in Note 10.

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

The Group 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 zloty exceeds in a calendar year an equivalent of EUR 100 thousand in the case of transactions involving goods and EUR 30 thousand in the case of transactions involving provision of services, sale or delivery of intangible assets. The Group applies the methods and manner of profit calculation and of defining the transaction price as specified in Art. 11 of the Act on Corporate Income Tax, that is the comparable uncontrolled price, resale price, and cost plus methods, as well as additional transactional profit methods (profit split, transactional net margin).

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

In H1 2010, the PGNiG Group 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.

The H1 2010 sales to these undertakings reached PLN 1,874m (17.4% of sales revenue), while the H1 2010 purchases from these undertaking amounted to PLN 858m (9% of operating expenses). As at June 30th 2010, the carrying value of receivables was PLN 745m, while the value of liabilities was PLN 74m.

In H1 2009, the Group reported 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.

The H1 2009 sales to these undertakings totalled PLN 1,867m (18.2% of sales revenue). Purchases from these undertakings in H1 2009 amounted to PLN 720m (6.6% of operating expenses). As at December 31st 2009, the carrying value of receivables was PLN 1,003m, while the value of liabilities was PLN 91m.

### 38.3. Remuneration Paid to Members of Management and Supervisory Bodies at the Group Companies

	Jan 1 – Jun 30 2010	Jan 1 – Jun 30 2009
<b>Remuneration paid to management staff</b>	<b>11,812</b>	<b>18,187</b>
Parent undertaking	1,547	1,416
Subsidiary undertakings	6,802	6,882
Jointly-controlled undertaking	3,073	9,459
Associated undertakings	390	430
<b>Remuneration paid to supervisory staff</b>	<b>3,977</b>	<b>5,165</b>
Parent undertaking	166	178
Subsidiary undertakings	2,515	1,898
Jointly-controlled undertaking	930	2,723
Associated undertakings	366	366
<b>Total</b>	<b>15,789</b>	<b>23,352</b>

### 38.4. Loans Granted to Members of the Management and Supervisory Boards at the Group Companies

	Jun 30 2010	Dec 31 2009
<b>Management Board members</b>		
Interest rate (%)	1%-3.5%	1%-3.5%
Repayment period (years)	3-10 years	1.5-10 years
Value of outstanding loans	54	72
<b>Supervisory Board members</b>		
Interest rate (%)	2%-4%	0%-4%
Repayment period (years)	3-5 years	1.5-3 years
Value of outstanding loans	13	4
<b>Total value of outstanding loans</b>	<b>67</b>	<b>76</b>

### 38.5. Non-Consolidated 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 (the 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 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 joint ventures described above were not consolidated in 2009 and 2008 as all the assets, liabilities, income and expenses connected with them were presented in the statement of financial position and the income statement of the Parent Undertaking pro rata to its interest in a given joint venture.

### 38.6. Foreign Operations

#### PGNiG S.A.'s Interest in Foreign Operations

##### **Ukraine**

**Dewon Z.S.A.** is a closely-held joint-stock company (not traded on a stock exchange), established on November 17th 1999. The company's core business consists in provision of services related to production of natural gas, workover of wells and development and exploitation of fields in Ukraine.

The company's share capital amounts to UAH 11,146.8 thousand (equivalent to PLN 4,785.32 thousand, translated at the exchange rate of the National Bank of Poland quoted for June 30th 2010) and is divided into 120.0 thousand shares with a par value of UAH 92.89 per share. PGNiG S.A. holds an UAH 4,055.2 thousand interest in the company (equivalent to PLN 1,740.9 thousand, translated at the exchange rate quoted by the National Bank of Poland for June 30th 2010). As at June 30th 2010, the value of the shares as disclosed in the accounting books of the Parent Undertaking amounted to PLN 2,499.4 thousand. An impairment charge was made for the full value of the shares.

The company's shareholder structure is as follows:

• PGNiG S.A.	36.38%
• Prawniczyj Alians Sp. z o.o.	25.99%
• Ferrous Trading Ltd.	25.08%
• NAK Neftiegaz Ukrainy	12.13%
• Oszkader Walentyna Georgijewna	0.41%
• SZJu Łtawa Sp. z o.o.	0.01%

The company commenced production of natural gas in November 2003. It exploits the Sakhalin gas condensate field located in Krasnokutskyi Raion, Kharkiv Oblasts. The Company extracts the hydrocarbons, produces natural gas and condensate, and then sells them on the Ukrainian market.

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

##### **Oman**

The share capital of Sahara Petroleum Technology Llc amounts to OMR 150.0 thousand (Omani rial), equivalent to PLN 1,320.6 thousand, translated at the mid exchange rate quoted by the National Bank of Poland for June 30th 2010, and is divided into 150.0 thousand shares with a par value of OMR 1 per share. PGNiG S.A. holds an OMR 73.5 thousand interest in the company, equivalent to PLN 647.1 thousand, translated at the mid exchange rate of the National Bank of Poland quoted for June 30th 2010. As at June 30th 2010, the value of the shares disclosed in the accounting books of the Parent Undertaking was PLN 879.0 thousand. An impairment charge was made for the full value of the shares.

The company's shareholder structure is as follows:

• PGNiG S.A.	73,500 shares	49%
• Petroleum and Gas Technology llc	76,500 shares	51%
P.O. Box 3641, Ruwi, the Sultanate of Oman.		

The company was established in 2000, at the initiative of Zakład Robót Górniczych of Krosno (until June 30th 2005, a branch of PGNiG S.A., currently a wholly-owned subsidiary of PGNiG S.A.). The company's core business consists in provision of services related to well processing and workover, wireline technology operations, wellhead maintenance, as well as light and middle drilling work with the use of PGNiG S.A.'s technological capabilities.

The company never conducted the operations for which it was established. On June 7th 2009, the shareholders resolved to dissolve the company and appoint a liquidator. At present, the liquidation of the company is pending.

## **Germany**

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

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

Each partner acquired a 50% interest in each company. The share capital of each of the companies amounts to EUR 200 thousand (equivalent to PLN 829.2 thousand, translated at the mid exchange rate of the National Bank of Poland quoted for June 30th 2010), and their registered offices are located in Potsdam (InterGasTrade GmbH (IGT)) and Leipzig (InterTransGas GmbH (ITG)).

InterGasTrade GmbH has not been registered.

On August 9th 2005, InterTransGas GmbH was entered in the commercial register of Potsdam. The company's core business consists in construction, operation and sale of transmission capacities.

InterTransGas GmbH was established for the purpose of constructing an interconnector pipeline between the Polish and European transmission systems, which is one of the solutions designed to diversify the supplies of gas fuels to Poland. At present, under a resolution of its shareholders, InterTransGas GmbH operates at minimum costs necessary to keep the company in operation. As soon as it is possible to build a gas pipeline to connect the Polish and German systems for gas fuels transmission, the company will be able to commence operations as provided for in its Articles of Association.

In 2007, pursuant to a resolution of the shareholders, the registered office of InterTransGas GmbH was relocated from Potsdam to Leipzig, Germany.

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

The decision concerning construction of the interconnector pipeline is expected to be made in 2011.

As at June 30th 2010, PGNiG S.A.'s interest in InterTransGas GmbH amounted to EUR 3,100 thousand (equivalent to PLN 12,852 thousand, translated at the mid exchange rate quoted by the National Bank of Poland for June 30th 2010). As at June 30th 2010, the value of the shares as disclosed in the accounting books of the Parent Undertaking was PLN 13,602.5 thousand.

## **Norway**

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

PGNiG S.A. of Warsaw is the only owner of PGNiG Norway AS. PGNiG Norway AS's business consists in crude oil and natural gas production, other types of activities auxiliary to hydrocarbon extraction, and provision of related services. PGNiG Norway AS may also engage in infrastructure projects related to transmission *via* subsea pipelines (e.g. construction and operation of gas pipelines),

and conduct trading and financial activities and other types of activities at all stages of the crude oil and natural gas value chain.

On the Norwegian Continental Shelf, PGNiG Norway AS and its partners are implementing the Skarv/Snadd/Idun development project. PGNiG Norway AS holds a 12% interest in the fields, other interest holders are British Petroleum (the operator, 24%), Statoil (36%) and E.ON Ruhrgas (28%). The project has been progressing as scheduled and has been completed in more than 80%. In H1 2010, first production wells were drilled as part of the Skarv project. In H2 2010, floating production, storage and offloading (FPSO) unit is to be completed and transported to Norway. Production is expected to commence in 2011.

In H1 2010, PGNiG Norway AS and its licence partners discovered new oil and gas deposit on the Norwegian Sea, called Snadd North, in the area covered by the PL 212 license, near the Skarv field. PGNiG Norway AS holds a 12% interest in the field, the other interest holders are British Petroleum (24%), Statoil (36%) and E.ON Ruhrgas (28%). The recoverable reserves of Snadd North are initially estimated at 9 to 16bn cubic metres of natural gas. Its development is expected to start in 2011.

Furthermore, in H1 2010 PGNiG Norway AS conducted the following operations on the Norwegian Continental Shelf:

- acquired a 15% interest in the PL 558 licence following the completion of the licence awarding process; the licence is operated by E.ON Ruhrgas
- purchased a 10% interest in the PL 326 licence from Statoil Petroleum AS. The licence covers the area where the Gro natural gas deposit was discovered. The other interest holders are: Shell (50%), Statoil (30%), and Gaz de France SUEZ (10%).

As at June 30th 2010, the expenditure thus far incurred by the Group (through a subsidiary of the Parent Undertaking) and recognised in Group's consolidated statement of financial position was NOK 4,959,035 thousand, i.e. PLN 2,588,616 thousand (translated at the exchange rate quoted by the National Bank of Poland for June 30th 2010), while the direct costs connected with this project and recognised in the income statement for H1 2010 were NOK 122,918 thousand, i.e. PLN 61,496 thousand (translated at the average exchange rate for NOK being the arithmetic mean of the exchange rates quoted by the National Bank of Poland for the last day of each calendar month in the reporting period).

In order to finance the purchase of the license interests and to cater for the investment needs, the Parent Undertaking advanced to PGNiG Norway AS a loan of NOK 3,800,000 thousand. The loan is disbursed in tranches, and the repayment deadline has been set for December 2022. After the third tranche of NOK 1,312,000 thousand was disbursed in January 2009, PGNiG Norway AS received the full loan amount of NOK 3,800,000 thousand.

On January 13th 2010, the Parent Undertaking granted the company another loan, the amount of NOK 786,000 thousand. The loan is disbursed in tranches upon notice by the company. In H1 2010, the company received NOK 460,000 thousand under the loan. As a result, as at June 30th 2010 PGNiG Norway AS's total debt amounted to NOK 4,260,000, i.e. the equivalent of PLN 2,223,720 thousand (translated at the exchange rate quoted by the National Bank of Poland for June 30th 2010).

Concurrently, the company is in advanced negotiations with banks concerning a USD 300-400m syndicated loan. The loan, secured with the company's assets (and other types of security), would be used in particular to finance further implementation of the Skarv project as well as the company's operations, including operations in other licensed areas, until production of hydrocarbons starts generating profit.

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

As at June 30th 2010, the Parent Undertaking's equity interest in the subsidiary was NOK 951,327 thousand, that is PLN 496,592.7 thousand (translated at the exchange rate quoted by the National Bank of Poland for June 30th 2010). As at June 30th 2010, the value of the shares as disclosed in the accounting books of the Parent Undertaking was PLN 462,872.6 thousand.

### **The Netherlands - Libya**

PGNiG Finance B.V. was established on September 14th 2001 to service the issue of Eurobonds issued by PGNiG S.A. PGNiG S.A. is its only shareholder. The company's share capital is EUR 20 thousand, that is PLN 82.9 thousand (translated at the exchange rate quoted by the National Bank of Poland for June 30th 2010).

In January 2008, the PGNiG S.A. Management Board adopted a resolution granting its consent to use PGNiG Finance B.V. for the purpose of conducting exploration and production activity in Libya. On the same date, the PGNiG S.A. Management Board adopted a resolution concerning the amendment to the Articles of Association and change of the Management Board of PGNiG Finance B.V., and setting up of the company's branch in Libya.

The amendments to the Articles of Association were registered in the Netherlands on February 4th 2008. In the new Articles of Association, the company's name was changed to Polish Oil and Gas Company – Libya B.V. (POGC – Libya B.V.).

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

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

In February 2008, PGNiG S.A. issued a guarantee for the benefit of National Oil Corporation regarding the fulfilment by POGC–Libya B.V. of its work programme commitments worth USD 108,000 thousand, i.e. PLN 366,616.8 thousand (translated at the exchange rate quoted by the National Bank of Poland for June 30th 2010).

In H1 2010, phases I and II of 2D seismic surveys were completed, with a total of 3,027 kilometres of seismic data collected in the process. The processing of seismic data continued and the interpretation of geophysical data commenced. The data processing and interpretation will continue throughout the second half of the year.

In H1 2010, the value of the work described above amounted to EUR 6,405 thousand, i.e. PLN 25,647 thousand (translated at the average exchange rate for the euro being the arithmetic mean of the exchange rates quoted by the National Bank of Poland for the last day of each calendar month in the reporting period).

In March 2009, PGNiG S.A.'s Management Board adopted a resolution to increase POGC Libya BV's equity by EUR 47,500 thousand, i.e. PLN 196,925.5 thousand (translated at the exchange rate for the euro quoted by the National Bank of Poland for June 30th 2010), to be used primarily towards the expenditure on exploration work in Libya. The equity increase was effected without issuing any new shares. On the date of the resolution, a portion of the contribution to the company's reserve funds was offset against PGNiG S.A.'s receivables under a loan of USD 20,591 thousand, extended in 2008. The amount remaining after offsetting the contribution against the loan receivables (including interest) was paid to the company in 2009 in cash, in three instalments.

On February 1st 2010, POGC Libya BV and PGNiG S.A. entered into an agreement whereunder POGC Libya BV undertook to make an additional contribution to equity of EUR 18,000 thousand, i.e. PLN 74,624.4 thousand (translated at the euro exchange rate quoted by the National Bank of Poland for June 30th 2010). The equity increase was effected without issuing any new shares. The additional funds are to be used chiefly to finance exploration work.

As at June 30th 2010, the Parent Undertaking's equity interest in the company was EUR 65,520.0 thousand, i.e. PLN 271,632.8 thousand (translated at the euro exchange rate quoted by the National Bank of Poland for June 30th 2010). As at June 30th 2010, the value of the interest as disclosed in the Parent Undertaking's books was PLN 291,922.0 thousand.

Parent Undertaking's direct operations abroad – interests in exploration licences:

The Parent Undertaking conducts exploration work in Pakistan, within the Kirthar licence area, jointly with Pakistan Petroleum Ltd. (interests held by PGNiG S.A. and PPL are 70% and 30%, respectively). H1 2010 saw the completion of testing conducted to assess the likely performance of the Rehman-1 exploration well and began acquisition of 3D seismic data. Completion of 3D field seismic surveys and workover of the Hallel-1 well is planned for the second half of 2010.

In Denmark, the Parent Undertaking continued exploration work in the area covered by licence 1/05 (interests held by PGNiG S.A. (operator) and Nordsofonden are 80% and 20%, respectively). In H1 2010, acquisition and processing of 3D and 2D seismic data was completed. Furthermore, advanced processing of seismic data commenced, scheduled for completion in the second half of the year. On the basis of the data processing result, a decision will be made whether an exploration well is to be drilled.

In Egypt, the Parent Undertaking carried out exploration work under its wholly-owned Bahariya licence (Block 3). In H1 2010, reprocessing of 2,000 kilometres of 2D seismic data commenced and continued until July 2010. Gravimetric surveys are planned for the second half of 2010.

Foreign branches of the Group:

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

**PGNiG S.A. – Parent Undertaking:**

Operating Branch in Pakistan – Islamabad

Branch in Egypt – Cairo

Branch in Denmark – Copenhagen

Branch in Algeria – Algiers

**Geofizyka Kraków Sp. z o.o.**

Pakistan Branch – Islamabad

Slovakia Unit – Bratislava

Czech Republic Unit – Ostrava

Libya Branch – Tripoli

**Geofizyka Toruń Sp. z o.o.**

Branch in Thailand – Bangkok

Branch in Egypt – Cairo

**PNiG Jasło Sp. z o.o.**

Branch in Libya – Tripoli

**PNiG Kraków Sp. z o.o.**

Branch in Pakistan – Karachi

Branch in Kazakhstan – Almaty

Branch in the Republic of Uganda

**PNiG Piła Sp. z o.o.**

Branch in India – Baroda

Branch in Egypt – Cairo

**ZRG Krosno Sp. z o.o.**

Branch in the Czech Republic – Ostrava

**POGC Libya BV**

Branch in Libya



### 39. EMPLOYMENT (NUMBER OF STAFF)

Employment as at end of period, by segments	Jun 30 2010	Dec 31 2009
Head Office of PGNiG S.A.*	838	833
Exploration and Production	11,751	10,800
Trade and Storage	4,117	4,128
including companies consolidated with the equity method	293	292
Distribution	13,840	13,851
Other	2,081	2,073
<b>Total</b>	<b>32,627</b>	<b>31,685</b>

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

### 40. RESTRUCTURING PROCESS WITHIN THE GROUP

In H1 2010, the Programme for Employment Streamlining and Redundancy Payments to the Employees of the PGNiG Group for 2009–2011 (Stage 3) ("the Programme"), adopted by the Extraordinary General Shareholders Meeting of PGNiG S.A. on December 11th 2008, was in force at the Group. The Programme is based on a stand-by principle and 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 liquidation of positions.

In the case of PGNiG S.A., any decisions on the implementation of the Programme at the Head Office and PGNiG S.A.'s branches (which includes a consent to commence payments of protection benefits, in accordance with the Programme's terms) 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 2010, no decisions on the implementation of the Programme at PGNiG S.A.'s branches and Group's undertakings were made, save for the special case described below.

The special case concerned PNiG Kraków Sp. z o.o., i.e. an undertaking which, in accordance with the Programme's terms, was permitted to implement the Programme provided that a relevant resolution was made by its General Shareholders Meeting, and whose poor financial situation rendered it impossible to cover all costs of employment streamlining required under the Programme without the financial aid provided under the Programme. Such an undertaking, in accordance with the Programme's terms, may apply to apply for benefits due to its former employees, with whom a work agreement was terminated, from the PGNiG S.A.'s capital reserve designated as the Central Restructuring Fund ("CRF"), subject to approval by the General Shareholders Meeting of PGNiG S.A. In accordance with the Programme's terms, PNiG Kraków Sp. z o.o. exercised its right and applied for financial aid from the CRF to provide one-time protection benefits to its 23 former employees, amounting to PLN 1,070.0 thousand. The request was approved by virtue of a resolution adopted by the General Shareholders Meeting of PGNiG S.A.

On June 16th 2010, the Management Board of PGNiG S.A. made a decision to consolidate (through incorporation) the service companies of the Group. The consolidation process will be possible once PGNiG S.A. acquires PLN 2m worth of new shares in Górnictwo Naftowe Sp. z o.o., which will be responsible for the implementation of the consolidation process.

The consolidation is carried out with a view to establishing a company able to effectively compete for orders on both the Polish and foreign markets and successfully bid in tenders concerning large investment projects.

The following companies will be subject to consolidation: BN Naftomontaż Sp. z o.o., BUG Gazobudowa Sp. z o.o., ZRUG Pogórska Wola Sp. z o.o. and ZUN Naftomet Sp. z o.o. (as well as certain other companies). They will form a company named PGNiG Technologie Sp. z o.o. (a limited liability company), to be transformed into a joint-stock company in the future.

#### 41. CAPITAL MANAGEMENT

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

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

	Jun 30 2010	Dec 31 2009
Loans and borrowings and finance lease liabilities	1,801,247	2,028,163
Trade and other payables	3,226,722	2,799,472
Cash and cash equivalents (-)	(2,093,837)	(1,196,325)
<b>Net debt</b>	<b>2,934,132</b>	<b>3,631,310</b>
<b>Equity (attributable to owners of the parent)</b>	<b>22,032,976</b>	<b>21,426,830</b>
<b>Equity and net debt</b>	<b>24,967,108</b>	<b>25,058,140</b>
<b>Leverage</b>	<b>11.8%</b>	<b>14.5%</b>

#### 42. FREE OF CHARGE ACQUISITION OF PGNiG S.A. SHARES BY ELIGIBLE EMPLOYEES

Pursuant to the Act on Commercialisation and Privatisation of August 30th 1996 ("the Act"), the Company's employees have the right to acquire, free of charge, 15% of the Company shares. This right is vested in "eligible employees", as defined in Art. 2.5 of the Act. The right to acquire shares free of charge arises after three months from the first disposal of shares by the State Treasury on general terms.

On June 30th 2008, the State Treasury disposed of one PGNiG S.A. share on general terms.

Consequently, in line with Art. 38.2 of the Act, the right to acquire the Company shares free of charge by eligible employees arose on October 1st 2008 and will expire on October 1st 2010.

Pursuant to Art. 36.1 of the Act, eligible employees may acquire free of charge up to 15% of the shares taken up by the State Treasury on the day on which the Company was entered in the relevant register, that is no more than 750,000,000 shares with a par value of PLN 1 per share. The list of eligible employees was drawn up in December 1997 and contains 61,516 names.

As at end of June 30th 2010, the market value of the 750,000,000 shares was PLN 2,467,500 thousand (as the date of these financial statements, that is August 17th 2010, the value of the shares was PLN 2,602,500 thousand).

As per the adopted timetable, the share delivery process commenced on April 6th 2009. As at June 30th 2010, 713,630,894 shares were acquired (registered in securities accounts) by the eligible employees or their heirs.

Pursuant to Art. 38.3 of the Act, the shares acquired free of charge by the eligible employees may not be traded before July 1st 2010, while the shares acquired free of charge by members of the Company's Management Board – before January 1st 2011.

The key principle of IFRS 2 *Share-Based Payments* is the recognition of costs related to employee benefits in the period when the cost is incurred. The statutory rights to acquire share free of charge were meant as a compensation for service provided by eligible employees in the period before the Act came into force, in particular the period before 1989, when Poland underwent a political transformation. In line with IFRS 2, the value of the programme should be defined as at the date of determining the number of shares allocated to individual employees, based on the fair value of the shares. In the case of PGNiG S.A., the shares will be delivered from the pool held by the State Treasury. Thus the Company incurs only the administrative expenses related to the process of delivery of the shares to eligible employees.

Costs directly related to delivery of the shares, incurred in H1 2010 and recognised in the income statement, amounted to PLN 126.6 thousand. This amount comprised the cost of press announcements (PLN 20.0 thousand), the cost of execution by CDM Pekao S.A. of agreements on

free of charge disposal of the shares (PLN 46.2 thousand), and the cost of execution by the PGNiG Group employees of agreements on free of charge disposal of the shares (PLN 60.4 thousand).

#### **43. RISK RELATED TO GAS PURCHASES**

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.

#### **44. 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, the Parent Undertaking 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 4.0bn. 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, the Parent Undertaking entered into an agreement to terminate 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.