Polskie Górnictwo Naftowe i Gazownictwo SA

SUMMARY INTERIM INDIVIDUAL FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2008

TABLE OF CONTENTS

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	
	Period from 1 January 2008 to 30 June 2008	**Period from 1 January 2007 to 30 June 2007**	**Period from 1 January 2008 to 30 June 2008**	**Period from 1 January 2007 to 30 June 2007**
I. Net revenue from sales of products, goods and materials	9 290 577	6 650 485	2 671 548	1 728 027
II. Profit on operating activities	1 022 717	1 190 993	294 087	309 461
III. Profit before tax	1 173 384	1 424 405	337 412	370 110
IV. Net profit	919 122	1 205 382	264 298	313 200
V. Net cash flows from operating activities	1 374 712	1 144 402	395 305	297 356
VI. Net cash flows from investing activities	(862 523)	(154 724)	(248 022)	(40 203)
VII. Net cash flows from financing activities	37 048	(2 346 702)	10 653	(609 755)
VIII. Total net cash flows	549 237	(1 357 024)	157 936	(352 602)
XVI. Earnings per ordinary share (in PLN/EUR)	0.16	0.20	0.04	0.05
XVII. Diluted earnings per ordinary share (in PLN/EUR)	0.16	0.20	0.04	0.05
	Balance as at 30 June 2008	**Balance as at 31 December 2007**	**Balance as at 30 June 2008**	**Balance as at 31 December 2007**
IX. Total assets	23 014 614	23 564 336	6 861 432	6 578 542
X. Liabilities and provisions for liabilities	5 435 314	5 768 368	1 620 450	1 610 376
XI. Non-current liabilities	1 836 283	1 858 507	547 458	518 846
XII. Current liabilities	3 599 031	3 909 861	1 072 992	1 091 530
XIII. Equity	17 579 300	17 795 968	5 240 981	4 968 165
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
XVIII. Book value per share (in PLN/EUR)	2.98	3.02	0.89	0.84
XIX. Diluted book value per share (in PLN/EUR)	2.98	3.02	0.89	0.84
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 defined by the National Bank of Poland (NBP) as at the last day of each month of the financial year. Items IX to XIV have been translated suing the EUR/PLN exchange rate defined by the NBP as at the end of a given period.

Average EUR/PLN exchange rates defined by the NBP

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 31 December 2007	Period from 1 January 2007 to 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

INCOME STATEMENT
for the period ended 30 June 2008

	Additional information	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
		(in PLN '000)	
Sales revenues	**12**	**9 290 577**	**6 650 485**
Raw materials and consumables used	13	(4 658 919)	(4 051 752)
Employee benefits	13	(334 237)	(204 244)
Amortization/depreciation		(305 525)	(267 170)
External services	13	(2 869 521)	(1 010 265)
Manufacturing cost of benefits for internal purposes		2 840	4 156
Other operating expenses (net)	13	(102 498)	69 783
Total operating expenses		**(8 267 860)**	**(5 459 492)**
Profit on operating activities		**1 022 717**	**1 190 993**
Financial revenues	14	281 596	317 747
Financial expenses	14	(130 929)	(84 335)
Profit before tax		**1 173 384**	**1 424 405**
Income tax	14	(254 262)	(219 023)
Net profit		**919 122**	**1 205 382**
Earnings per share allocated to ordinary shareholders	17		
- basic from net profit		0.16	0.20
- diluted from net profit		0.16	0.20

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	16	8 669 155	8 568 916
Investment property		5 280	4 445
Intangible assets		66 916	33 059
Financial assets available for sale	17	5 727 645	4 787 372
Other financial assets	18	2 837 671	3 340 711
Deferred tax asset		278 475	261 208
Other non-current assets		30 561	25 755
Total non-current assets (long-term)		**17 615 703**	**17 021 466**
Current assets (short-term)			
Inventories	19	1 209 509	1 061 156
Trade and other receivables	20	2 404 702	4 355 638
Current tax receivables		-	-
Prepayments		65 205	24 056
Financial assets available for sale		29 341	29 341
Derivative assets		85 891	17 442
Cash and bank balances		1 604 212	1 055 001
Assets classified as held for sale		**51**	**236**
Total current assets (short-term)		**5 398 911**	**6 542 870**
Total assets		**23 014 614**	**23 564 336**
EQUITY AND LIABILITIES			
Equity			
Share capital	34	5 900 000	5 900 000
Exchange differences from translation of foreign operations		(3 826)	(1 510)
Surplus from sale of shares above face value		1 740 093	1 740 093
Other reserves		8 981 586	3 344 146
Retained earnings		961 447	6 813 239
Total		**17 579 300**	**17 795 968**
Non-current liabilities			
Borrowings and debt securities	21	1 827	80
Provisions	22	968 010	901 112
Deferred revenue		8 212	7 645
Deferred tax liability		835 258	929 093
Other non-current liabilities		22 976	20 577
Total non-current liabilities		**1 836 283**	**1 858 507**
Current liabilities			
Trade and other payables	23	2 706 228	3 174 026
Borrowings and debt securities	21	5 415	4 316
Liabilities due to derivative financial instruments		41 233	35 527
Current tax liabilities		247 552	187 174
Provisions	22	155 249	111 838
Deferred revenue		443 354	396 980
Total current liabilities		**3 599 031**	**3 909 861**
Total liabilities		**5 435 314**	**5 768 368**
Total equity and liabilities		**23 014 614**	**23 564 336**

CASH FLOW STATEMENT
for the period ended 30 June 2008

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
	(in PLN '000)	
Cash flows from operating activities		
Net profit	919 122	1 205 382
Adjusted by:		
Amortization/depreciation	305 525	267 170
Net foreign exchange gains/losses	109 169	(14 991)
Net interest and dividends	(84 345)	(92 549)
Profit/loss on investing activities	(25 685)	(62 902)
Income tax for the current period	254 262	219 023
Income taxes paid	(302 059)	(233 968)
Other net items	(68 078)	(66 368)
Net cash generated by operating activities before movements in working capital	**1 107 911**	**1 220 797**
Movements in working capital:		
Net change in receivables	1 002 182	155 125
Change in inventories	(148 353)	233 995
Change in provisions	39 615	16 261
Change in current liabilities	(609 445)	(402 480)
Change in cost prepayments	(64 139)	(79 631)
Change in deferred revenue	46 941	335
Net cash generated by operating activities	**1 374 712**	**1 144 402**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment as well as intangible assets	1 641	2 290
Proceeds from disposal of shares in associates	-	-
Proceeds from disposal of short-term securities	32 873	22 616
Payments to acquire property, plant and equipment as well as intangible assets	(623 340)	(384 031)
Acquisition of shares in related parties	(30 000)	(65 987)
Payments to acquire short-term securities	-	-
Proceeds from loan repayment	106 349	88 402
Expenses due to originated loans	(408 636)	(45 008)
Received interest	84 130	125 694
Received dividends	240	-
Proceeds from finance lease	52 599	101 534
Other net items	(78 379)	(234)
Net cash flows from investing activities	**(862 523)**	**(154 724)**
Cash flows from financing activities		
Net proceeds from issue of equity shares and other capital instruments as well as capital contributions	-	-
Proceeds from borrowings	-	-
Repayment of borrowings	-	(2 298 720)
Proceeds from issue of debt securities	-	-
Redemption of debt securities	-	-
Repayment of liabilities due to finance leases	(470)	-
Proceeds from forwards	41 662	-
Payments for forwards	(3 075)	-
Dividend paid	-	-
Interest paid	(25)	(39 589)
Other net items	(1 044)	(8 393)
Net cash flows from financial activities	**37 048**	**(2 346 702)**
Net changes in cash and bank balances	**549 237**	**(1 357 024)**
Net foreign exchange differences	(26)	22 324
Opening balance of cash and bank balances	**1 055 252**	**2 993 496**
Closing balance of cash and bank balances	**1 604 489**	**1 636 472**

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

	Equity					
	Share capital	Exchange differences from translation of foreign operations	Share premium	Other reserves	Retained earnings (losses)	**Total**
	(in PLN '000)					
1 January 2007	**5 900 000**	**462**	**1 740 093**	**2 797 547**	**6 184 588**	**16 622 690**
Exchange differences from translation of foreign branches	-	(214)	-	-	-	**(214)**
Net profit	-	-	-	-	1 205 382	**1 205 382**
Dividend paid to owner	-	-	-	-	(1 003 000)	**(1 003 000)**
Reclassifications	-	-	-	545 312	(545 312)	**-**
30 June 2007	**5 900 000**	**248**	**1 740 093**	**3 342 859**	**5 841 658**	**16 824 858**
1 January 2008	**5 900 000**	**(1 510)**	**1 740 093**	**3 344 146**	**6 813 239**	**17 795 968**
Exchange differences from translation of foreign branches	-	(2 316)	-	-	-	**(2 316)**
Measurement of financial instruments	-	-	-	(12 474)	-	**(12 474)**
Net profit	-	-	-	-	919 122	**919 122**
Dividend paid to owner	-	-	-	-	(1 121 000)	**(1 121 000)**
Reclassifications	-	-	-	5 649 914	(5 649 914)	**-**
Other	-	-	-	-		**-**
30 June 2008	**5 900 000**	**(3 826)**	**1 740 093**	**8 981 586**	**961 447**	**17 579 300**

NOTES TO THE FINANCIAL STATEMENTS OF PGNiG S.A.
as at 30 June 2008

1. GENERAL INFORMATION

Polish Oil and Gas Company in Warsaw (, the Company) with registered office in Warsaw, at Marcina Kasprzaka was established as a result of transformation of State Enterprise PGNiG into a joint-stock company wholly owned by the State Treasury pursuant to Article 6 clause 1 of the Law of 13 July 1990 on privatization of state enterprises (Dz. U. of 1990 no. 51 item 298 as amended) and Prime Minister's Ordinance of 30 September 1996 on transformation of the enterprise Polskie Górnictwo Naftowe i Gazownictwo with registered office in Warsaw into a joint-stock company wholly owned by the State Treasury (Dz. U. No. 116, item 553). Based on the above Ordinance a Transformation Deed was drawn on 21 October 1996.

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. On 14 November 2001, by the decision of the District Court for the city of Warsaw, XII Business Division of the National Court Register; PGNiG S.A. was entered to the Register of Entrepreneurs of the National Court Register under number KRS 0000059492.
The Company was assigned the statistical number REGON 012216736.

By the decision of the Warsaw Stock Exchange of 16 September 2005, A and B series shares as well as rights to B series shares issued by PGNiG S.A. were admitted to public trading on the primary market. B series ordinary bearer shares were first listed on the stock exchange on 23 September 2005. On 18 October 2005, the Warsaw Stock Exchange made a decision to introduce A and B series shares of PGNiG S.A. into trading on the primary market. The above shares were first quoted on 20 October 2005.

In accordance with its Articles of Association of PGNiG S.A., the Company fulfils the following tasks aimed at ensuring national energy security:
1) continuous natural gas supply to customers and maintaining necessary reserves;
2) safe operation of gas networks;
3) balancing gas fuels and controlling the operations and capacity of power units connected to the common gas network;
4) gas production.

In accordance with the Charter, the Company undertakes production, service and commercial activities within the following scope:
1) production of crude oil;
2) production of natural gas;
3) services related to mining of crude oil and natural gas fields;
4) mining of sulphur-bearing materials;
5) other mining, not elsewhere classified;
6) manufacturing of crude oil refined products;
7) processing of crude oil refined products;
8) services related to installation, repair and maintenance of plant for mining and building industry;
9) production of electric energy;
10) transmission of electric energy;
11) distribution of electric energy;
12) production of gas fuels;
13) distribution of gas fuels through a network;
14) production of heat (steam and hot water);
15) distribution of heat (steam and hot water);
16) geological and engineering excavations and drillings;
17) general construction work in respect to line structures: pipelines, power lines, electrical traction and telecommunication– transmission lines,
18) central heating and ventilation installations;
19) gas installations;
20) service and repair of motor vehicles;
21) retail fuel sales;
22) wholesale of solid, liquid and gas fuels as well as derivative products;
23) wholesale of semi-finished products;
24) other specialized wholesale;
25) hotels and motels with restaurants;

26) hotels and motels without restaurants;
27) cargo road transport with specialized vehicles;
28) cargo road transport with general-purpose vehicles;
29) pipeline transport;
30) warehousing and storage of goods in other storage areas;
31) travel agencies;
32) fixed line telephony and telegraphy;
33) mobile telephony;
34) data transmission; information and communication technology;
35) radio communications;
36) research and development work in technical science;
37) geological and exploration activity;
38) surveying and mapping;
39) rental of real property on own account;
40) management of residential property;
41) management of non-residential property;
42) buying and selling of property on own account;
43) non-public libraries;
44) archive services;
45) museums;
46) technical tests and analyses;
47) lease of the Company's assets dedicated to the transmission of energy and gas;
48) other financial brokerage services;
49) holdings;
50) other printing operations, not elsewhere classified;
51) DTP and typesetting services;
52) auxiliary graphics services;
53) service activity related to installation, repair and maintenance of measurement, control, research, testing and navigation instruments and equipment;
54) heating, water, ventilation and gas installations;
55) brokerage sales of fuels, ore, metals and industrial chemicals;
56) brokerage sales of miscellaneous goods;
57) wholesale trade of metal products and equipment as well as additional plumbing and heating equipment;
58) other retail sale in non-specialized stores;
59) finance lease;
60) auxiliary financial services related to insurance and pension-retirement funds,
61) rental of machines and equipment;
62) data processing;
63) database related services;
64) other IT-related activities;
65) accounting and bookkeeping services;
66) advertising;
67) Call Center services,
68) other commercial activity, not classified anywhere else;
69) property management services;
70) other short-term accommodation, not classified elsewhere.

2. DURATION OF THE COMPANY

Duration of the Company: unlimited.

3. PERIOD COVERED BY THE FINANCIAL STATEMENTS.

The financial statements were drawn up for the period from 1 January 2008 to 30 June 2008, whereas comparative data refer the period from 1 January 2007 to 30 June 2007 and from 1 January 2007 to 31 December 2007.

4. INFORMATION ON COMPOSITION OF MANAGEMENT AND SUPERVISORY BODIES

The changes in the composition of the Management Board and the Supervisory Board of PGNiG S.A are presented in the Consolidated Financial Statement.

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

- Michał Szubski - Chairman of the Management Board;
- Mirosław Dobrut – Vice Chairman of the Management Board;
- Radosław Dudziński – Vice Chairman of Management Board;
- Sławomir Hinc – Vice Chairman of the Management Board;
- Mirosław Szkałuba – Vice Chairman of the Management 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, the Supervisory Board of PGNiG S.A. appointed the following persons to the Management Board on 12 March 2008:

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

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

There were no changes in the composition of the Management Board of PGNiG S.A. after 30 June 2008.

Proxies of PGNiG S.A.

As of 30 June 2008, the Company's proxies were:

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

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

On 3 January 2008, the Management Board appointed the following individuals the Company's proxies: Mr. Jan Czerepok, Mr. Marek Dobrzyniewski and Mr. Waldemar Wójcik.

On 17 March 2008, the power of proxy granted to Mr. Jan Czerepok was revoked. On 25 April 2008, the power of proxy held by 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. after 30 June 2008.

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

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 item 3 of the By-laws of PGNiG S.A.;,
2) cannot be a Related Party to the Company or the Company's 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 item 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 that must meet the above conditions to the Chairman of the General Shareholders Meeting is reserved for shareholders who are presented at the General Shareholders Meeting whose subject is 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 of 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 as the Member of the Supervisory Board.

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

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

In addition, the General 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, Extraordinary Shareholders Meeting dismissed Mr. Grzegorz Banaszek, Mr. Kazimierz Chrobak, Mr. Mieczysław Kawecki, Mr. Marcin Moryń, Mr. Mieczysław Puławski, and Mr. Stanisław Rychlicki as Supervisory Board Members following termination of their office.

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

There were no changes in the composition of the Management Board of PGNiG S.A. after 30 June 2008.

5. CHANGES IN SHARE CAPITAL

As of 30 June 2008 the Company's share capital was equal to 5,900,000,000 (PLN five billion nine hundred million) and consisted of:

- 4,250,000,000 A series bearer shares numbered from 00 000 000 001 to 04 250 000 000, with face value PLN 1 each and total face value of PLN 4,250,000,000;
- 750,000,000 A1 series bearer shares numbered from 0 000 000 001 to 0 750 000 000, with face value PLN 1 each and total face value of PLN 750,000,000;
- 900,000,000 B series bearer shares numbered from 0 000 000 001 to 0 900 000 000, with face value PLN 1 each and total face value of PLN 900,000,000.

No changes in the share capital took place during the first half of 2008.

6. THE FINANCIAL STATEMENTS INCLUDE AGGREGATED DATA

PGNiG S.A. draws up aggregated financial statements. As of 30 June 2008, the composition of PGNiG S.A. was as follows: The Company's Head Office, 5 domestic branches and three foreign branches in Pakistan, Egypt and Denmark.

The presented aggregated financial statements of PGNiG S.A. were prepared based on financial data from the joint accounting records of individual domestic branches and the foreign branch in Denmark, and based on the financial statements of the foreign branches in Pakistan and Egypt. As at the balance sheet date, data presented in the foreign branch balance sheets were translated to PLN based on the average exchange rate determined for a given currency by NBP as at the balance sheet date; while the items in the income statement – based on the exchange rate calculated as the arithmetic average of average exchange rates applicable for each last day of the month in the financial year. Exchange differences from translation were recognized in the revaluation reserve.

PGNiG S.A. as the parent also draws consolidated financial statements, covering data of 23 subsidiaries (including 1 indirect subsidiary), 1 co-subsidiary and 1 associate.

7. GOING CONCERN ASSUMPTION

The financial statements of the Company were prepared under the going concern assumption for the period of at least 12 months after the balance sheet date.
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.

8. BUSINESS COMBINATION

In the 1st half of 2008 no business combinations took place.

9. COMPARABILITY OF FINANCIAL DATA FOR THE PREVIOUS PERIOD WITH THE FINANCIAL STATEMENTS FOR THE CURRENT FINANCIAL PERIOD

The presented aggregated financial statements of PGNiG S.A. for the current and comparative reporting periods were prepared based on financial data from joint accounting records of individual domestic branches and on reports of the foreign branches.

10. INFORMATION ON ADJUSTMENTS ARISING FROM QUALIFICATIONS PRESENTED IN OPINIONS OF ENTITIES AUTHORIZED TO AUDIT FINANCIAL STATEMENTS FOR

THE YEARS, FOR WHICH THE FINANCIAL STATEMENTS AND COMPARATIVE INFORMATION ARE PRESENTED

The financial statements for the first half of 2007 were subject to a review, whereas the financial statements for 2007 were audited by Deloitte Audyt Sp. z o.o. Auditors did not present any qualifications in their report and opinion. Due to the above, there are no corresponding adjustments in the financial statements for the first half of 2007 and for 2007.

11. INFORMATION ABOUT APPLIED ACCOUNTING PRINCIPLES

11. a. Basis of the preparation of the financial statements

The Summary Interim Financial Statements of the Company were drawn up in accordance with International Accounting Standard 34 "Interim Financial Reporting" and 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 financial statements is in line with provisions of IFRS and the Ordinance of the Council of Ministers of 19 October 2005 on current and periodic information submitted by issuers of securities (Dz. U. Nr 209, item 1744).

The Summary Interim Individual Financial Statements of the Company constitute an attachment to the Interim Consolidated Financial Statements of the Group published jointly with these financial statements. The financial statements of the Company constitute an integral part of the interim financial report for the six month period ended 30 June 2008 and is to be read jointly with the Interim Consolidated Financial Statements of the Group.

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

These financial statements were prepared on 1 September 2008.

11. b. Statement of compliance

IFRS consist of standards and interpretations approved by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC").
During the current year the Company adopted all new and verified standards and interpretations issued by the International Accounting Standards Board ("IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") as approved for application in the EU and applicable to the Company's operations and to annual reporting periods beginning on or after 1 January 2007. The adoption of new and revised standards and interpretations did not result in changes in the Company's accounting principles that affect the figures disclosed in financial statements for previous years and the current year.

11. c. Impact of new standards and interpretations on the financial statements of the Company

Impact of the new standards and interpretations on the financial statements of the Company is presented in the Consoildated Financial Statements.

11. d. Changes of presentation in the financial statements

The Company introduced changes to presentation of financial expenses due to measurement and settlement of derivative transactions hedging the foreign exchange rate in purchasing of imported gas. Exchange differences and costs related to measurement and settlement of derivative transactions in accordance to IAS should adjust 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 taking or granting loans, whereas operating activity expenses include costs directly related to this activity, e.g. realized forex gains/losses on purchase of foreign currencies for the purpose of payment for imported gas. Therefore, the change is consistent with 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 regarding trade liabilities settlement (including those arising on the purchase of gas)

(PLN '000)

and measurement of derivatives hedging trade liabilities (gas purchase) reclassifying them from financial revenues or expenses to "Other net operating expenses". As a result, operating results in both comparative periods presented in the report changed. Profit/loss before tax and net profit/loss did not change.
Changes in operating profit/loss and net profit/loss result from introduction of the above adjustments presented in the following table.

	Period from 1 January 2007 to 30 June 2007		
Income statement (selected items)	**Previously presented amounts**	Reclassification of gains/losses on measurement and settlement of derivatives related to gas purchases	**Reclassified amounts**
Other operating expenses (net)	52 000	17 783	69 783
Total operating expenses	**(5 477 275)**	**17 783**	**(5 459 492)**
Profit on operating activities	**1 173 210**	**17 783**	**1 190 993**
Financial revenues	335 530	(17 783)	317 747
Financial expenses	(84 335)		(84 335)
Profit before tax	**1 424 405**	**-**	**1 424 405**

In addition, the Company changed presentation of cash flow statement with regard to payments and extending short-term portion of loans granted, which are presented in balance sheet under receivables. Before, payments and extensions were treated as payments and increases in receivables and recognized under changes in the balance of receivables in the cash flow statement. The Company decided that the payments and extensions of loans granted should be presented under investments regardless of maturity and presentation in the balance sheet. Therefore, the Company introduced an appropriate change to presentation in the comparative period of the cash flow statement. The changes are presented in the following table.

	Period from 1 January 2007 to 30 June 2007		
Cash flow statement (selected items)	**Previously presented amounts**	Reclassification of loan payments and extensions	**Reclassified amounts**
Net change in receivables	240 713	(85 588)	155 125
Net cash generated by operating activities	**1 229 990**	**(85 588)**	**1 144 402**
Proceeds from loan repayment	550	87 852	88 402
Expenses due to originated loans	-	(45 008)	(45 008)
Other net items	(42 978)	42 744	(234)
Net cash generated by investing activities	**(240 312)**	**85 588**	**(154 724)**
Net cash generated by financing activities	**(2 346 702)**	**-**	**(2 346 702)**
Net changes in cash and bank balances	**(1 357 024)**	**-**	**(1 357 024)**

11. e. Basic accounting principles

Accounting principles adopted in drawing up Interim Individual Financial Statements are consistent with the ones described in the Interim Individual Financial Statements of the PGNiG S.A. Capital Group drawn up in accordance with IFRS for the period of six months ended 30 June 2008 (see Note 2), the Interim Consolidated Financial Statements of the group and with principles described in the audited Individual Financial Statements of PGNiG S.A. drawn up in accordance with IFRS for the year ended 31 December 2007.

(PLN '000)

12. SALES REVENUES DIVIDED BY PRODUCT

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Domestic sales	**9 084 567**	**6 465 211**
Gas	8 684 515	6 152 254
Crude oil	262 257	172 337
Helium	6 350	6 136
Propane-butane gas	21 327	13 152
Gasoline	2 005	979
LNG	9 552	8 338
Geophysical and geological services	26 228	14
Hotel services	2 756	637
Other services	62 204	108 836
Other products	2 547	959
Goods and materials	4 826	1 569
Export sales	**206 010**	**185 274**
Gas	13 814	14 761
Crude oil	185 102	160 856
Helium	7 090	9 652
LNG	-	-
Other products and services	4	5
Total	**9 290 577**	**6 650 485**

The Company operates mostly on the territory of Poland. Revenues from the export of products as well as goods and materials account for 2.22% (2.79% in the first half of 2007) of total net revenues from sales of products, goods and materials. The Company exports its products mainly to the UK, Switzerland, Germany and Belgium.

(PLN '000)

13. 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
Purchase of gas	(4 599 650)	(4 001 398)
Consumption of other materials	(59 269)	(50 354)
Total	**(4 658 919)**	**(4 051 752)**

Employee benefits

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Payroll	(243 986)	(145 601)
Social security and other benefits	(90 251)	(58 643)
Total	**(334 237)**	**(204 244)**

External services

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Purchase of transmission and distribution services	(2 470 340)	(773 061)
Other external services	(399 181)	(237 204)
Total	**(2 869 521)**	**(1 010 265)**

14. INCOME TAX

	Note	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Profit before tax		1 173 384	1 424 405
Tax rate applicable in the period		19%	19%
Tax according to the binding tax rate		(222 943)	(270 637)
Permanent differences between the gross profit (loss) and tax base		(31 319)	51 614
Tax liability disclosed in the income statement		**(254 262)**	**(219 023)**
Current income tax	15a	(362 437)	(185 650)
Deferred income tax.	15b	108 175	(33 373)
Effective tax rate		22%	15%

15. 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	**1 173 384**	**1 424 405**
Differences between the gross profit or loss and income tax base	734 175	(447 302)
Revenues not included in taxable income	(216 841)	(770 232)
Costs not classified as tax-deductible	367 556	500 907
Taxable income not classified as revenues for accounting purposes	1 055 612	761 265
Tax-deductible expenses not classified as expenses for accounting purposes	(472 152)	(937 332)
Deductions from income	-	(1 910)
Income tax base	**1 907 559**	**977 103**
Tax rate for the given period	19%	19%
Income tax	(362 437)	(185 650)
Increases, releases, exemptions, deductions and reductions of taxes	-	-
Current income tax disclosed in the tax return for the period	(362 437)	(185 650)
Current income tax recognized in the income statement	**(362 437)**	**(185 650)**

15. b. Deferred income tax

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Temporary differences and reversed negative temporary differences	**14 340**	**(67 869)**
Provisions for future liabilities	(1 755)	(16 324)
Write-downs on fixed financial assets, receivables and fixed assets under construction	(3 442)	5 747
Costs of hedging transactions for FX and interest rate risk	1 084	(21 771)
Exchange losses	20 059	(4 498)
Costs related to sales where the tax liability is originated in the subsequent month	-	(23 512)
Other	(1 606)	(7 511)
Temporary differences and reversed positive temporary differences	**93 835**	**34 496**
Difference between the carrying and tax amount of fixed assets	14 469	25 991
Finance lease revenue	87 552	6 061
Valuation of hedging transactions for FX and interest rate risk	(11 439)	947
Exchange gains	(76)	1 579
Interest accrued on receivables	(8 819)	552
Revenue arising from tax obligation falling due in the next month	12 131	-
Other	17	(634)
Deferred income tax disclosed in the income statement	**108 175**	**(33 373)**

The current reporting period covered the tax period from 1 January 2008 to 30 June 2008.
The CIT rate in force during the first half of 2008 was 19%. In the comparable period i.e. in the 1st half of 2007 the same rate was 19% as well.
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, valid regulations include ambiguities that give rise to differences in the interpretation of tax regulations between the 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, tax risk in Poland is higher than in countries where the tax system is more mature. There are not formal procedures in Poland that enable taxpayers to determine the final value of their tax liability. Tax settlements may be subject to inspection for 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.

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

(PLN '000)

16. PROPERTY, PLANT AND EQUIPMENT

	30 June 2008	31 December 2007
Land	35 796	36 078
Buildings and structures	5 381 866	5 418 925
Technical plant and equipment	1 316 991	1 337 387
Vehicles and other	83 503	80 049
Total fixed assets	**6 818 156**	**6 872 439**
Fixed assets under construction	1 850 999	1 696 477
Total property, plant and equipment	**8 669 155**	**8 568 916**

PGNiG S.A. holds 7 concessions for non-tank storage of natural gas. At present, six underground gas storage facilities are in operation, including 5 located in depleted natural gas deposits and a cavern storage (PMG Mogilno).

Natural gas stored in underground storage facilities is divided into buffer and working gas.

Working gas is the gas pumped to the storage facility in the active volume and can be released from storage facility within the gas fuel delivery cycle.

A portion of buffer gas comes from the natural reservoir (in quantities determined in the approved geological documentation), and its remaining portion has been pumped in order to obtain correct technical and geological parameters, required for the proper functioning of the storage facility. It applies to gas storage facilities located in depleted hydrocarbon deposits. In case of a storage facility located on a salt diapir (PMG Mogilno), buffer gas has been compressed and remains in the storage chamber during the first cycle of brine compression and ejection, upon completion of the leaching process.

The target volume of buffer gas required for all storage facilities to operate properly constitutes a fixed-volume reserve throughout the storage facility's operation period.

(PLN '000)

FIXED ASSETS

30 June 2008	Land	Buildings and structures	Technical plant and equipment	Vehicles and other	**Total**
As at 1 January 2008. including accumulated depreciation	36 078	5 418 925	1 337 387.00	80 049.00	**6 872 439**
Increase	5 059	259 933	4 127	3 474	**272 593**
Decrease	(5 394)	(517 488)	(38 090)	(903)	**(561 875)**
Reclassification from fixed assets under construction and between groups	228	151 706	63 236	8 948	**224 118**
Impairment loss	(171)	279 512	32 815	29	**312 185**
Depreciation for the financial year	(4)	(210 722)	(82 484)	(8 094)	**(301 304)**
As at 30 June 2008. including accumulated depreciation	**35 796**	**5 381 866**	**1 316 991**	**83 503**	**6 818 156**
As at 1 January 2008					
Gross value	40 506	9 401 980	2 343 839	136 303	**11 922 628**
Accumulated depreciation and impairment loss	(4 428)	(3 983 055)	(1 006 452)	(56 254)	**(5 050 189)**
Net carrying amount as at 1 January 2008	**36 078**	**5 418 925**	**1 337 387**	**80 049.00**	**6 872 439**
As at 30 June 2008					
Gross value	40 399	9 278 689	2 368 611	146 765	**11 834 464**
Accumulated depreciation and impairment loss	(4 603)	(3 896 823)	(1 051 620)	(63 262)	**(5 016 308)**
Net carrying amount as at 30 June 2008	**35 796.00**	**5 381 866.00**	**1 316 991.00**	**83 503.00**	**6 818 156**

(PLN '000)

31 December 2007	Land	Buildings and structures	Technical plant and equipment	Vehicles and other	**Total**
As at 1 January 2007, including depreciation	36 722	5 492 358	1 332 098	67 314	**6 928 492**
Increase	1 005	179 109	36 992	15 549	**232 655**
- including due to business combinations	977	81 094	33 483	15 513	**131 067**
Decrease	(1 933)	(63 538)	(21 050)	(3 283)	**(89 804)**
Reclassification from fixed assets under construction and between groups	1 252	267 372	123 679	15 386	**407 689**
Impairment loss	(960)	(49 449)	14 666	(1 884)	**(37 627)**
Depreciation for the financial year	(8)	(406 927)	(148 998)	(13 033)	**(568 966)**
As at 31 December 2007, including accumulated depreciation	**36 078**	**5 418 925**	**1 337 387**	**80 049**	**6 872 439**
As at 1 January 2007					
Gross value	40 182	9 015 843	2 193 317	100 491	**11 349 833**
Accumulated depreciation and impairment loss	(3 460)	(3 523 485)	(861 219)	(33 177)	**(4 421 341)**
Net carrying amount as at 1 January 2007	**36 722**	**5 492 358**	**1 332 098**	**67 314**	**6 928 492**
As at 31 December 2007					
Gross value	40 506	9 401 980	2 343 839	136 303	**11 922 628**
Accumulated depreciation and impairment loss	(4 428)	(3 983 055)	(1 006 452)	(56 254)	**(5 050 189)**
Net carrying amount as at 31 December 2007	**36 078**	**5 418 925**	**1 337 387**	**80 049**	**6 872 439**

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

The Company uses the following property, plant and equipment under finance leases.

	30 June 2008				31 December 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	(3 320)	(5 932)	**-**	-	-	-	**-**
Technical plant and equipment	-	-	-	**-**	-	-	-	**-**
Vehicles and other	3 483	(492)	-	**2 991**	-	-	-	**-**
Total	**12 735**	**(3 812)**	**(5 932)**	**2 991**	**-**	**-**	**-**	**-**

(PLN '000)

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

	Land	Buildings and structures	Technical plant and equipment	Vehicles and other	**Total fixed assets**	Fixed assets under construction	**Total property, plant and equipment**
As at 1 January 2008	4 396	2 362 925	430 484	11 091	**2 808 896**	366 788	**3 175 684**
Increase	440	208 685	18 593	1 094	**228 812**	28 618	**257 430**
Decrease	(269)	(488 197)	(51 408)	(1 123)	**(540 997)**	(23 068)	**(564 065)**
As at 30 June 2008	**4 567**	**2 083 413**	**397 669**	**11 062**	**2 496 711**	**372 338**	**2 869 049**
As at 1 January 2007	3 436	2 313 476	445 150	9 207	**2 771 269**	268 369	**3 039 638**
Increase	1 970	592 194	151 669	4 923	**750 756**	117 506	**868 262**
- including due to business combinations	-	-	*25*	-	***25***	-	***25***
Decrease	(1 010)	(542 745)	(166 335)	(3 039)	**(713 129)**	(19 087)	**(732 216)**
As at 31 December 2007	**4 396**	**2 362 925**	**430 484**	**11 091**	**2 808 896**	**366 788**	**3 175 684**

The opening value of revaluation write-downs on property, plant and equipment was equal to PLN 2,808,896 thousand, including:
- PLN 2,061,567 thousand concerned assets used directly in production;
- underground gas storage facilities of PLN 197,354 thousand;
- PLN 549,975 thousand concerned other assets.

Revaluation write-downs were increased during the current year by PLN 228,812 thousand (of which PLN 93,854 thousand was related to assets used directly in production) and decreased by PLN 540,997 thousand (of which PLN 126,564 thousand was related to assets used directly in production).
The changes in value of assets used directly for production activity were caused by verified assumptions, discontinued reasons for impairment loss or asset liquidation.

The closing balance of revaluation write-downs on plant and equipment was equal to PLN 2,496,711 thousand, of which:
- PLN 2,028,857 thousand concerned assets used directly in production;
- underground gas storage facilities of PLN 200,002 thousand;
- PLN 267,852 thousand concerned other assets.

(PLN ‘000)

17. FINANCIAL ASSETS AVAILABLE FOR SALE – NON-CURRENT

	30 June 2008	31 December 2007
Unlisted shares (gross value)	7 304 238	6 254 891
Listed shares (gross value)	62 600	-
Total gross value	**7 366 838**	**6 254 891**
Unlisted shares (net value)*	5 665 045	4 787 372
Listed shares (net value)*	62 600	-
Total net	**5 727 645**	**4 787 372**

*Less revaluation write-downs

18. OTHER FINANCIAL ASSETS

	30 June 2008	31 December 2007
Finance leases receivables (note 23.a.)	1 525 122	2 288 845
Originated loans	1 322 556	1 065 025
Receivables from sale of fixed assets	-	-
Other long-term investments	15	19
Other	1 528	1 541
Total gross value	**2 849 221**	**3 355 430**
Impairment loss	(11 550)	(14 719)
Total net	**2 837 671**	**3 340 711**

18. 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 operations were separated from production and trading operations through the transfer of industrial 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 fees, 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 a 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	219 085
Principal installment	52 599	188 177
Total	**122 271**	**407 262**

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, including:	**1 646 617**	**2 452 617**
- current receivables	121 495	163 772
- non-current receivables	1 525 122	2 288 845

(PLN '000)

19. INVENTORIES

	30 June 2008	31 December 2007
Materials	1 222 482	1 077 978
At acquisition price, including:	1 222 482	1 077 978
- gas fuel	1 083 777	975 966
At net realizable value including:	1 201 479	1 054 786
- gas fuel	1 066 113	958 302
Semi-finished products and work in progress	-	-
At acquisition price/manufacturing cost	-	-
At net realizable value	-	-
Finished products	7 728	5 805
At acquisition price/manufacturing cost	7 728	5 805
At net realizable value	7 728	5 805
Goods	302	565
At acquisition price	302	565
At net realizable value	302	565
Total inventory, at the lower of the following two values: acquisition price (manufacturing cost) and net realizable value	**1 209 509**	**1 061 156**

20. TRADE AND OTHER RECEIVABLES

	30 June 2008	31 December 2007
Trade receivables from other entities	2 627 619	3 365 706
Trade receivables from related parties	64 372	316 168
Receivables from tax, customs duty and social security	147 135	233 087
Due portion of originated loans	276 336	298 385
Finance lease receivables	121 495	163 772
Other receivables from related parties	132 098	956 241
Other receivables	68 773	67 967
Total gross receivables	**3 437 828**	**5 401 326**
Revaluation write-downs on doubtful debts (note 27.a.)	**(1 033 126)**	**(1 045 688)**
Total net receivables	**2 404 702**	**4 355 638**
Including:		
Trade receivables from other entities	1 906 365	2 660 845
Trade receivables from related parties	14 843	266 679
Receivables from tax, customs duty and social security	147 135	233 086
Due portion of originated loans	162 989	155 199
Finance lease receivables	121 495	163 773
Other receivables from related parties	48 497	872 640
Other receivables	3 378	3 416

Standard maturity period for receivables related to regular sales in the Company is 14 days.

20. a. Revaluation write-downs on receivables

	30 June 2008	31 December 2007
Opening balance of revaluation write-downs	1 045 688	900 577
Increase in revaluation write-down	24 642	358 104
- including due to business combinations	-	*168 391*
Revaluation write-down released	(38 282)	(218 700)
Applied revaluation write-downs	(1 871)	(2 409)
Reclassification between current and non-current portion	2 949	8 116
Closing balance of revaluation write-downs	**(1 033 126)**	**(1 045 688)**

(PLN ‘000)

21. 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 foreign currency				Value in PLN		
Finance leases	PLN	1 816	58	2.77%	2011-02-21	1 816	58	
Finance leases	PLN	11	20	7.48%	2009-12-20	11	20	
Finance leases	PLN	-	2	7%	2009-11-20	-	2	
Total non-current						**1 827**	**80**	

	Currency	30 June 2008	31 December 2007	Effective interest rate	Repayment/redemption date	30 June 2008	31 December 2007	Collateral
Current		Value in foreign currency				Value in PLN		
Current portion of lease liabilities	PLN	4 248	4 248	WIBOR 3M + 1.5	no data *	4 248	4 248	
Finance leases	PLN	1 135	29	2.77%	2011-02-21	1 135	29	
Finance leases	PLN	18	22	7.48%	2009-12-20	18	22	
Finance leases	PLN	14	17	7%	2009-11-20	14	17	
Total current						**5 415**	**4 316**	

* The Company discloses two lease liabilities with suspended installment repayment. One lease expired in August (buy back), the second lease is currently disputed in court.

(PLN '000)

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

21. 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
PEKAO S.A.	40 000	40 000	40 000	40 000
PKO BP S.A.	30 000	30 000	40 000	40 000
Pekao S.A. (former BPH)	-	-	40 000	40 000
Bank Handlowy S.A.	40 000	40 000	40 000	40 000
Societe Generale	40 000	40 000	40 000	40 000
Millennium S.A.	40 000	40 000	40 000	40 000
BRE BANK S.A.	40 000	40 000	40 000	40 000
Syndicate of banks*	3 018 780	3 018 780	3 223 800	3 223 800
Total	**3 248 780**	**3 248 780**	**3 503 800**	**3 503 800**

* A credit line for EUR 900 million (EUR 300 million with maturity date 27 July 2008 and EUR 600 million with maturity date 27 July 2010) from a syndicate of banks (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. branch in Poland, 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, credit lines increase the Company's security as regards payment of current liabilities.

(PLN '000)

22. PROVISIONS

	Jubilee bonuses and retirement severance pay	Provision for gas allowances	Provision for termination benefits	Other provisions for retirement and similar benefits	Provision for well reclamation costs	Provision for fines imposed by the Office for Competition and Consumer Protection	Provision for environment protection	Provision for potential transmission service liabilities	Central Restructuring Fund	Other	**Total**
As at 1 January 2008	118 138	61 199	11 555	338	706 833	2 000	44 707	22 500	7 540	38 140	**1 012 950**
Increases	6 553	-	443	51 953	124 970	-	-	-	-	4 326	**188 245**
Applied	(1 608)	(10 921)	-	(12 282)	(47 093)	(2 000)	(1 493)	-	(780)	(1 759)	**(77 936)**
As at 30 June 2008	**123 083**	**50 278**	**11 998**	**40 009**	**784 710**	**-**	**43 214**	**22 500**	**6 760**	**40 707**	**1 123 259**
Non-current	106 003	28 376	11 978	-	759 362	-	41 429	-	-	20 862	**968 010**
Current	17 080	21 902	20	40 009	25 348	-	1 785	22 500	6 760	19 845	**155 249**
As at 30 June 2008	**123 083**	**50 278**	**11 998**	**40 009**	**784 710**	**-**	**43 214**	**22 500**	**6 760**	**40 707**	**1 123 259**
Non-current	101 793	38 802	11 468	-	684 552	-	42 922	-	-	21 575	**901 112**
Current	16 345	22 397	87	338	22 281	2 000	1 785	22 500	7 540	16 565	**111 838**
As at 31 December 2007	**118 138**	**61 199**	**11 555**	**338**	**706 833**	**2 000**	**44 707**	**22 500**	**7 540**	**38 140**	**1 012 950**

(PLN '000)

Provisions for jubilee bonuses and retirement severance

The Company has established a jubilee bonuses and retirement benefits scheme. Respective payments are charged to the income statement in such a way as to spread the cost of jubilee awards and retirement benefits over the entire period of employment in the Company. The costs due to the aforesaid benefits are determined by measurement of projected individual entitlements.

Interest rates adopted in the calculation	30 June 2008	31 December 2007
Monthly average compensation increase rate	3.0%	3.0%
Actual 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 costs of past employment – non-eligible benefits.
Unrecognized actuarial gains and losses as well as past employment costs are charged to current profit and loss for 15 years.

	30 June 2008	31 December 2007
Jubilee bonuses		
Opening balance of liability disclosed in the balance sheet	81 031	53 340
Interest expense	1 540	1 832
Current employment cost	5 647	5 663
Paid benefits	(4 097)	(11 607)
Actuarial gains/losses	254	12 589
Gains/losses due to restrictions and settlements	-	19 214
Closing balance of liability disclosed in the balance sheet	**84 375**	**81 031**
Retirement severance		
Opening net balance	37 107	29 566
Current employment cost	2 035	1 995
Interest expense	693	952
Net actuarial profit/loss recognized during the year	(747)	(3 962)
Paid benefits	(1 448)	(2 352)
Past employment cost	-	-
Gains/losses due to restrictions and settlements	1 068	10 908
Closing balance of liability disclosed in the balance sheet	**38 708**	**37 107**
Total closing balance of liability disclosed in the balance sheet	**123 083**	**118 138**

Provision for gas allowances to former employees

The Company pays gas allowances to its employees retired by the end of 1995. This system will be in force until 2010; thereafter the Company will cease to pay the allowance. 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 Company creates 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 amount of one-off severance payments.
The provision for restructuring costs is recognized only when the Company has presented the detailed and formal restructuring plan to all interested parties.

Provision for well reclamation costs

The Company creates a provision for future costs of well liquidation 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% to 10% of the value of the tax depreciation of mining assets applied 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.

Other provisions for retirement and similar benefits

The Company also creates provisions for retirement benefits and similar, e.g. for group layoff severance pay.

Provision for fines from the Office for Competition and Consumer Protection

The provision for fines from the Office for Competition and Consumer Protection is the highest item in this group of provisions. The Office for Competition and Consumer Protection claims that PGNiG S.A. has abused its power as a parent by delaying its technical approval for the connection of an existing boiler facility owned by the Municipality in Wysoka Mazowiecka to the existing measuring station.
As the decision of the Court of Appeals that amended the decision of the President of the Office for Competition and Consumer Protection has come into force thereby reducing the fine's amount, 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 of 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 Company creates provisions for future liabilities due to recultivation of contaminated soil or elimination of hazardous substances if there is a legal or customary obligation to do so. 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 decision of the Chairman of Energy Regulatory Office regarding gas transmission tariffs in 2007, PGNiG S.A. calculated additional costs to be incurred if the 2007 tariff is revoked. Based on the last valid tariff from the second half of 2005, the additional payment for gas transmission services is estimated at PLN 22,500 thousand. Therefore, in 2007 PGNiG S.A. created a provision of PLN 22,500 thousand for the above fee. 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. Details on the fund functioning as well as the fund increase and expense catalogue have been determined in internal resolutions of the Company.

Other provisions

The Company creates other provisions for future, probable expenses related to commercial activity.

(PLN ‘000)

23. TRADE AND OTHER PAYABLES

	30 June 2008	31 December 2007
Trade liabilities to other entities amounting	550 780	673 238
Trade liabilities to related parties	161 256	519 680
VAT liabilities	527 512	711 075
Tax, customs, insurance and other liabilities	79 180	41 778
Liabilities due to dividend for the owner	1 121 000	-
Payroll liabilities	362	1 236
Liabilities due to unused paid vacations	1 895	7 763
Liabilities due to purchase of non-financial non-current assets	30 337	96 688
Liabilities due to purchase of non-financial non-current assets from related parties	84 556	122 684
Liability due to capital contribution adopted by resolution*	82 472	954 948
Other liabilities to related parties	3 763	3 325
Other liabilities to other entities	21 227	9 230
Accruals and advances for deliveries	41 888	32 381
Total	**2 706 228**	**3 174 026**
Including related parties (Note 46.b.)	**332 047**	**1 600 637**

* Disputed contribution to the capital of Gazotech Sp. z o.o., issue described in note 50.

(PLN '000)

24. CONTINGENT LIABILITIES

24. 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	Bank or other institution to which the contingent liability was granted	Type of contingent liability granted
Contingent liabilities granted by PGNiG S.A.						
The President Islamic Republic of Pakistan	2 316	USD	4 909	2008-12-31	Societe Generale Oddział w Polsce	bank guarantee
Egyptian General Petroleum Corporation	500	USD	1 060	2012-02-28	National Societe Generale Bank S.A.E.	bank guarantee
Gazprom-Export Ltd.	210 000	USD	445 074	2009-02-08	BNP Paribas Oddział w Polsce	bank guarantee
Gazprom-Export Ltd.	42 000	USD	89 015	2009-02-08	PKO Bank Polski	bank guarantee
EUROPOL GAZ S.A.	56 000	PLN	56 000	2009-09-30	Bank Gdański S.A.	credit surety
POGC - Libya B.V.	108 000	USD	228 895	2013-06-01	NATIONAL OIL CORPORATION, Libya	guarantee
PGNiG Norway AS	627 556	EUR	2 104 947	2050-01-01	NORWAY	guarantee
Total			**2 929 899**			

*Contingent liabilities in foreign currency translated at the NBP exchange rate as of 30 June 2008

24. 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	2006-12-31
Total			**6 852**	

* As at 30 June 2008, the bill of exchange was not destroyed or collected.

(PLN '000)

24. c. Other contingent liabilities

Real property tax

Resolution of the Supreme Administrative Court in Warsaw issued on 2 July 2001, which was passed by a panel of 7 judges, decided that underground mining headings were not subject to real estate tax. Since in the case of oil and gas production wells are mining headings, local authorities from the Zielona Góra Branch's area of operation withdrew from the enforcement of real estate tax; however some authorities have decided that well supporting infrastructure is subject to taxation.
Pipeline tax was introduced in 2001. In previous years, the Branch in Zielona Góra created provisions for commune claims regarding real property tax in the amount of PLN 821.3 thousand. Following favorable outcome of court cases regarding the claim up to date, PGNiG S.A. re-assessed the risk of related claims and, having considered it low, released the provision in 2007. On the other hand, Podkarpacie communes have not made any related claims to date. Therefore, mines located in the Podkarpacie region did not declare or accrue real estate tax on excavations for the period of 2001-2006. The potential tax liability not disclosed in the financial statements together with interest amounted to PLN 61,131.6 thousand as of 30 June 2008 (in 2007, the liability was PLN 60,642.2 thousand).

Real estate claims

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

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

Due to the fact that property claims lodged by owners often have no grounds (which is confirmed by experts' opinions), it is not possible to estimate the related liability.

25. OFF-BALANCE SHEET LIABILITIES

25. a. Operating lease liabilities

	30 June 2008	31 December 2007
Up to one year	-	-
from 1 to 5 years	-	-
over 5 years	-	-
Total	**-**	**-**

25. b. Investment liabilities

	30 June 2008	31 December 2007
Liabilities arising from signed contracts	1 875 799	1 134 942
Stage of completion of contracts as at the balance sheet date	868 239	664 695
Contractual liabilities after the balance sheet date	**1 007 560**	**470 247**

(PLN '000)

26. INFORMATION ON RELATED PARTIES

As at 30 June 2008 PGNiG S.A. 42 related companies, whose activities focus on production and services, including:

- 27 PGNiG S.A. subsidiaries;
- 15 PGNiG S.A. other related entities.

26. a. Subsidiaries and associates not included in consolidation

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.***	Netherlands	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.

(PLN '000)

26. b. 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
Entities consolidated using full consolidation method and equity method	30 June 2008	535 817	1 905 861	64 185	58 940	1 587 597	1 473 995	246 265
	30 June 2007	3 785 350	419 943	419 613	414 417	383 824	185 566	117 743
Other related parties not included in consolidation	30 June 2008	1 976	4 968	132 285	4 400	11 295	-	85 782
	30 June 2007	518	15 791	125 586	330	13 867	-	89 760
Total related parties	**30 June 2008**	**537 793**	**1 910 829**	**196 470**	**63 340**	**1 598 892**	**1 473 995**	**332 047**
	30 June 2007	**3 785 868**	**435 734**	**545 199**	**414 747**	**397 691**	**185 566**	**207 503**

(PLN '000)

26. c. Information on compensation, loans and similar benefits granted to members of management and supervisory bodies

	Period from 1 January 2008 to 30 June 2008	Period from 1 January 2007 to 30 June 2007
Remuneration of management board members*	2 318	768
Remuneration of supervisory board members	144	152
Total	**2 462**	**920**

* Remuneration for the current period includes severance and damages due to no competition agreements paid to former management board members.

In the financial year, the Company did not conduct any significant transactions with members of its Management Board and supervisory bodies, their spouses, relatives, family members in straight line up to the second degree or related by care, adoption or custody with a person who is a member of the managing or supervisory bodies in the Company or companies, of which they are majority shareholders or partners. The Company also did not grant any loans to these individuals.

26. d. Joint ventures

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**:** Warszawa 00-060, ul. Królewska 27
During 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**:** Warszawa 00-613, ul. Chałubińskiego 8

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

- "Płotki" (Joint Operations Agreement of 12 May 2000 as amended)
- "Płotki" – „PTZ" – in cooperation with CalEnergy Resources Poland Sp. z o.o. (the so-called Expanded Zaniemyśl Area, Mining Users Operational Agreement of 26 October 2005)
- "Poznań" (Joint Operations Agreement of 1 June 2005)
- Blok 255 (Joint Operations Agreement of 29 October 1999).

Based on the "Agreement on settlements of natural gas produced from the "Kłęka 11 well", the Kłęka 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.

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.

27. 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 Q2 2008 published on 13 August 2008, no changes have been introduced in these financial statements.

28. OTHER MATERIAL INFORMATION - LONG-TERM CONTRACTS FOR GAS FUEL SALE

In the first half of 2008, PGNiG S.A. conclude comprehensive contracts for gas supplies, both from the transmission and distribution system with 33.6 thousand new clients, among which the greatest group is domestic clients (32,9 thousand).

29. OTHER MATERIAL INFORMATION – GAS FUEL PURCHASE CONTRACTS

In the first half of 2008, PGNiG S.A. imported gas mainly under the following contracts:

- Purchase/sales gas delivery contract of 25 September 1996 with OOO Gazprom eksport, which is binding until 2022;
- Lasów gas sales agreement of 17 August 2006 with VNG-Verbundnetz Gas AG., binding until 1 October 2016
- Gas sales agreement of 15 September 2004 with VNG-Verbundnetz GAS AG/ E.ON Ruhrgas AG, which is binding until 30 September 2008; Following a change in the volume of gas supplied by VNG effective 1 October 2008 and expiration of the contract with VNG/E.ON Ruhrgas, in the first half of 2008 PGNiG S.A. carried out activities aimed at obtaining additional gas purchase contracts in order to ensure gas supply necessary to cover the demand of Dolny Śląsk on the existing level;
- Gas sales agreement of 17 November 2006 with ROSUKRENERGO AG, binding until 1 January 2010 inclusive with an option to be extended until 1 January 2012.

In addition, PGNiG S.A. imported off-system gas fuel based on the following agreements and contracts as supply to various regions in Poland:

- Contract for exchange of natural gas of 22 October 1992 with VNG-Verbundnetz Gas AG binding until 1 October 2007; an unlimited duration contract annually extended by annexes (gas supplies for border areas on both sides of Polish/German border)
- Natural gas supply contract of 26 October 2004 with NAK „Naftogaz Ukrainy", binding until 2020 roku (supply of the Hrubieszów region)
- Natural gas sales contract of 4 February 2004 with Severomoravská plynárenská a.s., binding until 31 December 2007; annually extended with annexes (supply of the city of Branice). On 27 March 2008, a new gas sales agreement was signed (following changes in the Czech energy law adjusting it to EU regulations) that supersedes the existing one. The agreement is concluded for the period from 1 April to 31 December 2008. It shall be automatically extended by another year.

30. OTHER MATERIAL INFORMATION – COMPANY'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 Company's assets

The asset restructuring process includes actions aimed at the utilization of assets obsolete and technologically useless to the Company'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 Company is also continuing actions aimed at regulating the legal status of property, where buildings whose construction was funded by the Company 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, 193 employees were covered by the restructuring program.

31. OTHER MATERIAL INFORMATION – INFORMATION REGARDING SHARES IN PGNiG S.A. OBTAINED FREE OF CHARGE BY QUALIFYING EMPLOYEES

Information regarding shares in PGNiG S.A. obtained free of charge by qualifying employees are presented in the Consolidated Financial Statement.

32. 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 take 4,000,001 B series shares of Zakłady Azotowe w Tarnowie – Mościcach S.A, with nominal value of PLN 5.00 each and issuance price of PLN 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 4 August 2008, the District Court for Gdańsk-Północ, VII Business Division of the National Court Register, issued a decision regarding the increase of the share capital of Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o. (POSD). The share capital of the entity was increased from PLN 596,141 thousand to PLN 614,696 thousand, i.e. by PLN 18,555 thousand, through the issuance of 18,555 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 18,556 thousand. After the registration of the increase in POSD's share capital, the total number of votes is equal to 614,696. PGNiG holds 100% of shares in POSD, which represents 100% of votes at the shareholders meeting. The scope of POSD's operations includes, in particular, gas fuel transport through distribution networks.
- On 11 August 2008, the Management Board of PGNiG S.A. signed an agreement concerning delivery of an investment tasks 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 carrying out an investment regarding utilization of crude oil and gas deposits near Lubiatów, MIędzychód and Grotów, called "LMG Project – head office, bore-hole surroundings, pipelines and other". The gross contract value of PLN 1,704,340 thousand (PLN 1,397,000 net).
- On 13 July 2007, the Management Board of PGNiG S.A. informed about a change in projected natural gas production, which would drop from 4.6 billion cubic meters to about 4.2 billion cubic meters. Additional information stated that in 2009 production drop was expected from some 5.0 million cubic meters to approx. 4.6 billion cubic meters. The new lower gas production projection has been justified by reasons beyond 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 alteration of the gas production forecast does not include 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.