INTERIM CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED
30 JUNE 2008

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Members of the Management Board

Chairman of the Board	Michał Szubski	
Vice Chairman of the Board	Mirosław Dobrut	
Vice Chairman of the Board	Radosław Dudziński	
Vice Chairman of the Board	Sławomir Hinc	
Vice Chairman of the Board	Mirosław Szkałuba	

Warsaw, 1 September 2008

SELECTED FINANCIAL DATA
for the period ended 30 June 2008

	PLN		EUR	
	30 June 2008	**30 June 2007**	**30 June 2008**	**30 June 2007**
I. Net revenue from sales of products, goods and materials	9 259 603	8 440 502	2 662 642	2 193 136
II. Profit on operating activities	1 210 326	1 385 926	348 035	360 112
III. Profit before tax	1 369 924	1 405 287	393 928	365 142
IV. Net profit	1 059 271	1 114 483	304 598	289 581
V. Net cash flows from operating activities	1 940 120	1 981 012	557 890	514 736
VI. Net cash flows from investing activities	(1 099 662)	(666 525)	(316 213)	(173 186)
VII. Net cash flows from financing activities	31 603	(2 383 962)	9 088	(619 436)
VIII. Total net cash flows	872 061	(1 069 475)	250 765	(277 887)
	30 June 2008	**31 December 2007**	**30 June 2008**	**31 December 2007**
IX. Total assets	29 087 867	28 401 901	8 672 073	7 929 062
X. Liabilities and provisions for liabilities	8 160 929	7 380 136	2 433 048	2 060 339
XI. Non-current liabilities	3 848 878	3 879 566	1 147 480	1 083 073
XII. Current liabilities	4 312 051	3 500 570	1 285 568	977 266
XIII. Equity	20 926 938	21 021 765	6 239 025	5 868 723
XIV. Share capital	5 900 000	5 900 000	1 758 989	1 647 125
XV. Weighted average number of shares (in '000)	5 900 000	5 900 000	5 900 000	5 900 000
XVI. Earnings per ordinary share (in PLN/EUR)	0.18	0.19	0.05	0.05
XVII. Diluted earnings per ordinary share (in PLN/EUR)	0.18	0.19	0.05	0.05
XVIII. Book value per share (in PLN/EUR)	3.55	3.56	1.06	0.99
XIX. Diluted book value per share (in PLN/EUR)	3.55	3.56	1.06	0.99
XX. Declared or paid dividend per share (in PLN/EUR)	0.19	0.17	0.06	0.05

Items I to VIII, XVI to XVII have been translated using the average EUR/PLN exchange rate defined as the arithmetic mean of average exchange rates determined by the National Bank of Poland (NBP) as at the last day of each month of the financial period. Items IX to XIV have been translated suing the EUR/PLN exchange rate determined by the National Bank of Poland as at the end of a given period.

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

	30 June 2008	31 December 2007	30 June 2007
Average exchange rate during the period	3.4776	3.7768	3.8486
Exchange rate as at the end of the period	3.3542	3.5820	3.7658

CONSOLIDATED INCOME STATEMENT
for the period ended 30 June 2008

	Additional information	30 June 2008	30 June 2007
			(in PLN '000)
Sales revenues	**3**	**9 259 603**	**8 440 502**
Raw materials and consumables used	4	(4 893 787)	(4 291 198)
Employee benefits	4	(1 036 406)	(973 736)
Amortization/depreciation		(721 423)	(702 336)
External services	4	(1 338 898)	(1 274 569)
Manufacturing cost of benefits for internal purposes		307 910	278 874
Other operating expenses (net)	4	(366 673)	(91 611)
Total operating expenses	**3**	**(8 049 277)**	**(7 054 576)**
Profit on operating activities		**1 210 326**	**1 385 926**
Financial revenues	5	199 195	133 241
Financial expenses	5	(39 658)	(80 854)
Share in profits/(losses) of controlled entities measured using the equity method	6	61	(33 026)
Profit before tax		**1 369 924**	**1 405 287**
Income tax	7	(310 653)	(290 804)
Profit distribution			
Net profit		**1 059 271**	**1 114 483**
Attributable to:	9		
Equity holders of the parent		1 059 601	1 114 130
Minority interest		(330)	353
		1 059 271	**1 114 483**
Earnings per share attributable to ordinary equity holders of the parent	9		
- basic from net profit		0.18	0.19
- diluted from net profit		0.18	0.19

CONSOLIDATED BALANCE SHEET
as at 30 June 2008

	Additional information	30 June 2008	31 December 2007
		(in PLN '000)	
ASSETS			
Non-current assets (long-term)			
Property, plant and equipment	11	19 677 400	18 715 509
Investment property	12	9 768	10 578
Intangible assets	13	134 113	84 636
Investments in associates measured using the equity method	6	556 722	557 529
Financial assets available for sale	14	73 903	19 997
Other financial assets	15	1 528 411	2 292 154
Deferred tax asset	16	434 299	419 814
Other non-current assets	17	30 859	30 873
Total non-current assets (long-term)		**22 445 475**	**22 131 090**
Current assets (short-term)			
Inventories	18	1 364 684	1 215 980
Trade and other receivables	19	2 479 206	3 331 046
Current tax receivables	20	12 057	17 499
Prepayments	21	226 624	82 355
Financial assets available for sale	22	17 557	22 406
Derivative assets	36	85 891	17 442
Cash and bank balances	23	2 456 015	1 583 635
Non-current assets held for sale		358	448
Total current assets (short-term)		**6 642 392**	**6 270 811**
Total assets		**29 087 867**	**28 401 901**
EQUITY AND LIABILITIES			
Equity			
Share capital	26	5 900 000	5 900 000
Exchange differences from translation of foreign operations		(64 173)	(44 525)
Surplus from sale of shares above face value		1 740 093	1 740 093
Other reserves		10 341 947	3 478 081
Retained earnings		3 000 816	9 939 427
Equity (attributed to equity holders of the parent)		**20 918 683**	**21 013 076**
Minority interest		8 255	8 689
Total equity		**20 926 938**	**21 021 765**
Non-current liabilities			
Borrowings and debt securities	27	36 549	31 377
Provisions	29	1 231 158	1 153 805
Deferred income	30	1 125 538	1 142 366
Deferred tax liability	31	1 431 404	1 530 359
Other non-current liabilities	32	24 229	21 659
Total non-current liabilities		**3 848 878**	**3 879 566**
Current liabilities			
Trade and other liabilities	33	3 094 401	2 407 981
Borrowings and debt securities	27	116 807	106 724
Liabilities due to derivative financial instruments	36	41 233	36 185
Current tax liabilities	20	281 832	281 399
Provisions	29	233 163	181 220
Deferred income	30	544 615	487 061
Total current liabilities		**4 312 051**	**3 500 570**
Total liabilities		**8 160 929**	**7 380 136**
Total equity and liabilities		**29 087 867**	**28 401 901**

CONSOLIDATED CASH FLOW STATEMENT
for the period ended 30 June 2008

	Additional information	30 June 2008	30 June 2007
		(in PLN '000)	
Cash flows from operating activities			
Net profit		1 059 271	1 114 483
Adjusted by:			
Share in profits/(losses) of controlled entities measured using the equity method		(61)	33 026
Amortization/depreciation		721 423	702 336
Net foreign exchange gains/losses		98 424	(15 237)
Net interest and dividends		(68 742)	(83 387)
Profit/loss on investing activities		(14 237)	(54 003)
Income tax for the current period		310 653	290 804
Income taxes paid		(416 973)	(313 948)
Other net items		(102 164)	(113 011)
Net cash generated by operating activities before movements in working capital		**1 587 594**	**1 561 063**
Movements in working capital:			
Net change in receivables	34	800 323	797 056
Change in inventories	34	(148 704)	187 720
Change in provisions	34	58 602	39 552
Change in current liabilities	34	(235 957)	(442 422)
Change in cost prepayments	34	(162 438)	(171 689)
Change in deferred income	34	40 726	9 732
Net cash generated by operating activities		**1 940 146**	**1 981 012**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment as well as intangible assets		11 927	12 659
Proceeds from disposal of shares in entities not included in consolidation		-	-
Proceeds from disposal of short-term securities		33 167	22 269
Payments to acquire property, plant and equipment as well as intangible assets		(1 193 487)	(905 092)
Payments to acquire shares in entities not included in consolidation		(78 000)	(4 687)
Payments to acquire short-term securities		-	-
Received interest		74 505	120 702
Received dividends		255	63
Proceeds from finance leases		52 599	101 534
Other net items		(628)	(13 973)
Net cash (used in)/generated by investing activities		**(1 099 662)**	**(666 525)**
Cash flows from financing activities			
Net proceeds from issue of equity shares and other capital instruments as well as capital contributions		-	-
Proceeds from borrowings		35 145	17 589
Repayment of borrowings		(18 140)	(2 333 216)
Proceeds from issue of debt securities		-	-
Redemption of debt securities		-	-
Repayment of liabilities due to finance leases		(14 990)	(18 261)
Proceeds from forwards		41 662	-
Payments for forwards		(4 169)	-
Paid dividends		-	-
Paid interest		(5 889)	(43 738)
Other net items		(2 016)	(6 336)
Net cash (used in)/generated by financing activities		**31 603**	**(2 383 962)**
Net changes in cash and bank balances		**872 087**	**(1 069 475)**
Net foreign exchange differences		293	22 702
Cash and bank balances at the beginning of the financial period		**1 584 868**	**3 559 214**
Cash and bank balances at the end of the financial period		**2 456 955**	**2 489 739**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2008

	Equity (attributed to equity holders of the parent)						Minority interest	Total equity
	Share capital	Exchange differences from translation of foreign operations	Share premium	Other reserves	Retained earnings	Total		
	(in PLN '000)							
1 January 2007	**5 900 000**	**(15 609)**	**1 740 093**	**2 890 068**	**10 631 137**	**21 145 689**	**7 671**	**21 153 360**
Exchange differences from translation of foreign operations	-	(4 132)	-	-	-	**(4 132)**	-	**(4 132)**
Other changes	-	-	-	-	-	**-**	-	**-**
Reclassifications	-	-	-	621 542	(621 542)	**-**	-	**-**
Payment of dividends to equity holders	-	-	-	-	(1 003 000)	**(1 003 000)**	(15)	**(1 003 015)**
Net profit	-	-	-	-	1 114 130	**1 114 130**	353	**1 114 483**
30 June 2007	**5 900 000**	**(19 741)**	**1 740 093**	**3 511 610**	**10 120 725**	**21 252 687**	**8 009**	**21 260 696**
1 January 2008	**5 900 000**	**(44 525)**	**1 740 093**	**3 478 081**	**9 939 427**	**21 013 076**	**8 689**	**21 021 765**
Exchange differences from translation of foreign operations	-	(19 648)	-	-	-	(19 648)	-	**(19 648)**
Measurement of financial instruments	-	-	-	(12 474)	-	(12 474)	-	**(12 474)**
Other changes	-	-	-	-	(871)	(871)	2	**(869)**
Reclassifications	-	-	-	6 876 340	(6 876 340)	-	-	**-**
Payment of dividends to equity holders of the parent	-	-	-	-	(1 121 000)	(1 121 000)	(106)	**(1 121 106)**
Net profit	-	-	-	-	1 059 600	1 059 600	(330)	**1 059 270**
30 June 2008	**5 900 000**	**(64 173)**	**1 740 093**	**10 341 947**	**3 000 816**	**20 918 683**	**8 255**	**20 926 938**

NOTES
as at 30 June 2008

1. GENERAL INFORMATION

Polskie Górnictwo Naftowe i Gazownictwo S.A. ("PGNiG S. A.", the "Company"; the "Parent") is the Parent of PGNiG Capital Group (the "Capital Group", the "Group") with its registered office in 01-224 Warsaw, , ul. Marcina Kasprzaka 25. As of 23 September 2005, due to the sale of a new issue of shares on the Warsaw Stock Exchange ("WSE"), PGNiG S. A. was transformed from a entity wholly-owned by the State Treasury into a public company.

The Parent was created as a result of the transformation of the state enterprise operating under the name Polskie Górnictwo Naftowe i Gazownictwo into an entity wholly owned by the State Treasury.
The transformation act and by-laws were drawn up in the form of a notarized deed on 21 October 1996.

In signing the act pursuant to which the state enterprise was transformed into a joint stock company the Minister of State Treasury executed the decisions specified in the Prime Minister's Ordinance of 30 September 1996 on the transformation of the state enterprise Polskie Górnictwo Naftowe I Gazownictwo with its registered office in Warsaw into a joint-stock company wholly owned by the State Treasury (Dz. U. No. 116 from 1996, item 553).

The Company was entered in the Commercial Register kept by the District Court for Warsaw, XVI Business Division on 30 October 1996, under number RHB 48382. Currently, the Company is entered in the Register of Entrepreneurs kept by the District Court for Warsaw, XII Business Division of the National Court Register under number KRS 000059492.
The Company was assigned the statistical number REGON 012216736.

The joint stock company is the legal successor of the state enterprise. The assets and liabilities of the state enterprise were contributed to the joint stock company and recognized in the accounting records at amounts specified in the closing balances of the state enterprise.

The Company's core business involves exploration for and production of oil and gas, import, warehousing and sale of gas fuel.

The Capital Group is the only vertically integrated enterprise in the Polish gas sector and is the leader in areas of the gas sector in Poland. Polskie Górnictwo Naftowe i Gazownictwo S.A. is the Capital Group's parent.

The Capital Group's business involves explorations for deposits, natural gas and crude oil production from domestic deposits, import, warehousing as well as trading and distribution of gas fuels. The Capital Group is the main importer of gas fuels from Russia, Central Asia, Norway, Germany and the main producer of natural gas from domestic deposits. Natural gas and crude oil production is one of the key factors that ensures the Company's competitive position on the liberalized natural gas market.

Trading and distribution of natural gas, which are the Capital Group's core business along with the production of natural gas and crude oil, are regulated by the Energy Law and therefore subject to licensing. This also means that the Capital Group's revenue is dependent upon the level of gas fuel tariffs approved by the President of the Energy Regulatory Office. Exploration and production activities are regulated by the Geological and Mining Law and conducted based on granted concessions.

1. a. Description of the organization of the Capital Group, indicating entities included in consolidation

As at 30 June 2008 PGNiG Capital Group included PGNiG S.A. as the Parent as well as 34 companies whose activities focus on production and services, including:
- 27 PGNiG S.A. subsidiaries;
- 7 PGNiG S.A. indirect subsidiaries.

Presented below are PGNiG Capital Group entities as at 30 June 2008.

(in PLN '000)

PGNiG Capital Group entities

	Company	Share capital (in PLN)	Share of PGNiG S.A. in the company's share capital (in PLN)	Percentage of share capital held by PGNiG S.A.	Percentage of PGNiG S.A. votes
	PGNiG S.A. subsidiaries				
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)[1)]	497 327 000.00	497 327 000.00	100.00%	100.00%
9	Polish Oil and Gas Company - Libya B.V. (EUR)[1)]	20 000.00	20 000.00	100.00%	100.00%
10	Polskie LNG Sp. z o.o.	50 000 000.00	50 000 000.00	100.00%	100.00%
11	INVESTGAS S.A.	502 250.00	502 250.00	100.00%	100.00%
12	Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o.o.	651 145 000.00	651 145 000.00	100.00%	100.00%
13	Górnośląski Operator Systemu Dystrybucyjnego Sp. z o.o.	1 288 680 000.00	1 288 680 000.00	100.00%	100.00%
14	Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o.	1 476 112 000.00	1 476 112 000.00	100.00%	100.00%
15	Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o.	1 217 350 000.00	1 217 350 000.00	100.00%	100.00%
16	Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o.	596 141 000.00	596 141 000.00	100.00%	100.00%
17	Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o.o.	978 287 000.00	978 287 000.00	100.00%	100.00%
18	B.S. i P.G. "Gazoprojekt" S.A.	4 000 000.00	3 000 000.00	75.00%	75.00%
19	BUG Gazobudowa Sp. z o.o.	39 220 000.00	39 220 000.00	100.00%	100.00%
20	Zakład Urządzeń Naftowych Naftomet Sp. z o.o.	23 500 000.00	23 500 000.00	100.00%	100.00%
21	Geovita Sp. z o.o.	86 139 000.00	86 139 000.00	100.00%	100.00%
22	Budownictwo Naftowe Naftomontaż Sp. z o.o.	44 751 000.00	39 751 000.00	88.83%	88.83%
23	Górnictwo Naftowe Sp. z o.o.	50 000.00	50 000.00	100.00%	100.00%
24	NYSAGAZ Sp. z o.o.	3 700 000.00	1 887 000.00	51.00%	51.00%
25	ZRUG Sp. z o.o. (Pogórska Wola)	4 300 000.00	4 300 000.00	100.00%	100.00%
26	BUD-GAZ PPUH Sp. z o.o.	51 760.00	51 760.00	100.00%	100.00%
27	PPUiH "TURGAZ" Sp. z o.o.	176 000.00	90 000.00	51.14%	51.14%
	Subsidiaries of PGNiG S.A. subsidiaries				
28	GEOFIZYKA Kraków Libya JSC (LYD)[1), 2)]	1 000 000.00	600 000.00	60.00%	60.00%
29	GEOFIZYKA Torun Kish Ltd (Rial)[1), 3)]	10 000 000.00	10 000 000.00	100.00%	100.00%
30	Oil Tech International - F.Z.E. (USD)[1)]	20 000.00	20 000.00	100.00%	100.00%
31	Zakład Gospodarki Mieszkaniowej Sp. z o.o. (Piła)	1 806 500.00	1 806 500.00	100.00%	100.00%
32	GAZ Sp. z o.o. (Błonie)	300 000.00	153 000.00	51.00%	51.00%
33	GAZ MEDIA Sp. z o.o. (Wołomin)	300 000.00	153 000.00	51.00%	51.00%
34	NAFT-STAL Sp. z o.o.	667 500.00	450 000.00	67.40%	67.40%

1) Values in foreign currencies.

2) Capital paid: LYD 300 000.00, of which LYD 180 000.00 paid by GEOFIZYKA Kraków sp. z o.o.

3) Capital not paid

(in PLN '000)

The entities of the Capital Group included in consolidation as at the end of the first half of 2008

Name of the Company	Country	Percentage share in the share capital	
		30 June 2008	30 June 2007
Subsidiaries			
GK GEOFIZYKA Kraków Sp. z o. o.****	Poland	100.00%	100.00%
GEOFIZYKA Toruń Sp. z o. o.	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu Jasło Sp. z o.o.	Poland	100.00%	100.00%
GK Poszukiwania Nafty i Gazu Kraków Sp. z o.o.*****	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%
Polish Oil And Gas Company – Libya B.V.***	Holland	100.00%	100.00%
PGNiG Norway AS**	Norway	100.00%	100.00%
Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100.00%	100.00%
Górnośląski Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100.00%	100.00%
Karpacki Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100.00%	100.00%
Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100.00%	100.00%
Pomorski Operator Systemu Dystrybucyjnego Sp. z o. o.	Poland	100.00%	100.00%
Wielkopolski Operator Systemu Dystrybucyjnego 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%
Polskie LNG Sp. z o.o.	Poland	100.00%	100.00%
Subsidiaries of BN Naftomontaż Krosno Sp. z o. o. (a subsidiary)			
NAFT-STAL Sp. z o.o.	Poland	59.88%	59.88%
Co-subsidiaries and associates measured in line with the equity method			
SGT EUROPOL GAZ S.A.*	Poland	49.74%	49.74%
GAS - TRADING S.A.	Poland	43.41%	43.41%

* Including a 48% direct share and a 1.74% indirect share through GAS - TRADING S.A.

** The Company was included in consolidation in the third quarter of 2007.

*** On 4 February 2008 the name of the company was changed from PGNiG Finance B.V. to Polish Oil And Gas Company – Libya B. V. (POGC Libya B. V.)

**** GK GEOFIZYKA Kraków Sp. z o. o. includes Geofizyka Kraków Sp. z o.o. and its subsidiary GEOFIZYKA Kraków Libya JSC.

***** GK Poszukiwania Nafty i Gazu Kraków Sp. z o. o. includes Poszukiwania Nafty i Gazu Kraków Sp. z o. o. and its subsidiary Oil Tech International - F.Z.E.

1. b. Changes in the structure of the business entity, including due to mergers, acquisitions or sale of entities of the issuer's capital group, long-term investments, division, restructuring and discontinuation of activity

The key changes in the structure of the PGNiG Capital Group in the first half of 2008 included:

- An increase in the share capital of Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o. by PLN 165,363 thousand to the level of PLN 1,476,112 thousand. The increase in the share capital of the company was registered in the National Court Register on 12 February 2008;

- An increase in the share capital of Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o. by PLN 286,531 thousand to the level of PLN 1,217,350 thousand. The increase in the share capital of the company was registered in the National Court Register on 24 January 2008;

- An increase in the share capital of Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o.o. by PLN 131,128 thousand to the level of PLN 978,287 thousand. The increase in the share capital of the company was registered in the National Court Register on 27 May 2008;

- An increase in the share capital of Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o. by PLN 93,391 thousand to the level of PLN 596,141 thousand. The increase in the share capital of the company was registered in the National Court Register on 29 February 2008;

- An increase in the share capital of Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o.o. by PLN 104,697 thousand to the level of PLN 651,145 thousand. The increase in the share capital of the company was registered in the National Court Register on 9 April 2008;

- An increase in the share capital of Górnośląski Operator Systemu Dystrybucyjnego Sp. z o.o. by PLN 91,366 thousand to the level of PLN 1,288,680 thousand. The increase in the share capital of the company was registered in the National Court Register on 25 June 2008;

- An increase in the share capital of Geofizyka Kraków Sp. z o.o. by PLN 30,000 thousand to the level of PLN 64,400 thousand. The increase in the share capital of the company was registered in the National Court Register on 2 April 2008;

- An increase in the share capital of Polskie LNG Sp. z o.o. by PLN 11,000 thousand to the level of PLN 50,000 thousand. The increase in the share capital of the company was registered in the National Court Register on 7 January 2008.

Other changes in the share of PGNiG S.A. in the companies were related to the following operations:

- On 29 May 2008 an increase in the share capital of ZRUG Zabrze Sp. z o.o. by PLN 2,500 thousand was recorded in the National Court Register. As PGNiG S.A. did not participate in this operation, its share in the share capital of the company reduced to the level of 11.43%;

- On 5 February 2008 the Extraordinary Shareholders' Meeting of Polski Serwis Płynów Wiertniczych Sp. z o.o. passed a resolution on the redemption of 50 shares in PPiEZRiG PETROBALTIC S.A. without reducing the company's share capital. Based on a court decision of 10 March 2008 PPiEZRiG PETROBALTIC S.A. was removed from the National Court Register as a shareholder of Polski Serwis Płynów Wiertniczych Sp. z o.o. As a result, the share of PGNiG S.A. in the votes at the Shareholders' Meeting increased to the level of 15.56%;

- On 31 March 2008 ZRUG Warszawa S.A. under liquidation was removed from the National Court Register;

- On 24 April 2008 Zakład Remontowy Urządzeń Gazowniczych Wrocław Sp. z o.o. in bankruptcy was removed from the National Court Register.

Additionally:

- On 17 June 2008 the Extraordinary Shareholders' Meetings of five Distribution System Operators – Mazowiecki, Dolnośląski, Karpacki, Pomorski and Wielkopolski – passed resolutions regarding an increase in the share capitals of these companies. By 30 June 2008 the increase had not been registered (however, the increase in the share capital of POSD Sp. z o. o. by PLN 18,555 thousand was registered in the National Court Register as at 4 August 2008, and the increase in the share capital of KOSD Sp. z o. o. by PLN 8,841 thousand – as at 22 August 2008). The Extraordinary Shareholders' Meeting of Górnośląski Distribution System Operator passed a resolution regarding an increase in the share capital on 5 August 2008;

- On 30 June 2008 the President of the Energy Regulatory Office designated five distribution system operators – Górnośląski, Dolnośląski, Karpacki, Pomorski and Wielkopolski – as the gas distribution system operators for the period from 1 July 2008 to 30 June 2009. Based on a decision of the President of the Energy Regulatory Office issued on the same date, Mazowiecki Distribution System Operator was designated as the gas distribution system operator for the period from 1 July 2008 to 31 December 2008;

- On 18 June the Management Board of Zakłady Azotowe w Tarnowie-Mościcach S.A.granted PGNiG S.A. the rights to 4,000,001 shares series B with face value of PLN 5 and issue price of PLN 19,50 each, which constitutes 10,23% of the company's share capital. The increase in Zaklady Azotowe w Tarnowie-Mościcach S.A. share capital was registered in National Court Register on 22 July 2008. The total investment value amounted to PLN 78,000 thousand.

- On 4 February 2008 the change in the name of PGNiG Finance B.V. to Polish Oil And Gas Company Libya B.V. was registered. New agreement apart from changing company’s name also changes the company’s core business.

- On 23 January 2008 a court decision was issued on declaring WALCOWNIA RUR JEDNOŚĆ Sp. z o.o. bankrupt. The decision entered into force on 16 April 2008.

1. c. Composition of the Management Board of PGNiG S.A.

According to the Company’s By-laws, the Management Board of PGNiG S.A. is composed of two to seven people. The number of the members in the Management Board is defined by the entity that appoints the Management Board. Members of the Management Board are appointed for a joint three year term. Members of the Management Board or the entire Management Board are appointed by the Supervisory Board. Each of the Members of the Management Board can be dismissed or suspended by the Supervisory Board or the General Shareholders’ Meeting. During the period in which the State Treasury is the Company’s shareholder and the Company employs over 500 persons on average per year, the Supervisory Board appoints one person selected by the employees to the Management Board for one term.

As at 30 June 2008, the Management Board of PGNiG S.A. consisted of five persons:

- Michał Szubski - Chairman of the Board;
- Mirosław Dobrut – Vice Chairman of the Board;
- Radosław Dudziński – Vice Chairman of the Board;
- Sławomir Hinc – Vice Chairman of the Board;
- Mirosław Szkałuba – Vice Chairman of the Board.

The following changes in the composition of the Management Board of PGNiG S.A. took place during the first half of 2008:

On 12 March 2008, the Supervisory Board of PGNiG S.A. dismissed the following persons from the Management Board:

- Mr. Krzysztof Głogowski;
- Mr. Zenon Kuchciak;
- Mr. Stanisław Niedbalec;
- Mr. Tadeusz Zwierzyński.

In addition, on 12 March 2008 the Supervisory Board of PGNiG S.A. appointed the following persons to the Management Board of PGNiG S.A.:

- Mr. Michał Szubski as Chairman of the Management Board of PGNiG S.A.;
- Mr. Michał Dobrut as Member of the Management Board of PGNiG S.A. - Vice Chairman responsible for technical and investment matters;
- Mr. Radosław Dudziński as Member of the Management Board of PGNiG S.A. - Vice Chairman responsible for strategic projects;
- Mr. Sławomir Hinc as Member of the Management Board of PGNiG S.A., - Vice Chairman responsible for economic and financial affairs.

On 20 March 2008, the Supervisory Board of PGNiG S.A. dismissed Mr. Jan Anysz from the Management Board of PGNiG S. A. and simultaneously appointed Mr. Mirosław Szkałuba, who was selected by the employees of PGNiG S. A., as Member of the Management Board – Vice Chairman of PGNiG S. A.

There were no changes in the composition of the Management Board of PGNiG S.A. by the day of preparing this financial statement.

1. d. Proxies of PGNiG S.A.

As at 30 June 2008, the Company’s proxies were:

- Ewa Bernacik;
- Marek Dobryniewski;
- Stanisław Radecki;
- Waldemar Wójcik.

The following changes of the proxies of PGNiG S.A. took place during the first half of 2008:

On 3 January 2008, the Management Board of PGNiG S. A. appointed the following persons as the Company's proxies: Mr. Jan Czerepok, Mr. Marek Dobryniewski and Mr. Waldemar Wójcik.

On 17 March 2008, the proxy granted to Mr. Jan Czerepok was revoked. On 25 April 2008, the proxy granted to Mr. Bogusław Marzec was revoked.

On 29 April 2008 the Management Board of PGNiG S.A. appointed Mr. Stanisław Radecki as the Company's proxy.

There were no changes of proxies of PGNiG S.A. by the day of preparing this financial statement.

The powers of proxy are joint, i.e. in order for documents to be effective from the legal point of view, they must be signed by a proxy and a Member of the Management Board of PGNiG S.A.

1. e. Composition of the Supervisory Board of PGNiG S.A.

According to the Company's By-laws, the Supervisory Board of PGNiG S.A. is composed of five to nine members appointed by the Shareholders' Meeting for the period of a three year joint term of office. As long as the State Treasury remains the Company's shareholder, the State Treasury is represented by the Minister of State Treasury, acting in cooperation with the Minister of Economy, who is authorized to appoint and dismiss one member of the Supervisory Board.

One member of the Supervisory Board appointed by the Shareholders' Meeting should meet the following conditions:

1) should be elected according to the procedure referred to in § 36 clause 3 of the By-laws of PGNiG S.A.;
2) cannot be the Company's Related Party or its subsidiary;
3) cannot be a Related Party to the parent or parent's subsidiary, or
4) cannot be a person in any relationship with the Company or any of the entities listed in point 2) and 3), which could significantly affect the ability of such person holding the position of member of the Supervisory Board to pass unbiased decisions.

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

Pursuant to § 36 clause 3 of the By-laws of PGNiG S.A., the member of the Supervisory Board who should meet the above criteria is elected by way of a separate vote. The right to submit written nominations of candidates to the Supervisory Board who must meet the above conditions to the Chairman of the General Shareholders' Meeting is reserved for shareholders who are present at the General Shareholders' Meeting summoned to select such a member. If the shareholders do not elect candidates, candidates to the Supervisory Board that should meet the aforementioned conditions are proposed by the Supervisory Board.

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

As at 30 June 2008, the Supervisory Board consisted of nine members and its composition was as follows:

- Stanisław Rychlicki - Chairman of the Supervisory Board;
- Marcin Moryń – Vice 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;
- Huber Konarski - Member of the Supervisory Board;
- Mieczysław Puławski - Member of the Supervisory Board;
- Jolanta Siergiej - Member of the Supervisory Board;
- Joanna Stuglik - Member of the Supervisory Board.

The following changes in the composition of the Supervisory Board of PGNiG S.A. took place during the first half of 2008:

On 7 February 2008, Mr. Mirosław Szkałuba resigned from the position of Member of the Supervisory Board.

On 15 February 2008, the Extraordinary Shareholders' Meeting of PGNiG S.A. dismissed the following persons from the Supervisory Board:

- Mr. Piotr Szwarc;
- Mr. Jarosław Wojtowicz;
- Mr. Andrzej Rościszewski;
- Mr. Wojciech Arkuszewski.

In addition, the Extraordinary Shareholders' Meeting of PGNiG S.A. appointed the following persons to the Supervisory Board on 15 February 2008:

- Mr. Stanisław Rychlicki;
- Mr. Grzegorz Banaszek.

On 28 April 2008, the Extraordinary Shareholders Meeting of PGNiG S.A. dismissed Mr. Grzegorz Banaszek, Mr. Kazimierz Chrobak, Mr. Mieczysław Kawecki, Mr. Marcin Moryń, Mr. Mieczysław Puławski, and Mr. Stanisław Rychlicki from the position of Members of the Supervisory Board as of 29 April 2008, following termination of their office.

On 30 April 2008, the Extraordinary Shareholders' Meeting appointed Mr. Grzegorz Banaszek, Ms. Agnieszka Chmielarz, Mr. Mieczysław Kawecki, Mr. Hubert Konarski, Mr. Marcin Moryń, Mr. Mieczysław Puławski, Mr. Stanisław Rychlicki Ms. Jolanta Siergiej and Ms. Joanna Stuglik to the position of Members of the Supervisory Board for a joint term of office commencing on 30 April 2008.

There were no changes in the composition of the Supervisory Board of PGNiG S.A. by the day of preparing this financial statement.

2. INFORMATION ON THE APPLIED ACCOUNTING PRINCIPLES

2. a. Basis of the preparation of the consolidated financial statements

The Interim Consolidated Financial Statements of the Group have been prepared in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" and in line with appropriate International Financial Reporting Standards (IFRS) as approved by the European Union as at 30 June 2008.

Pursuant to IAS 1 "Presentation of financial statements", IFRS consist of International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The scope of information disclosed in these consolidated financial statements is in line with the provisions of IFRS and the Ordinance on current and periodic information submitted by issuers of securities (Dz. U. No. 209, item 1744) issued by the Council of Ministers on 19 October 2005.

The key accounting principles applied by PGNiG Capital Group are presented below.

The consolidated financial statements are presented in PLN, and all figures, unless stated otherwise, are presented in PLN thousands. Any potential differences between totals and their components arise from rounding.

The financial statements of the Group have been prepared under the going concern assumption for the period of at least 12 months after the balance sheet date as regards the Parent and the subsidiaries.
As at the date of signing the financial statements, the Parent's Management Board was not aware of any facts and circumstances that could indicate that, as a result of intended or compulsory discontinuation or significant limitation of existing operations, the continuity of the Company's operations during 12 months after the balance sheet date could be threatened.

These financial statements were signed and approved for publication by the Management Board of the Parent on 25 September 2008.

Statement of compliance

The International Financial Reporting Standards consist of standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee.

During the current year the Group adopted all new and verified standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee as approved for application in the European Union, applicable to the Company's operations and to annual reporting periods beginning on or after 1 January 2008. The adoption of new and verified standards and interpretations did not result in changes in the Group's accounting principles affecting the figures disclosed in the financial statements for previous years and the current year.

2. b. Effect of new standards and interpretations on the financial statements of the Group

IFRS as approved by the EU do not differ significantly from the current regulations adopted by the International Accounting Standards Board, except for the following standards, which as at 30 June 2008 had not yet been adopted for use:

- Amendments to IFRS 1 "First–time adoption of International Financial Reporting Standards" and to IAS 27 "Consolidated and Separate Financial Statements" – published on the 22th of May 2008 are applicable to annual periods beginning on or after 1 January 2009.
- IAS 1 "Presentation of financial statements": Changed presentation
  Amendments to the standard are applicable to annual periods beginning on or after 1 January 2009.
- Amendments to IFRS 2 "Share-based payment": Vesting conditions.
  Amendments to the standard are applicable to annual periods beginning on or after 1 January 2009.
- Amendment of IFRS 3 "Business Combinations" and the accompanying amendments to IAS 27 "Consolidated financial statements and investments in subsidiaries"
  Amendments to the standards are applicable to annual periods beginning on or after 1 July 2009.
- IAS 23 "Borrowing costs"
  Standard changes apply to annual periods beginning on or after 1 January 2009.
- Updated IAS 27 "Consolidated and separate financial statements" applies to annual periods beginning on or after 1 July 2009.
- Changes to IAS 32 "Financial instruments: disclosure and presentation" and to IAS 1 "Presentation of financial statements – Financial instruments with selling option and liabilities resulting from liquidation" apply to annual periods beginning on or after 1 January 2009.
- Amendments to IAS 39 "Financial instruments: recognition and measurement" published on the 31st of May 2008 are applicable to annual periods beginning on or after 1 July 2008.
- Amendments to International Financial Reporting Standards resulting from the annual review – a set of amendments to IFRS, in majority applicable to annual periods beginning on or after 1 January 2009.
- IFRIC 12 "Service Concession Arrangements"
  IFRIC 12 applies for the first time to annual periods beginning on or after 1 January 2008. The interpretation provides guidelines for operators regarding license arrangements for services between the public and private sector as regards the recognition of these arrangements for accounting purposes. IFRIC 12 applies to arrangements, in which the license granting body controls or regulates which services shall be provided by an operator using specific infrastructure and also controls the remaining substantial share in the infrastructure at the end of the arrangement duration.
- IFRIC 13 "Customer Loyalty Programs"
  IFRIC 13 is applied for the first time to annual periods beginning on or after 1 July 2008. The interpretation addresses accounting by entities granting loyalty award credits. Specifically, it explains how such entities should account for their obligations to provide free or discounted goods or services to customers who redeem award credits.

- IFRIC 14 "IRS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction".
  IFRIC 14 is applied for the first time to annual periods beginning on or after 1 January 2008.
- IFRIC 15 "Agreements for the construction of real estate" applies to annual periods beginning on or after 1 January 2009.
- IFRIC 16 "Hedges of a net investment in a foreign operation" applies to annual periods beginning on or after 1 October 2008.

The Parent assessed the effects of the application of these interpretations and changes in standards and concluded that the changes in IAS 1, IFRS 8 and IAS 23 may affect the presentation of the financial statements upon application. Effective from 1 January 2009 the Group's reporting will include the proposed changes.

In the initial opinion of the Parent, the Group's application of IFRIC interpretations as at the balance sheet date would not materially affect the consolidated financial statements.

In addition, hedge accounting principles applicable to the financial assets or liabilities portfolios continue to remain outside the scope of regulations adopted by the EU, as they have not been approved for use in the EU.

The Parent estimates that the application of hedge accounting to the financial assets or liabilities portfolios in accordance with IAS 39 "Financial instruments: recognition and measurement" would not significantly impact the consolidated financial statements if approved for use by the EU as at the balance sheet date.

Additionally, in preparing these summary financial statements the Group did not apply the following standards, amendments to standards and interpretations which have been published and approved for use in the EU, but which are not yet effective:

- IFRS 8 "Operating Segments"
  IFRS 8 was issued on 30 November 2006 and replaces IAS 14 "Segment Reporting". IFRS 8 is applied for the first time to annual periods beginning on or after 1 January 2009. The standard specifies how an entity should present data on operating segments and requires that the presented information be based on internal reports. The standard also introduces the requirement to disclose information on products, services, geographical segments and main clients.

The Parent assessed the effects of these interpretations and changes in standards and concluded that the changes in IFRS 8 may affect the presentation of the financial statements upon application. Effective from 1 January 2009 the Group's reporting will include the proposed amendments. According to the Parent's estimates the remaining changes would not have a material impact on the consolidated financial statements if adopted by the Group as at the balance sheet date. The Group does not intend to adopt these standards and interpretations before their effective date.

2. c. Accounting principles applied

Consolidation principles

The consolidated financial statements include the financial statements of PGNiG S.A. acting as the Parent and the financial statements of the entities controlled by the Parent (or controlled by the Parent's subsidiaries) prepared as at 30 June 2008, except for subsidiaries, whose impact on the consolidated financial statements would not be material. An entity is considered to be controlled whenever the Parent has the ability to influence the financial and operational policy of the entity to generate benefits from its operations.
As at the date of acquisition, assets and liabilities plus equity of the acquiree are measured at their fair value. The surplus of the acquisition price over the fair value of the acquired identifiable net assets of the entity is recognized as goodwill. In case the acquisition price is lower than the fair value of identifiable net assets acquired from the entity, the difference is recognized as profit in the income statement for the period when the acquisition took place. The share of minority equity holders is disclosed in appropriate proportions of the fair value of the assets and equity. In subsequent periods losses attributable to individual minority equity holders over the value of their shares are charged to the Parent's equity.

Whenever necessary the financial statements of the subsidiaries or associates are adjusted in order to standardize the accounting principles applied by the entity with the accounting principles applied by the Parent.
All transactions, balances, revenues and expenses related to operations between related parties included in consolidation are eliminated from consolidation.
The profit or loss of the entities acquired or sold during the year is recognized in the consolidated financial statements from the moment of their acquisition and until their sale.
In case a subsidiary is no longer controlled, the consolidated financial statements should disclose the profit or loss for the part of the year covered by the financial statements when the Parent exercised such control.
Minority interest in the first half of 2008 includes the part of shares in BSiPG Gazoprojekt S.A., BN Naftomontaż Sp. z o. o. and Naft-Stal Sp. z o.o. which do not belong to the Group.

Investments in associates

An associate is an entity which the Parent can influence significantly, but with respect to which it does not exercise control, by participating both in the development of the financial and operational policy of such an associate, and which is not a joint venture. The financial interest of the Group in its associates is measured using the equity method, except for instances when an investment is classified as held for trading (see below). Investments in associates are measured at acquisition price after adjustment for changes in the Group's share in net assets which took place until the balance sheet date, less the impairment of individual investments. Losses of associates exceeding the value of the Group's share in such associates are not recognized.
The surplus of the acquisition price over the fair value of identifiable net assets of an associate as at the acquisition date is recognized under goodwill. When the acquisition price is lower than the fair value of identifiable net assets of an associate as at the acquisition date, the difference is recognized as profit in the income statement for the period when the acquisition was effected.

Profits and losses resulting from transactions between the Group and an associate are subject to consolidation eliminations in line with the Group's share in such an associate's equity. The balance sheet dates of the associates and the Group are identical and both the entities apply uniform accounting principles. Whenever necessary the financial statements of associates are adjusted in order to standardize the accounting principles applied by such an entity with the accounting principles applied by the Parent. Losses incurred by an associated entity can imply the impairment of its assets which results in the necessity to create an appropriate revaluation write-down.

Interests in joint ventures

The Group's interest in a joint venture is recognized in line with the equity method based on the principles described under investments in associates.

Translation of items denominated in foreign currency

The Polish zloty (PLN) is the functional and presentation currency used by PGNiG S.A. and its subsidiaries, except for POGC Libya B.V. and PGNiG Norway AS. Transactions denominated in foreign currencies are initially recognized at the exchange rate of the functional currency applicable at the transaction date. Cash assets and liabilities denominated in foreign currencies are translated at the exchange rate of the functional currency applicable at the balance sheet date. All exchange differences are recognized in the consolidated income statement, except for exchange differences arising from the translation of assets and liabilities plus equity of foreign entities. These differences are recognized directly in equity until the disposal of interests in these entities. Non-cash items measured at historical cost in foreign currency are translated at the exchange rate from the transaction opening date. Non-cash items measured at fair value in foreign currency are translated at the exchange rate applicable at the date when the fair value was determined.
The Parent uses foreign currency forwards and options to hedge against risks resulting from exchange rate fluctuations (accounting principles applied by the Capital Group with respect to derivative financial instruments are provided below).

The Pakistani rupee (PKR) and euro (EUR) are the functional currencies of the foreign branches (Operator Branch in Pakistan and the Branch in Denmark), whereas the euro (EUR) and the Norwegian krone (NOK) are the functional currencies of the subsidiaries (POGC Libya B.V. and PGNiG Norway AS), respectively. As at the balance sheet date the assets and liabilities of these foreign entities are translated into the presentation currency of PGNiG S.A. at the exchange rate ruling at the balance sheet date, whereas their income statements are translated at the average exchange rate for a given financial year. Exchange differences resulting from such translation are recognized directly in equity as a separate item. Upon the sale of a foreign entity, accumulated deferred exchange differences recognized under equity and related to a given foreign entity are recognized in the income statement.

Property, plant and equipment

Property, plant and equipment is initially measured at acquisition price or manufacturing cost (historical cost measurement model).

The acquisition price or manufacturing cost includes the costs incurred on purchase or manufacture of property, plant and equipment and further expenditure incurred in order to increase the asset's useful life, replace its major components or its renovation. The acquisition price or manufacturing cost of property, plant and equipment does not include interest on borrowings and exchange differences related to the manufacture of property, plant and equipment components, which are charged to the income statement upon their incurrence.

Spare parts and service equipment are disclosed under inventories and recognized in the income statement upon use. Material spare parts and emergency equipment qualifies for recognition as property, plant and equipment, if the Group expects to use such items for over a year and if it is possible to allocate them to individual components of property, plant and equipment.

The Group does not increase the carrying amount of property, plant and equipment by their current maintenance costs, which are charged to the income statement upon incurrence. Current maintenance costs of property, plant and equipment, i.e. repair and maintenance, include labor cost and costs of used materials and they can include the cost of immaterial spare parts.

Upon the initial recognition of an item of property, plant and equipment as an asset, the Group recognizes it at acquisition price or manufacturing cost less accumulated depreciation and impairment loss.

Depreciation is calculated for all property, plant and equipment, except for land and fixed assets under construction, during the estimated economic useful life of these assets using the straight-line method:

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

Property, plant and equipment used under leases or similar agreements and classified as the entity's assets are depreciated over the asset's useful life, not longer however, than over the term of the agreement.

Upon disposal or liquidation of property, plant and equipment, the historical cost and accrued depreciation are derecognized from the balance sheet, while any gains or losses are charged to the income statement.

Fixed assets under construction are measured at acquisition price or the amount of total expenses directly connected with their manufacture, less impairment. Fixed assets under construction are not depreciated until they have been completed and commissioned.

Exploration and prospecting expenditure

Natural gas and oil exploration and prospecting expenditure includes geological work aimed at finding and documenting the deposit and are settled using the geological success method.
The Group recognizes expenditure incurred on initial land analysis (seismic work, development and drawing up of geological maps) directly as cost in the income statement for the period in which such expenditure was incurred.
The Group recognizes bore hole expenditure incurred during exploration and prospecting in assets, as fixed assets under construction.
Previously activated expenditure for bore holes deemed as negative are charged by the Group to the income statement for the period in which such bore holes were deemed negative.

After natural gas and/or oil production has been proven technically feasible and commercially legitimate, the Group reclassifies mineral resource exploration and assessment assets to fixed assets or intangible assets, depending to what such assets refer to.

Borrowing costs

Borrowing costs are recognized under expenses at the moment they are incurred in line with the benchmark treatment defined in IAS 23.

Investment property

Investment property is the property (land, building, part of a building, or both) treated by the Company as a source of rental income or held for capital appreciation or both. Investment property is initially recognized at acquisition price plus transaction costs.
The Group has decided to measure its investment property based on the cost model and after initial recognition measures all its investment property in line with the requirements of IAS 16 defined for such a model i.e. at acquisition price or manufacturing cost less accumulated depreciation and impairment loss.
Investment property is derecognized upon its disposal or decommissioning, if no benefits are expected in the future from its sale. All gains and losses arising from the derecognition of investment property are charged to the income statement for the period in which such property is derecognized.

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

Buildings and structures	2 – 40 years

Intangible assets

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

The Group initially recognizes intangible assets at acquisition price or manufacturing cost. Subsequent to initial recognition, the Group measures intangible assets at acquisition price or manufacturing cost less amortization and total impairment loss.

The above amortization method reflects the manner in which the economic benefits associated with an intangible asset are used by the Group; however if the use of such benefits cannot be reliably determined, the straight-line method is applied. The adopted amortization method is applied consistently over subsequent periods, unless there is a change in the expected manner in which economic benefits will be used.

The amortization period and method are verified at least at the end of each financial year. If the expected useful life of an asset is significantly different from previous estimates, the amortization period is changed. If the manner in which economic benefits are expected to be used over time has altered significantly, the amortization method is changed accordingly, to reflect such an alteration. The above changes are recognized by the Group as changes of accounting estimates and are charged to the income statement for the period in which such estimates are changed.

The following economic useful lives are typically applied in the amortization of intangible assets:

Acquired licenses, patents and similar items	2-15 years
Acquired computer software	2-10 years
Land perpetual usufruct	40-99 years

The perpetual usufruct right acquired free of charge pursuant to an administrative decision issued based on the Law of 20 September 1990 amending the Law on land management and property expropriation is recognized by the Group in off balance sheet records only.
Land perpetual usufruct right acquired in exchange for consideration is presented as intangible assets and amortized during its useful life. The useful life of the surplus of the first payment over the annual perpetual usufruct fee is equal to the perpetual usufruct period determined in the perpetual usufruct right agreement.
The period of land perpetual usufruct acquired for a fee from an entity other than the State Treasury or local government unit is equal to the period from the usufruct acquisition date to the last day of the perpetual usufruct period determined in the perpetual usufruct agreement.

Intangible assets with an indefinite useful life are not subject to amortization.
Intangible assets with an indefinite useful life as well as intangible assets which are not yet used are subject to periodic (once a year) testing for impairment.

R&D expenses

R&D expenses are not subject to activation and are presented in the income statement as costs in the period, in which they were incurred.
R&D expenses are capitalized only when:

- a precisely specified project is realized (e.g. software or new procedures);
- it is likely that the asset will generate future economic benefits; and
- costs connected with the project can be reliably estimated.

R&D expenses are amortized using the straight-line method over their economic useful life.
If it is impossible to isolate the item of assets manufactured by the entity itself, R&D expenses as recognized in the income statement in the period in which they were incurred.

Leases

Leases are classified as finance lease, when the terms and conditions of the agreement transfer in principal all potential benefits as well as risk resulting from being the owner onto the lessee. All other forms of leases are treated as operating leases.

The Group as a Lessor

Assets provided to other entities under finance leases are recognized in the balance sheet under receivables in the amount of the net lease investment, less the principal portion of lease payments for a given financial period calculated to reflect the fixed periodical return rate on the unsettled portion of the net lease investment.
Revenues from interest payable due to finance leases are recognized in appropriate periods using the fixed rate of return on the net value of the Company's investment due to leases.

Revenues due to operating leases are recognized in the income statement using the straight line method during the period resulting from the lease contract.

The Group as a Lessee

Assets used under finance leases are treated as the Group's assets and are measured at fair value upon their acquisition, not higher however than the current value of minimum lease payments. The resulting liabilities toward the Lessor are presented in the balance sheet under finance lease liabilities. Lease payments have been broken down into the interest and principal, so that the interest rate on the remaining liability is fixed. Financial expenses are charged to the income statement.

Payments from operating leases are recognized in the income statement using the straight line method during the period resulting from the lease contract.

Financial assets

If market practice foresees the delivery of financial assets after a precisely specified period following the transaction date, investments in financial assets are recognized in the accounting records and derecognized from the accounting records upon the conclusion of the purchase or sale transaction.
All investments are measured initially at purchase price adjusted by transaction costs. Investments are classified as "held for trading" or "available for sale" and measured at fair value at the balance sheet date. Gains and losses resulting from changes in the fair value are recognized in the income statement for a given period.
Financial assets with fixed or determinable payments and fixed maturity are classified as investments "held to maturity" provided that the Group definitively intends to and is capable of holding them until this date.
Long-term investments held to maturity are measured at adjusted acquisition price determined using the effective interest rate. Discounts or bonuses obtained upon the acquisition of the investment and settled over the period during which it was held to maturity are taken into account when determining the adjusted acquisition price. Gains or losses from investments measured at adjusted acquisition price are recognized in revenues during their settlement in the period and upon their derecognition from the balance sheet or upon the occurrence of impairment.
Positive measurement of derivatives which are not classified as hedging instruments is conducted at fair value through the financial result and disclosed at fair value, including the recognition of fair value changes in the income statement. Positive measurement of derivatives is disclosed in separate items of current assets.

Non-current assets held for sale

The Group classifies a non-current asset (or a group of assets for disposal) as held for sale if its carrying amount will be recovered primarily through a sale transaction rather than is further use.

Such is the case, if the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets (or a group of assets for disposal), while its sale is highly probable.

An asset (or a group of assets for disposal) is classified as held for sale after an appropriate decision is passed by a duly authorized body under the Company's By-laws / Articles of Association – the Company's Management Board, Supervisory Board or Shareholders' Meeting/General Shareholders' Meeting. In addition, an asset (or a group of assets for disposal) must be actively offered for sale at a reasonable price as regards its present fair value. Additionally, it should be expected that the sale will be effected within one year from the date of such classification.

The Group does not depreciate non-current assets after they have been classified as held for sale.

Inventories

The value of inventories in the warehouse is determined at acquisition price or manufacturing cost or at net realizable value, whichever lower, less impairment resulting from reduction of is economic usefulness. The acquisition price or manufacturing cost includes all costs of purchase, costs of conversion and other costs incurred in bringing inventories to their present location and condition.
Net realizable value is the difference between the estimated selling price in the ordinary course of business and the estimated costs of completion and the estimated costs necessary to execute the sales transaction.

Gas fuel in storage facilities is measured separately for each storage facility at the weighted average price of gas fuel acquisition.

The release of gas fuel for internal consumption in Underground Gas Storage Facilities (UGSF) as well as balance sheet differences are measured by the Company's Head Office at the weighted average acquisition price, which consists of the cost of acquiring gas fuel from all sources abroad, actual cost of production from domestic sources, the cost of denitration and the cost of acquisition from other domestic sources. The release of gas fuel for external sales is measured at gas fuel acquisition cost, i.e. the average actual acquisition price.

Trade and other receivables

Trade receivables are initially recognized at fair value. Upon initial recognition, receivables are measured at amortized cost using the effective interest rate method. Measurement differences are charged to the income statement. 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 based on the probability of their recovery, if there is objective evidence that the receivables will not be fully recovered.
Revaluation write-downs of receivables for gas deliveries to small customers (low consumption of gas), settled in line with tariff groups 1-4, are calculated on a statistical basis. Write-downs are created based on an analysis of historical data regarding settlement of receivables during the year. Using the results of the analysis, repayment ratios are calculated, and on this basis, the ageing analysis of receivables is prepared.
The Group creates revaluation write-downs for gas delivery receivables from customers from tariff groups 5-7 which are overdue by more than 90 days. Their amounts are calculated individually based on the Group's information on the debtor's financial position.
A 100% write-down is created for all accrued interest.
Revaluation write-downs on receivables are charged to other operating expenses or financial expenses, respectively, according to the type of receivables to which the revaluation write-down applies.
Irrecoverable receivables are charged to losses upon the assessment of their irrecoverability.
Writing-off or derecognition of receivables due their o expiry or irrecoverability results in the reduction of previously created write-downs.
Receivables derecognized or written-off due to expiry or irrecoverability, which were not written down or were partially written down, are classified as other operating expenses or financial expenses, as appropriate.

Cash and bank balances

Cash and bank balances disclosed in the balance sheet include cash at bank and in hand as well as short-term financial assets with high liquidity and the initial maturity not exceeding three months, easily convertible to specified cash amounts and subject to an insignificant value fluctuation risk.
The balance of cash and bank balances disclosed in the consolidated cash flow statement consists of the aforementioned cash and bank balances, less unpaid overdraft facilities.

Impairment

The Group tests its assets for impairment at each balance sheet date. If circumstances indicating impairment exist, the recoverable amount of a given asset is estimated in order to determine the potential impairment loss. When an asset does not generate cash flows which are highly independent from the cash flows generated by other assets, the analysis is conducted for the cash flow generating group of assets to which such an asset belongs.
Intangible assets with indefinite useful lives are tested for impairment on an annual basis and whenever there is an indication that an asset may be impaired.
The recoverable amount is determined as higher of: The fair value less costs to sell or the value in use. The last value corresponds to the present value of the estimated future cash flows discounted using a discount rate that reflects the current market time value of money and risks specific for a given asset.
If the recoverable amount of an asset (or asset group) is lower than its net carrying amount, the book value is reduced to the recoverable amount. The related impairment loss is recognized as a cost in the period, when the impairment occurred.
Upon the reversal of impairment, the net value of an asset (group of assets) is increased to the newly estimated recoverable value, however no higher than the net value of this asset which would be determined if impairment was not recognized in previous years. Reversed impairment loss is recognized under revenues.

Equity

Equity is recorded in the accounting records by type and in accordance with principles specified in legal regulations and in the Parent's By-laws.
Share capital is disclosed at face value in amounts complying with the Parent's By-laws and the entry in the Commercial Register.
Declared but not transferred capital contributions are recognized as called up share capital. Own shares and called-up share capital reduce the value of the Parent's equity.
The share premium is created from the surplus of the issue price of shares over their face value less issue costs.
Share issue costs incurred upon establishment of a joint stock company or increase in the share capital are charged to the share premium up to the share premium amount, while the remaining amount is charged to other reserves.
The effects of measurement resulting from the first time adoption of IFRS and all changes in revalued property, plant and equipment as well as intangible assets are charged to retained earnings/losses.
In accordance with IAS, previous year net profit can be allocated only to capital or dividends for shareholders. The option foreseen by the Polish legal system under which profit can be allocated to the Company's Social Benefits Fund, Restructuring Fund, employee profit-sharing schemes or other purposes is not reflected in IAS. Therefore, the Group recognizes 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 recognized in payroll cost, while funds transferred to the Company's Social Benefits Fund are recognized under employee benefits costs.

Borrowings

Interest bearing bank loans are recorded at the value of obtained inflows less the direct cost of obtaining these funds. Following initial recognition interest-bearing credit facilities and loans are recognized at adjusted acquisition price using the effective interest rate. The adjusted acquisition price includes borrowing costs as well as discounts and premiums received upon the settlement of the liability.
The difference between net inflows and redemption value is disclosed in financial revenues or expenses over the loan term.

Provisions

Provisions are created when a potential liability (legal or customary) of a reliably estimated value, which will most likely result in the outflow of assets generating economic benefits from the Company, is generated as a result of future events. The value of created provisions is verified at the balance sheet date in order to be adjusted to the current forecast.
The Group measures its provisions by discounting them, if the effect of changes in the time value of money is material; using a pre-tax discount rate which reflects current market estimates of the time value of money as well as risks related to a given liability which are not reflected in the most appropriate cost estimate. If a provision is discounted, increases in its value over time are recognized as borrowing costs. The discount rate should not bear the risk by which future estimated cash flows have been adjusted.
When provisions pertain to the cost of liquidating production related assets, the initial value of the provision increases the value of the respective fixed asset. Subsequent adjustments of the provision resulting from changes of estimates are also treated as a fixed asset value adjustment.
A detailed description of the bases of the Group’s provisions is provided in point 29.

Prepayments and accruals

The Capital Group’s constituent entities create prepayments for expenses pertaining to future reporting periods. They are presented in the balance sheet as a separate item of assets.
Accruals are liabilities related to goods or services which have been obtained/received, but not yet paid for, billed or formally agreed on with the supplier, together with amounts payable to employees (e.g. amounts related to accrued remuneration for paid vacation). These settlements are recognized in the balance sheet under equity and liabilities jointly with trade and other liabilities.
The Capital Group’s constituent entities recognize deferred income in order to allocate revenues to future reporting periods upon realization.
The Parent’s deferred income includes the value of revenues related to future periods due to forecasted gas sales and additional payments for uncollected gas resulting from take or pay contracts.
DSO Companies classify the value of gas infrastructure received free of charge (by 1998) and connection fees as deferred income. Respective revenues are realized together with created depreciation charges on the aforementioned service lines. These settlements are disclosed in the balance sheet as a separate item of liabilities and equity.

Trade and other liabilities

Trade liabilities are liabilities payable for goods or services which have been obtained/received and have been billed or formally agreed upon with the supplier.
Other liabilities include mainly liabilities resulting from the current activity of the Group’s companies, i.e. payroll and other current employee benefits as well as accruals and public law liabilities.

Financial liabilities

Financial liabilities are measured at amortized cost, excluding derivatives (negative measurement). Negative measurement of derivatives which are not classified as hedging instruments is conducted at fair value through the financial result and disclosed at fair value, including the recognition of fair value changes in the income statement.

Sales revenues

Revenues are recognized in the amount of the potential reliably estimated economic benefits that will be obtained by the Group from a particular transaction. The following criteria are also applied to the recognition of revenues:

Sale of goods and products

Sales revenues are recognized at fair value of payments due or received and represent receivables for services, products and goods supplied under regular business operations less discounts, VAT and other sale-related taxes (excise duty). Sales of goods and products are recognized at the moment of delivery of goods and transfer of the related ownership title.

Services

Revenues from services are recognized according to their actual stage of completion as at the balance sheet date. If services include an indefinable number of actions performed within a finite period, revenues are recognized on a straight line basis (equally distributed) over the entire period. If a certain action is more important than other actions, the recognition of revenues is deferred until the action is performed. If the result of the service-related transaction cannot be reliably estimated, revenues from the transaction are recognized only up to the amount of incurred expenses, which the entity expects to recover.

Interest

Interest income is recognized incrementally with respect to the principal, in line with the effective interest rate method.

Dividends

Dividend revenues are recognized when the cum dividend is established.

Rental income

Income from the rental of investment property is recognized in accordance with conditions resulting from concluded leases.

Construction contracts

Revenues from contracts are measured at the fair value of received or due payments.
If the outcome of a construction contract can be reliably measured, revenues and expenses are recognized in relation to the stage of completion of the contract as at the balance sheet date. The stage of completion is measured as the proportion of incurred costs to the total estimated contract costs except for cases when such a methodology would not reflect the actual stage of completion. Any changes in the scope of work, claims and bonuses are recognized at levels agreed upon with the client.
If a contract value cannot be reliably estimated, contractual revenues are recognized in accordance with the probable level of contract costs which will be covered. Contract related costs are recognized as expenses of the period in which they were incurred.
If there is a probability that contract related costs will exceed revenues, the expected loss on the contract is immediately recognized as an expense.

Government grants

Government grants to non-current assets are presented in the balance sheet as deferred income and gradually charged to the income statement over their expected useful life in the form of equal annual write-offs.

Income tax

Obligatory tax charges include Corporate Income Tax and deferred tax.
The current tax liability is calculated based on the tax base for a given financial year. Tax profit (loss) differs from net book profit (loss) due to the exclusion of taxable revenues and expenses classified as tax-deductible in the following years as well as items of expenses and revenues which will never be subject to taxation. Tax charges are calculated based on tax rates applicable in a given financial year.
Deferred tax is calculated based on the balance-sheet method as tax payable or refundable in the future based on the difference between the carrying amount of assets and liabilities and their corresponding tax values used for the calculation of the tax base.
A provision for deferred tax is created on all temporary positive differences subject to taxation, whereas deferred tax assets are recognized up to the amount of probable negative temporary differences that may reduce future taxable income. Tax assets or liabilities do not occur if the temporary difference results from goodwill or the initial recognition of another asset or liability in a transaction which does not affect either the tax or book profit/loss. The deferred tax provision is recognized based on temporary tax differences arising as a result of investments in subsidiaries and associates as well as joint ventures, unless the Group is capable of controlling the reversal of temporary differences and it is likely that in the foreseeable future the temporary difference will not be reversed.
The value of the deferred tax asset is subject to analysis as at every balance sheet date and if the expected future tax income is insufficient to realize the asset or its part, a relevant write-down is created.
Deferred tax is calculated based on tax rates applicable when the given asset is realized or the liability becomes due. Deferred income tax is charged to the income statement, except for cases when it is related to items directly recognized in equity. In this case, deferred tax is also charged directly to equity.

2. d. Main reasons for uncertainty of the estimate data

During the Group's development of the accounting policy described above, the Company made the following assumptions regarding uncertainty and estimates which had the most significant impact on values presented in the financial statements. Due to the above, there is a risk of material changes in the future periods regarding mainly the following areas:

Capital contributions to PI GAZOTECH Sp. z o.o.

In the first half of 2008, cases filed by PGNiG S.A. were pending regarding the cancellation or revocation of resolutions passed by the Extraordinary Shareholders' Meeting of PI GAZOTECH Sp. z o.o. regarding contribution to the company's capital. By 30 June 2008, the cases had not been decided.

On 4 February 2008 the Appeal Court dismissed the appeal of PGNiG S.A. regarding the case on revocation of the resolutions passed by the Extraordinary Shareholders' Meeting of PI GAZOTECH Sp. z o.o. of 23 April 2004, including the resolution obliging PGNiG S.A. to make a capital contribution of PLN 52,000 thousand for the benefit of that company. The judgment is valid. The claims ceased to be secured through suspension of the execution of the resolutions on capital contributions upon the Appeal Court judgment. On 8 July 2008 a plea of nullity was filed in respect to the judgment of the Appeal Court of 4 February 2008.

On 5 February 2008 the Appeal Court in Warsaw dismissed the appeal of PGNiG S.A. regarding the case on the non-existence of a resolution regarding share redemption, passed by the Shareholders' Meeting of PI GAZOTECH Sp. z o.o. on 23 April 2004. The judgment is valid. On 27 May 2008 a plea of nullity was filed in respect to the judgment of the Appeal Court of 5 February 2008.

By the preparation date of these financial statements, two additional court cases filed by PGNiG S.A. against PI GAZOTECH Sp. z o.o. were pending. The former regarded revocation of a resolution passed by the Extraordinary Shareholders' Meeting of PI GAZOTECH Sp. z o.o. of 19 January 2005 imposing an obligation on PGNiG S.A. to make a capital contribution of PLN 25,999 thousand. The latter regarded cancellation of a resolution passed by the Shareholders' Meeting of PI GAZOTECH Sp. z o.o. of 6 October 2005, imposing an obligation on PGNiG S.A. to make a capital contribution of PLN 6,552 thousand. The former case is still pending. The claims are secured through suspension of the execution of the resolution on capital contributions. As for the latter case, on 30 May 2008 the District Court dismissed the action of PGNiG S.A. and cancelled a decision on securing PGNiG S.A. claim. Both the judgments passed by the District Court are not valid. PGNiG S.A. lodged a claim regarding the issuance of reasons for the judgment and the decision in order to file an appeal against the judgment and a complaint related to the cancellation of securing the claim. The claims are still secured through suspension of the execution of the resolution on capital contributions.

Due to the above, the financial statements for the first half of 2008 include the Parent's liability and receivables from PI GAZOTECH Sp. z o.o. due to capital contributions in the amount of PLN 8,472 thousand as well as a revaluation write-down of PLN 82,472 thousand corresponding to the receivables in question. Additionally, the Parent increased the value of the provision for potential expenses to the amount of PLN 2,408 thousand (from the level of PLN 924 thousand as at the end of 2007).

Impairment of non-current assets

The Group's basic operating assets include mine assets, transmission infrastructure and gas storage facilities. These assets were tested for impairment. The Group calculated and recognized impairment losses in the accounting records based on the assessment of their useful life, planned liquidation or disposal. Assumptions regarding usefulness, liquidation and disposal of certain assets may change. Appropriate information regarding the value of impairment loss has been provided in Note 11b.

As regards the mine assets, an uncertainty exists as to the estimates applied to gas and oil resources, based on which cash flows related to such assets are estimated. A change in the estimates related to resources directly affects the amount of revaluation write-downs created on mine assets.

Additionally, the risk that the decision of the Energy Regulatory Office as to the level of prices for gas fuel distribution services may change accounts for that uncertainty considerably. The price change has a significant impact on the change in cash flows of the distribution companies, which may require an update of revaluation write-downs on the distribution assets.

Useful life of property, plant and equipment

Depreciation rates applied to the main groups of fixed assets were presented in point 2 of the financial statements. The useful lives of fixed assets were defined based on assessments of technical services responsible for their operation. These estimates are connected with uncertainty regarding the future operating environment, technological changes and market competition, which may result in a modified assessment of the economic useful life of assets and their remaining useful life, which may significantly impact the value of these assets and future depreciation costs.

Provisions for environmental protection

A provision for costs of well reclamation and other environmental provisions as described in note 29 constitute a material item of the financial statements. The provision is based on estimates of future liquidation and reclamation costs, which is highly dependent on the discount rate and estimated cash flow period.

Impairment of shares in SGT EUROPOL GAZ S.A.

The Parent conducted impairment tests of the shares in SGT EUROPOL GAZ S. A. using the discounted cash flows method. The calculations were based on data included in the financial plan of SGT EUROPOL GAZ S. A. for the years 2006–2019 as described in detail in Note 6. The impairment tests disclosed significantly different results depending on the assumption adopted with respect to the future cash flows, discount rate applied and the estimated cash flow generating period, which may significantly affect the value of the shares in the future.

2. e. Changes of presentation in the financial statements

The group introduced changes in the income statement for the first half of 2007 in order to ensure the comparability of data for the comparative and current period.
Due to a final verification (as at the end of 2007) of a hyperinflationary adjustment to deferred income related to infrastructure received free of charge during the period 1995-1996, the amount of the adjustment recognized in the first half of 2007 changed. The change resulted in a reduction of additional revenues from the settlement of deferred income under "Other operating expenses (net)" by PLN 3,605 thousand as well as deferred tax on this amount of PLN 685 thousand under "Income tax". The recognition of these amounts resulted in an reduction of the operating profit/loss by PLN 3,605 thousand and the net profit/loss by PLN 2,920 thousand.

Additionally, the Company introduced changes to the presentation of financial expenses due to measurement and settlement of derivative transactions hedging the foreign exchange rate in purchases of imported gas.
Exchange differences and expenses related to the measurement and settlement of derivative transactions in line with IAS should adjust the income statement items they refer to. Such a presentation of expenses ensures a clear picture of the Company, which limits presentation of the financial expenses to those related to contracting or granting loans, whereas the operating expenses include costs directly related to this activity, e.g. realized exchange differences on purchase of foreign currencies in order to pay for imported gas. Therefore, the change is consistent with the adopted presentation of exchange differences on trade settlements, which have been presented under operating activity.
Therefore, in the income statement for the first half of 2007, the company reclassified revenues and expenses related to trade liabilities settlement (including those arising from the purchase of gas) and measurement of derivatives hedging trade liabilities (gas purchase) reclassifying them from financial revenues or expenses to "Other operating expenses (net)". As a result, operating profit/loss in both comparative periods presented in the report changed. The profit/loss before tax and net profit/loss did not change.

Changes in the operating profit/loss and net profit/loss result from the introduction of the above adjustments are presented in the table below.

(in PLN '000)

Income statement (selected items)	Period from 1 January 2007 to 30 June 2007			
	Previously presented amounts	Reclassification of exchange gains/losses on measurement and settlement of derivatives related to gas purchases	Change in the hyperinflationary adjustment to deferred income related to infrastructure received free of charge during the period of 1995-1996	**Amounts after adjustments**
Other operating expenses (net)	(105 790)	(17 784)	(3 605)	(91 611)
Total operating expenses	**(7 068 755)**	**(17 784)**	**(3 605)**	**(7 054 576)**
Profit on operating activities	**1 371 747**	**(17 784)**	**(3 605)**	**1 385 926**
Financial revenues	151 025	17 784	-	133 241
Financial expenses	(80 854)	-	-	(80 854)
Profit before tax	**1 408 892**	**-**	**(3 605)**	**1 405 287**
Income tax	(291 489)	-	685	(290 804)
Net profit	**1 117 403**	**-**	**(2 920)**	**1 114 483**

Additionally, the Company reclassified capital expenditure for property, plant and equipment and intangible assets in its segment reporting for the first half of 2007. The value of expenditure incurred on fixed assets under construction related to expenditure on wells in the amount of PLN 114,226 thousand was reclassified from the segment "trade and storage" to "exploration and production".
Such expenditure is recognized in the trade segment but in fact these assets are used in the exploration segment following their commissioning. Hence, the Company recognized such expenditure in the first half of 2008 in the exploration and production segment and applied relevant adjustments to the comparative data for the first half of 2007.

3. SEGMENT REPORTING

It has been decided that segment reporting will be conducted by business segments. The Group operates in the following four segments:

a) *Exploration and production.* This segment involves acquisition of hydrocarbons from deposits as well as preparation of products for sale. It covers the entire natural gas and oil production process from deposits, from geological analyses, geophysical testing and drilling up to development and exploration of deposits. Activities related to exploration and production are conducted by both PGNiG S.A. and the Capital Group entities providing this type of services.

b) *Trading and storage.* This segment involves sales of natural gas imported and produced from domestic deposits and uses underground gas storage facilities for commercial purposes. As a result of the completion of the trade integration process, PGNiG S.A. is in charge of natural gas sales. The segment uses three underground gas storage facilities located in Mogilno, Wierzchowice and Husów. PGNiG S.A. and INVESTGAS S. A. (a constituent company of the Capital Group) administer and expand the gas storage facilities. The segment is responsible for sales of high-methane an nitrated gas in the transmission and distribution systems. Gas trading activity is conducted based on the provisions of the Energy Law, whereas the prices are determined in accordance with the tariffs approved by the President of the Energy Regulatory Office.

c) *Distribution.* This segment focuses mainly on natural gas transmission via the distribution network. Six companies – Distribution System Operators – are responsible for natural gas distribution. These companies supply gas to households, industrial and wholesale clients. Additionally, the companies are in charge of maintenance, repairs and development of the distribution network.

d) *Other activities.* This segment is in charge of designing and construction of facilities, machines and equipment for the mining, fuel and energy industries as well as provision of services related to the hotel and catering industry. The aforementioned activities are conducted mainly by the companies of the Capital Group.

Segment assets include all operating assets used by a given segment, including mainly cash, receivables, inventories as well as fixed assets less depreciation charges and revaluation write-downs. While most assets can be directly allocated to individual segments, the value of assets used by two or more segments is allocated to individual segments based on the extent the respective segments use these assets.

Segment liabilities include any operating liabilities, mainly trade, payroll and tax liabilities, both due and accrued as well as any provisions for liabilities that can be allocated to a given segment.
Both segment assets and segment liabilities are net of deferred tax.
Intra-segment transactions were eliminated.
All transactions between segments are concluded based on internally agreed prices.

3. a. Business segments

The tables below present data regarding the revenues, expenses and profits as well as certain assets and liabilities of the Group's individual business segments for the periods ended 30 June 2008 and 30 June 2007.

In the first half of 2007, the Gas Companies in the Capital Group were in charge of both natural gas trading and distribution. As a result of legal unbundling of the gas distribution activity from the trade activity in mid 2007, the trade activity of the Capital Group was integrated in PGNiG S.A. The Gas Companies were transformed into Distribution System Operators (DSO). Due to the above, in the below segment reporting pertaining to the comparative period ended 30 June 2007 the distribution segment includes also revenues and expenses related to the gas sold, whereas in the segment reporting pertaining to the current period the distribution segment includes only revenues and expenses related to the distribution service while revenues and expenses related to the gas sold are presented in the trade and storage segment.

(in PLN '000)

Period ended 30 June 2008	**Exploration and production**	**Trade and storage**	**Distribution**	**Other**	**Eliminations**	**Total**
Income statement						
Sales to external customers	1 103 095	8 073 540	11 903	71 065	-	9 259 603
Intra-segment sales	724 501	522 361	1 745 463	75 509	(3 067 834)	-
Total segment revenues	1 827 596	8 595 901	1 757 366	146 574	(3 067 834)	9 259 603
Amortization/depreciation	(307 410)	(70 644)	(338 352)	(5 017)	-	(721 423)
Other expenses	(977 112)	(8 087 650)	(1 165 254)	(143 886)	3 046 048	(7 327 854)
Total segment expenses	(1 284 522)	(8 158 294)	(1 503 606)	(148 903)	3 046 048	(8 049 277)
Result on the segment operating activities	**543 074**	**437 607**	**253 760**	**(2 329)**	**(21 786)**	**1 210 326**
Net financial expenses						159 537
Share in profits/(losses) of entities measured using the equity method		61				61
Profit before tax						**1 369 924**
Income tax						(310 653)
Net profit	-	-	-	-	-	**1 059 271**
Balance sheet						
Segment assets	9 614 154	9 989 096	9 825 570	258 918	(1 754 556)	27 933 182
Investments in entities measured using the equity method		556 722				556 722
Unallocated assets						163 664
Deferred tax assets						434 299
Total assets	-	-	-	-	-	**29 087 867**
						-
Total equity						20 926 938
Segment liabilities	2 601 185	3 311 743	2 012 328	82 296	(1 754 556)	6 252 996
Unallocated liabilities						476 529
Deferred tax provision						1 431 404
Total liabilities and equity	-	-	-	-	-	**29 087 867**
Other segment information						
Capital expenditure on property, plant and equipment and intangible assets	(644 101)	(149 442)	(391 642)	(8 302)	**-**	**(1 193 487)**
Revaluation write-downs on assets	(2 638 153)	(2 259 716)	(10 904 502)	(3 593)	-	**(15 805 964)**
Revaluation write-downs on unallocated assets						(34 424)

(in PLN '000)

Period ended 30 June 2007	**Exploration and production**	**Trade and storage**	**Distribution**	**Other**	**Eliminations**	**Total**
Income statement						
Sales to external customers	1 026 959	2 317 252	5 037 750	58 541	-	8 440 502
Intra-segment sales	587 733	3 772 931	4 900	113 461	(4 479 025)	-
Total segment revenues	1 614 692	6 090 183	5 042 650	172 002	(4 479 025)	8 440 502
Amortization/depreciation	(273 060)	(61 959)	(362 273)	(5 044)	-	(702 336)
Other expenses	(795 689)	(5 315 176)	(4 559 084)	(161 394)	4 479 103	(6 352 240)
Total segment expenses	(1 068 749)	(5 377 135)	(4 921 357)	(166 438)	4 479 103	(7 054 576)
Result on the segment operating activities	**545 943**	**713 048**	**121 293**	**5 564**	**78**	**1 385 926**
Net financial expenses						52 387
Share in profits/(losses) of entities measured using the equity method		(33 026)				(33 026)
Profit before tax						**1 405 287**
Income tax						(290 804)
Net profit						**1 114 483**
Balance sheet						
Segment assets	8 019 610	9 070 381	11 307 624	305 527	(728 642)	27 974 500
Investments in entities measured using the equity method		556 258				556 258
Unallocated assets						32 054
Deferred tax assets						373 014
Total assets						**28 935 826**
Total equity						21 190 607
Segment liabilities	1 354 011	2 140 534	2 625 020	80 307	(728 203)	5 471 669
Unallocated liabilities						328 373
Deferred tax provision						1 945 177
Total liabilities and equity						**28 935 826**
Other segment information						
Capital expenditure on property, plant and equipment and intangible assets	(403 109)	(101 805)	(397 047)	(3 131)	-	**(905 092)**
Revaluation write-downs on assets	(2 592 816)	(2 077 929)	(9 387 424)	(3 378)	-	**(14 061 547)**
Revaluation write-downs on unallocated assets						(56 003)

(in PLN '000)

3. b. Geographical segments

The Group operates mostly in Poland. Revenues from the export of products, goods and materials accounted for 5.26% of the total net revenues from sales of products, goods and materials in the first half of 2008 (6.88% in the first half of 2007).

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Domestic sales	8 772 703	7 860 173
High-methane gas	7 468 092	6 771 739
Nitrated gas	708 725	636 871
Crude oil	262 257	172 338
Helium	6 349	6 135
Propane-butane gas	22 408	17 395
Gasoline	2 005	979
Decompressed gas	9 552	7 847
Geophysical and geological services	66 545	3 914
Exploration services	50 776	70 677
Construction and assembly services	22 745	11 117
Design services	9 506	4 300
Hotel services	16 557	13 598
Other services	102 697	128 382
Other products	15 146	5 307
Goods and materials	9 343	9 574
Export sales	486 900	580 329
High-methane gas	13 814	14 761
Nitrated gas	-	-
Crude oil	185 102	160 857
Helium	7 090	9 652
Propane-butane gas	-	-
Gasoline	-	-
Decompressed gas	-	-
Geophysical and geological services	134 232	223 301
Exploration services	133 866	151 337
Construction and assembly services	1 565	5 597
Design services	-	1 265
Hotel services	-	-
Other services	3 147	2 188
Other products	7 170	10 438
Goods and materials	914	933
Total	**9 259 603**	**8 440 502**

The Group' sales are addressed mainly to the following countries: Great Britain, India, Kazakhstan, Libya, Egypt, Pakistan, Mozambique, Germany, the Czech Republic, Ukraine, Belgium, Norway, Hungary, Austria and Slovenia.

In addition, the majority of the Group's assets are located in Poland. As at 30 June 2008, the value of assets located abroad accounted for 5.72% of the total assets (4.68% as at 31 December 2007).

	30 June 2008	31 December 2007
Assets located in Poland	27 424 454	27 072 496
Assets located abroad*	1 663 413	1 329 405
Total	**29 087 867**	**28 401 901**

* Of which the amount of PLN 1,312,897 thousand was related to PGNiG Norway AS as at 30 June 2008 (1,075,353 as at the end of 2007)

The operations of the Group's constituent entities in Poland are not regionally diversified as regards risk and ROI level. Therefore, the Group presents information by business segments only.

(in PLN '000)

4. OPERATING EXPENSES

Raw materials and consumables used

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Gas purchase	(4 659 110)	(4 001 088)
Consumption of other materials	(234 677)	(290 110)
Total	**(4 893 787)**	**(4 291 198)**

Employee benefits

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Payroll	(750 932)	(715 338)
Social security and other benefits	(285 474)	(258 398)
Total	**(1 036 406)**	**(973 736)**

External services

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Purchase of transmission services	(724 373)	(733 758)
Other external services	(614 525)	(540 811)
Total	**(1 338 898)**	**(1 274 569)**

Other operating expenses (net)

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Change in net provisions	10 850	69 844
Change in net write-downs	(32 702)	8 789
Taxes and charges	(374 143)	(401 567)
Net interest on operating activities	90 240	159 633
Net exchange differences on operating activities	(172 877)	(71 554)
Profit/loss on measurement of forwards regarding operating activity	(4 504)	8 454
Value of goods and materials sold	(10 038)	(24 577)
Revenues from the current settlement of deferred income recognized in the balance sheet	42 534	37 697
Profit/loss on disposal of non-financial non-current assets	(11 247)	(17 290)
Property insurance	(13 576)	(17 773)
Business trips within the country and abroad	(22 783)	(24 345)
Change in inventories	144 546	173 378
Other net expenses	(12 973)	7 700
Total	**(366 673)**	**(91 611)**

5. FINANCIAL REVENUES AND EXPENSES

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Financial revenues	**199 195**	**133 241**
Profit from forward contracts measurement and redemption	88 285	-
Interest income	39 099	59 526
Exchange gains	-	6 094
Revaluation of investments	33 454	38 981
Gain on disposal of investments	33 167	23 058
Dividends and profit sharing	4 757	5 467
Other financial revenues	433	115
Financial expenses	**(39 658)**	**(80 854)**
Loss on measurement and redemption of forwards	-	-
Interest expense	(11 303)	(38 332)
Exchange losses	(16 896)	-
Discount of provision for reclamation of wells	(6 065)	(6 628)
Revaluation of investments	(2 184)	(13 665)
Loss on disposal of investment	-	-
Commission on credit facilities	(1 117)	(6 238)
Other financial expenses	(2 093)	(15 991)
Profit/loss on financing activity	**159 537**	**52 387**

(in PLN '000)

6. MEASUREMENT OF ASSOCIATES USING THE EQUITY METHOD

	30 June 2008	31 December 2007
SGT EUROPOL GAZ S.A.		
Share of PGNiG S.A. Capital Group in the company's share capital*	49,74%	49,74%
Core business	Gas fuel transmission	Gas fuel transmission
Measurement of shares using the equity method	1 463 991	1 522 822
Acquisition price	38 400	38 400
Share in changes in capital	1 502 391	1 561 222
Impairment write-down	(963 691)	(1 022 522)
Carrying amount of investment	**538 700**	**538 700**
GAS-TRADING S.A.		
Share of PGNiG S.A. Capital Group in the company's share capital	43.41%	43.41%
Core business	Trade	Trade
Measurement of shares using the equity method	16 731	17 538
Acquisition price	1 291	1 291
Share in changes in capital	18 022	18 829
Impairment write-down	-	-
Carrying amount of investment	**18 022**	**18 829**
Total carrying amount of investment	**556 722**	**557 529**

* Including a 48% direct share and a 1.74% indirect share through GAS - TRADING S.A.

6a. Reconciliation of investments in associates measured using the equity method

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Opening balance of the investment's carrying amount	557 529	589 284
Dividend paid by **GAS-TRADING S.A.**	(868)	-
Measurement charged to profit/loss, including:	**61**	**(33 026)**
Measurement of **SGT EUROPOL GAZ S.A.**	-	(34 100)
Measurement of **GAS-TRADING S.A.**	61	1 074
Closing balance of the investment's carrying amount	**556 722**	**556 258**

The Parent estimated its share in the equity of SGT EUROPOL GAZ S.A. based on the value of such equity resulting from the financial statements of SGT EUROPOL GAZ S.A. as at 30 June 2008 prepared in line with the Accounting Act, adjusted by differences in the accounting principles applied in the Group as well as the results on intra-group transactions. The differences in accounting principles concerned the recognition of interest expenses in the net value of fixed assets. The Group applies the benchmark approach for recognizing borrowing costs (IAS 23), under which the gross value of fixed assets does not include borrowing costs. Subsequently, the Parent conducted impairment tests of the shares in SGT EUROPOL GAZ S. A. using the discounted cash flows method. The calculations were based on data included in the financial plan of SGT EUROPOL GAZ S. A. for the years 2006–2019. The discounted cash flows cover all cash flows generated by SGT EUROPOL GAZ S.A., including cash flows related to the servicing of interest bearing external financing sources (interest expenses as well as repayment of principal of borrowings). As at 30 June 2008 the Parent applied the equity method to calculate its share in the co-subsidiary's equity, which amounted to PLN 1,502,391 thousand.

The results of impairment tests show significant differences depending on the adopted assumptions.

For reasons beyond the Company's control, the assumptions adopted in the measurement of the value of shares include a significant uncertainty related to material fluctuations in exchange rates and tariff policy changes.
Considering the above, the carrying amount of SGT EUROPOL GAZ S.A. measured by the Parent as at 30 June 2008 in line with the DCF method amounted to PLN 538,700 thousand. The measurement did not change as compared to the measurement conducted as at 31 December 2007.

(in PLN ‘000)

7. INCOME TAX

The Capital Group does not constitute a taxable capital group under Polish regulations. Each of the constituent entities of the Group is a separate taxpayer.

	Note	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Profit before tax		1 369 924	1 405 287
Tax rate applicable in the period		19%	19%
Tax according to the applicable tax rate		(260 286)	(267 005)
Permanent differences between the gross profit (loss) and tax base		(50 367)	(23 799)
Tax liability disclosed in the consolidated income statement		**(310 653)**	**(290 804)**
Current income tax	7a	(422 847)	(304 835)
Deferred income tax	7b	112 194	14 031
Effective tax rate		23%	21%

7. a. Current income tax

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Profit before tax (consolidated)	1 369 924	1 405 287
Consolidation adjustments	31 004	243 205
Differences between the gross profit/loss and income tax base	751 177	(85 457)
Revenues not included in taxable income	352 910	1 042 085
Costs not classified as tax-deductible	(623 267)	(905 109)
Taxable income not classified as revenues for accounting purposes	1 096 557	1 569 950
Tax-deductible expenses not classified as expenses for accounting purposes	(615 664)	(1 497 796)
Deductions from income	(73)	(20 635)
Income tax base	2 152 105	1 563 035
Tax rate for the given period	19%	19%
Income tax	(408 900)	(296 977)
Increases, releases, exemptions, deductions and reductions in taxes	(13 947)	(7 858)
Current income tax disclosed in the tax return for the period	(422 847)	(304 835)
Current income tax disclosed in the consolidated income statement	**(422 847)**	**(304 835)**

(in PLN '000)

7. b. Deferred income tax

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Origination and reversal of deferred tax due to negative temporary differences	14 957	(43 779)
Provisions due to payment of pension allowances	(2 095)	(2 403)
Provisions due to payment of severance and jubilee bonuses	4 781	1 585
Provision for payment of termination benefits	(11)	(687)
Provision for unused paid vacation	(2 784)	(2 076)
Provision for liquidation of wells	(1 095)	(9 905)
Revaluation write-downs on fixed assets	990	3 263
Revaluation write-down on shares	(4 079)	1 187
Revaluation write-downs on interest on receivables	(16)	209
Measurement of forwards	1 269	(2 553)
Expenses related to transactions hedging FX and interest rate risk	-	(19 217)
Exchange losses	19 766	(4 427)
Interest accrued on loans and liabilities	(66)	(1 082)
Connection fee	4 517	4 701
Tax loss	(4 562)	(143)
Unpaid salaries	(2 128)	(1 716)
Hyperinflationary remeasurement of deferred income	(514)	(514)
Other	984	(10 001)
Origination and reversal of deferred tax due to positive temporary differences	97 237	57 810
Exchange gains on credit facilities and deposits	308	904
Interest accrued on loans	(320)	548
Interest accrued on receivables	(1)	(178)
Measurement of financial instruments	(11 439)	947
Revenue arising from tax obligation falling due in the following month	12 134	40 068
Difference between the tax and accounting value of non-current assets	95 669	29 843
Other	886	(14 322)
Deferred income tax disclosed in the consolidated income statement	**112 194**	**14 031**

The current reporting period covered the tax period from 1 January 2008 to 30 June 2008.
The CIT rate applicable in the first half of 2008 was 19%. In the comparative period i.e. the first half of 2007 the rate was the same (19%).
Regulations on VAT, CIT and social security contributions are subject to frequent changes, and there is often no reference to established regulations or legal precedents. Additionally, the applicable regulations include ambiguities which give rise to discrepancies in the legal interpretation of tax regulations both among the state authorities and between the state authorities and companies. Tax and other settlements (e.g. customs or foreign currency settlements) can be subject to inspection by authorities entitled to impose high fines. Liabilities assessed as a result of inspections have to be settled together with high interest. As a result, the tax risk in Poland is higher than in countries where the tax system is more mature. There are no formal procedures in Poland enabling taxpayers to determine the final value of their tax liability. Tax settlements may be subject to inspection during a period of five years. Consequently, the amounts presented in the financial statements can change at a later date, after they have been finally assessed by tax authorities.
The balance of deferred tax presented in the financial statements is reduced by the adjustment arising from temporary differences whose realization for tax purposes is not 100% certain.

8. DISCONTINUED OPERATIONS

In the first half of 2008 the Group did not discontinue any activity nor is it planning to discontinue any of its current operations.

9. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the net profit for the reporting period attributable to ordinary equity holders of the Parent by the weighted average number of issued ordinary shares that existed during the financial period.

Diluted earnings per share are calculated by dividing the net profit (loss) for the reporting period attributable to ordinary equity holders (after the deduction of interest on redeemable preference shares which are convertible into ordinary shares) by the weighted average number of issued ordinary shares that existed during the period (adjusted by the effect of diluted shares and redeemable preference shares that are convertible to ordinary shares).

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Net profit attributable to equity holders of the Parent	1 059 601	1 114 130
Net profit attributable to equity holders of the Parent used for calculating diluted earnings per share	1 059 601	1 114 130
Weighted average number of ordinary shares used for calculating basic earnings per share ('000)	5 900 000	5 900 000
Weighted average number of ordinary shares used for calculating diluted earnings per share ('000)	5 900 000	5 900 000
Basic earnings for the financial year per share attributable to ordinary equity holders of the Parent	0.18	0.19
Diluted earnings for the financial period per share attributable to ordinary equity holders of the Parent	0.18	0.19

The weighted average number of shares was calculated in the manner presented in the following table:

Start date	End date	Number of ordinary shares on the market ('000)	Number of days	Weighted average number of shares ('000)
30 June 2008				
2008-01-01	2008-06-30	5 900 000	181	5 900 000
Total			**181**	**5 900 000**
30 June 2007				
2007-01-01	2007-06-30	5 900 000	181	5 900 000
Total			**181**	**5 900 000**

10. DIVIDENDS PAID AND PROPOSED

Dividends declared and paid in the period	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Dividend paid per share (in PLN)	0.19	0.17
Number of shares ('000)	5 900 000	5 900 000
Declared* dividend value in PLN '000, including:	1 121 000	1 003 000
- dividend in kind paid to the State Treasury	949 994	849 998
- cash dividend paid to the State Treasury	6	2
- cash dividend paid to other equity holders	171 000	153 000

* The dividend date for 2007 was set to 25 July, and the dividend payment date to 1 October 2008. Dividend for 2006 was paid on 1 October 2007.

(in PLN '000)

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2008	31 December 2007
Land	81 718	83 570
Buildings and structures	13 181 446	12 542 252
Technical equipment and machinery	2 195 830	2 129 116
Vehicles and other	838 809	860 554
Total fixed assets	**16 297 803**	**15 615 492**
Fixed assets under construction	3 379 597	3 100 017
Total property, plant and equipment	**19 677 400**	**18 715 509**

FIXED ASSETS

30 June 2008	Land	Buildings and structures	Technical equipment and machinery	Vehicles and other	**Total**
As at 1 January 2008, including depreciation	83 570	12 542 252	2 129 116	860 554	**15 615 492**
Increase	4 345	885 366	81 166	13 511	**984 388**
Decrease	(5 259)	(52 384)	(12 875)	(11 806)	**(82 324)**
Reclassification from fixed assets under construction and between groups	143	341 753	159 278	46 791	**547 965**
Impairment loss	(593)	(77 065)	11 794	4 289	**(61 575)**
Depreciation for the financial year	(488)	(458 476)	(172 649)	(74 530)	**(706 143)**
As at 30 June 2008, including accumulated depreciation	**81 718**	**13 181 446**	**2 195 830**	**838 809**	**16 297 803**
As at 1 January 2008					
Gross value	91 877	28 486 648	3 857 286	1 609 789	**34 045 600**
Accumulated depreciation and impairment loss	(8 307)	(15 944 396)	(1 728 170)	(749 235)	**(18 430 108)**
Net carrying amount as at 1 January 2008	**83 570**	**12 542 252**	**2 129 116**	**860 554**	**15 615 492**
As at 30 June 2008					
Gross value	91 107	29 657 696	4 075 779	1 650 864	**35 475 446**
Accumulated depreciation and impairment loss	(9 389)	(16 476 250)	(1 879 949)	(812 055)	**(19 177 643)**
Net carrying amount as at 30 June 2008	**81 718**	**13 181 446**	**2 195 830**	**838 809**	**16 297 803**

(in PLN '000)

31 December 2007	Land	Buildings and structures	Technical equipment and machinery	Vehicles and other	**Total**
As at 1 January 2007, including depreciation	88 469	13 899 904	2 119 767	879 491	**16 987 631**
Increase	132	102 578	11 297	4 071	**118 078**
Decrease	(5 305)	(103 244)	(50 552)	(40 320)	**(199 421)**
Reclassification from fixed assets under construction and between groups	2 215	850 083	405 927	170 614	**1 428 839**
Impairment loss	(964)	(1 284 344)	(20 495)	(12 879)	**(1 318 682)**
Depreciation for the financial year	(977)	(922 725)	(336 828)	(140 423)	**(1 400 953)**
As at 31 December 2007, including accumulated depreciation	**83 570**	**12 542 252**	**2 129 116**	**860 554**	**15 615 492**

As at 1 January 2007					
Gross value	94 947	27 651 578	3 520 586	1 493 880	**32 760 991**
Accumulated depreciation and impairment loss	(6 478)	(13 751 674)	(1 400 819)	(614 389)	**(15 773 360)**
Net carrying amount as at 1 January 2007	**88 469**	**13 899 904**	**2 119 767**	**879 491**	**16 987 631**

As at 31 December 2007					
Gross value	91 877	28 486 648	3 857 286	1 609 789	**34 045 600**
Accumulated depreciation and impairment loss	(8 307)	(15 944 396)	(1 728 170)	(749 235)	**(18 430 108)**
Net carrying amount as at 31 December 2007	**83 570**	**12 542 252**	**2 129 116**	**860 554**	**15 615 492**

(in PLN '000)

11. a. Property, plant and equipment used under finance leases

The Capital Group uses the following property, plant and equipment under finance leases:

	30 June 2008				30 June 2007			
	Initial value of activated finance leases	Depreciation	Revaluation write-down	Net carrying amount	Initial value of activated finance leases	Depreciation	Revaluation write-down	Net carrying amount
Buildings and structures	9 252	(3 319)	(5 933)	-	9 252	(3 240)	6 012	9 252
Technical equipment and machinery	109 341	(38 890)	-	70 451	103 053	(43 183)	59 870	109 341
Vehicles and other	16 353	(4 480)	-	11 873	16 832	(6 327)	10 505	16 353
	134 946	**(46 689)**	**(5 933)**	**82 324**	**129 137**	**(52 750)**	**76 387**	**134 946**

(in PLN '000)

11. b. Revaluation write-downs on property, plant and equipment

	Land	Buildings and structures	Technical equipment and machinery	Vehicles and other	**Total fixed assets**	Fixed assets under construction	**Total property, plant and equipment**
As at 1 January 2008	4 400	12 381 403	627 224	267 989	**13 281 016**	379 105	**13 660 121**
Increase	716	210 515	18 593	1 110	**230 934**	30 019	**260 953**
Decrease	(123)	(133 450)	(30 387)	(5 399)	**(169 359)**	(24 070)	**(193 429)**
As at 30 June 2008	**4 993**	**12 458 468**	**615 430**	**263 700**	**13 342 591**	**385 054**	**13 727 645**
As at 1 January 2007	3 436	11 097 059	606 729	255 110	**11 962 334**	273 834	**12 236 168**
Increase	1 974	1 876 146	190 120	28 458	**2 096 698**	127 164	**2 223 862**
Decrease	(1 010)	(591 802)	(169 625)	(15 579)	**(778 016)**	(21 893)	**(799 909)**
As at 31 December 2007	**4 400**	**12 381 403**	**627 224**	**267 989**	**13 281 016**	**379 105**	**13 660 121**

The opening value of revaluation write-downs on property, plant and equipment was equal to PLN 13,281,016 thousand, including:
- assets used directly in production activity – PLN 2,061,567 thousand;
- distribution assets – PLN 10,479,748 thousand;
- other assets – PLN 739,701 thousand.

Revaluation write-downs were increased during the current period by PLN 260,953 thousand (of which PLN 93,854 thousand related to assets used directly in production) and decreased by PLN 193,429 thousand (of which PLN 126,564 thousand related to assets used directly in production).
Due to the transfer of contributions in kind consisting of transmission and distribution network components, the corresponding revaluation write-downs in the amount of PLN 390,220 thousand were reclassified from the Parent to the distribution companies.

The closing balance of revaluation write-downs on fixed assets amounted to PLN 13,342,591 thousand, of which:
- assets used directly in production activity – PLN 2,028,857 thousand;
- distribution assets – PLN 10,852,030 thousand;
- other assets – PLN 461,704 thousand.

As at the end of the first half of 2008, the revaluation write-downs on fixed assets under construction included PLN 353,215 thousand related to activated outlays on wells (as at the end of 2007 this write-down amounted to PLN 347,402 thousand).

(in PLN '000)

12. INVESTMENT PROPERTY

	30 June 2008	31 December 2007
Opening balance, including depreciation	10 578	6 765
Increase	1 042	-
Decrease	(2)	(5)
Reclassifications from/to property, plant and equipment	(1 575)	4 512
Impairment loss	-	15
Depreciation for the financial year	(275)	(709)
Closing balance, including accumulated depreciation	**9 768**	**10 578**

Opening balance		
Gross value	14 398	9 505
Accumulated depreciation and impairment loss	(3 820)	(2 740)
Net carrying amount	**10 578**	**6 765**

Closing balance		
Gross value	13 317	14 398
Accumulated depreciation and impairment loss	(3 549)	(3 820)
Net carrying amount	**9 768**	**10 578**

The Group's investment property includes social and office buildings partially designated for rent, industrial buildings and structures as well as land. The carrying amount of social and office buildings recognized as investment property as at the end of the current period amounted to PLN 4,355 thousand (PLN 4,285 thousand at the end of 2007), whereas the carrying amount of industrial buildings and structures as at the end of the current period amounted to PLN 3,522 thousand (PLN 4,392 thousand as at the end of 2007). The value of land and land perpetual usufruct right amounted to PLN 1,891 thousand as at the end of the current period (PLN 1,901 thousand as at the end of 2007).

In the current period, the Group generated revenues from investment property rental in the amount of PLN 1,406 thousand (PLN 1,654 thousand in the first half of 2007).

Operating expenses related to investment property and associated with rental income amounted to PLN 1,274 thousand in the current period (PLN 1,821 thousand in the first half of 2007).

Due to the immaterial nature of investment property in the balance sheet, the Group does not measure such property in order to determine its fair value.

(in PLN '000)

13. INTANGIBLE ASSETS

30 June 2008	R&D expenses	Goodwill	Other intangible assets	**Total**
As at 1 January 2008, including depreciation	1 132	-	83 504	**84 636**
Increase	-	-	2 635	**2 635**
Decrease	-	-	(5 039)	**(5 039)**
Reclassification from fixed assets under construction and between groups	-	-	66 897	**66 897**
Impairment loss	-	-	(11)	**(11)**
Depreciation for the financial year	(161)	-	(14 844)	**(15 005)**
As at 30 June 2008, including accumulated depreciation	**971**	**-**	**133 142**	**134 113**

As at 1 January 2008				
Gross value	2 145	-	189 805	**191 950**
Accumulated depreciation and impairment loss	(1 013)	-	(106 301)	**(107 314)**
Net carrying amount as at 1 January 2008	**1 132**	**-**	**83 504**	**84 636**

As at 30 June 2008				
Gross value	2 145	-	254 210	**256 355**
Accumulated depreciation and impairment loss	(1 174)	-	(121 068)	**(122 242)**
Net carrying amount as at 30 June 2008	**971**	**-**	**133 142**	**134 113**

(in PLN '000)

31 December 2007	R&D expenses	Goodwill	Other intangible assets	**Total**
As at 1 January 2007, including depreciation	592	-	80 215	**80 807**
Increase	-	-	4 110	**4 110**
Decrease	-	-	(1 821)	**(1 821)**
Reclassification from fixed assets under construction and between groups	883	-	37 030	**37 913**
Impairment loss	-	-	(7 762)	**(7 762)**
Depreciation for the financial year	(343)	-	(28 268)	**(28 611)**
As at 31 December 2007, including accumulated depreciation	**1 132**	**-**	**83 504**	**84 636**
As at 1 January 2007				
Gross value	1 262	-	141 974	**143 236**
Accumulated depreciation and impairment loss	(670)	-	(61 759)	**(62 429)**
Net carrying amount as at 1 January 2007	**592**	**-**	**80 215**	**80 807**
As at 31 December 2007				
Gross value	2 145	-	189 805	**191 950**
Accumulated depreciation and impairment loss	(1 013)	-	(106 301)	**(107 314)**
Net carrying amount as at 31 December 2007	**1 132**	**-**	**83 504**	**84 636**

13. a. Revaluation write-downs on intangible assets

R&D expenses	R&D expenses	Goodwill	Other intangible assets	**Total**
As at 1 January 2008	-	-	8 032	**8 032**
Increase	-	-	11	**11**
Decrease	-	-	-	**-**
As at 30 June 2008	**-**	**-**	**8 043**	**8 043**
As at 1 January 2007	-	-	270	**270**
Increase	-	-	7 762	**7 762**
Decrease	-	-	-	**-**
As at 31 December 2007	**-**	**-**	**8 032**	**8 032**

(in PLN '000)

14. FINANCIAL ASSETS AVAILABLE FOR SALE

	30 June 2008	31 December 2007
Unlisted shared (net value)	42 744	72 817
Listed shares (gross value)**	62 600	-
Total gross value	**105 344**	**72 817**
Unlisted shared (net value)*	11 303	19 997
Listed shares (net value)*	62 600	-
Total net	**73 903**	**19 997**

*Less revaluation write-down.
** Allotment certificates – Zakłady Azotowe in Tarnów

15. OTHER FINANCIAL ASSETS

	30 June 2008	31 December 2007
Finance leases receivables (note 15.a.)	1 525 122	2 288 845
Originated loans	-	2 070
Receivables from sale of fixed assets	-	-
Receivables from guarantees and security	1 159	1 230
Long-term deposits	282	211
Other	1 848	1 868
Total gross value	**1 528 411**	**2 294 224**
Impairment loss	-	(2 070)
Total net	**1 528 411**	**2 292 154**

15. a. Finance leases

The lease contract of 6 July 2005 signed between PGNiG S.A. and OGP Gaz - System Sp. z o.o. (currently OGP Gaz – System S.A.) is an element of the "PGNiG S.A. restructuring and privatization program" approved by the Council of Ministers on 5 October 2004. Transmission activity was unbundled from production and trade activities through the transfer of transmission assets for use to Gaz-System S.A. The lease covers property, movables and property rights. The contract was concluded for a period of 17 years.
The sum of payments, less discount, determined as at the contract date and due within its period exceeds 90% of the market value of its subject as at that date. Due to the above, the lease is recognized as a finance lease in accordance with IAS 17. Lease payments include the principal and interest. The interest portion is calculated based on WIBOR 3M rates applicable in the month preceding the month to which the calculated lease installment pertains plus a markup.

Inflows from the lease of the transmission system:

	30 June 2008	31 December 2007
Interest installment	69 672	113 275
Principal installment	52 599	100 253
Total	**122 271**	**213 528**

The table below presents finance lease receivables by maturity:

	30 June 2008	31 December 2007
- up to 1 year	121 495	163 772
- between 1 and 5 years	408 480	593 676
- over 5 years	1 116 642	1 695 169
Total	**1 646 617**	**2 452 617**
- current receivables	121 495	163 772
- non-current receivables	1 525 122	2 288 845

(in PLN '000)

16. DEFERRED TAX ASSET

	30 June 2008	31 December 2007
Provisions due to payment of pension allowances	9 573	11 628
Provisions due to payment of severance and jubilee bonuses	72 452	70 299
Provision for payment of termination benefits	3 105	3 141
Provision for unused paid vacation	3 055	5 892
Provision for liquidation of wells	74 661	75 756
Revaluation write-downs on fixed assets	72 631	71 765
Revaluation write-down on shares	6 157	10 236
Revaluation write-downs on interest on receivables	38	544
Measurement of forwards	8 054	6 911
Exchange losses	39 419	19 528
Interest accrued on loans and liabilities	199	180
Connection fee	60 648	59 973
Unpaid remuneration with Social Security premiums	14 560	17 276
Tax loss	190	4 752
Hyperinflationary remeasurement of deferred income	11 302	11 815
Other	58 255	50 118
Total	**434 299**	**419 814**

17. OTHER NON-CURRENT ASSETS

	30 June 2008	31 December 2007
Reusable materials	107	3 580
Financial expenses settled over time	176	47
Fees for establishing mining usufruct	1 877	722
Prepayments of leased fixed assets	303	312
Geological information	27 760	24 688
Other prepayments	636	1 524
Total	**30 859**	**30 873**

18. INVENTORIES

	30 June 2008	31 December 2007
Materials		
At acquisition price, including:	1 370 528	1 226 794
- gas fuel	1 083 777	975 966
At net realizable value including:	1 340 606	1 193 990
- gas fuel	1 066 113	958 302
Semi-finished products and work in progress		
At acquisition price/manufacturing cost	14 500	15 658
At net realizable value	14 446	14 465
Finished products		
At acquisition price/manufacturing cost	8 192	6 143
At net realizable value	8 136	6 087
Goods		
At acquisition price	1 496	1 702
At net realizable value	1 496	1 438
Total inventories, at the lower of the following two values: acquisition price (manufacturing cost) and net realizable value	**1 364 684**	**1 215 980**

(in PLN '000)

19. TRADE AND OTHER RECEIVABLES

	30 June 2008	31 December 2007
Trade receivables	2 860 924	3 536 650
Trade receivables from related parties	49 016	48 463
VAT receivables	159 169	283 221
Receivables from other taxes, customs duty and social security	8 386	6 080
Due portion of originated loans	111 697	141 536
Receivables from associates measured using the equity method	3 401	2 378
Finance lease receivables	121 495	163 772
Other receivables from related parties	87 261	85 798
Other receivables	152 207	149 499
Total gross receivables	**3 553 556**	**4 417 397**
Including gross receivables from related parties (note 36a)	251 375	278 175
Revaluation write-downs on doubtful receivables (note 19.a.)	**(1 074 350)**	**(1 086 351)**
Total net receivables	**2 479 206**	**3 331 046**
including:		
Trade receivables	2 113 433	2 805 602
Trade receivables from related parties	4 733	3 689
VAT receivables	159 169	283 221
Receivables from other taxes, customs duty and social security	8 386	6 080
Due portion of originated loans	-	-
Receivables from associates measured using the equity method	3 401	2 378
Finance lease receivables	121 495	163 772
Other receivables from related parties	3 660	2 193
Other receivables	64 929	64 111
Including net receivables from related parties (note 36a)	11 794	8 260

Trade receivables arise mainly from the sale of gas fuel and distribution services.

Standard terms of payment for receivables related to regular sales in the Capital Group are equal to 14-30 days.

19. a. Revaluation write-downs on receivables

	30 June 2008	31 December 2007
Opening balance of revaluation write-down	(1 086 351)	(1 064 025)
Revaluation write-down created	(30 205)	(421 785)
Revaluation write-down released	41 289	395 934
Revaluation write-down applied	2 766	8 172
Reclassification between current and non-current portion	(1 849)	(4 647)
Closing balance of revaluation write-down	**(1 074 350)**	**(1 086 351)**

20. CURRENT TAX SETTLEMENTS

	30 June 2008	31 December 2007
Opening balance of current tax liabilities	281 399	184 556
Change in current tax receivables*	(5 442)	312
Opening balance of current tax receivables	17 499	17 187
Closing balance of current tax receivables	12 057	17 499
Income tax (cost of the period)	422 847	578 753
Income tax paid in the period	(416 973)	(482 222)
Closing balance of current tax liabilities	**281 831**	**281 399**

*The Capital Group is not a taxable capital group and therefore CIT assets and liabilities are netted off.

(in PLN '000)

21. PREPAYMENTS AND ACCRUALS

	30 June 2008	31 December 2007
Real property tax	147 764	-
Deposit development costs	24 122	27 879
Property insurance	3 406	7 276
Measurement of long-term contracts	13 113	5 342
Geological information	2 773	2 375
Prepayments of leased fixed assets	-	18 174
Repairs settled over time	37	2 932
Software support and update	1 922	3 357
Rent and fees	3 461	1 852
Financial expenses settled over time	222	207
Other expenses settled over time	29 804	12 961
Total	**226 624**	**82 355**

22. FINANCIAL ASSETS AVAILABLE FOR SALE

	30 June 2008	31 December 2007
Unlisted shared (gross value)	6 408	6 678
Listed shares (gross value)	-	-
Short-term deposit (gross value)	131	45
Investment fund units (gross value)	14 000	18 491
Treasury bills (gross value)	-	-
Total gross value	**20 539**	**25 214**
Unlisted shares (net value)*	3 871	3 870
Listed shares (net value)*	-	-
Short-term deposit (net value)	131	45
Investment fund units (net value)	13 555	18 491
Treasury bills (net value)	-	-
Total net value	**17 557**	**22 406**

*Less revaluation write-down

23. CASH AND BANK BALANCES

	30 June 2008	31 December 2007
Cash in hand and at bank	438 248	211 570
Bank deposits	898 884	725 002
High liquidity short-term securities*	1 104 954	635 800
Other cash**	13 929	11 263
Total	**2 456 015**	**1 583 635**

* Bills (commercial, treasury, NBP, etc.), certificates of deposit maturing within 3 months.
** Cash in transit and checks and bills of exchange maturing within 3 months.

Group constituent companies deposit cash in renown Polish and international banks, therefore the occurrence of concentration risk with respect to deposited cash is limited.

(in PLN ‘000)

24. NON-CURRENT ASSETS HELD FOR SALE

The following assets have been classified by the Capital Group as held for sale:

Non-current asset (or group)	Expected disposal date	Carrying amount as at 31 December 2007	Terms of disposal
Land and perpetual usufruct rights	Second half of 2008	75	tender
Buildings and structures	Second half of 2008	230	tender
Technical equipment and machinery	Second half of 2008	21	tender
Vehicles	Second half of 2008	32	tender
Other	Second half of 2008	-	tender
Total		**358**	

(in PLN '000)

25. CONTINGENT ASSETS

25. a. Contingent receivables from received sureties and guarantees

Provider of contingent receivables	Value of the received contingent receivables in the currency	Currency of the contingent receivables	Value of the received contingent receivables* in PLN	Expiry date of the contingent receivables	Type of granted contingent receivables
Contingent receivables received by PGNiG S.A.					
BG GAZOMONTAŻ S.A. Wołomin	531	PLN	531	4 December 2010	performance bond
ZRUG Sp. z o.o. in Poznań	791	PLN	791	27 April 2011	performance bond
ZRUG Sp. z o.o. in Poznań	791	PLN	791	30 July 2011	performance bond
PBG S.A.	14 516	PLN	14 516	27 October 2008	performance bond
Syndicate: PBG SA; TECHNIP KTI S.A.; Thermo Design Engineering Ltd.	5 000	PLN	5 000	7 August 2008	tender bond
Syndicate: PBG S.A., TECNIMONT S.p.A, SOFREGAZ, Plynostav Pardubice Holding A.S., Plynostav - regulace pynu A.S.	5 000	PLN	5 000	10 August 2008	tender bond
Syndicate: Control Process S.A., FHU Control Process 2 SP. z o.o.	5 000	PLN	5 000	11 August 2008	tender bond
PBG S.A.	2 722	PLN	2 722	16 October 2009	performance bond
PZU S.A.	920	PLN	920	30 June 2010	performance bond
Winnicki Paweł "WINNICKI"	536	PLN	536	30 January 2009	performance bond
INTERSPEED	1 200	PLN	1 200	31 March 2009	bank guarantee
Produkcja i Hodowla Roślin Ogrodniczych Sp. z o.o. in Krzeszowice	1 174	PLN	1 174	unlimited	bank guarantee
Ceramika Tubądzin Sp. z o.o. in Ozorków	3 200	PLN	3 200	unlimited	declaration of voluntary submission to enforcement
EWE ENERGIA Sp. z o.o.	1 150	PLN	1 150	30 September 2008	bank guarantee
Huta Szkła "Czechy" S.A.	1 000	PLN	1 000	31 December 2008	bank guarantee
Homanit Polska sp. z o.o. sp. komandytowa	2 250	PLN	2 250	31 March 2010	bank guarantee
POL-AQUA S.A.	1 021	PLN	1 021	30 September 2008	performance bond
POLMAX S.A.	750	PLN	750	30 September 2008	payment guarantee
PBG S.A.	1 035	PLN	1 035	30 September 2008	performance bond
Fabryka Porcelany Wałbrzych S.A.	902	PLN	902	unlimited	bill of exchange endorsement
Porcelana Chodzież	500	PLN	500	Max. 12 months from the gas sales contract expiry date	*declaration of voluntary submission to enforcement
Farmutil	2 000	PLN	2 000	Max. 12 months from the gas sales contract expiry date	*declaration of voluntary submission to enforcement
Porcelana Śląska Sp. z o.o.	2 638	PLN	2 638	unlimited	*declaration of voluntary submission to enforcement
Kopalnie i Zakłady Chemiczne Siarki "SIARKOPOL" S.A.	2 703	PLN	2 703	unlimited	authorization to dispose of cash
Przedsiębiorstwo Energetyki Cieplnej Sp. z o. o.	698	PLN	698	14 July 2008	bank guarantee, declaration of voluntary submission to enforcement
Huta Szkła WYMIARKI S.A.	4 535	PLN	4 535	30 June 2008	blanket mortgage
Huta Szkła Wymiarki S.A.	4 815	PLN	4 815	30 June 2008	assignment of receivables as collateral
K.D.P. Sp. z o. o.	19 125	PLN	19 125	30 June 2009	*declaration of voluntary submission to enforcement
Minex Centrala Exportowo - Importowa S.A.	1 035	PLN	1 035	15 December 2008	*declaration of voluntary submission to enforcement
Zakład Elektroenergetyczny H. Cz. ELSEN Sp. z o. o.	2 871	PLN	2 871	30 March 2009	*declaration of voluntary submission to enforcement
GASLINIA Sp. z o.o.	3 125	PLN	3 125	31 January 2009	bank guarantee

(in PLN '000)

25. a. Contingent receivables resulting from sureties and guarantees received (continued)

Provider of contingent receivables	Value of the received contingent receivables in the currency	Currency of the contingent receivables	Value of the received contingent receivables* in PLN	Expiry date of the contingent receivables	Type of granted contingent receivables
GASLINIA Sp. z o.o.	3 056	PLN	3 056	21 December 2017	*declaration of voluntary submission to enforcement
KRI S.A.	2 000	PLN	2 000	17 December 2017	*declaration of voluntary submission to enforcement
KRI S.A.	1 750	PLN	1 750	11 February 2009	insurance guarantee
Huta Szkła VIOLETTA S.A.	1 220	PLN	1 220	unlimited	capped mortgage
Huta Szkła VIOLETTA S.A.	1 220	PLN	1 220	unlimited	*declaration of voluntary submission to enforcement
Linia K&K Sp. z o. o.	896	PLN	896	5 February 2018	*declaration of voluntary submission to enforcement
PPH PREZYCJA Sp. z o.o.	500	PLN	500	30 June 2008	*declaration of voluntary submission to enforcement
BRENNTAG POLSKA Sp. z o.o.	703	PLN	703	10 February 2009	bank guarantee
IMPEXRUR S.A. in Sanok	510	PLN	510	30 September 2008	performance bond
MAN Trucks Sp. z o.o.	951	PLN	951	unlimited	bank guarantee
POLDIM Spółka Akcyjna	608	PLN	608	31 December 2008	bank guarantee
Kopalnia Wapienia "Czatkowice" Sp. z o.o.	511	PLN	511	20 September 2008	bank guarantee
Reckitt Benciser Produkction (Poland) Sp. z o.o.	830	PLN	830	7 May 2009	bank guarantee
Other (each below PLN 500 thousand)	18 077	PLN	18 076	2008-2018	bank guarantees, performance bonds etc.
Contingent receivables received by Distribution Companies					
Energomontaż-Południe S.A.	1 092	PLN	1 092	30 June 2009	performance bond
TESGAS Sp. z o.o.	1 079	PLN	1 079	4 June 2010	bank guarantee
TESGAS S.A.	735	PLN	735	30 April 2011	insurance guarantee
Firma Budowlana Eugeniusz Dota	673	PLN	673	10 June 2009	insurance guarantee
Other (each below PLN 500 thousand)	3 649	PLN	3 649	2008-2011	bank guarantees, performance bonds etc.
Contingent receivables received by the remaining companies from PGNiG S.A. Capital Group					
Other (each below PLN 500 thousand)	2 419	PLN	2 419	2008-2011	bank guarantees, performance bonds etc.
Total			**136 012**		

* Declaration of voluntary submission to enforcement in line with Article 777 § 1 point 4 of the Civil Proceedings Code

25. b. Contingent receivables due to received bills of exchange

Entity for which the bill-of-exchange was issued	Value of the bill-of-exchange granted in currency	Currency of the bill of exchange	Value of the granted bill of exchange in PLN	Bill of exchange expiry date
Bills of exchange received by PGNiG S.A.				
GLOSS WORLD Sp z o.o. in Wałbrzych	1 093	PLN	1 093	unlimited
Porcelana Śląska Sp. z o.o.	3 434	PLN	3 434	unlimited
ZP Jopex Franciszek Jopek	3 587	PLN	3 587	unlimited
Kuźnia "Glinik" Sp. z o.o. Gorlice	1 000	PLN	1 000	unlimited
Huta Szkła "MAKORA" s.j. Krosno	1 000	PLN	1 000	unlimited
Huta Szkła Deco-Glass Krosno	2 000	PLN	2 000	unlimited
Fabryka Lin i Drutu "DRUMET" S.A.	1 922	PLN	1 922	15 July 2008
Kopalnie i Zakłady Chemiczne Siarki "SIARKOPOL" S.A.	2 703	PLN	2 703	30 June 2008
Huta Szkła Wymiarki S.A.	4 535	PLN	4 535	30 June 2008
K.D.P. Sp. z o. o.	8 361	PLN	8 361	30 April 2008
Minex Centrala Exportowo - Importowa S.A.	1 035	PLN	1 035	15 December 2008
Other bills of exchange received (each below PLN 500 thousand)	7 262	PLN	7 262	2008-2011
Bills of exchange received by Distribution Companies				
ZRUG Spółka z o.o. Poznań	2 289	PLN	2 289	2008-2011
GAZOBUDOWA Sp. z o.o. Poznań	706	PLN	706	2005-2010
PHARMGAS Sp.z o.o. Poznań	2 159	PLN	2 159	2008-2011
PBG S.A.	1 436	PLN	1 436	2008-2011
TESGAS Sp.z o.o. Przeźmierowo	820	PLN	820	2008-2011
PHARMGAS Sp.z o.o. Poznań	723	PLN	723	28 December 2009
PUH INTER-TECH Komorniki	600	PLN	600	2007-2010
PHARMGAS Sp.z o.o. Poznań	524	PLN	524	30 January 2012
Other bills of exchange received (each below PLN 500 thousand)	3 709	PLN	3 709	2008-2010; term of the contract
Bills of exchange received by other the remaining companies from PGNiG S.A. Capital Group				
IZOSTAL S.A. Zawadzkie	1 500	PLN	1 500	6 September 2012
EKO OPEN Sp.z o.o. Płock	644	PLN	644	16 November 2008
Other bills of exchange received (each below PLN 500 thousand)	2 762	PLN	2 762	2008-2012; term of the contract
Total			**55 804**	

26. SHARE CAPITAL

	30 June 2008	31 December 2007
Total number of shares in '000	5 900 000	5 900 000
Face value per share in PLN	1	1
Total share capital	5 900 000	5 900 000

(in PLN '000)

27. BORROWINGS AND DEBT SECURITIES

	Currency	30 June 2008	31 December 2007	Effective interest rate (%)	Repayment/redemption date	30 June 2008	31 December 2007	Collateral
Non-current		Value in the currency				Value in PLN		
Lease liabilities	PLN	12 852	10 733	6 - 9%	2008-2010	12 852	10 733	-
Lease liabilities	CHF	7 223	5 998	8% on average	11 July 2010	15 100	12 963	-
Lease liabilities	USD	4 056	3 154	Libor 1M	20 September 2012	8 597	7 681	-
Total non-current						**36 549**	**31 377**	

	Currency	30 June 2008	31 December 2007	Effective interest rate (%)	Repayment/redemption date	30 June 2008	31 December 2007	Collateral
Current		Value in currency				Value in PLN		
Current portion of lease liabilities	PLN	16 772	21 803	6 - 9%	2008	16 773	21 803	-
Current portion of lease liabilities	CHF	4 127	4 868	8% on average	2008	8 628	9 659	-
Current portion of lease liabilities	USD	777	413	Libor 1M	2008	1 647	1 848	-
Short-term loan at Pekao S.A.	PLN	20 165	20 890	Wibor 1M+0.3	28 September 2008	20 165	20 890	Real estate mortgage, assignment of receivables from current and future contracts
Credit line at Societe Generale S.A.	PLN	1 700	2 768	Wibor 1M+0.5	31 October 2008	1 700	2 768	Assignment of receivables, blank bill of exchange
Overdraft facility at Bank Handlowy S.A.	PLN	4 638	-	Wibor 1M+0.5	6 September 2008	4 639	-	Assignment of receivables, blank bill of exchange
Short-term loan from SG Equipment Polska Sp. z o.o	PLN	1 683	-	Wibor 12M+1.5	31 December 2008	1 683	-	Blank bill of exchange
Overdraft facility at Millennium S.A.	PLN	9 925	9 304	Wibor 1M+0.25	23 December 2008	9 925	9 304	POA for the current account
Overdraft facility at Raiffeisen Bank Polska S.A.	PLN	5 646	-	Wibor 1M+0.40	29 May 2009	5 646	-	Blank bill of exchange
Working capital loan at BRE S.A.	PLN	5 000	-	Wibor 1M+0.45	25 August 2008	5 000	-	Blank bill of exchange
Overdraft facility at Bank Societe Generale S.A.	PLN	5 979	-	Wibor 1M+0.40	29 May 2009	5 979	-	POA for the current account
Overdraft facility at Pekao S.A.	PLN	-	192	Wibor 1M+0.40	31 May 2008	-	192	Blank bill of exchange
Overdraft facility at Pekao S.A.	PLN	4 996	3 946	Wibor 1M+0.7	31 December 2008	4 996	3 946	Bill of exchange and registered pledge
Working capital loan at Pekao S.A.	PLN	10 000	4 000	Wibor 1M+0.7	31 December 2008	10 000	4 000	Bill of exchange and registered pledge
Overdraft facility at Bank Societe Generale S.A.	USD	674	1 484	Libor 1M+0.4	31 August 2008	1 429	3 615	Assignment of receivables
Overdraft facility at Pekao S.A.	PLN	17 276	19 462	Wibor 1M+0.3	30 September 2008	17 276	19 462	Assignment of receivables
Credit facility at ING Bank Śląski S.A.	PLN	110	4 801	Wibor 1M+1.2	27 November 2008	110	4 801	Blank bill of exchange; assignment of receivables
Overdraft facility at BRE S.A.	PLN	911	1 236	Wibor 1M+1.2	13 November 2008	911	1 236	Cash deposits, mortgage, assignment of the insurance policy
Working capital loan at BRE S.A.	PLN	-	3 000	Wibor 1M+1.2	30 April 2008	-	3 000	Cash deposits, mortgage, assignment of the insurance policy
Short-term loan at ING Bank Śląski S.A.	PLN	300	200	Wibor 1M+1.5	29 June 2009	300	200	Assignment of a contract with a client
Total current						**116 807**	**106 724**	

(in PLN ‘000)

In addition, the Group had credit lines, as listed in the note below.

27. a. Amount of granted and unused credit lines

Bank	30 June 2008		31 December 2007	
	Amount of granted credit lines	Amount of unused credit lines	Amount of granted credit lines	Amount of unused credit lines
Komercni Banka a.s. Ostrava, the Czech Republic	1 400	1 400	1 348	1 348
Societe Generale S.A.	3 000	1 300	3 000	232
Pekao S.A.	21 000	835	-	-
Bank Handlowy S.A.	5 000	362	-	-
BRE Bank S.A.	5 000	-	5 000	5 000
RAIFFEISEN BANK S.A.	6 000	354	6 000	6 000
Pekao S.A.	-	-	4 500	4 308
Societe Generale S.A.	6 000	21	5 000	5 000
Millennium S.A.	10 000	75	10 000	696
Pekao S.A.	10 000	-	8 000	54
Pekao S.A.	5 000	4	20 000	538
Societe Generale S.A.	-	-	3 653	38
Pekao S.A.	2 724	-		
BGK S.A.	10 000	10 000	10 000	10 000
BPH S.A.	6 000	6 000	6 000	6 000
BRE Bank S.A.	3 000	2 089	2 000	764
ING Bank Śląski S.A.	5 000	4 890	5 000	199
BZ WBK S.A.	-	-	2 000	2 000
PEKAO S.A.	40 000	40 000	40 000	40 000
PKOBP S.A.	30 000	30 000	40 000	40 000
PEKAO S.A (formerly BPH S.A.)	-	-	40 000	40 000
Bank Handlowy SA	40 000	40 000	40 000	40 000
Societe Generale S.A.	40 000	40 000	40 000	40 000
Millennium S.A.	40 000	40 000	40 000	40 000
BRE Bank S.A.	40 000	40 000	40 000	40 000
Banking syndicate*	3 018 780	3 018 780	3 223 800	3 223 800
Total	**3 347 904**	**3 276 110**	**3 595 301**	**3 545 977**

* A credit line for EUR 900 million (EUR 300 million with maturity on 27 July 2008 and EUR 600 million with maturity on 27 July 2010) from a banking syndicate (Bank Handlowy w Warszawie S.A., Bank Polska Kasa Opieki S. A., Calyon S. A., Fortis Bank (Nederland) N. V., Powszechna Kasa Oszczędności BP, Societe Generale S. A. Polish Branch, ING Bank Śląski S.A., West LB AG, Bank BPH S.A., Bank Millennium S.A., Nordea Bank Polska S.A., Landesbank Sachsen Girozentrale, DnB NOR Bank ASA).

Although unused in full, the credit lines increase the Group’s security as regards the payment of current liabilities.

(in PLN ‘000)

28. FINANCE LEASE LIABILITIES (DISCLOSED UNDER LIABILITIES)

	30 June 2008		
Maturity:	Value of (discounted) payments disclosed in the balance sheet)	Interest	Value of actual installments to be paid
up to 1 year	27 048	1 758	28 806
from 1 to 5 years	36 549	1 523	38 072
over 5 years	-	-	-
Total	**63 597**	**3 281**	**66 878**

	31 December 2007		
Maturity:	Value of (discounted) payments disclosed in the balance sheet)	Interest	Value of actual installments to be paid
up to 1 year	33 310	2 184	35 494
from 1 to 5 years	31 371	1 361	32 732
over 5 years	6	-	6
Total	**64 687**	**3 545**	**68 232**

(in PLN '000)

29. PROVISIONS

	Jubilee bonuses and retirement severance	Provision for gas allowances	Provision for termination benefits	Provision for well reclamation costs	Provision for fines imposed by the Office for Competition and Consumer Protection	Provisions for environmental protection	Provision for potential transmission service liabilities	Central Restructuring Fund	Other	**Total**
As at 1 January 2008	358 872	61 199	16 000	706 834	2 000	84 535	22 500	7 540	75 545	**1 335 025**
Created during the financial half - year	28 557	-	495	124 970	-	-	-	-	72 394	**226 416**
Reclassifications	-	-	-	-	-	-	-	-	-	**-**
Applied	(6 661)	(10 921)	(536)	(47 094)	(2 000)	(5 368)	-	(780)	(23 760)	**(97 120)**
										-
As at 30 June 2008	**380 768**	**50 278**	**15 959**	**784 710**	**-**	**79 167**	**22 500**	**6 760**	**124 179**	**1 464 321**
Long-term	321 117	28 376	11 978	759 362	-	75 977	-	-	34 348	**1 231 158**
Short-term	59 651	21 902	3 981	25 348	-	3 190	22 500	6 760	89 831	**233 163**
As at 30 June 2008	**380 768**	**50 278**	**15 959**	**784 710**	**-**	**79 167**	**22 500**	**6 760**	**124 179**	**1 464 321**
Long-term	304 020	38 802	11 467	684 552	-	81 276	-	-	33 688	**1 153 805**
Short-term	54 852	22 397	4 533	22 282	2 000	3 259	22 500	7 540	41 857	**181 220**
As at 31 December 2007	**358 872**	**61 199**	**16 000**	**706 834**	**2 000**	**84 535**	**22 500**	**7 540**	**75 545**	**1 335 025**

(in PLN '000)

Provision for jubilee bonuses and retirement severance

Constituent entities of the Capital Group implemented a jubilee bonus and retirement severance scheme. Respective payments are charged to the income statement in such a way as to distribute the cost of jubilee bonuses and retirement severance over the entire period of employment in respective companies. Costs resulting from the aforesaid benefits are determined using the actuarial projected unit credit method.

Interest rates adopted in the calculation	30 June 2008	31 December 2007
Monthly average compensation increase rate	3.0%	3.0%
Real annual discount rate	3.8%	3.8%
Total interest rate applied to interest calculation	**6.8%**	**6.8%**

The provision for jubilee bonuses is disclosed in the current value of liabilities resulting from actuarial calculations. The balance of provisions for retirement severance is recognized in the balance sheet in the net amount of the liability, i.e. after adjustment by unrecognized actuarial gains and losses and past employment costs– non-eligible benefits.
Unrecognized actuarial gains and losses as well as past employment costs are charged to the current income statement for 15 years.

	30 June 2008	31 December 2007
Jubilee bonuses		
Opening balance of liability disclosed in the balance sheet	263 096	240 476
Interest expense	4 999	9 138
Current employment costs	16 839	16 247
Past employment costs	1 583	-
Paid benefits	(13 709)	(38 633)
Actuarial gains/losses	5 462	42 885
Gains/losses due to limitations and settlements	-	(7 017)
Closing balance of liability disclosed in the balance sheet	**278 270**	**263 096**
Retirement severance		
Opening balance of liability disclosed in the balance sheet	95 776	97 024
Current employment costs	6 137	5 750
Interest expense	2 225	4 015
Net actuarial profit/loss recognized during the year	943	75
Paid benefits	(4 657)	(8 286)
Past employment costs	2 074	909
Gains/losses due to limitations and settlements	-	(3 711)
Closing balance of liability disclosed in the balance sheet	**102 498**	**95 776**
Total closing balance of liability disclosed in the balance sheet	**380 768**	**358 872**

Provision for gas allowances to former employees

The Parent pays allowance for gas to its employees who retired by the end of 1995. This payment system will be in force until 2010; thereafter the Parent will cease to pay the allowances. The value of the provision for gas allowances is determined in accordance with actuarial valuation principles applied in the estimation of the provision for jubilee bonuses and retirement severance.

Provision for payment of termination benefits

The Capital Group constituent entities create a provision for termination benefits paid to employees laid off in connection with the employment restructuring program. The provision is estimated based on planned employment reduction and the amount of one-off severance payments.
The provision for restructuring costs is recognized only when the Group has presented a detailed and formal restructuring plan to all interested parties.

Other provisions for retirement and similar benefits

The Capital Group constituent entities also create provisions for retirement and similar benefits, including the provision for group layoff severance pay.

Provision for well reclamation costs

The Parent creates a provision for future costs of well reclamation and for contributions to the Mine Liquidation Fund.

The provision for well reclamation costs is calculated based on the average cost of well reclamation in particular mining facilities over the last three years, adjusted by forecasted CPI and changes in the time value of money. A three year time horizon was adopted in these calculations due to the varied number of reclaimed wells and their reclamation costs in individual years.

The gross value of the provision is charged to the relevant fixed asset. Subsequent adjustments of the provision resulting from changes of estimates are also treated as a fixed asset value adjustment.

The Mine Liquidation Fund is creased based on the Act of 27 July 2001 amending the Mining and Geological Law. Write-offs to the Mine Liquidation Fund are created at 3-10% of the value of the tax depreciation of mining assets in correspondence with other operating expenses.

The value of the provision for well reclamation cost is adjusted by unused write-offs to the Mine Liquidation Fund.

Provision for fines from the Office for Competition and Consumer Protection

The provision for a fine imposed by the President of the Office for Competition and Consumer Protection constitutes the key item in this group of provisions. The Office for Competition and Consumer Protection claims that PGNiG S.A. abused its power as a parent by delaying its technical approval for the connection of an existing boiler facility owned by the Municipality in Wysokie Mazowieckie to the existing measuring station.

As the decision of the Appeal Court amending the decision of the President of the Office for Competition and Consumer Protection came into force thereby reducing the amount of the fine, the Company released the related provision in 2006 and then, in February 2007, paid the reduced fine, simultaneously using the remaining amount.

Due to the above, the remaining balance as at 31 December 2007 applies solely to the fine imposed by the President of the Office for Competition and Consumer Protection, who concluded that the actions of PGNiG S.A. constitute unfair competition, due to the Company's abuse of its dominant position on the domestic natural gas transmission market by refusing to provide natural gas transmission services to PHZ Bartimpex S.A. as regards gas produced outside of Poland.

Provisions for environmental protection

The Capital Group constituent companies create provisions for future liabilities due to the reclamation of contaminated soil or elimination of hazardous substances if there is a relevant legal or customary obligation. The created provision reflects potential costs foreseen to be incurred, estimated and verified periodically according to current prices.

Provision for potential transmission service liabilities

Following a court case of SGT EUROPOL GAZ S.A. against a decision of the President of the Energy Regulatory Office regarding gas transmission tariffs in 2007, the Parent calculated additional costs to be incurred by PGNiG S.A. if the 2007 tariff is revoked. Based on the last valid tariff from the second half of 2005, the additional payment for gas transmission in 2007 is estimated at PLN 22,500 thousand. Therefore, in 2007 PGNiG S.A. created a provision of PLN 22,500 thousand for the above payment. Since the above case was still pending in the first half of 2008, PGNiG S.A. has maintained the provision in its accounting records.

Central Restructuring Fund

The Central Restructuring Fund was created in order to provide termination benefits for employees covered by the Restructuring Program. Detailed principles of the fund's operation as well as the catalogue of increases and expenses are specified in the Company's internal resolutions.

Other provisions

The Capital Group constituent entities create other provisions for future, probable expenses related to commercial activity.

(in PLN '000)

30. DEFERRED INCOME

	30 June 2008	31 December 2007
Non-current		
Non-depreciated value of gas service lines financed by customers	664 029	707 721
Connection fee	454 753	427 203
Other	6 756	7 442
Total non-current	**1 125 538**	**1 142 366**
Current		
Non-depreciated value of gas service lines financed by customers	69 482	60 888
Connection fee	16 365	15 720
Gas sales forecast	443 127	396 612
Other	15 641	13 841
Total current	**544 615**	**487 061**

31. DEFERRED TAX PROVISION

	30 June 2008	31 December 2007
Exchange gains	2 336	2 619
Accrued interest	2 520	1 605
Measurement of financial instruments	14 551	3 112
Revenue arising from tax obligation falling due in the following month	846	13 338
Difference between the tax and accounting value of non-current assets	1 376 047	1 502 548
Other	35 104	7 137
Total	**1 431 404**	**1 530 359**

32. OTHER NON-CURRENT LIABILITIES

	30 June 2008	31 December 2007
Liabilities due to licenses, rights to geological information and mining usufruct	22 401	20 577
Other non-current liabilities	1 828	1 082
Total	**24 229**	**21 659**

33. TRADE AND OTHER LIABILITIES

	30 June 2008	31 December 2007
Trade liabilities	731 690	885 061
Trade liabilities to related parties	5 300	9 894
VAT liabilities	579 055	800 840
Liabilities due to other taxes, customs duty and social security	259 737	124 204
Liabilities due to dividend for the owner	1 121 000	-
Payroll liabilities	33 636	40 421
Liabilities due to unused paid vacation	9 538	32 164
Liabilities due to purchase of non-financial non-current assets	89 181	271 484
Liabilities due to purchase of non-financial non-current assets from related parties	15 202	34 092
Liability due to capital contribution adopted by resolution*	82 472	82 472
Liabilities to associates measured using the equity method	7 016	27 794
Other liabilities to related parties	1 490	910
Accruals and advances for deliveries	107 991	66 734
Other	51 093	31 911
Total	**3 094 401**	**2 407 981**
Including related parties (note 39.a.)	111 480	155 162

* Disputed contribution to the capital of Gazotech Sp. z o.o., details provided in note 2d.

(in PLN '000)

34. REASONS FOR DIFFERENCES BETWEEN BALANCE SHEET CHANGES IN CERTAIN ITEMS AND CHANGES ARISING FROM THE CASH FLOW STATEMENT

	Period from 1 January 2008 to 30 June 2008
1) Cash opening balance (balance sheet)	1 583 635
a) Opening balance of net exchange differences on cash*	(1 233)
Opening balance of cash and bank balances in the cash flow statement (1-a)	**1 584 868**
2) Cash closing balance (balance sheet)	2 456 015
b) Closing balance of net exchange differences on cash	(940)
Closing balance of cash and bank balances in the cash flow statement (2-b)	**2 456 955**
I. Change in the balance of cash in the balance sheet (2-1)	872 380
II. Change in net exchange differences on cash (b-a)	293
Change in the balance of cash in the cash flow statement (I. - II.)	**872 087**

* Negative amounts denote a surplus of exchange losses on cash and they are charged to the balance of cash in the balance sheet. These differences are eliminated in the cash flow statement.

	Period from 1 January 2008 to 30 June 2008
Balance sheet change in other financial assets	**763 743**
Balance-sheet change in net receivables	**851 840**
Change in lease receivables under financial assets - adjustment of investing activities	(763 723)
Change in lease receivables - adjustment of investing activities	(42 277)
Change in investment receivables due to sale of intangible assets and property, plant and equipment	(7 188)
Other	(2 072)
Change in net receivables disclosed in the cash flow statement	**800 323**

	Period from 1 January 2008 to 30 June 2008
Balance-sheet change in inventory	**(148 704)**
Fixed assets under construction reclassified to inventories - adjustments to investing activities	-
Change in inventories disclosed in the cash flow statement	**(148 704)**

	Period from 1 January 2008 to 30 June 2008
Balance-sheet change in provisions	**129 296**
Change in the provision for reclamation of wells adjusting property, plant and equipment - adjustment of investing activities	(70 694)
Change in provisions in the cash flow statement	**58 602**

	Period from 1 January 2008 to 30 June 2008
Balance sheet change in current liabilities	**686 420**
Change in investment liabilities due to acquisition of intangible assets and property, plant and equipment	201 193
Change in liabilities due to dividend payment – adjustment of investing activities	(1 121 000)
Other	(2 570)
Change in current liabilities disclosed in the cash flow statement	**(235 957)**

	Period from 1 January 2008 to 30 June 2008
Balance-sheet change in other assets	**14**
Balance sheet change in cost prepayments	**(144 269)**

(in PLN '000)

Prepayments related to leased fixed assets - reclassification within operating activity	(18 183)
Change in cost prepayments in the cash flow statement	**(162 438)**

	Period from 1 January 2008 to 30 June 2008
Balance-sheet change in deferred income	**40 726**
Deferred income related to leased fixed assets - reclassification within operating activity	-
Subsidies for fixed assets	-
Change in deferred income disclosed in the cash flow statement	**40 726**

35. FINANCIAL INSTRUMENTS AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

35. a. Financial instruments – by category (carrying amount)

	30 June 2008	31 December 2007
Financial assets measured at fair value through profit or loss	-	-
Financial assets available for sale (unlisted shares)	15 174	23 867
Financial investments held to maturity	-	-
Loans and receivables	5 857 586	6 713 237
Positive value of derivatives*	85 891	17 442
Cash (cash in hand and at bank as well as checks and cash in transit)	452 177	222 833
Financial liabilities measured at depreciated cost	2 390 020	1 570 112
Negative value of derivatives*	41 233	36 185

*The Company does not apply hedge accounting.

The disclosed values of financial instruments do not differ at all or differ insignificantly from their fair value. Therefore, amounts presented in the table above may be considered identical to their fair value amounts.

35. b. Net gains and losses on financial assets and liabilities

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 31 December 2007
Financial assets measured at fair value through profit or loss	-	
Financial assets available for sale	129	96
Impairment recognized in profit or loss for the period	129	96
Financial investments held to maturity	-	-
Loans and receivables	151 713	221 042
Interest on time deposits, BSB and REPO	34 103	51 847
Interest on receivables*	90 637	160 170
Interest on originated loans	4 996	7 675
Net revenues from short-term securities	32 873	-
Revaluation write-downs on receivables	(25 069)	(15 563)
Revaluation write-downs on loans	31 909	24 236
Measurement of originated foreign currency loans	(17 736)	(7 323)
Positive value of derivatives	85 891	738
Financial liabilities measured at amortized cost	(5 708)	(45 208)
Negative value of derivatives	(41 233)	41 629
Total impact on result	**190 792**	**218 297**

* Including interest on finance lease receivables.

(in PLN '000)

35. c. Objectives and principles of financial risk management

The business operations of the Parent are associated with financial risks, including in particular:

- credit risk
- market risk, including:
  - interest rate risk;
  - currency risk;
  - commodity risk;
- liquidity risk.

Credit risk

Credit risk is defined as the probability of late settlement or failure to settle liabilities by a counterparty. Credit risk resulting from third parties being unable to meet their obligations under contracts related to the Group's financial instruments is in principle limited to the potential surplus of third parties' liabilities over those of the Group. The Capital Group follows the principle of entering into transactions in financial instruments with multiple companies of high creditworthiness. When selecting financial partners who will be entrusted with a portion of held assets, the Group firstly takes into account their financial standing verified by rating agencies and their market share and reputation.
The Group has the following credit risk exposure:

- originated loans;
- trade receivables;
- deposits;
- derivatives;
- granted financial guarantees.

Presented below are the maximum exposures to credit risk for individual classes of financial instruments.

Maximum credit risk exposure

	30 June 2008	31 December 2007
Originated loans	-	-
Deposits in other entities (bank deposits, BSB, REPO)	2 017 806	1 379 549
Trade receivables	3 839 780	5 333 688
Positive value of derivatives	85 891	17 442
Granted financial guarantees	7 165 793	7 902 149
Total	**13 109 270**	**14 632 828**

Exposure to credit risk due to originated loans results only from loans granted by the Parent to subsidiaries from the Capital Group. Loans are granted to these companies in line with the internal procedure - "Principles of granting loans by Polskie Górnictwo Naftowe I Gazownictwo S.A. to companies from the Capital Group and with capital participation of PGNiG S.A." which defines in detail the process of concluding and monitoring loan agreements, which minimizes the Parent's exposure to the resulting credit risk. Loans are granted only after the applying companies have met specified terms and provided collateral. In addition, these companies support the shared interest of the Company, which significantly reduces the related credit risk.

The highest values of credit risk are related to receivables. Receivables from gas fuel sales effected by PGNiG S.A. are the largest item among receivables.

In order to minimize the risk of irrecoverability of receivables from sold gas fuel, uniform principles for gas fuel sales contracts are being introduced to secure trade receivables.

Prior to the conclusion of significant sales contracts, the prospective clients are verified and their financial position analyzed based on generally available financial information of the company (Debtor Registers) in order to determine a client's credibility. In case of entries in a debtor register, PGNiG S.A. requests special conditions for securing the contract.

Clients are analyzed on an ongoing basis as to the fulfillment of contractual obligations related to financial settlements. The majority of contracts concluded require that clients make advance payments within deadlines provided for in the contracts. At the end of the settlement period defined in the contract, clients have to pay for actually used gas fuel within deadlines determined in the contract. The standard payment period is 14 days from the invoice issuance date. Other payment periods are also used.

The Company is planning to verify the creditworthiness of all clients based on the company's financial documents for a given cycle (every 6 months or once a year). The objective is to determine the financial position of each client and assess the extent to which a client can contract debt before losing financial liquidity and to identify any indications that clients may be declared bankrupt.

The following types of performance bond are used by PGNiG SA:

- Mortgages (ordinary, capped);
- Bank guarantees;
- Deposits;
- Ordinary and registered pledges;
- Insurance guarantees;
- Blank bills of exchange;
- Declarations of voluntary submission to enforcement pursuant to Article 777 of the Civil Proceedings Code;
- Assignment of receivables arising from long-term contracts;
- Cash deposits on accounts indicated by the Commercial Branch of PGNiG S.A.;
- Ratings;
- Sureties.

As regards new contracts, the form of security is agreed upon by PGNiG S.A. and the client. It is expected that due to the process of harmonizing contracts with Energy Law requirements, negotiations will be undertaken with certain clients in order to establish or increase security.

The balance of receivables from clients is monitored on an ongoing basis, in line with the internal procedures applied in the Company. Appropriate debt collection procedures are undertaken if payment is delayed.
The debt collection procedures are undertaken based on *"Guidelines for monitoring and collection of receivables from customers of gas/oil/other products"* and the *"Interest receivable management procedure"*. Appropriate legal instruments and collection measures aimed at assessing the level of the associated risk and its cause are utilized as part of debt collection procedures. Standard collection activities are undertaken in this respect: request for payment, telephone call with the client, notice and suspension of gas fuel deliveries as well as contract termination pursuant to Article 6 clause 3a of the Energy Law. As a last resort, court claims are lodged and the client is submitted to the National Debt Register operated by Biuro Informacji Gospodarczej SA in Wrocław.
Statutory interest is accrued on each delayed payment.
If a client is experiencing temporary financial problems, an agreement can be signed upon the client's request to divide the outstanding payment into installments and stronger security is simultaneously negotiated.
As a rule, no agreements for the remittance of the principal amount and interest are signed.
Client requests to remit interest (exceeding the equivalent of EUR 5 000) are forwarded to the Supervisory Board for approval in accordance with corporate procedures.

The Group identifies, measures and minimizes its own credit risk exposure to individual banks in which it has deposits. Credit exposure was reduced by diversifying the portfolio of counterparties (in particular with regard to banks) with whom deposit transactions are concluded. The Group additionally signed Framework Agreements with all banks in which its funds are deposited. These agreements define the terms of concluding and settling all types of financial transactions. In the first half of 2008 the Group invested significant and long-term surpluses of liquid cash in credit-risk-free instruments of high liquidity, in particular in treasury bills and bonds issued by the State Treasury.
The Group measures the related credit risk through ongoing verification of the financial standing of banks, reflected in changes in their financial ratings granted by the following rating agencies: Fitch, Standards&Poor's and Moody.

Credit risk resulting from granted guarantees, to which the Capital Group is exposed, is in principle limited to the risk that the bank in which the Group purchased the guarantees in question will default.

However, the Group purchases guarantees in renowned banks with high ratings and therefore the probability of default and the related risk are insignificant.

Similarly as with the risk related to deposit transactions, the risk is measured through ongoing verification of financial standing of banks which sell the guarantees.

Credit risk exposure resulting from concluded derivatives is equal to the carrying amount of their positive balance sheet measurement at fair value. Similarly as with deposit transactions, derivative transactions are concluded with renowned banks that have a good financial standing. In addition, Framework Agreements or ISDA master agreements, which regulate the principles of cooperation and define threshold values, have been concluded with all cooperating banks.

As a result of all these activities the Group does not anticipate any significant credit risk related losses.

Market risk

Market risk is defined as the probability of the unfavorable effect of changes on financial and commodity markets on the economic value or profit/loss of a business.
The core task in the market risk management process involves the identification, measurement, monitoring and mitigation of basic risk sources including:

- currency risk;
- interest rate risk;
- commodity (gas, crude oil) risk.

Currency risk

Currency risk is defined as the probability of the unfavorable effect of FX fluctuations on a company's profit/loss.
In the first half of 2008 the Group did not have significant loans denominated in foreign currencies.
Trade liabilities due to long-term gas fuel purchase contracts are denominated in USD and EUR.
The Group's exposure to currency risk is significant and is presented in the "Sensitivity analysis".
The key objective of the Parent's currency risk hedging activities is to protect it against exchange rate fluctuations inherent to foreign currency payments for gas fuel. The Company hedges its liabilities primarily using forwards and option-based strategies.

Interest rate risk

Interest rate risk is defined as the probability of the unfavorable effect of interest rate fluctuations on a company's profit/loss.
Interest rate risk resulting from originated loans and received credit facilities was insignificant and the Capital Group did not hedge this risk.
The Parent measures market (currency and interest rate) risk by monitoring VAR on a daily basis. VAR (Value At Risk) means that the maximum loss with a certain probability (e.g. 99%), resulting from changes in market (fair) value will not be higher than the value in the period of n business days. VAR is estimated based on the variance – covariance method using the Mondrian scheme.

Commodity risk

Commodity risk is defined as the probability of the unfavorable effect of commodity price fluctuations on a company's profit/loss.
The Group's exposure to commodity risk associated mainly with gas fuel delivery contracts is substantial. Fluctuations in the prices of crude oil products on fuel markets are the main risk factor. In certain contracts the formula for calculating the purchase price of gas fuel limits the volatility of prices by using weighted average prices from previous months. Additionally the energy law enables entities to apply for the amendment of the tariff if the gas purchase cost increases by more than 5% during one quarter.
In the first half of 2008, the Parent did not define in detail or hedge this type of risk.
As at 30 June 2008 the Group did not have any financial instruments measured to fair value or at amortized cost and exposed to the price fluctuation risk.

Liquidity risk

The key objective of the liquidity risk management process is ongoing control and planning of liquidity. The liquidity level is controlled through the preparation of cash flow projections covering a period of at least 12 months and regularly updated on a monthly basis. The realization of planned cash flows is verified on a regular basis and includes among others an analysis of unrealized cash flows, their causes and effects. Liquidity risk related threats should not be associated only with the loss of the Company's liquidity. Structural excessive liquidity, which has a negative impact on the profitability of a company, is another significant threat.

The Capital Group controls and plans its financial liquidity level on an ongoing basis. Hedging the liquidity risk, as at 30 June 2008 the Group was a party to agreements for credit lines up to the amount of PLN 3,347,904 thousand (PLN 3,595,301 thousand as at the end of 2007). Relevant details are presented in note 27.a.

In the first half of 2008, several of the Capital Group constituent entities used the credit facilities only to a small extent.

In order to avoid excessive liquidity, the Capital Group invests cash surpluses mostly in profitable securities issued by the State Treasury and deposits in renowned banks.

The liquidity risk was significantly mitigated by the Management Board of the Parent approving the "Liquidity Management Procedure for PGNiG S.A." on 4 July 2007. The procedure was implemented in all organizational units and regulated activities that ensure proper liquidity management through: payments, cash flow projections, optimized free cash management, obtaining and restructuring funds for current business activities and investments, hedging the risk of temporary liquidity loss due to unexpected disruptions and servicing of concluded loan agreements.

The liquidity risk is measured based on ongoing detailed cash flow control, which takes into account probable cash flow dates and the planned net cash position.

The tables below present the analysis of financial liabilities by maturity.

(in PLN '000)

Analysis of financial liabilities measured at amortized cost, by maturity.

30 June 2008	Loan liabilities	Finance lease liabilities	Trade liabilities	Total expenditure
up to 1 year	89 759	28 805	3 094 401	3 212 965
from 1 year to 5 years	-	38 073	17 977	56 050
over 5 years	-	-	6 252	6 252
Total	**89 759**	**66 878**	**3 118 630**	**3 275 267**

31 December 2007	Loan liabilities	Finance lease liabilities	Trade liabilities	Total expenditure
up to 1 year	73 414	35 494	2 407 981	2 516 889
from 1 year to 5 years	-	32 732	17 654	50 386
over 5 years	-	6	4 005	4 011
Total	**73 414**	**68 232**	**2 429 640**	**2 571 286**

In the current and comparative period the Group settled its loan liabilities on a timely basis. No contractual provisions which might lead to shortening of the repayment period were breached.

Analysis of derivatives by maturity.

	carrying amount as at 30 June 2008*	**contractual cash flows, including:**	**up to 1 year**	**from 1 year to 5 years**	**over 5 years**
- Interest Rate Swaps and forwards used for risk hedging purposes	72 394	123 319	4 892	118 427	-
- inflows	-	1 391 967	89 974	1 301 993	-
- outflows	-	(1 268 648)	(85 082)	(1 183 566)	-
*- FX options***	(37 041)	-	-	-	-
- inflows	-	-	-	-	-
- outflows	-	-	-	-	-
- option premiums paid	9 305				
Total	**44 658**	**123 319**	**4 892**	**118 427**	**-**

	carrying amount as at 31 December 2007*	**contractual cash flows, including:**	**up to 1 year**	**1-2 years**	**over 5 years**
- Interest Rate Swaps and forwards used for risk hedging purposes	12 733	62 850	61 278	1 572	-
- inflows	-	1 042 967	61 278	981 689	-
- outflows	-	(980 117)	-	(980 117)	-
*- FX options***	(32 537)	-	-	-	-
- inflows	-	-	-	-	-
- outflows	-	-	-	-	-
- option premiums paid	1 061	-	-	-	-
Total	**(18 743)**	**62 850**	**61 278**	**1 572**	**-**

* The carrying amount (positive measurement from assets less negative measurement from assets) shows the fair value, i.e. discounted payments due to transactions, whereas cash flows are not discounted.

** As regards FX options, due to their option character (cash flows are conditional upon FX rates at the time of option realization on the market), cash flows have not been presented.

No material risks were identified in the daily business operations of the Capital Group.

Risk Management Policy

In order to effectively manage financial risk, on 17 February 2003 the Parent's Management Board approved the "Financial Risk Management Policy for PGNiG S.A.", which defines the competencies and tasks assigned to individual organizational units in the process of financial risk management and control.
The Management Board is responsible for the Parent's financial risk management and compliance with the adopted policy, whereas risk management related duties are vested with individual organizational units.

The following units are responsible for compliance with the "Financial Risk Management Policy for PGNiG S.A." and its periodic revision:

1. the Risk Committee, which presents proposed principles, conducts an ongoing assessment of the adequacy of the risk policy and implements necessary modifications;
2. the Management Board, which formally approves the policy.

Sensitivity analysis

The analysis of instruments hedging future liabilities due to gas supply, not recognized in the balance sheet, indicates that an increase (decrease) in the FX rate would translate into an increase (decrease) of liabilities due to supplies as well as increase (decrease) of positive measurement of the instruments hedging such liabilities. The total face value of hedges executed in the period to which they refer is lower than the value of off-balance sheet liabilities due to gas supplies.

When conducting the analysis of sensitivity to currency risk as at 30 June 2008, one can observe that the net profit would have been lower by PLN 42.35 million had the exchange rate of EUR, USD and NOK as well as other currencies increased by 10% compared to PLN with all other variables remaining flat (profit decrease of PLN 75.87 million resulting from NOK appreciation and PLN 1.30 million due to the appreciation of the other currencies with a simultaneous increase of PLN 30.42 million due to USD appreciation and PLN 4.04 million due to the appreciation of EUR).
Positive and negative measurement of CCIRS derivatives hedging a loan granted to PGNiG Norway AS (eliminated from the consolidated financial statements) has a key impact on the sensitivity analysis.
Had the loan been recognized in the balance sheet (as in the individual financial statements), the cash flows resulting from the loan and the hedging transactions would have been netted off, hence the changes in the positive (negative) measurement of the loan would have been netted off with negative (positive) changes in CCIRS measurement. Together the items would not be sensitive to FX rate and interest rate fluctuations.
The lower profit would result primarily from an increase in the negative portion of the fair value of financial derivatives (negative fair value of swap transactions).
The negative impact on the result on financial instruments denominated in NOK would be partially reduced by an increase in the positive portion of the fair value of financial derivatives in USD and EUR as well as measurement of assets denominated in such currencies. As a result of a 10% rate increase, the negative portion of the fair value of financial derivatives in USD and EUR would decrease, whereas exchange losses on trade liabilities denominated in these currencies would increase.
The net profit as at 30 June 2008 would have been PLN 32.18 million higher had the exchange rate of EUR, USD, NOK and the other currencies dropped by 10% compared to PLN with all other variables remaining flat (PLN 75.87 million increase due to NOK depreciation with a simultaneous decrease of PLN 39.53 million due to USD depreciation, a decrease of PLN 5.47 million due to EUR depreciation and an increase of PLN 1.30 due to the depreciation of the other currencies). The positive result would result primarily from an increase in the positive portion of the fair value of financial derivatives (positive fair value of swap transactions denominated in NOK). The positive result would be considerably reduced by an increase in the negative portion of the fair value of financial derivatives in USD, hedging the liabilities and expenditure due to gas fuel purchases.

When conducting the analysis of sensitivity to currency risk as at 31 December 2007, one can observe that the net profit would have been lower by PLN 46.85 million had the exchange rate of EUR, USD and NOK as well as the other currencies increased by 10% compared to PLN with all other variables remaining flat (profit decrease of PLN 69.70 million resulting from NOK appreciation with a simultaneous increase of PLN 20.65 million due to USD appreciation, PLN 2.14 million due to EUR appreciation and PLN 0.05 million due to the appreciation of the other currencies).

Positive and negative measurement of CCIRS derivatives hedging a loan granted to PGNiG Norway AS (eliminated from the consolidated financial statements) has a key impact on the sensitivity analysis.

Had the loan been recognized in the balance sheet (as in the individual financial statements), the cash flows resulting from the loan and the hedging transactions would have been netted off, hence the changes in the positive (negative) measurement of the loan would have been netted off with negative (positive) changes in CCIRS measurement. Together the items would not be sensitive to FX rate and interest rate fluctuations.

The lower profit would result primarily from an increase in the negative portion of the fair value of financial derivatives (negative fair value of swap transactions).

The negative impact on the result on financial instruments denominated in NOK would be partially reduced by an increase in the positive portion of the fair value of financial derivatives in USD and EUR as well as measurement of assets denominated in such currencies. As a result of a 10% rate increase, the negative portion of the fair value of financial derivatives in USD and EUR would decrease, whereas exchange losses on trade liabilities denominated in these currencies would increase.

The net profit as at 31 December 2007 would have been PLN 15.00 million higher had the exchange rate of EUR, USD, NOK and the other currencies dropped by 10% compared to PLN with all other variables remaining flat (PLN 69.70 million increase due to NOK depreciation with a simultaneous decrease of PLN 51.33 million due to USD depreciation, a decrease of PLN 3.31 million due to EUR depreciation and a decrease of PLN 0.05 due to the depreciation of the other currencies). The positive result would result primarily from an increase in the positive portion of the fair value of financial derivatives (positive fair value of swap transactions denominated in NOK). The positive result would be considerably reduced by an increase in the negative portion of the fair value of financial derivatives in USD, hedging the liabilities and expenditure due to gas fuel purchases.

Presented below are details of the analysis of sensitivity of the Group's financial instruments denominated in foreign currencies to FX rate fluctuations, for the first half of 2008 and 2007, respectively.

(in PLN '000)

Analysis of sensitivity of the financial instruments denominated in foreign currencies to FX rate fluctuations

	Carrying amount as at 30 June 2008	**Currency risk**							
	FX rate change by:	*10%*				*-10%*			
		for EUR	*for USD*	*for NOK*	*for the other currencies*	*for EUR*	*for USD*	*for NOK*	*for the other currencies*
Financial assets									
Financial assets available for sale	335	34	-	-	-	(34)	-	-	-
Other financial assets	529	53	-	-	-	(53)	-	-	-
Trade and other receivables	161 374	2 643	12 044	443	1 007	(2 643)	(12 044)	(443)	(1 007)
Financial assets held for trading	-	-	-	-	-	-	-	-	-
Derivative assets	85 891	5 922	31 990	(72 394)	-	(205)	(3 517)	110 584	-
Cash and bank balances	276 196	3 001	1 701	22 307	610	(3 001)	(1 701)	(22 307)	(610)
Impact on financial assets before tax		**11 653**	**45 735**	**(49 644)**	**1 617**	**(5 936)**	**(17 262)**	**87 834**	**(1 617)**
19% tax		(2 214)	(8 690)	9 432	(307)	1 128	3 280	(16 688)	307
Impact on financial assets after tax		**9 439**	**37 045**	**(40 212)**	**1 310**	**(4 808)**	**(13 982)**	**71 146**	**(1 310)**
total currencies		*7 582*				*51 046*			
Financial liabilities									
Loans, borrowings and debt securities (including finance leases)	35 402	-	1 167	-	2 373	-	(1 167)	-	(2 373)
Trade and other liabilities	586 245	8 187	43 756	5 828	854	(8 187)	(43 756)	(5 828)	(854)
Liabilities due to derivative financial instruments	41 233	(1 971)	(36 741)	38 191	-	8 999	76 464	-	-
Impact on financial liabilities before tax		**6 216**	**8 182**	**44 019**	**3 227**	**812**	**31 541**	**(5 828)**	**(3 227)**
19% tax	-	(1 181)	(1 555)	(8 363)	(613)	(154)	(5 993)	1 107	613
Impact on financial liabilities after tax		**5 035**	**6 627**	**35 656**	**2 614**	**658**	**25 548**	**(4 721)**	**(2 614)**
total currencies		*49 932*				*18 871*			
Total increase/decrease		4 404	30 418	(75 868)	(1 304)	(5 466)	(39 530)	75 867	1 304
total currencies		**(42 350)**				**32 175**			
Exchange rates as at the balance sheet date and their changes:									
EUR/PLN exchange rate	3.3542	3.6896	3.3542	3.3542	3.3542	3.0188	3.3542	3.3542	3.3542
USD/PLN exchange rate	2.1194	2.1194	2.3313	2.1194	2.1194	2.1194	1.9075	2.1194	2.1194
NOK/PLN exchange rate	0.4197	0.4197	0.4197	0.4617	0.4197	0.4197	0.4197	0.3777	0.4197

(in PLN '000)

	Carrying amount as at 31 December 2007	Currency risk							
	FX rate change by:	*10%*				*-10%*			
		for EUR	*for USD*	*for NOK*	*for the other currencies*	*for EUR*	*for USD*	*for NOK*	*for the other currencies*
Financial assets									
Financial assets available for sale	9 029	36	867	-	-	(36)	(867)	-	-
Other financial assets	-	-	-	-	-	-	-	-	-
Trade and other receivables	165 545	1 958	8 498	243	5 855	(1 958)	(8 498)	(243)	(5 855)
Financial assets held for trading	-	-	-	-	-	-	-	-	-
Derivative assets	17 442	7 989	13 776	(16 093)	-	(59)	(226)	83 797	-
Cash and bank balances	91 671	1 193	4 611	2 839	525	(1 193)	(4 611)	(2 839)	(525)
Impact on financial assets before tax		**11 176**	**27 752**	**(13 011)**	**6 380**	**(3 246)**	**(14 202)**	**80 715**	**(6 380)**
19% tax		(2 123)	(5 273)	2 472	(1 212)	617	2 698	(15 336)	1 212
Impact on financial assets after tax		**9 053**	**22 479**	**(10 539)**	**5 168**	**(2 629)**	**(11 504)**	**65 379**	**(5 168)**
total currencies		*26 161*				*46 078*			
Financial liabilities									
Loans, borrowings and debt securities (including finance leases)	35 765	-	1 314	-	2 262	-	(1 314)	-	(2 262)
Trade and other liabilities	484 279	9 609	32 126	2 632	4 061	(9 609)	(32 126)	(2 632)	(4 061)
Liabilities due to derivative financial instruments	36 185	(1 086)	(31 188)	70 406	-	10 449	82 616	(2 701)	-
Impact on financial liabilities before tax		**8 523**	**2 252**	**73 038**	**6 323**	**840**	**49 176**	**(5 333)**	**(6 323)**
19% tax	-	(1 619)	(428)	(13 877)	(1 201)	(160)	(9 343)	1 013	1 201
Impact on financial liabilities after tax		**6 904**	**1 824**	**59 161**	**5 122**	**680**	**39 833**	**(4 320)**	**(5 122)**
total currencies		*73 011*				*31 071*			
Total increase/decrease		2 149	20 655	(69 700)	46	(3 309)	(51 337)	69 699	(46)
total currencies		**(46 850)**				**15 007**			
Exchange rates as at the balance sheet date and their changes:									
EUR/PLN exchange rate	3.5820	3.9402	3.5820	3.5820	3.5820	3.2238	3.5820	3.5820	3.5820
USD/PLN exchange rate	2.4350	2.4350	2.6785	2.4350	2.4350	2.4350	2.1915	2.4350	2.4350
NOK/PLN exchange rate	0.4497	0.4497	0.4497	0.4947	0.4497	0.4497	0.4497	1.9453	0.4497

(in PLN '000)

The Company conducted the analysis of financial instruments due to originated loans, contracted credit facilities as well as floating rate lease liabilities to an interest rate change by +/- 100 basis points.

As at 30 June 2008, the sensitivity of floating rate loan and lease liabilities to an interest rate change by +/- 100 basis points amounted to +/- PLN 1.53 million.

As at 31 December 2007, the sensitivity of floating rate loan and lease liabilities to an interest rate change by +/- 100 basis points amounted to +/- PLN 1.38 million.

Analysis of sensitivity of financial instruments to interest rate changes

	carrying amount balance as at 30 June 2008	*change by:*	
		+100 bp	**-100 bp**
Loans received	89 759	898	(898)
Lease liabilities	63 597	636	(636)
Total	**153 356**	**1 534**	**(1 534)**

	carrying amount balance as at 31 December 2007	*change by:*	
		+100 bp	**-100 bp**
Loans received	73 414	734	(734)
Lease liabilities	64 687	647	(647)
Total	**138 101**	**1 381**	**(1 381)**

As the commodity risk identification is inaccurate, no sensitivity analysis for this type of risk was conducted.

(in PLN '000)

36. HEDGING DERIVATIVES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivative valuation methods

In accordance with International Financial Reporting Standards the Parent discloses all derivatives in the financial statements at fair value.

As at 30 June 2008 the Parent held three types of derivatives: Currency Basis Swaps, purchased Call options and the so called risk reversal strategies (purchased FX Call options and sold Put options). Measurement to fair value was conducted with the Risk Hedging application, whereas swap measurement was provided by banks being parties to the transactions.

The measurement of Call and Put options to fair value was conducted in line with the Garman-KOhlhagen model based on the following market data: interest rates, FX rates and volatility as at 30 June 2008.

Hedge accounting

In the first half of 2008 the Capital Group did not apply hedge accounting principles. Therefore changes in the fair vale of hedged financial instruments and hedging instruments were presented in the income statement for the financial period.

Derivatives

Face value in foreign currency	Maturity date	Instrument realization price or price range	Measurement to the instrument fair value	
			30 June 2008	31 December 2007
	Call option*			
EUR 5 million	8 August 2008	3.5600	282	-
USD 10 million	10 July 2008	2.3140	158	-
USD 10 million	18 July 2008	2.3150	199	-
USD 10 million	20 August 2008	2.3130	255	-
EUR 5 million	19 September 2008	3.5000	140	-
USD 10 million	8 August 2008	2.3100	200	-
USD 10 million	19 September 2008	2.3100	371	-
USD 10 million	8 August 2008	2.3000	206	-
USD 10 million	10 July 2008	2.2800	142	-
USD 10 million	18 July 2008	2.2800	136	-
USD 10 million	10 October 2008	2.3000	417	-
USD 10 million	10 October 2008	2.3100	398	-
USD 10 million	18 July 2008	2.2700	169	-
USD 10 million	10 October 2008	2.3100	339	-
EUR 5 million	20 October 2008	3.4700	235	-
USD 10 million	20 August 2008	2.2800	216	-
USD 10 million	10 July 2008	2.2400	125	-
USD 10 million	20 October 2008	2.3100	422	-
USD 10 million	20 August 2008	2.3000	200	-
USD 10 million	20 October 2008	2.3100	416	-
USD 10 million	10 November 2008	2.3100	468	-
USD 10 million	10 November 2008	2.3100	458	-
USD 10 million	20 October 2008	2.3100	382	-
USD 10 million	10 November 2008	2.3000	430	-
USD 10 million	10 October 2008	2.3000	316	-
USD 10 million	10 November 2008	2.3000	435	-
USD 10 million	10 December 2008	2.3100	506	-
EUR 5 million	10 December 2008	3.5000	253	-
USD 10 million	10 November 2008	2.3100	456	-
USD 10 million	10 November 2008	2.3100	463	-
USD 10 million	10 September 2008	2.3000	261	-
USD 10 million	20 August 2008	2.3000	179	-
USD 10 million	19 September 2008	2.3000	278	-
USD 10 million	10 November 2008	2.3000	471	-
USD 10 million	19 September 2008	2.2800	301	-
USD 10 million	10 October 2008	2.2800	398	-
USD 10 million	19 September 2008	2.2800	283	-
USD 10 million	20 November 2008	2.3000	477	-
USD 10 million	19 December 2008	2.3100	499	-
USD 10 million	19 December 2008	2.3100	488	-
USD 10 million	19 December 2008	2.3100	219	-
USD 10 million	10 December 2008	2.3100	204	-
USD 10 million	19 December 2008	2.3000	246	-
EUR 5 million	10 January 2008	3.8400	-	200
EUR 5 million	10 March 2008	3.6800	-	317
USD 10 million	18 April 2008	2.5800	-	419
USD 10 million	18 April 2008	2.5700	-	413
			13 497	**1 349**
	Collar			

(in PLN ‘000)

USD 10 million	19 December 2008	2.6700-2.3228	(2 013)	-
USD 10 million	20 December 2008	2.6600-2.2950	(1 736)	-
EUR 5 million	21 December 2008	3.7900-3.4990	(715)	-
USD 10 million	22 December 2008	2.3450-2.6650	(2 235)	-
USD 10 million	23 December 2008	2.6700-2.3265	(1 990)	-
USD 10 million	24 December 2008	2.6650-2.3330	(2 096)	-
USD 10 million	25 December 2008	2.6650-2.3410	(2 176)	-
USD 10 million	26 December 2008	2.6600-2.3185	(1 912)	-
USD 10 million	27 December 2008	2.6600-2.3110	(1 895)	-
USD 10 million	28 December 2008	2.6600-2.3120	(1 905)	-
USD 10 million	29 December 2008	2.6600-2.3095	(1 862)	-
USD 10 million	30 December 2008	2.6600-2.3185	(1 912)	-
USD 10 million	31 December 2008	2.6300-2.2900	(1 637)	-
EUR 5 million	1 January 2009	3.7300-3.4290	(372)	-
USD 10 million	2 January 2009	2.6300-2.2415	(1 190)	-
USD 10 million	3 January 2009	2.6300-2.2790	(1 528)	-
USD 10 million	4 January 2009	2.6300-2.2810	(1 546)	-
USD 10 million	5 January 2009	2.6300-2.2385	(1 161)	-
USD 10 million	6 January 2009	2.6300-2.1830	(708)	-
USD 10 million	7 January 2009	2.6300-2.1835	(712)	-
USD 10 million	8 January 2009	2.5700-2.1830	(645)	-
USD 10 million	9 January 2009	2.5800-2.1720	(663)	-
USD 10 million	10 January 2009	2.6230-2.1800	(718)	-
USD 10 million	11 January 2009	2.6200-2.1820	(732)	-
USD 10 million	12 January 2009	2.6200-2.1760	(702)	-
USD 10 million	13 January 2009	2.6000-2.1790	(679)	-
USD 10 million	14 January 2009	2.5680-2.1500	(525)	-
EUR 5 million	15 January 2009	3.6900-3.4680	(558)	-
USD 10 million	16 January 2009	2.5500-2.1480	(528)	-
USD 10 million	17 January 2009	2.5300-2.1430	(407)	-
USD 10 million	18 January 2009	2.5400-2.1410	(489)	-
USD 10 million	19 January 2009	2.4900-2.1340	(449)	-
USD 10 million	20 January 2009	2.4800-2.0680	(174)	-
EUR 5 million	21 January 2009	3.6200-3.3800	(203)	-
USD 10 million	22 January 2009	2.3350-2.1640	(458)	-
USD 10 million	23 January 2009	2.4800-2.0525	(178)	-
EUR 5 million	24 January 2009	3.5700-3.2950	(60)	-
EUR 5 million	25 January 2009	3.5500-3.3000	(61)	-
USD 10 million	26 January 2009	2.4000-2.0450	(111)	-
USD 10 million	27 January 2009	2.3370-2.0415	(67)	-
USD 10 million	28 January 2009	2.4300-2.0530	(195)	-
USD 10 million	29 January 2009	2.4200-2.0470	(150)	-
USD 10 million	30 January 2009	2.4300-2.0625	(119)	-
USD 10 million	31 January 2009	2.4300-2.0630	(157)	-
USD 10 million	1 February 2009	2.4200-2.0530	(182)	-
USD 10 million	2 February 2009	2.4200-2.0350	(142)	-
USD 10 million	3 February 2009	2.4200-2.0315	(133)	-
USD 10 million	4 February 2009	2.4200-2.0425	(160)	-
USD 10 million	5 February 2009	2.4200-2.0425	(155)	-
USD 10 million	6 February 2009	2.4000-2.0370	(132)	-
USD 10 million	7 February 2009	2.4000-1.9930	-	-
USD 10 million	10 January 2008	2.8600-2.6195	-	(1 840)
USD 10 million	10 January 2008	2.8600-2.6185	-	(1 830)
USD 10 million	10 January 2008	3.0000-2.6750	-	(2 394)
USD 10 million	18 January 2008	2.9900-2.6550	-	(2 187)
USD 10 million	8 February 2008	2.9900-2.6550	-	(2 171)
USD 10 million	10 March 2008	2.9900-2.6490	-	(2 105)
USD 10 million	18 January 2008	2.9900-2.6000	-	(1 639)
USD 10 million	8 February 2008	2.9900-2.5945	-	(1 581)
USD 10 million	10 March 2008	2.9900-2.5890	-	(1 542)
USD 10 million	8 February 2008	2.9500-2.5815	-	(1 456)
USD 10 million	8 February 2008	2.9500-2.5680	-	(1 329)
USD 10 million	18 January 2008	2.9500-2.5690	-	(1 332)
USD 10 million	10 March 2008	2.9000-2.5680	-	(1 352)
USD 10 million	10 March 2008	2.8700-2.5690	-	(1 360)
USD 10 million	18 January 2008	2.8700-2.5665	-	(1 307)
USD 10 million	10 January 2008	2.8000-2.5599	-	(1 245)
USD 10 million	20 February 2008	2.8000-2.5500	-	(1 175)
EUR 5 million	8 February 2008	3.8700-3.7070	-	(621)
USD 10 million	20 March 2008	2.8300-2.5300	-	(1 035)
USD 10 million	20 March 2008	2.8300-2.5300	-	(1 035)
USD 10 million	10 January 2008	2.7000-2.4755	-	(433)
USD 10 million	20 February 2008	2.7500-2.4350	-	(312)
USD 10 million	10 April 2008	2.7500-2.3705	-	(171)
USD 10 million	20 February 2008	2.7500-2.3760	-	(105)
USD 10 million	10 April 2008	2.7500-2.3380	-	(102)
USD 10 million	20 February 2008	2.7500-2.2700	-	(6)
USD 10 million	20 March 2008	2.7500-2.2765	-	(21)
USD 10 million	10 April 2008	2.7500-2.3350	-	(97)
USD 10 million	10 April 2008	2.7500-2.3400	-	(106)
USD 10 million	9 May 2008	2.7700-2.3100	-	(82)
USD 10 million	20 May 2008	2.7400-2.3100	-	(79)
EUR 5 million	25 January 2008	3.7800-3.5630	-	(69)
EUR 5 million	10 April 2008	3.7600-3.5830	-	(167)
USD 10 million	18 January 2008	2.6500-2.3510	-	(9)

(in PLN '000)

EUR 5 million	22 February 2008	3.7400-3.5700	-	(110)
USD 10 million	20 February 2008	3.7400-2.2850	-	(10)
USD 10 million	20 March 2008	3.7400-2.2750	-	(19)
EUR 5 million	25 March 2008	3.7500-3.5470	-	(84)
USD 10 million	18 April 2008	3.7400-2.2730	-	(27)
USD 10 million	9 May 2008	2.7300-2.2740	-	(30)
EUR 5 million	9 May 2008	3.7500-3.5090	-	(36)
USD 10 million	18 January 2008	2.6300-2.3100	-	(1)
USD 10 million	20 February 2008	2.6600-2.3075	-	(15)
USD 10 million	20 February 2008	2.6600-2.2860	-	(5)
USD 10 million	18 January 2008	2.6400-2.3275	-	(3)
USD 10 million	8 February 2008	2.6300-2.3050	-	(5)
USD 10 million	18 April 2008	2.6500-2.3000	-	(18)
EUR 5 million	18 April 2008	3.7600-3.4600	-	(1)
USD 10 million	20 February 2008	2.6400-2.2930	-	(4)
USD 10 million	20 May 2008	2.6600-2.2940	-	(17)
USD 10 million	20 May 2008	2.6600-2.2980	-	(22)
USD 10 million	9 May 2008	2.6600-2.2980	-	(22)
USD 10 million	18 January 2008	2.6400-2.2990	-	-
USD 10 million	10 April 2008	2.7000-2.2910	-	(30)
USD 10 million	10 March 2008	2.7200-2.2980	-	(26)
NOK 300 million	9 May 2008	2.7100-2.2960	-	(46)
			(41 233)	**(32 826)**
	Forward			
USD 1.54 million	5 May 2008	2.7495	-	(484)
USD 0.56 million	1 April 2008	2.7450	-	(174)
			-	**(658)**
	Cross Currency Interest Rate Swap			
NOK 344 million	15 January 2011	0.4530	10 129	-
NOK 344 million	16 January 2011	0.4530	10 753	-
NOK 300 million	17 January 2011	0.4686	11 935	4 605
NOK 300 million	17 January 2011	0.4627	9 801	4 833
NOK 300 million	17 January 2011	0.4596	8 254	2 522
NOK 300 million	17 January 2011	0.4534	6 834	1 868
NOK 300 million	17 January 2011	0.4588	7 998	2 265
NOK 300 million	17 January 2011	0.4461	6 690	(2 701)
			72 394	**13 392**
Total			**44 658**	**(18 743)**
Including:	positive measurement	assets	**85 891**	**17 442**
	negative measurement	liabilities	**(41 233)**	**(36 185)**

* Call option measurement includes the premium paid.

(in PLN '000)

37. CONTINGENT LIABILITIES

37. a. Contingent liabilities arising from granted sureties and guarantees

Borrower	Contingent liability granted in foreign currency	Currency of the contingent liability	Contingent liability * granted in PLN	Contingent liability expiry date	Type of contingent liability granted
Contingent liabilities granted by PGNiG S.A.					
Norway	627 556	EUR	2 104 947	1 January 2050	performance bond regarding a subsidiary's obligations towards Norway and defined Norwegian entities
EUROPOL GAZ S.A.	56 000	PLN	56 000	30 September 2012	credit surety
The President Islamic Republic of Pakistan	2 316	USD	4 909	31 December 2008	bank guarantee
Egyptian General Petroleum Corporation	500	USD	1 060	28 February 2012	bank guarantee
Gazprom-Export Ltd.	210 000	USD	445 074	8 February 2009	bank guarantee
Gazprom-Export Ltd.	42 000	USD	89 015	8 February 2009	bank guarantee
National Oil Corporation Libya	108 000	USD	228 895	1 June 2013	guarantee
Contingent liabilities granted by Distribution Companies					
Contingent liabilities granted by Gas Companies**	1 250 000	EUR	4 192 750	27 January 2012	repayment guarantee
Contingent liabilities granted by Geofizyka Kraków Sp. z o.o.					
Pakistani Customs Office	330	USD	699	31 December 2009	customs guarantee
Oil India Company LTD	2 363	USD	5 008	31 August 2008	performance bond
Oil India Limited Libya	664	USD	2 227	23 March 2010	performance bond
Oil India Limited Libya	182	USD	386	7 August 2008	tender guarantee
Oil India Limited Libya	182	USD	386	8 August 2008	performance bond
Oil Gas Development Company Pakistan	1 470	USD	3 115	20 December 2008	performance bond
RWE the Czech Republic	600	CZK	84	30 December 2008	tender guarantee
Contingent liabilities granted by Geofizyka Toruń Sp. z o.o.					
Institute of Geology	23	PLN	23	30 January 2009	performance bond
Oil India	558	USD	1 182	15 November 2010	performance bond
Reliance India	1 350	USD	2 861	13 October 2008	performance bond
Oil India	1 801	USD	3 817	15 September 2009	performance bond
Cairn India	510	USD	1 081	11 November 2010	performance bond
Reliance India	50	USD	106	8 December 2008	performance bond
Reliance India	235	USD	498	30 September 2008	performance bond
Oil India	408	USD	865	17 November 2008	performance bond
Oil India	408	USD	865	25 June 2009	performance bond
Reliance India	10	USD	21	30 December 2008	performance bond
Cairn India	1 240	USD	2 628	8 February 2010	performance bond
GSPC India	1 156	USD	2 449	18 December 2009	performance bond
GSPC India	1 974	USD	4 184	2 November 2009	performance bond
Reliance India	100	USD	212	21 October 2008	tender bond
Oil India	225	USD	477	19 January 2009	tender bond

(in PLN '000)

GAFI Egypt	25	USD	53	28 March 2009	performance bond
Cairn India	648	USD	1 373	8 July 2010	performance bond
Contingent liabilities granted by PNiG Jasło Sp. z o.o.					
PeBeKa S.A.	987	PLN	987	4 December 2009	performance bond
RWE DEA GMBH	1 905	PLN	1 905	17 April 2009	performance bond
Contingent liabilities granted by Gazobudowa Zabrze Sp. z o.o.					
ZRUG Sp. z o.o. in Pogórska Wola	239	PLN	239	25 October 2008	performance bond
GAZ-SYSTEM S.A. Warsaw	388	PLN	388	30 May 2012	performance bond
IMP Promont Montaza Lubljana	128	EUR	428	8 March 2013	performance bond
Hydrobudowa Polska SA Przeźmierowo	2 298	PLN	2 298	31 December 2010	performance bond
Contingent liabilities granted by Naftomontaż Krosno Sp. z o.o.					
MICROTECH LTD Sp.z o.o. Wrocław	112	PLN	112	18 December 2009	bill-of-exchange endorsement
Contingent liabilities granted by Diament Sp. z o.o.					
Polski Asfalt Sp. z o.o.	202	PLN	202	23 August 2009	performance bond
WUPRINŻ Sp. z o.o.	27	PLN	27	10 November 2009	performance bond
MITEX S.A.	77	PLN	77	30 June 2009	performance bond
State Forestry	9	PLN	9	22 May 2009	performance bond
The Municipality of Kozienice	15	PLN	15	12 June 2009	performance bond
ABM Sp.z o.o.	375	PLN	375	24 August 2009	performance bond
EKOMEL Sp. z o.o.	16	PLN	16	29 November 2010	performance bond
OBRA Municipality Association	202	PLN	202	23 August 2009	performance bond
Waste Management Plant	294	PLN	294	28 September 2008	performance bond
GS Engineering&Construkt.	535	PLN	535	14 February 2010	performance bond
GS Engineering&Construkt.	111	PLN	111	27 July 2010	performance bond
GS Engineering&Construkt.	8	PLN	8	24 August 2010	performance bond
The City and Commune Mayor in Nakło	20	PLN	20	20 July 2008	tender bond
Jost Polska	36	PLN	36	11 April 2010	performance bond
Budimex Dromex	171	PLN	171	30 September 2008	performance bond
City Hall in Sierpc	60	PLN	60	25 July 2008	tender bond
Contingent liabilities granted by Polskie LNG Sp. z o.o.					
Euroafrica Linie Żeglugowe Sp. z o.o.	28	PLN	28	15 March 2012	bank guarantee
Total			**7 165 793**		

*Contingent liabilities in foreign currency translated at the exchange rate of the National Bank of Poland as at 30 June 2008.

As at 30 June 2008, the agreement concluded by PGNiG S.A. on 22 September 2005 with Gas Companies (at present, the Distribution System Operators), regarding guarantee granted due to a Loan Agreement concluded by PGNiG S.A. with a banking syndicate on 27 July 2005 was still binding. The aforementioned agreement concerned a joint and several, irrevocable and unconditional guarantee granted by the Companies to Bank Handlowy w Warszawie S.A. (the Loan Agent) of the timely repayment of a loan up to the amount of EUR 1,250,000 thousand within 18 months after the termination date of the agreement for Loan Tranche A, i.e. by 27 January 2012. The Company repaid EUR 600,000 thousand of the term loan and simultaneously secured access to the same amount as part of a revolving loan. At present, the guarantees granted by the Distribution System Operators constitute the collateral.

(in PLN ‘000)

37. b. Contingent bill of exchange liabilities

Entity for which the bill-of-exchange was issued	Value of the bill-of-exchange granted in currency	Currency of the bill of exchange	Value of the granted bill of exchange in PLN	Bill of exchange expiry date
Bills of exchange issued by PGNiG S.A.				
Towarzystwo Finansowo-Leasingowe S.A.	6 852	PLN	6 852	31 December 2009
Bills of exchange issued by Geofizyka Kraków Sp. z o.o.				
ECS,BPH Leasing,Sogelege	2 983	PLN	2 983	31 March 2013
Bills of exchange issued by Geofizyka Toruń Sp. z o.o.				
RAIFFEISEN BANK POLSKA S.A.	6 000	PLN	6 000	29 May 2009
BANK ROZWOJU EKSPORTU S.A.	5 000	PLN	5 000	25 August 2008
Bills of exchange issued by PNiG Jasło Sp. z o.o.				
Bank PeKaO S.A.	5 000	PLN	5 000	31 December 2008
Bank PeKaO S.A.	10 000	PLN	10 000	31 December 2008
Bank PeKaO S.A.	987	PLN	987	4 December 2008
Bills of exchange issued by Diament Sp. z o.o.				
BRE BANK S.A.	4 000	PLN	4 000	30 January 2014
Bills of exchange issued by Wielkopolska Spółka Gazownictwa Sp. z o.o.				
Europejski Fundusz Leasingowy	190	PLN	190	15 February 2009
Bills of exchange issued by Gazobudowa Zabrze Sp. z o.o.				
FORTIS Bank Polska S.A.	50	PLN	50	31 July 2008
TUiR CIGNA STU S.A.	549	PLN	549	31 October 2008
PKN Orlen S.A.	20	PLN	20	unlimited
BRE BANK S.A.	8 000	PLN	8 000	14 November 2008
TU ALLIANZ Polska S.A. Warsaw	8 000	PLN	8 000	14 March 2009
ERGO HESTIA Katowice	1 000	PLN	1 000	unlimited
UNIQUA TU S.A.	1 391	PLN	1 391	18 October 2008
PKN Orlen S.A.	10	PLN	10	unlimited
BRE Leasing Warsaw	509	PLN	509	20 July 2008
Bills of exchange issued by Naftomontaż Krosno Sp. z o.o.				
Control Process Sp.z o.o. Tarnów	75	PLN	75	25 November 2009
Control Process Sp.z o.o. Tarnów	29	PLN	29	25 November 2009
Control Process Sp.z o.o. Tarnów	105	PLN	105	25 November 2009
TU InterRisk SA Kielce Branch	44	PLN	44	10 April 2011
TU InterRisk SA Kielce Branch	69	PLN	69	30 October 2010
TU InterRisk SA Kielce Branch	14	PLN	14	14 November 2010
TU InterRisk SA Kielce Branch	3	PLN	3	29 April 2009
TU InterRisk SA Kielce Branch	139	PLN	139	2 August 2008
TU InterRisk SA Kielce Branch	400	PLN	400	3 December 2008
TU InterRisk SA Kielce Branch	107	PLN	107	30 August 2008
Total			**61 526**	

37. c. Other contingent liabilities

Real property tax

Based on a decision of the Supreme Administrative Court in Warsaw of 2 July 2001 undertaken by 7 judges, excavations were not subject to real property tax. Since in the case of oil and gas production wells are excavations, local authorities from the Zielona Góra Branch’s area of operation withdrew from the enforcement of real property tax; however some authorities have decided that well supporting infrastructure is subject to taxation.
Pipeline tax was introduced in 2001. In the previous years, the Zielona Góra Branch created provisions for the claims of the local authorities due to real estate tax in the amount of PLN 821.3 thousand. Due to a positive settlement of the previous court cases related to the aforementioned claim, PGNiG S.A. re-conducted an additional estimate of the related claim risk and in 2007 it released the relevant provision due to its immateriality. On the other hand, the local authorities in Podkarpacie have not filed any related claims so far. Therefore, the mines located in the Podkarpacie region did not declare or accrue real property tax on excavations for the period from 2001 to 2005. The potential tax liability not disclosed in the financial statements together with interest amounted to PLN 61,131.6 thousand as at 30 June 2008 (as at the end of 2007, the liability was PLN 60,642.2 thousand).

(in PLN '000)

Real property related claims

Additionally, claims have been lodged against PGNiG S.A. by land owners in relation to the following:

- land via which pipelines are planned to run;
- land where gas pipelines and other facilities have been installed.

Potential liabilities arising from claims concerning real property cannot be quantified due to the fact that such claims are often groundless (which is confirmed by expert opinions).

38. OFF-BALANCE SHEET LIABILITIES

38. a. Operating lease liabilities

	30 June 2008	31 December 2007
Up to one year	2 953	1 952
From 1 to 5 years	7 902	1 082
Over 5 years	61	-
Total	**10 916**	**3 034**

38. b. Investment liabilities

	30 June 2008	31 December 2007
Contractual liabilities	617 756	625 761
Stage of contract completion as at the balance sheet date	288 127	320 755
Contractual liabilities after the balance sheet date	**329 629**	**305 006**

(in PLN '000)

39. RELATED PARTIES

39. a. Related party transactions

Related party		Sales to related parties	Purchase from related parties	Gross receivables from related parties	Net receivables from related parties	Gross loans granted to related parties	Net loans granted to related parties	Liabilities to related parties
Associates consolidated using the equity method	30 June 2008	17 798	39 260	3 401	3 401	100 402	-	7 016
	30 June 2007	50 302	96 113	2 378	2 378	131 083	-	27 794
Subsidiaries and associates not included in consolidation	30 June 2008	12 391	90 762	136 277	8 393	11 295	-	104 464
	30 June 2007	21 458	215 834	134 261	5 882	12 523	-	127 368
Total related parties	**30 June 2008**	**30 189**	**130 022**	**139 678**	**11 794**	**111 697**	**-**	**111 480**
	30 June 2007	**71 760**	**311 947**	**136 639**	**8 260**	**143 606**	**-**	**155 162**

(in PLN '000)

39. b. Information on remuneration of members of management and supervisory bodies of the Capital Group constituent entities

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Remuneration paid to the management	**9 744**	**6 865**
Parent	2 318	768
Subsidiaries	5 988	4 649
Co-subsidiary	1 085	1 242
Associates	353	206
Remuneration paid to the supervisory bodies	**2 737**	**2 517**
Parent	144	152
Subsidiaries	1 865	1 569
Co-subsidiary	521	545
Associates	207	251
Total	**12 481**	**9 382**

39. c. Loans granted to Members of the Management and Supervisory Boards of the Capital Group constituent entities

	30 June 2008	31 December 2007
Members of the Management Boards		
Interest rate (%)	1%-5%	1%-5%
Repayment terms (period)	3-10 years	1.5-10 years
Value of loans remaining to be repaid	98	110
Members of the Supervisory Boards		
Interest rate (%)	0%-5%	0%-5%
Repayment terms (period)	1.25-5 years	1.25-5 years
Value of loans remaining to be repaid	5	17
Total value of loans remaining to be repaid	**103**	**127**

39. e. Joint ventures not included in consolidation

In the first half of 2008, PGNiG S.A. cooperated with the following foreign entities in Poland: CalEnergy Gas (Polska) Sp. z o. o., EuroGas Polska Sp. z o. o., Energia Bieszczady Sp. z o.o. and FX Energy Poland Sp. z o.o.

EuroGas Polska Sp. z o.o., registered office: Pszczyna 43-200, ul. Górnośląska 3
Energia Bieszczady Sp. z o.o., registered office: Warsaw 00-060, ul. Królewska 27
In the first half of 2008, PGNiG S.A., Eurogas Polska Sp. z o.o. and Energia Bieszczady Sp. z o.o. conducted studies as well as geological and geophysical analyses in order to determine areas for searching, identifying and exploring carbon hydrogen deposits in Bieszczady. The licenses and mining usufruct right related to the prospecting for and recognition of oil and natural gas deposits in the above area belong to the operator, i.e. PGNiG S.A.

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

In the first half of 2008, PGNiG S.A. continued work conducted with FX Energy Poland Sp. z o.o. in the following areas:

- "Płotki" (Joint Operations Agreement of 12 May 2000 with subsequent amendments);
- "Płotki" - "PTZ" – in cooperation with CalEnergy Resources Poland Sp. z o.o. (the so called Extended Area of Zaniemyśl, Operating Agreement of Mine Users of 26 October 2005);
- "Poznań" (Joint Operations Agreement of 1 June 2005);
- Block 255 (Joint Operations Agreement of 29 October 1999).

Based on the "Agreement on settlements of natural gas produced from the "Klęka 11 well", the Klęka deposit was exploited. Additionally, reprocessing and reinterpretation of seismic data were continued within the "Płotki" area. Capacity measurements and deposit tests were conducted in the Roszków-1 well drilled in 2007. In the first half of 2008, the Roszków natural gas deposit of 0.9 billion cubic meters minable resources was documented.

In the first half of 2008, the exploration of the Zaniemyśl natural gas deposit within the "Płotki" – "PTZ" area as well as production of natural gas from the Wilga (Block 255) deposit were continued.

Since the beginning of 2008, Grundy-2, Kromolice-1 and Środa Wielkopolska-6 exploration wells have been drilled within the "Poznań" area. In the first half of 2008, 3D seismic photographs were taken in Kórnik-Środa Wielkopolska and Kórnik-Środa Wielkopolska - Winna Góra and Pławce region. Additionally, reprocessing and interpretation of previous seismic data was conducted in order to prepare new sites for drilling in 2008 and subsequent years.

None the aforementioned joint ventures were included in consolidation in the first half of 2008 and in 2007, as all the related assets, liabilities, revenues and expenses were recognized in the balance sheet and income statement of PGNiG S.A. proportionally to its share in the respective joint ventures.

39. f. Foreign operations

PGNiG S.A.'s shares in foreign companies

Ukraine

"Dewon" Z.S.A. is an unlisted joint stock company. It was established on 17 November 1999. The main objective and purpose of the company is to provide crude oil and natural gas production related services, well reconstruction services as well as management and exploration of the Ukrainian deposits.

The company's share capital equals UAH 11,146.8 thousand , i.e. PLN 5,196.6 thousand (at the exchange rate of the National Bank of Poland as at 30 June 2008) and is divided into 120.0 thousand shares with a face value of UAH 92.89 each. The interest in the company amounts to UAH 4,055.2 thousand, i.e. PLN 1,890.5 thousand (at the exchange rate of the National Bank of Poland as at 30 June 2008).

The 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 Ltawa Sp. z o.o. 0.01%

Natural gas production was launched by the company in November 2003. Gas is produced from the Sakhalin gas condensate deposit in the Krasnokuck Region of the Kharkov Province (East Ukraine). The Company produces hydrocarbons, natural gas and condensate and sells these products on the Ukrainian market.

The Sakhalin deposit is operated based on a joint venture agreement with PoltavaNaftoGasGeologia. PoltavaNaftoGasGeologia is a subsidiary of the state-owned enterprise "Nadra Ukrainy" and holds a license for natural gas exploration and production from the Sakhalin deposit.

Oman

The share capital of "Sahara Petroleum Technology Llc" amounts to RO 150.0 thousand (Omani Rial), i.e. PLN 841.2 thousand (at the average exchange rate of the National Bank of Poland as at 25 June 2008) and is divided into 150.0 thousand shares with a face value of RO 1 each. The interest of PGNiG S.A. in the company amounts to RO 73.5 thousand, i.e. PLN 412.2 thousand (at the average exchange rate of the National Bank of Poland as at 25 June 2008). The 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, Oman.

The Company was founded by Zakład Robót Górniczych in Krosno (PGNiG S.A. Branch until 30 June 2005, presently fully owned by PGNiG S.A.) in 2000. The company's main objective is to provide technical services related to reconditioning and reconstruction of wells, linear technique

operations, maintenance of heads of exploration machines as well as light and medium drilling jobs using the technical potential of PGNiG S.A.
The Company has never started the activities for which it was established. Therefore, PGNiG S.A.'s objective is to liquidate the company and withdraw its shares.

Germany

On 1 July 2005, in Potsdam PGNiG S.A. and VNG-Verbundez Gas AG signed two incorporation agreements pursuant to German law:

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

Both partners assumed 50% of shares in each of the companies. The share capital of each of the incorporated companies amounts to EUR 200 thousand (i.e. PLN 335.4 thousand at the average exchange rate of the National Bank of Poland as at 30 June 2008). Their registered offices are located in Potsdam.
InterGasTrade GmbH has not been entered into the Commercial Register.

On 9 August 2005, InterTransGas GmbH was entered into the Commercial Register in Potsdam.
The scope of the company's activities includes the construction, operation and sale of transmission capacity.
InterTransGas GmbH was incorporated to build an interconnector between the Polish and European gas transmission system, which would constitute one of the elements of the diversification of gas supplies to Poland. At present, based on the Shareholders' decision, InterTransGas GmbH operates at minimum cost. When circumstances will enable the construction of a pipeline connecting the Polish and German transmission system, the company will be able to start its core activity defined in its Articles of Association.
In 2007, pursuant to the resolution of the Shareholders Meeting, the registered office of InterTransGas GmbH was moved from Potsdam to Leipzig.
In June 2008, the Shareholders' Meeting passed a resolution on the Shareholders' payment to the reserve capital in the amount of EUR 80 thousand.

Norway

On 24 May 2007, PGNiG S.A. formed a subsidiary in Norway – PGNiG Norway AS with registered office in Stavanger, Norway, a limited liability company acting as a special purpose entity for the operations of PGNiG in Norwegian Continental Shelf (NCS). The Company was registered on 9 June 2007.

As at 30 June 2008 the share of PGNiG S.A. in the company's capital amounted to NOK 497,327 thousand, i.e. PLN 208,781 thousand (at the exchange rate of the National bank of Poland as at 30 June 2008).

PGNiG Norway enables the Capital Group to achieve the following goals:

- Gas supply diversification;
- Increased gas supply safety;
- International expansion in the oil and gas exploration and production sector;
- Development of international gas fuel trading operations.

PGNiG Norway AS was incorporated in particular to execute an agreement signed on 28 February 2007 by and among PGNiG S.A., Mobil Development Norway AS and ExxonMobil Produktion Norway Inc. regarding the Company's purchase of shares in concession regulated deposits in Norwegian Continental Shelf, i.e. the Skarv, Snadd and Idun deposits (licenses PL 212, PL 212B, PL 262). According to the joint venture agreement, PGNiG Norway AS holds the right to 11.9175% (after the unitization of the Skarv, Snadd and Idun deposits on 14 September 2007) of production from the Skarv/Snadd/Idun deposit.
In the first half of the year, PGNiG Norway AS continued its work on the development of the above deposits. In order to secure further financing of the investment, in the first half of 2008 the Company applied to PGNiG S.A. for an investment loan in the amount of NOK 600,000. At present, an internal procedure is being executed in PGNiG S.A. in relation to the loan extension.
Polskie Górnictwo Naftowe i Gazownictwo S.A. with registered office in Warsaw is the sole shareholder of PGNiG Norway AS. The scope of PGNiG Norway AS business operations includes

(in PLN '000)

in particular crude oil and natural gas exploration as well as other similar and related operations. PGNiG Norway AS can also take part in infrastructural projects such as the construction and operation of pipelines.

Netherlands

PGNiG Finance B.V. was incorporated on 14 September 2001 for PGNiG S.A. bond issue management (bonds denominated in EUR). PGNiG S.A. is the Company's sole shareholder. Its share capital amounts to EUR 20 thousand.

In January 2008, the Management Board of PGNiG S.A. passed a resolution as regards granting a consent for using PGNiG Finance B.V. for the purpose of conducting exploration and production activities on the territory of Libya. On the same day the Management Board of PGNiG S.A. passed a Resolution regarding a change in the Articles of Association and the Management Board of PGNiG Finance B.V. as well as its opening a Libyan branch.
The change in the company's Articles of Association was registered in the Netherlands on 4 February 2008. The new Articles of Association changed the name of the Company 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. undertook measures resulting in the conclusion of the Exploration and Production Sharing Agreement (EPSA) in February 2008 with a Libyan company operating under the name National Oil Corporation. The Agreement defined the terms and condition for the execution of an exploration and production project in Libya due to winning a tender for a license in area 113 of 5494 square kilometers, located at the border of the Murzuq and Gadamesh basins near the Algerian border. In line with the submitted tender, the company undertook to conduct exploration activities for the total amount of USD 108 million, including 3000 km2 of 2D seismic work, 1500 km2 of 3D seismic work and 8 bore-holes.

In February 2008, PGNiG S.A. issued a guarantee for National Oil Corporation in relation to the fulfillment of POGC – Libya B.V. concession related obligations in the amount of USD 108 million.
In June 2008 PGNiG S.A. extended a loan to the Company in the amount of USD 25,000 thousand. In line with the presented Operations Plan for 2008, the loan is aimed to ensure the fulfillment of concession related obligations during the first year of the Company's operations.

<u>The Group's share in exploration licenses:</u>

Norwegian Continental Shelf Project

In order to the exposure of the Capital Group in Norwegian Continental Shelf (NCS) PGNiG S.A. has created company PGNiG Norway AS. On 30 October 2007 PGNiG Norway AS acquired from Mobil Development Norway A/S and ExxonMobil Production Norway Inc 15% of shares in license regulated deposits in the NCS, i.e. Skarv and Snadd (licenses PL 212, PL 212B, PL 262). The other shares belong to: British Petroleum (Operator) – 30%, StatoilHydro – 30%, E.ON Ruhrgas Norge – 25%.The main aim of PGNiG Norway AS is the prospecting for and exploration of crude oil and natural gas deposits in Norwegian Continental Shelf and also participating in infrastructural projects related to sea distribution activity.

British Petroleum is the direct operator of the aforementioned deposits; the other partners include PGNiG Norway AS, StatoilHydro i E.ON Ruhrgas. As a result of unitization of Skarv and Snadd deposits with Idun deposit in NCS shares of particular companies in the exploration area approximately are:

British Petroleum (Operator)	24%
StatoilHydro	36%
E.ON Ruhrgas Norge	28%
PGNiG Norway AS	12%.

Currently Skarv project is in phase of deposit development. Gas and oil production is planned to commence in 2011. The deposit development project provides for drilling 16 wells, including 7 crude oil wells, 5 natural gas wells and 4 injections wells (for pumping purposes). In the next stage injection wells will be transformed into gas exploration boreholes for full exploration of the deposit. It is expected that the drilling machine would be launched in 2009.

Gas and oil production is planned to commence in the second half of 2011. According to estimates, capital expenditure related to deposit development will amount to approx. USD 5 billion, of which approx. USD 600 million will be incurred by the Group. Capital expenditure incurred by the Group (through a subsidiary of PGNiG S.A.) and disclosed in the Group's balance sheet as at 30 June 2008 amounted to NOK 2,498,190 thousand, i.e. PLN 1,048,491 thousand (at the exchange rate of the National Bank of Poland as at 30 June 2008), where the related direct costs recognized in the income statement amounted to NOK 23,811 thousand, i.e. PLN 10,370 thousand (translated at the average NOK exchange rate constituting the arithmetic mean of the average exchange rates determined by the National Bank of Poland as at the last day of each month of the financial year).

Other foreign exploration

PGNiG S.A. is conducting exploration work in Pakistan based on the Agreement concluded between PGNiG S.A. and the Pakistani Government on 18 May 2005 as regards hydrocarbon exploration within the Kirthar concession regulated region. Exploration work within the Kirthar block is conducted together with Pakistan Petroleum Ltd., in accordance with the following distribution of shares and expenses: PGNiG S.A. 70% and PPL – 30%. Based on the conducted geological and geophysical research, a decision was taken regarding the drilling of the first exploration well. Drilling is planned for the end of 2008.

On 6 December 2007, PGNiG S.A. concluded a share assignment agreement as regards the exploration and production license 1/05 on the territory of Denmark and became the operator. At present, the shares are as follows: PGNiG S.A.– 40%, Odin Energi A/S – 40%, Nordsofonden – a Danish government company – 20%. On 5 April based on a decision of the Danish Energy Agency, the aforementioned license was extended until 5 October 2009 provided that a 3D seismic photograph of an area of at least 50 km^2 is taken. In the current year, reprocessing of 48 km of 2D seismic work was conducted and additional reprocessing of approx. 1,000 km of 2D seismic work is planned to locate the 3D seismic photograph.

In 2007, PGNiG S.A. won a tender for the Bahariya exploration and production license (Block 3) in Egypt. The license covers the total area of 4,414.4 km^2. Following the ratification of the PSA (Production Sharing Agreement), PGNiG S.A. plans to conduct reprocessing and 1,450 km of 2D seismic work.

In 2007, PGNiG S.A. won an operator tender and was granted the right to conduct exploration work based on exploration and production license no. 113 located in the Murzuq oil basin (west Libya). On 4 February 2008 PGNiG Finance B. V. was transformed into Polish Oil and Gas Company - Libya B. V. for the purpose of the Libyan project. The company obtained from PGNiG S.A. licence guarantee. On 25 February 2008 POGC-Libya B.V. entered into the EPSA Agreement (Exploration and Production Sharing Agreement) with National Oil Corporation - a state-owned Libyan oil company. The Agreement was ratified by the Libyan government on 1 June 2008. Currently POGC – Libya B.V. along with National Oil Corporation conduct preparation work related to seismic tests 2D and 3D which are planned for the end of 2008.

In February 2008, PGNiG S.A. signed a mandate letter with Iranian Offshore Oil Company (IOOC) regarding development of the Lavan gas and condensate deposit.

The Group's foreign branches:

The Group has foreign branches which conduct operating activity or support the development of the Group's operations abroad.

PGNIG S.A. - Parent:
Operator Branch in Pakistan – Islamabad;
Branch in Egypt – Cairo;
Branch in Denmark – Copenhagen.

Geofizyka Kraków Sp. z o.o.
Operator Branch in Pakistan – Islamabad;
Slovak Plant in Bratislava;
Czech Plant in Ostrava;
Libya Branch – Tripoli.

(in PLN '000)

Geofizyka Toruń Sp. z o.o.
Branch in Jebel Ali – United Arab Emirates, Dubai;
Branch in Yemen – Sana, Al.-Amana Region;
Branch in Syria – Damascus.

PNiG Jasło Sp. z o.o.
Branch in Libya – Tripoli.

PNiG Kraków Sp. z o.o.
Branch in Pakistan – Karachi;
Branch in Kazakhstan – Almaty.

PNiG Piła Sp. z o.o.
Branch in India – Baroda;
Branch in Egypt – Cairo.

40. EMPLOYMENT (NUMBER OF EMPLOYEES)

Number of employees as at the end of the period, by segments	30 June 2008	31 December 2007
PGNiG S.A. Head Office*	649	604
Exploration and production	10 860	10 151
Trade and storage	4 171	4 104
including companies consolidated using the equity method	293	294
Distribution	13 631	13 538
Other	2 057	1 928
Total	**31 368**	**30 325**

* PGNiG S.A. Head Office provides services to all other segments and is therefore not allocated to any of these segments.

41. INFORMATION ON THE CAPITAL GROUP'S RESTRUCTURING PROCESS

In the first half of 2008, the Company implemented the Capital Group's restructuring process regarding:

- Asset restructuring;
- Employment restructuring.

Restructuring of the Parent's assets

The asset restructuring process includes actions aimed at the utilization of assets obsolete and technologically useless to the Parent's ongoing business operations. This mainly applies to property, including land, perpetual usufruct right, buildings and structures, as well as separately owned premises, cooperative ownership rights to residential and commercial premises. Measures aimed at the disposal or lease based on lease or rental agreements were intensified as regards the aforementioned assets. At the same time, with the help of its proxies the Parent is also continuing actions aimed at regulating the legal status of property, where buildings whose construction was funded by the Parent are located. These activities include the instigation of administrative ownership regulating procedures, conclusion of contracts for the use or exchange of real property, sale of titles to expenditure.

Employment restructuring program

Since 2000, PGNiG S.A. has been implementing the "Employment restructuring and termination benefits program for the employees of Branches and subsidiaries of PGNiG S.A." The program has been prolonged until the end of 2008. In the first half of 2008, 609 employees were covered by the restructuring program.

(in PLN '000)

42. STATEMENT AND EXPLANATION OF DIFFERENCES BETWEEN DATA DISCLOSED IN THE FINANCIAL STATEMENTS AND COMPARATIVE FINANCIAL DATA AS WELL AS THE PREVIOUSLY PREPARED AND PUBLISHED FINANCIAL STATEMENTS

As compared to data presented in the financial statements for the second quarter of 2008 published on 13 August 2008, the following changes have been introduced in these financial statements:

Changes in profit on operating activities

Profit on operating activities from the financial statements for the second quarter of 2008	**1 211 761**
a) Change in provisions	-
b) Provision for costs related to withdrawal of fixed assets under lease	-
c) Changes in revaluation write-downs on assets	-
d) Other	(1 435)
Profit on operating activities from the financial statements for the first half of 2008	**1 210 326**

Changes in net profit for the financial period

Net profit for the reporting period from the financial statements for the second quarter of 2008	**1 058 747**
a) Change in provisions	-
b) Provision for costs related to withdrawal of fixed assets under lease	-
c) Changes in revaluation write-downs on assets	-
d) Other	(914)
e) Income tax related to applied adjustments	-
f) Adjustment of deferred tax	1 438
Net profit for the reporting period from the financial statements for the first half of 2008	**1 059 271**

43. EQUITY MANAGEMENT

The main objective of the Group's equity management is to ensure its ability to operate as a going concern including the execution of planned investments, and at the same time, to increase its shareholder value.
The Group is monitoring the equity level with the leverage ratio, calculated as the ratio of net debt to total equity increased by net debt. According to the Company's principles, the leverage ratio may not exceed 35%. The net debt includes loans and credit facilities, finance lease liabilities, trade liabilities and other liabilities less cash and bank balances. Equity includes equity assigned to the shareholders of the Parent.

	30 June 2008	31 December 2007
Loans, credit facilities and finance lease liabilities	153 356	138 101
Trade and other liabilities	3 400 462	2 711 039
Cash and bank balances (-)	(2 456 015)	(1 583 635)
Net debt	**1 097 803**	**1 265 505**
Equity (attributed to equity holders of the parent)	**20 918 683**	**21 013 076**
Equity and net debt	**22 016 486**	**22 278 581**
Leverage ratio	**4.99%**	**5.68%**

44. INFORMATION REGARDING SHARES IN PGNiG S.A. OBTAINED FREE OF CHARGE BY QUALIFYING EMPLOYEES

Company employees who meet the criteria defined in Article 2 point 5 of the Commercialization and Privatization Act of 30 August 1996, are vested with the right to obtain 15% of shares assumed by the State Treasury as at the Company registration date. The shares are obtained free of charge. Pursuant to Article 38 clause 2 of the Act, the title to obtain shares free of charge is vested after three months from the date of State Treasury's disposal of first shares on general terms.

On 30 June 2008, the State Treasury sold one share in PGNiG S.A. on general terms.

Therefore, the title to obtain the Company's shares free of charge vested on qualifying employees shall occur on ` October 2008 and expire on 1 October 2009.

Pursuant to Article 36 clause 1 of the Act, qualifying employees are vested with the right to obtain 15% of shares assumed by the State Treasury as at the registration date, i.e. maximum 750,000,000 shares with face value of PLN 1 each. The shares are obtained free of charge. The list of qualifying employees was prepared in December 1997, whereas the number of shares vested with individual groups of employees divided by their years with the Company shall be defined in the next few months by the Company Management Board in liaison with the labor unions operating in the Company.

In accordance with Article 38 clause 3 of the Act, shares obtained free of charge by qualifying employees cannot be traded prior to 1 July 2010, whereas shares obtained free of charge by members of the Company Management Board cannot be traded prior to 1 January 2011.

In accordance with IFRS 2, value of the above program shall be determined as at the date of defining the number of shares allocated to individual employees based on their fair value.

45. POST-BALANCE SHEET DATE EVENTS

- On 31 July 2008, in accordance with Article 17 clause 2 of the Code of Commercial Companies, the General Shareholders' Meeting of PGNiG S.A. approved the decision to assume 4,000,001 B series shares of Zakłady Azotowe w Tarnowie – Mościcach S.A. with a face value of PLN 5.00 and issue price of 19.50 each, i.e. 10.23% of the share capital of Zakłady Azotowe w Tarnowie – Mościcach S.A. The total investment value amounted to PLN 78,000 thousand.
- On 11 August 2008, the Management Board of PGNiG S.A. signed an agreement concerning the execution of an investment task called "LMG Project – Head Office, bore-hole surroundings, pipelines and other" concluded between PGNiG S. A. and a syndicate consisting of PBG S. A. Polska, Technip KTI S. P. A. Italy, Thermo Design Engineering, Canada. The Agreement concerns the completion of an investment regarding utilization of crude oil and natural gas deposits near Lubiatów, MIędzychód and Grotów, called "LMG Project – Head Office, bore-hole surroundings, pipelines and other". The gross contract value is PLN 1,704,340 thousand (PLN 1,397,000 net).
- On 13 August 2008, the Management Board of PGNiG S.A. informed about a change in projected natural gas production, which will drop from 4.6 billion cubic meters to approximately 4.2 billion cubic meters. Additional information stated that in 2009 production drop is expected from approx. 5.0 million cubic meters to approx. 4.6 billion cubic meters. The new lower gas production projection has been justified by reasons beyond the control of PGNiG S.A. First of all, following increasing difficulty of operation due to geological conditions, water gets drained into the wells, which in turn necessitates bore-hole reconstruction or ending its operation. Additional reasons contributed to the drop in the system, such as breakdown of two compressors in the transmission pipeline system OGP GAZ-SYSTEM and a technology break in gas consumption by a contractor served by the Sanok branch of PGNiG in Sanok and a delay in supply of deposit compressors. The change in the gas production forecast does not affect new deposits, from which additional production may be commenced.
- On 22 August 2008 District Court of Cracow, XII Business Division of the National Court Register issued a decision on increase in the share capital of Karpacki Operator Systemu Dystrybucyjnego Sp. z o.o. The share capital of the above-mentioned entity was increased from PLN 1.476.112 thousand to PLN 1.484.953 thousand, i.e. by PLN 8.841 thousand through the issuance of 8.841 new, equal and indivisible shares with a face value of PLN 1,000 each. The newly created shares were assumed by the sole shareholder –PGNiG S.A., and covered by a non-cash contribution in the form of non-current assets that constituted elements of the transmission or distribution network. The book value of contributed-in-kind assets recorded in the accounting records of PGNiG S.A. amounts to PLN 8.841 thousand. After the registration of the increase in KOSD's share capital, the total number of votes is equal to 1.484.953. PGNiG holds 100% of shares in KOSD, which represents 100% of votes at the shareholders meeting. The scope of KOSD's operations includes, in particular, gas fuel transport through distribution networks.