



PGNiG

**Polskie Górnictwo Naftowe
i Gazownictwo SA**

SEPARATE FINANCIAL STATEMENTS

**FOR 12-MONTH PERIODS ENDED
31 DECEMBER 2007 AND 31 DECEMBER 2006**

**PREPARED IN ACCORDANCE WITH THE INTERNATIONAL
FINANCIAL REPORTING STANDARDS**

TABLE OF CONTENTS

SELECTED FINANCIAL DATA	5
INCOME STATEMENT	6
BALANCE SHEET	7
CASH FLOW STATEMENT	9
STATEMENT OF CHANGES IN EQUITY	11
NOTES TO THE FINANCIAL STATEMENTS OF PGNiG S.A.	13
1. GENERAL INFORMATION	13
2. DURATION OF THE COMPANY	14
3. PERIOD COVERED BY THE FINANCIAL STATEMENTS	14
4. INFORMATION ON THE COMPOSITION OF MANAGEMENT AND SUPERVISORY BODIES	15
5. CHANGES IN SHARE CAPITAL	18
6. THE FINANCIAL STATEMENTS INCLUDE AGGREGATE DATA	18
7. GOING CONCERN ASSUMPTION	18
8. BUSINESS COMBINATION	18
9. COMPARABILITY OF FINANCIAL DATA FOR THE PREVIOUS PERIOD WITH THE FINANCIAL STATEMENTS FOR THE CURRENT FINANCIAL PERIOD	20
10. INFORMATION ON ADJUSTMENTS ARISING FROM QUALIFICATIONS PRESENTED IN OPINIONS OF ENTITIES AUTHORISED TO AUDIT FINANCIAL STATEMENTS FOR THE YEARS, FOR WHICH THE FINANCIAL STATEMENTS AND COMPARATIVE INFORMATION ARE PRESENTED	20
11. INFORMATION ON ACCOUNTING PRINCIPLES APPLIED	20
12. SEGMENT REPORTING	29
13. EMPLOYEE BENEFITS AND OTHER NET OPERATING EXPENSES	33
14. FINANCIAL REVENUES AND EXPENSES	33
15. INCOME TAX	34
16. DISCONTINUED OPERATIONS	35
17. EARNINGS PER SHARE	35
18. DIVIDEND PAYMENT AND PROPOSED PAYMENT	36
19. PROPERTY, PLANT AND EQUIPMENT	36
20. INVESTMENT PROPERTY	40
21. INTANGIBLE ASSETS	41
22. FINANCIAL ASSETS AVAILABLE FOR SALE – NON-CURRENT	44
23. OTHER FINANCIAL ASSETS	44
24. DEFERRED TAX ASSET	45
25. OTHER NON-CURRENT ASSETS	45
26. INVENTORIES	45
27. TRADE AND OTHER RECEIVABLES	46
28. CURRENT TAX SETTLEMENTS	46
29. PREPAYMENTS AND ACCRUALS	47
30. FINANCIAL ASSETS AVAILABLE FOR SALE - CURRENT	47
31. CASH AND CASH EQUIVALENTS	47
32. ASSETS CLASSIFIED AS HELD FOR SALE	48
33. CONTINGENT ASSETS	49
34. SHARE CAPITAL	53
35. LOANS, BORROWINGS AND DEBT SECURITIES	53
36. PROVISIONS	55
37. DEFERRED INCOME	58
38. DEFERRED TAX PROVISION	58
39. OTHER NON-CURRENT LIABILITIES	58
40. TRADE AND OTHER LIABILITIES	58
41. REASONS FOR DIFFERENCES BETWEEN BALANCE SHEET CHANGES IN CERTAIN ITEMS AND CHANGES ARISING FROM THE CASH FLOW STATEMENT	59
42. FINANCIAL INSTRUMENTS	60
43. HEDGING DERIVATIVES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS	68
44. CONTINGENT LIABILITIES	72
45. OFF-BALANCE SHEET LIABILITIES	73
46. INFORMATION ON RELATED PARTIES	74
47. EMPLOYMENT (NO. OF EMPLOYEES)	78
48. COMPANY SOCIAL BENEFITS FUND	79
49. INFORMATION ON SIGNIFICANT EVENTS PERTAINING TO PREVIOUS YEARS AND DISCLOSED IN THE FINANCIAL STATEMENTS FOR 2007	79
50. MAIN REASONS OF UNCERTAINTY OF ESTIMATE DATA	79
51. STATEMENT AND EXPLANATIONS OF DIFFERENCES BETWEEN DATA DISCLOSED IN THE FINANCIAL STATEMENTS AND COMPARATIVE FINANCIAL DATA VS. THE PREVIOUSLY PREPARED AND PUBLISHED FINANCIAL STATEMENTS	80
52. CHANGES IN ACCOUNTING PRINCIPLES (POLICY) AND IN METHOD OF PREPARATION OF FINANCIAL STATEMENTS INTRODUCED FOR THE PREVIOUS FINANCIAL YEAR AND THEIR IMPACT ON THE ECONOMIC AND FINANCIAL SITUATION	81

53. CHANGE IN EQUITY AND NET FINANCIAL RESULT DETERMINED IN ACCORDANCE WITH THE ACCOUNTING ACT AND IRFS	82
54. OTHER MATERIAL INFORMATION – COMPANY RESTRUCTURING PROCESS	82
55. OTHER MATERIAL INFORMATION – EMPLOYEE PENSION PLAN.....	83
56. OTHER MATERIAL INFORMATION - FOREIGN OPERATIONS.....	85
57. OTHER MATERIAL INFORMATION - LONG-TERM CONTRACTS FOR GAS FUEL SUPPLY	88
58. OTHER MATERIAL INFORMATION – GAS FUEL PURCHASE CONTRACTS	88
59. CAPITAL MANAGEMENT	89
60. POST-BALANCE SHEET EVENTS	90

Members of the Management Board

Chairman of the Management Board Michał Szubski

Vice Chairman of the Management Board Mirosław Dobrut

Vice Chairman of the Management Board Radosław Dudziński

Vice Chairman of the Management Board Sławomir Hinc

Vice Chairman of the Management Board Mirosław Szałuba

Warsaw, 4 April 2008

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

SELECTED FINANCIAL DATA**for the financial year ended 31 December 2007**

	PLN		EUR	
	Period from 1st Jan 2007 to 31st Dec 2007	Period from 1st Jan 2006 to 31st Dec 2006	Period from 1st Jan 2007 to 31st Dec 2007	Period from 1st Jan 2006 to 31st Dec 2006
I. Net revenues from sales of products, goods and materials	15 119 944	12 116 145	4 003 374	3 107 421
II. Profit (loss) on operating activities	2 121 975	1 207 476	561 845	309 681
III. Gross profit/(loss)	2 421 032	1 270 996	641 027	325 972
IV. Net profit (loss)	2 154 921	1 096 939	570 568	281 331
V. Net cash flows from operating activities	2 024 115	663 105	535 934	170 066
VI. Net cash flows from investment activities	(1 460 632)	(124 432)	(386 738)	(31 913)
VII. Net cash flows from financial activities	(2 501 727)	(295 555)	(662 393)	(75 801)
VIII. Total net cash flows	(1 938 244)	243 118	(513 197)	62 352
XVI. Basic earnings per share (in PLN/EUR)	0,37	0,19	0,10	0,05
XVII. Diluted earnings per share (in PLN/EUR)	0,37	0,19	0,10	0,05
	State as on 31st Dec 2007	State as on 31st Dec 2006	State as on 31st Dec 2007	State as on 31st Dec 2006
IX. Total assets	23 564 336	22 816 461	6 578 542	5 955 435
X. Liabilities and provisions for liabilities	5 768 368	6 193 771	1 610 376	1 616 666
XI. Non-current liabilities	1 858 507	4 335 027	518 846	1 131 506
XII. Current liabilities	3 909 861	1 858 744	1 091 530	485 160
XIII. Equity	17 795 968	16 622 690	4 968 165	4 338 769
XIV. Share capital	5 900 000	5 900 000	1 647 125	1 539 987
XV. Number of shares (weighted average in '000)	5 900 000	5 900 000	5 900 000	5 900 000
XVIII. Book value per share (in PLN/EUR)	3,02	2,82	0,84	0,74
XIX. Diluted book value per share (in PLN/EUR)	3,02	2,82	0,84	0,74
XX. Declared or paid dividend per share (in PLN/EUR)	0,17	0,15	0,05	0,04

Items from I to VIII, from XVI to XVII were translated at the average EUR exchange rate calculated as the arithmetic average of average exchange rates determined by the National Bank of Poland (NBP) for each day being the last day of each month in a given financial period. Items from IX to XIV were translated at the EUR exchange rate determined by NBP at the end of a given period.

Average PLN/EUR exchange rates determined by NBP

	Period from 1st Jan 2007 to 31st Dec 2007	Period from 1st Jan 2006 to 31st Dec 2006
Average exchange rate during the period	3.7768	3.8991
Exchange rate as at the end of the period	3.5820	3.8312

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

INCOME STATEMENT**for the financial year ended 31 December 2007**

	Additional information	Period from 1st Jan 2007 to 31st Dec 2007	Period from 1st Jan 2006 to 31st Dec 2006
		(in PLN '000)	
Sales revenue	12	15 119 944	12 116 145
Consumption of raw materials and materials	13	(7 837 267)	(8 162 329)
Employee benefits	13	(513 071)	(369 619)
Depreciation and amortization		(577 560)	(497 236)
External services		(3 871 615)	(2 237 610)
Manufacturing cost of benefits for internal purposes		8 962	8 160
Other (net) operating expenses	13	(207 418)	349 965
Other operating expenses in total		(12 997 969)	(10 908 669)
Profit on operating activities		2 121 975	1 207 476
Financial revenue	14	502 276	555 730
Financial expenses	14	(203 219)	(492 210)
Gross profit		2 421 032	1 270 996
Income tax	15	(266 111)	(174 080)
Profit distribution (payment of benefits from profit)		0.00	23
Net profit (loss) for financial period		2 154 921	1 096 939
Earnings per share allocated to ordinary shareholders	17		
- basic earnings per share		0,37	0,19
- diluted earnings per share		0,37	0,19

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

BALANCE SHEET**as at 31 December 2007**

	Additional informatio n	31 December 2007	31 December 2006
(in PLN '000)			
ASSETS			
Non-current assets (long-term)			
Property, plant and equipment	19	8 568 916	8 299 455
Investment property	20	4 445	4 782
Intangible assets	21	33 059	14 966
Available-for-sale financial assets	22	4 787 372	5 017 288
Other financial assets	23	3 340 711	3 393 128
Deferred tax asset	24	261 208	288 941
Other non-current assets	25	25 755	36 995
Total non-current assets (long-term)		17 021 466	17 055 555
Current assets (short-term)			
Inventories	26	1 061 156	1 239 478
Trade and other receivables	27	4 355 638	1 509 951
Current income tax receivables	28	-	-
Accruals and prepayments	29	24 056	6 728
Available-for-sale financial assets	30	29 341	29 341
Derivative assets	43	17 442	5 723
Cash and cash equivalents	31	1 055 001	2 969 685
Total current assets (short-term)		6 542 634	5 760 906
Assets classified as held for sale	32	236	-
Total assets		23 564 336	22 816 461
EQUITY AND LIABILITIES			
Equity			
Share capital	34	5 900 000	5 900 000
Exchange differences from translation of foreign operations		(1 510)	462
Surplus on sale of shares above face value		1 740 093	1 740 093
Reserves		3 344 146	2 797 547
Retained earnings		6 813 239	6 184 588
Total equity		17 795 968	16 622 690
Non-current liabilities			
Borrowings	35	80	2 298 720
Provisions	36	901 112	917 588
Deferred income	37	7 645	2 784
Deferred tax liabilities	38	929 093	1 115 547
Other non-current liabilities	39	20 577	388
Total non-current liabilities		1 858 507	4 335 027
Current liabilities			
Trade liabilities and other liabilities	40	3 174 026	1 562 830
Borrowings	35	4 316	9 271
Derivative liabilities	43	35 527	55 067
Current tax liabilities	28	187 174	137 957
Provisions	36	111 838	92 590
Deferred income	37	396 980	1 029

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

Total current liabilities	3 909 861	1 858 744
Total liabilities	5 768 368	6 193 771
Total equity and liabilities	23 564 336	22 816 461

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

CASH FLOW STATEMENT**for the financial year ended 31 December 2007**

	Period from 1st Jan 2007 to 31st Dec 2007	Period from 1st Jan 2006 to 31st Dec 2006 (in PLN '000)
Cash flows from operating activities		
Net profit or loss	2 154 921	1,096,939
Adjusted by:		-
Depreciation and amortization	577 560	497,236
Net exchange gains/losses	59 182	32,121
Net interest and dividends	(440 253)	(274,936)
Profit/loss on investing activities	91 085	(63,397)
Current income tax	266 111	174,080
Income taxes paid	(384 324)	(214,006)
Other net items	219 284	65,051
Net cash flows from operating activities before the change in working capital balance	2 543 566	1,313,088
Change in working capital balance		
Change in net receivables	(1 343 454)	187,490
Change in inventories	180 427	(517,405)
Change in provisions	31 495	(211,892)
Change in current liabilities	289 857	(29,899)
Change in prepayments	(20 906)	(35,215)
Change in deferred income	343 130	(43,062)
Net cash generated by operating activities	2 024 115	663,105
Cash flows from investing activities		
Inflows from the sale of property, plant and equipment and intangible assets	14 844	17,128
Proceeds from disposal of shares in associates	-	-
Proceeds from disposal of short-term securities	48 855	107,999
Acquisition of property, plant and equipment and intangible assets	(872 302)	(668,311)
Acquisition of shares in associates	(326 936)	-
Acquisition of short-term securities	-	-
Proceeds from loan repayment	62 274	63,058
Expenses arising from loans given	(1 027 764)	(234 434)
Interest received	245 272	288 546
Dividends received	217 468	58 980
Proceeds from finance lease	179 330	243 248
Other net items	(1 673)	(646)
Net cash generated by investing activities	(1 460 632)	(124 432)
Cash flows from financing activities		
Net proceeds from issue of shares and other equity instruments and from capital contributions	-	-
Proceeds borrowings	-	-
Repayment of borrowings	(2 303 637)	(8 356)
Proceeds from issue of debt securities	-	-
Buy-back of debt securities	-	-
Repayment of finance lease liabilities	(109)	(231)
Proceeds from forward transactions	301	230 343
Payments forward transactions	(101)	(242 375)
Dividends paid	(153 002)	(203 519)
Interest paid	(35 618)	(69 986)
Other net items	(9 561)	(1 431)
Net cash generated from financing activities	(2 501 727)	(295 555)

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

Change in net cash balance	(1 938 244)	243 118
Net exchange differences	23 560	-19 816
Opening balance of cash and cash equivalents	2 993 496	2 750 378
Closing balance of cash and cash equivalents	1 055 252	2 993 496

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2007

	Equity					Total
	Share capital	Exchange differences from translation of foreign entities	Share premium	Other reserves	Retained earnings (losses)	
	(in PLN '000)					
1 January 2006	5,900,000	416	1,740,093	2,593,219	6,176,977	16,410,705
Exchange differences from translation of foreign branches	-	46	-	-	-	46
Net profit	-	-	-	-	1,096,939	1,096,939
Dividend paid to owner	-	-	-	-	(885,000)	-885,000
Reclassifications	-	-	-	204,328	(204,328)	-
31 December 2006	5,900,000	462	1,740,093	2,797,547	6,184,588	16,622,690
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	-	(1,972)	-	-	-	(1 972)
Increases due to business combinations	-	-	-	-	22 042	22 042
Net profit	-	-	-	-	2 154 921	2 154 921
Dividend paid to owner	-	-	-	-	(1 003 000)	(1 003 000)
Reclassifications	-	-	-	545 312	(545 312)	0
Other	-	-	-	1 287	-	1 287
31 December 2007	5 900 000	(1 510)	1 740 093	3 344 146	6 813 239	17 795 968

NOTES TO THE FINANCIAL STATEMENTS OF PGNiG S.A. as of 31 December 2007

1. GENERAL INFORMATION

Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna (PGNiG S.A.) with the registered office in Warsaw, ul. Krucza 6/14 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 registered in the commercial register kept by the District Court for the city of 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 REGON number 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 Articles of Association, the Company is involved in 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) crude oil and 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) network distribution of gas fuels;
- 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;

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

-
- 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) cargo storage and warehousing in other storage yards;
 - 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 the field of technical science;
 - 37) geological and exploration activity;
 - 38) surveying and cartography;
 - 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) sales brokerage of fuels, ore, metals and industrial chemicals;
 - 56) sales brokerage 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 plant and equipment;
 - 62) data processing;
 - 63) database related services;
 - 64) other IT-related services,
 - 65) accounting and bookkeeping services;
 - 66) advertising;
 - 67) Call Center services,
 - 68) other commercial activity, not elsewhere classified;
 - 69) property management services;
 - 70) other short-term accommodation, not elsewhere classified;

2. DURATION OF THE COMPANY

Duration of the Company: unlimited

3. PERIOD COVERED BY THE FINANCIAL STATEMENTS

The financial statements covered the period from 1 January 2007 to 31 December 2007 and from 1 January 2006 to 31 December 2006 for comparative information.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

4. INFORMATION ON THE COMPOSITION OF MANAGEMENT AND SUPERVISORY BODIES

The composition of PGNiG S.A. Management Board:

According to the Company's Articles of Association, the Management Board of PGNiG S.A. is composed of two to seven people. The number of the members in the Management Board is determined by the appointing authority. 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 500 persons on average per year, the Supervisory Board appoints one person selected by the employees to the Management Board for one term.

As of 31 December 2007 the Management Board of PGNiG S.A. was composed of five persons:

- Krzysztof Głogowski – Chairman of the Management Board;
- Jan Anysz – Vice Chairman of the Management Board;
- Zenon Kuchciak – Vice Chairman of the Management Board;
- Stanisław Niedbalec - Vice Chairman of the Management Board,
- Tadeusz Zwierzyński - Vice Chairman of the Management Board.

There were no changes in the composition of PGNiG S.A. Management Board in 2007.

After 31 December 2007, there were the following changes in composition of PGNiG S.A. Management Board:

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:

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

On 20 March 2008, the Supervisory Board of PGNiG S.A. dismissed Mr. Jan Anysz from the Management Board and appointed Mr. Mirosław Szałuba, elected by PGNiG S.A. employees as Member of the Management Board, Vice Chairman of PGNiG S.A.

As at the date of these financial statements, the composition of the PGNiG S.A. Management Board was as follows:

- Michał Szubski - Chairman of the Management Board;
- Mirosław Dobrut - Member of the Management Board;
- Radosław Dudziński - Member of Management Board;
- Sławomir Hinc - Member of the Management Board;
- Mirosław Szałuba - Member of the Management Board.

Proxies of PGNiG S.A.

As at 31 December 2007, PGNiG S.A. was represented by the following proxies:

- Ewa Bernacik,

- Bogusław Marzec.

On 30 July 2007, the power of attorney held by Mr. Bogusław Marzec was revoked. At the meeting held on 28 August 2007, the Management Board of PGNiG S.A. re-appointed Mr. Bogusław Marzec as the Company's proxy.

Mr. Bogusław Marzec was granted a joint power of attorney, i.e. in order for documents to be effective from a legal point of view they must be signed by two proxies or a proxy and a Member of the Management Board of PGNiG S.A.

On 3 January 2008, the Management Board of PGNiG S.A. granted power of attorney to Mr. Jan Czerepok, Mr. Marek Dobryniewski and Mr. Waldemar Wójcik.

The power of attorney is a joint power of attorney, 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.

On 17 March 2008, power of attorney granted to Mr. Jan Czerepok was revoked.

As at the date of these financial statements, the PGNiG S.A. was represented by the following proxies:

- Ewa Bernacik,
- Bogusław Marzec,
- Marek Dobryniewski,
- Waldemar Wójcik.

Composition of the Supervisory Board of PGNiG S.A.

According to the Company's Articles of Association, the Supervisory Board of PGNiG S.A. is composed of five to nine members appointed by the Shareholders Meeting for the period of 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 in charge of the State Treasury matters, acting in cooperation with the minister in charge of economy, is authorized to appoint and dismiss one member of the Supervisory Board.

The 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 Articles of Association 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 that has any type of relations with the Company or any entity listed in point 2) and 3), which could significantly affect the ability of such person to act as a member of the Supervisory Board to make unbiased decisions.

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

Pursuant to § 36 item 3 of the Articles of Association of PGNiG S.A., the member of the Supervisory Board who should meet the above criteria is elected through a separate voting. The right to submit nominations for candidates to the Supervisory Board who must meet the above conditions to the Chairman of the General Shareholders Meeting is reserves for shareholders who are present at the General Shareholders Meeting held to elect such a member. If the shareholders elect no candidates, candidates for the Supervisory Board that would meet the aforementioned conditions are proposed by the Supervisory Board.

Two-fifths of the Supervisory Board is appointed among persons elected by the Company's employees.

As of 31 December 2007, the Supervisory Board was composed of eight members as follows:

- Andrzej Rościszewski - Chairman of the Supervisory Board;
- Piotr Szwarz - Vice Chairman of the Supervisory Board;
- Kazimierz Chrobak - Secretary of the Supervisory Board;
- Wojciech Arkuszewski – Member of the Supervisory Board;
- Mieczysław Kawecki - Member of the Supervisory Board;
- Marcin Moryń - Member of the Supervisory Board;

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

- Mieczysław Puławski - Member of the Supervisory Board;
- Mirosław Szkałuba - Member of the Supervisory Board;
- Jarosław Wojtowicz - Member of the Supervisory Board.

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

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

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

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

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

As at the date of these financial statements, the composition of PGNiG S.A. Supervisory Board was as follows:

- Stanisław Rychlicki - Chairman of the Supervisory Board;
- Marcin Moryń – Vice Chairman of the Supervisory Board;
- Kazimierz Chrobak - Secretary of the Supervisory Board;
- Grzegorz Banaszek - Member of the Supervisory Board;
- Mieczysław Kawecki - Member of the Supervisory Board;
- Mieczysław Puławski - Member of the Supervisory Board.

5. CHANGES IN SHARE CAPITAL

As at 31 December 2007, the Company's share capital amounted to PLN 5,900,000,000 (five billion nine hundred million PLN) and was divided into:

- 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.

There were no changes in the share capital in 2007.

6. THE FINANCIAL STATEMENTS INCLUDE AGGREGATE DATA

PGNiG S.A. draws up aggregated financial statements. As at 31 December 2007, PGNiG S.A. included: the Company's Headquarters, 6 domestic branches and a foreign branch in Pakistan.

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 based on the financial statements of the foreign branch in Pakistan. As at the balance sheet date, data presented in the foreign branch balance sheet were translated to PLN based on the average exchange rate determined for a given currency by NBP; 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-subsiary and 1 associate.

7. GOING CONCERN ASSUMPTION

The Company's financial statements were prepared based on the assumption of the Company's operating as a going concern for 12 months after the balance sheet date, i.e. until 31 December 2008. According to the Company's Management Board, on the date of signing the financial statements no facts or circumstances indicated the risk to the Company's operating as a going concern during 12 months after the balance sheet date due to intended or forced discontinuation or material limitation of its activities.

8. BUSINESS COMBINATION

As of 1 October 2007, there was a business combination of gas trading entities: Dolnośląska Spółka Obrotu Gazem Sp. z o.o., Górnośląska Spółka Obrotu Gazem Sp. z o.o., Karpacka Spółka Obrotu Gazem Sp. z o.o., Mazowiecka Spółka Obrotu Gazem Sp. z o.o., Pomorska Spółka Obrotu Gazem Sp. z o.o., Wielkopolska Spółka Obrotu Gazem Sp. z o.o. and PGNiG S.A. pursuant to Article 492 § 1 point 1 of the Code of Commercial Companies (business combination through acquisition) without the increase in the Acquirer's share capital, by transfer of all the Acquiree's assets onto the Acquirer, based on the business combination plan approved by the Management Boards of the entities involved and published in Monitor Sądowy i Gospodarczy No. 51/2007 (2648) of 13 March 2007.

As the Acquirer was the sole shareholder of the (Acquiree) each of the Acquirees, the business combination was performed based on the simplified procedure, pursuant to Article 516 § 6 of the Code of Commercial Companies and regulations on simplified business combination procedure (Resolution No. 5 of the General Shareholders Meeting of PGNiG S.A. of 3 November 2006).

PGNiG S.A. core business involves production of oil and gas as well as wholesale and retail sales of gas fuels. The core business of the Acquirees included, in particular, sales of gas fuels. The objective of the aforementioned business combination of the Company and Acquirees is to integrate the gas trading operations within PGNiG S.A. in order to unify all commercial and customer service processes and to optimize costs of commercial operations.

As the acquirees were under the common control, IFRS 3 did not apply to the business combination settlement. According to IFRS, the standard does not apply to business combination of entities under common control.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

The table below presents main items of balance sheet and income statement of Gas Trading Companies as at the business combination date, i.e. 1 October 2007. The amounts were summed in these financial statements with the corresponding items of PGNiG S.A.

Balance sheet items acquired from the Trading Companies	1 October 2007
Fixed assets	
Tangible fixed assets	137 996
Intangible assets	16 997
Assets due to deferred income tax	7 392
Current assets	
Inventory	594
Trade and other receivables	685 206
Prepayments and accruals	1 778
Cash and cash equivalents	241 800
Shareholders' equity	
Other reserve capital	1 287
Retained earnings/ uncovered loss brought forward from previous periods	41 475
Long-term liabilities	
Credits, loans and debentures	37
Long-term provisions	27 402
Provision for deferred income tax	10 204
Short-term liabilities	
Trade and other liabilities	409 759
Short-term provisions	7 027
Deferred income	57 682

Income statement items acquired from the Trading Companies	For the period from 29 June to 1 October 2007
Income on sales	678 671
Consumption of raw materials	(10 411)
Benefits towards employees	(41 865)
Depreciation	(5 257)
External services	(596 840)
Cost of goods manufacturing for own needs	270
Other net operating costs	(3 927)
Total operating costs	(658 030)
Operating profit	20 641
Financial income	3 491
Financial costs	(52)
Gross profit	24 080
Income tax	(4 646)
Net profit of the period	19 434

Upon business combination, mutual receivables and liabilities existing between the Companies as at the combination date were eliminated from the balance sheet. Accordingly, mutual revenues and costs were eliminated from the income statement. In addition, share capitals of the acquirees were eliminated from the balance sheet together with the elimination of shares on the acquirer's side. Changes in balance of assets and liabilities arising from inclusion of the acquirees' assets and liabilities in the balance sheet were eliminated from the individual items of cash flow statement related to changes in the working capital.

In addition, in the balance sheet notes presenting changes for the period and in notes to the cash flow statement containing reconciliation of cash flow statement with changes in balance sheet, additional lines were added to present data on the amounts acquired from the Trading Companies.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

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 foreign branch in Pakistan.

10. INFORMATION ON ADJUSTMENTS ARISING FROM QUALIFICATIONS PRESENTED IN OPINIONS OF ENTITIES AUTHORISED TO AUDIT FINANCIAL STATEMENTS FOR THE YEARS, FOR WHICH THE FINANCIAL STATEMENTS AND COMPARATIVE INFORMATION ARE PRESENTED

The financial statements 2006 were audited by Deloitte Audyt Sp. z o.o. Chartered accountant in his opinion did not raise any objection with respect to the merits of these statements. Due to the above, there are no corresponding adjustments in the financial statements for 2007 and 2006.

11. INFORMATION ON ACCOUNTING PRINCIPLES APPLIED

Basis of the preparation of the financial statements

The financial statements were prepared for the first time in accordance with the International Financial Reporting Standards (IFRS) within the scope approved by the European Union (EU), for the period ended 31 December 2007. Note 50 contains disclosures required by IFRS 1 as regards restatement of the financial statements prepared in accordance with the Accounting Act, additional regulations and Ordinance of the Council of Ministers on the prospectus and current and periodic information to the financial statements prepared in accordance with IFRS.

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).

Major accounting principles applied by PGNiG S.A. are presented below.

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.

Approval of Financial Statements

These Financial Statements were approved and released for publishing by the Management Board of PGNiG S.A. on 29th April 2008.

Representation on 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 UE 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.

Impact of the new standards on the financial statements of the Company

IFRS in the form approved by the EU do not differ significantly from the regulations adopted by the International Accounting Standards Board ("IASB"), except for the following standards, which as at 31 December 2007 had not yet been adopted for use:

- 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 to operators regarding concession 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 concession granting

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

body controls or regulates what 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's duration.

- IFRIC 13 "Customer Loyalty Programs"
IFRIC 13 applies for the first time to annual periods beginning on or after 1 July 2008. The interpretation addresses accounting by entities that grant 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 "IAS 19 - Restricted surplus recognition in defined benefits plan, minimum recognition requirements their mutual relations".
IFRIC is applied for the first time to annual periods starting on or after 1 January 2008.
- IAS 23 "Borrowing costs"
Amendments to the standard are effective for annual periods beginning on or after 1 January 2009
- Revised IFRS 3 'Business Combinations' and corresponding amendments to IAS 27 'Consolidated And Separate Financial Statements'
Amendments to the standards are effective for annual periods beginning on or after 1 July 2009
- Amendment to IFRS 2 'Share-Based Payment: Vesting Conditions Andcancellations'
Amendments to the standard are effective for annual periods beginning on or after 1 January 2009
- Amendments to IAS 1 'Presentation Of Financial Statements: A Revised Presentation'
Amendments to the standard are effective for annual periods beginning on or after 1 January 2009

The Company assessed the effects of these interpretations and changes in standards and concluded that the changes in IAS 1 and IAS 23 may affect the presentation of the financial statements upon application. Tthe Company will start reporting including for the proposed changes as of 1 January 2009.

In the initial opinion of the Management Board of PGNiG S.A., if the Company applied IFRIC interpretations as of the balance sheet date, it would not have a material impact on the financial statements.

In addition, hedge accounting principles applicable to financial assets and 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.

According to the estimates of the Company's Management Board, the application of hedge accounting regarding the portfolio of financial assets and liabilities in line with IAS 39 "Financial Instruments: Recognition And Measurement" would not have material impact on the financial statements, if they were adopted for use in the EU as at the balance sheet date.

Additionally, when preparing these consolidated financial statements, the Company did not apply the following standards, amendments to standards and interpretations that have been published and approved for use in the EU, but which are not yet in force:

- IFRS 8 „Operating Segments"
IFRS 8 was issued on 30th Nov 2006 and replaced IAS 14 „*Reporting Financial Information by Segment*". IFRS 8 shall be effective first time for annual accounting periods beginning after 1st Jan 2009. The IFRS 8 specifies how the enterprise should report the information of operating segments and requires disclosure of information on the basis of internally used reports. The standard implements requirement to disclose information concerning products, services, geographic areas and key customers.
- IFRIC 11 "Group and Treasury Share Transactions"
IFRIC 11 applies for the first time to annual periods beginning on or after 1 January 2009. IFRIC 11 provides guidance on applying IFRS 2 "Share-based Payment" to arrangements

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

concerning share-based payment involving an entity's own equity instruments or the equity instruments of another entity from the same capital group (e.g. the parent entity's equity instruments). No guidance was available thus far as regards the method of recognizing share-based payment arrangements in an entity's financial statements as part of which the entity receives goods or services as consideration for the parent entity's capital instruments.

The Company 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. The Company's reporting will as of 1 January 2009 take into account the proposed changes.

According to the estimates of the Company the remaining changes would not have material impact on the financial statements if they were applied as at the balance sheet date. The Company does not intend to adopt these standards and interpretations before their effective date.

Translation of items denominated in foreign currency

The Polish zloty (PLN) is the functional and presentation currency for PGNiG S.A. Transactions denominated in foreign currencies are initially recognized at the exchange rate of the functional currency applicable on the transaction date. Cash assets and liabilities denominated in foreign currency are translated at the exchange rate of the functional currency applicable on the balance sheet date. All exchange differences are recognized in the 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 interest 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 from date the fair value was determined.

The Company uses foreign currency forwards and options to hedge against risks resulting from exchange rate fluctuations (accounting principles applied by the Company with respect to derivative financial instruments are provided below).

The Pakistani rupee (PKR) is the functional currency of the foreign branch (Operator Branch in Pakistan). As at the balance sheet date, the assets and liabilities of the foreign entity are translated to the presentation currency of PGNiG S.A. at the exchange rate applicable on the balance sheet date, and the income statement is translated at the average exchange rate for the 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 that are 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 include the costs incurred on purchase or manufacture of property, plant and equipment and further expenditure incurred in order to increase the asset useful life, exchange its major components or its replacement. The acquisition price or manufacturing cost of property, plant and equipment does not include interest on borrowings and exchange differences relating to manufacture of property, plant and equipment components, which are charged to profit or loss upon their incurrence.

Spare parts and service equipment are disclosed as the inventories and recognized in profit or loss upon their use. Material spare parts and emergency equipment is qualified to be recognized as property, plant and equipment, if the Company expects to use them for over a year and if it is possible to allocate them to individual components of property, plant and equipment.

The Company does not increase carrying amount of property, plant and equipment by their current maintenance costs, which are charged to profit or loss upon their incurrence. Current maintenance cost of property, plant and equipment, i.e. renovation and maintenance services, includes labor costs and material costs and can include the cost of immaterial spare parts.

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

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

Leased property, plant and equipment classified to the entity's assets are depreciated over the asset's useful life, not longer however, than over the lease term.

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

Fixed assets under construction are measured at the acquisition price or the amount of total expenses directly connected with their manufacture, less impairment loss. 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 works aimed at finding and documenting the deposit and are settled based on geological success method.

The Company recognizes expenditure incurred on initial land analysis (seismic analysis, map making) directly as cost in the profit or loss, in the period it was incurred.

The Company recognizes bore hole expenditure incurred during exploration and prospecting in assets, as fixed assets under construction.

Previously activated expenditure on bore holes deemed as negative are charged by the Company to profit or loss in the period the bore hole was deemed negative.

After natural gas and/or oil production has been deemed as technically and commercially feasible, the Company reclassifies the exploration and prospecting assets to property, plant and equipment or intangible assets, respectively.

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 or a building – or part of a building, - or both) held by the Company to earn rentals or for capital appreciation or both. Investment property is initially recognized at acquisition price plus transaction costs.

The Company has decided to measure its investment property based on acquisition price 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 profit or loss for the period in which such the property is derecognized.

The Company depreciates investment property based on 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 Company and which are likely to cause an inflow of economic benefits for the Company in the future.

The Company initially recognizes intangible assets at purchase price or manufacturing cost. After the initial recognition of an intangible asset, the Company measures such asset at purchase price or manufacturing cost less amortization and total impairment loss.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

The above amortization method reflects the way the intangible asset economic benefits are used by the Company; whereas, as the consumption of such benefits cannot be reliably determined, a straight-line method is applied. The amortization method is applied continuously over the subsequent period, unless there has been a change in the expected way the economic benefits are used.

The amortization period and method are verified as at the end of each financial period. If the expected useful life of an asset is significantly different from previous estimates, the amortization period is changed. If there has been a significant change in the expected economic benefit use over time, the amortization method is changed accordingly, to reflect such change. The above changes are recognized by the Company as the change of accounting estimates and charged to profit or loss in the period, in which the estimates have been 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 right	40-99 years

The perpetual usufruct right acquired free of charge pursuant to administrative decision issued based on the Law of 20 September 1990 amending the Law on land management and property expropriation is recognized by the Company off balance sheet only.

Perpetual usufruct rights to land acquired for compensation are presented as intangible assets and amortized during their 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 perpetual usufruct acquired for a fee from an entity other than the State Treasury or local government unit is equal to the period from 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 that 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 that was 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 Company 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 receivables due to leases.

Revenues from interest payable due to operating leases are recognized in the profit or loss using the straight line method during the period resulting from the lease contract.

The Company as a lessee

Assets used under finance leases are treated as the Company'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. Leasing payments have been broken down into interest and the principal, so that the interest rate on the remaining liability would be fixed. Financial expenses are charged to the profit or loss. Revenues from operating leases are recognized in the profit or loss 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 after the transaction date, investments in financial assets are recognized in books and derecognized from books 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, on the balance sheet date, are measured at fair value. Gains and losses resulting from changes in 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", under the condition that the Company definitively intends 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.

Derivatives, which are not considered hedging instruments are measured and recognized at their respective fair values through financial result. Changes in fair values are reported in income statement. Positive value of derivatives is stated in separate items of short-term assets.

Assets classified as held for sale

The Company classifies a non-current asset (or disposal group) as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing 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 disposal groups), while its sale is highly probable.

An asset (or a group of assets for disposal) is classified as held for sale after having been approved by the Company's Management Board, Supervisory Board or General Shareholders Meeting in accordance with the Company's Articles of Association. In addition, an asset (or group of assets for disposal) must be actively offered for sale at a reasonable price as regards its current fair value. Moreover, it should be expected that the sale will be recognized as the sale completed in one year from classification date.

The Company does not depreciate an asset after it has been classified as held for sale.

Inventories

Value of inventories in the warehouse is determined at acquisition price or manufacturing cost or at net realizable value, whichever lower, less impairment. Acquisition price or manufacturing cost include all costs of purchase, costs of conversion and other costs incurred in bringing the 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 make the sale.

The gas fuels stored in storage facilities are measured separately for each storage facility at the weighted average price of fuel gas acquisition.

Release of gas fuel used for own purposes and stored in underground gas storage facilities (PMG) as well as balance sheet differences are measured by the Company at weighted average acquisition price, which comprises costs of gas fuel acquisition from all sources abroad, actual cost of production

from domestic sources, other domestic sources and the cost of denitration. Release of gas fuel for external sales is measured at gas fuel acquisition cost, i.e. weighted average 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 method. Measurement differences are charged to profit and loss. The Company does not discount receivables maturing in less than 12 months from the balance sheet date and in cases, when the discount impact would be immaterial.

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

Revaluation write-offs due to supplies of gas fuel to minor customers of little fuel consumption, which are cleared in accordance with tariff groups 1-4, are statistically calculated. The basis for determination of revaluation write-off is review of historical record concerning settlement of payables by the customer concerned within a one –year period of time. Debt settlement indicators are calculated on the basis of such review's results and are subsequently used for determination of revaluation write-offs, subject to age structure of receivables.

Revaluation write-offs due to supplies of gas fuel to customers within tariff groups 5-7 are determined for receivables in overdue by more than 90 days and individually calculated on the basis of the knowledge of debtor's financial conditions.

A 100% revaluation write-off is used for all counted interest.

The impairment is charged to profit or loss. Receivable impairment is charged to other operating expenses or financial expenses respectively, according to the type of receivables, to which the impairment applies.

Impaired receivables are written off from profit or loss after their impairment has been determined.

Writing-off or derecognition of doubtful or impaired receivables results in 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 cash equivalents

Cash equivalents disclosed in the balance sheet include cash at bank and cash in hand as well as short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

The balance of cash and cash equivalents disclosed in the cash flow statement consists of the above mentioned cash and cash equivalents, less unpaid overdrafts.

Impairment

As of each balance sheet date, the Company measures its assets in order to test them for possible impairment. If circumstances that indicate impairment exist, the recoverable amount of a given asset is estimated in order to determine the resulting impairment loss. In case the asset does not generate cash flows, which are highly independent of flows generated by other assets, the analysis is carried out for the group of assets generating cash flows, to which such asset belongs.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable value is determined as higher of: fair value less costs to sell or value in use. The last value corresponds with the current value of estimated future cash flows discounted with use of the discount rate reflecting the present market value of money in time and the risk specific for the given asset.

If the recoverable value is lower than the net book value of asset (or group of assets), the book value is decreased to the recoverable value. The related impairment loss is recognized as the cost in the period, when the impairment occurred.

At the moment impairment is reversed, net value of the asset (or group of assets) is increased to the new estimated recoverable value, however not higher than net value of the asset, which would be determined if impairment was not recognized in the previous years. Reversed impairment loss is recognized under revenues.

Equity

Equity is recognized in accounting records by type and in accordance with principles defined in legal regulations and the provisions of the Company's Articles of Association.

The share capital is disclosed at face value in the amount stated in the Company's Articles of Association as well as an 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 are charged to the entity's equity.

Capital from the issue of shares above face value is created from the share premium less issue costs.

Share issue costs incurred upon incorporation of a joint stock company or increase in share capital are charged to the capital from share issue 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 intangibles assets are charged to retained earnings/loss.

In accordance with IFRS, the Company can allocate the retained profit from previous year to its capital or dividend for shareholders only. The option allowing allocating profit to the Company Social Benefits Fund, Restructuring Fund, employee profit-sharing scheme or other purposes applied in the Polish legal system is not reflected in IFRS. Due to the above, the Company recognizes the aforementioned profit reduction as the cost of the period, in which the binding obligation to release the funds has occurred. Employee profit-sharing scheme is recognized in payroll cost, while the funds released to the Company Social Benefits Fund are recognized as the employee benefits costs.

Bank loans and borrowings

Interest bearing bank loans are recognized at the value of obtained proceeds less the direct borrowing costs. Following initial recognition interest-bearing credit facilities and loans are recognized at adjusted acquisition price using the effective interest rate. Adjusted acquisition price includes borrowing costs as well as discounts and premiums received at the liability settlement.

The difference between net proceeds and redemption value is disclosed in financial revenues or expenses over the loan term.

Provisions

Provisions are created when a potential liability of a reliably estimated value (legal or customary), which in the future may result in the outflow of assets that generate 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 adjust its value to the current forecast. The Company measures its provisions by discounting, if the impact of money over time is material; using discount rate before tax that reflects current market estimates of money over time as well as risk related to a given liability not reflected in the most relevant cost estimate. If discounting is applied, increases in provisions over time are recognized as borrowing costs. A discount rate should not bear a risk, for which future cash flow estimates 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 property, plant and equipment. Subsequent adjustments of the provision resulting from changes of estimates are also treated as a property, plant and equipment value adjustment.

A detailed description of the bases of provisions within PGNiG S.A. is provided in point 36.

Prepayments and accruals

PGNiG S.A. recognizes prepayments, if they are related to future reporting periods. They are presented in the balance sheet under assets as separate items.

Accruals are liabilities payable for goods or services that have been obtained/received, but not yet paid, invoiced or formally agreed with the supplier, together with amounts payable to employees (e.g. amounts related to accrued remuneration for paid vacations). These settlements are recognized in the balance sheet under equity and liabilities together with trade liabilities and other liabilities.

The Company recognizes deferred income in order to allocate revenues to future reporting periods upon realization.

PGNiG S.A. recognizes revenues of future periods related to forecast gas sales and additional charges for ordered and not collected gas made available under „take or pay contracts” as deferred income.

Trade and other liabilities

Trade liabilities are liabilities payable for goods or services, which have been obtained/received and have been invoiced or formally agreed with the supplier.

Other liabilities mainly include liabilities resulting from the current activity of the Company, i.e. from employee compensation and other current employee benefits, as well as accrued costs and public-law liabilities.

Financial liabilities

Financial liabilities are measured at amortized cost except for derivatives (negative value). Derivatives of negative value which are not considered hedging instruments are measured and recognized at their respective fair values through financial result. Changes in fair values are reported in income statement.

Sales revenues

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

Sales 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 status as of 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 expenses incurred, 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 the concluded leases.

Government subsidies

Government grants to non-current assets are presented in the balance sheet as deferred income and charged to the income statement over their expected useful life on a gradual basis in the form of 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 of 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 following years and items of expenses and revenues, which will not be subject to taxation. Tax appropriations are calculated based on tax rates applicable in a given financial year.

Deferred tax is calculated based on the balance-sheet method as 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

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

differences that may decrease 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 that does not affect either tax profit/loss or accounting profit/loss.

The value of the deferred tax asset is subject to an 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 concerns items directly recognized in equity. In the latter case, deferred tax is also charged directly to equity.

12. SEGMENT REPORTING

It has been decided that reporting segments will be business segments. The Company operates in the following three segments:

- a) *Exploration and output.* The segment supplies gas fuel and oil. It comprises gas and oil production process, from output and processing for sale.
- b) *Trade and storage segment* The segment deals with purchase and sales as well as storage of gas fuel.
- c) *Other activities.* The segment provides services ensuring correct and reliable natural gas measurement.

The segment assets include all operating assets used by the segment, including cash, receivables, inventories as well as property, plant and equipment less revaluation and impairment write-offs. 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.

Internal transactions within the line of business have been eliminated.

All intra-segment transactions are concluded based on internally agreed prices.

12. a. Business segments

The below tables present data on revenues and profits as well as certain assets and liabilities broken down into the Group's business segments for periods ended 31 December 2007 and 31 December 2006.

Period ended 31 December 2007	Exploration and output	Trade and storage	Other	Elimination s	Total
Income statement					
Sales to external customers	1 237 020	13 880 958	1 966	-	15 119 944
Inter-segment sales	1 322 127	-	-	(1 322 127)	-
Total segment revenues	2 559 147	13 880 958	1 966	(1 322 127)	15 119 944
Amortization/depreciation	(450 654)	(126 755)	(151)	-	(577 560)
Other expenses	(1 175 976)	(12 562 359)	(4 201)	1 322 127	(12 420 409)
Total segment costs	(1 626 630)	(12 689 114)	(4 352)	1 322 127	(12 997 969)
Segment performance	932 517	1 191 844	(2 386)	-	2 121 975
Net financial expenses					299 057
Gross result					2 421 032
Income tax					(266 111)

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

Net profit					2 154 921
Balance sheet					
Segment assets	6 672 679	11 795 337	957	-	18 468 973
Unallocated assets					4 834 155
Deferred tax assets					261 208
Total assets					23 564 336
Total equity					17 795 968
Segment liabilities	959 863	3 643 443	711	-	4 604 017
Unallocated liabilities					235 258
Deferred tax provision					929 093
Total liabilities plus equity					23 564 336
Other segment information					
Capital expenditures for tangible and intangible fixed assets	(376 299)	(495 949)	(54)		(872 302)
Revaluation of assets	(2 647 500)	(1 599 907)	-		(4 247 407)
Revaluation of unallocated assets					(1 561 765)

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

Period ended 31 December 2006	Exploration and output	Trade and storage	Other	Elimination s	Total
Income statement					
	1 148 274	10 966 001	1 870	-	12 116 145
Sales to external clients	681 534	-	-	(681 534)	-
Inter-segment sales	1 829 808	10 966 001	1 870	(681 534)	12 116 145
Total segment revenues					
	(364 455)	(132 663)	(118)	-	(497 236)
Amortization/depreciation	(515 480)	(10 573 500)	(3 987)	681 534	(10 411 433)
Other expenses	(879 935)	(10 706 163)	(4 105)	681 534	(10 908 669)
Total segment revenues					
	949 873	259 838	(2 235)	-	1 207 476
Segment performance	1 148 274	10 966 001	1 870	-	12 116 145
Net financial expenses					63 520
Gross result					1 270 996
Income tax					(174 080)
Profit distribution					23
Net profit					1 096 939
Balance sheet					
Segment assets	6 571 232	10 901 924	2 012	-	17 475 168
Unallocated assets					5 052 352
Deferred tax assets					288 941
Total assets					22 816 461
Total equity					16 622 690
Segment liabilities	936 229	1 644 599	734	-	2 581 562
Unallocated liabilities					2 496 662
Deferred tax provision					1 115 547
Total liabilities plus equity					22 816 461
Other segment information					
Capital expenditures for tangible and intangible fixed assets	(212 509)	(455 356)	(446)	-	(668 311)
Revaluation of assets	(2 600 470)	(1 377 580)	-	-	(3 978 050)
Revaluation of unallocated assets					(1 557 852)

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

12. b. Geographical segments

The Company operates mostly within Polish territory. Revenues from the export sales of products, goods and materials represent 3% (4% in 2006) of total net revenues from the sales of products, goods and materials.

	Period from 1st Jan 2007 to 31 st Dec 2007	Period from 1st Jan 2006 to 31 st Dec 2006
Domestic sales	14 630 968	11 657 161
High-methane gas	12 708 415	10 035 366
Nitrated gas	1 199 748	953 779
Crude oil	335 142	325 633
Helium	12 271	11 959
Propane butane	39 513	32 069
Gasoline	1 650	6 286
LNG gas	19 006	13 551
Geophysical and geological services	33 463	26 282
Hotel services	3 064	2 645
Other services	258 356	245 419
Other products	13 524	2 266
Goods and materials	6 816	1 906
Export sales	488 976	458 984
High-methane gas	27 877	24 023
Crude oil	442 731	413 511
Helium	18 228	20 773
LNG gas	-	533
Other products	140	144
Total	15 119 944	12 116 145

In addition, the majority of the Company's assets are located in Poland. As at 31 December 2007, the value of assets located abroad represented 0,05 % (0,02 % as of 31 December 2006) of the total amount of assets.

	31 December 2007	31 December 2006
Domestic assets	23 552 502	22 812 637
Foreign assets	11 834	3 824

The Company's operations in Poland are not regionally diversified as regards risk and ROI level. Due to the above, the Company presents information by business segments only.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

13. EMPLOYEE BENEFITS AND OTHER NET OPERATING EXPENSES

Raw materials and consumables used

	31 December 2007	31 December 2006
Gas	(7 720 913)	(8 068 380)
Other materials and consumables	(116 354)	(93 949)
Total	(7 837 267)	(8 162 329)

Employee benefits

	Period from 1st Jan 2007 to 31 st Dec 2007	Period from 1st Jan 2006 to 31 st Dec 2006
Payroll	(366 707)	(258 062)
Social security and other benefits	(146 364)	(111 557)
Total	(513 071)	(369 619)

Other operating expenses (net)

	Period from 1st Jan 2007 to 31 st Dec 2007	Period from 1st Jan 2006 to 31 st Dec 2006
Change in net provisions	42 540	212 150
Change in net write-downs	(154 148)	(230 317)
Taxes and charges	(225 823)	(222 375)
Interest on non-financial net items*	293 320	286 345
Exchange differences on net non-financial items*	(104 185)	75 144
Value of goods and materials sold	(6 277)	(1 312)
Deferred income taken from previous balance sheet items	212 818	137 219
Result on disposal of non-financial non-current assets	(9 320)	56 837
Provisions for costs of withdrawal of assets from lease	(229 975)	-
Change in inventory	(11 355)	14 443
Other net expenses	(15 013)	21 831
Total	(207 418)	349 965

* Net non-financial items are assets and liabilities as well as revenues and expenses related to operating activities.

14. FINANCIAL REVENUES AND EXPENSES

	Period from 1st Jan 2007 to 31 st Dec 2007	Period from 1st Jan 2006 to 31 st Dec 2006
Financial revenues	502 276	555 730
Profit from forward contracts valuation and redemption	30 199	-
Revenue from forward and swap transactions	-	230 342
Interest revenue	97 144	53 958
Revaluation of investments	104 011	96 101
Gain on disposal of investments	48 853	107 999
Dividends and profit sharing	217 468	59 298
Other financial revenues	4 601	8 032
Financial expenses	(203 219)	(492 210)
Loss on forward contracts valuation and redemption	-	(97 583)
Costs of forward and swap transactions	(101)	(242 375)
Interest costs	(35 887)	(75 551)
Exchange loss	(126 809)	(32 372)
Revaluation of investments	(29 615)	(29 195)
Commission on loans	(7 293)	(2 616)
Other financial expenses	(3 514)	(12 518)
Result on financial activity	299 057	63 520

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

15. INCOME TAX

	Note	Period from 1st Jan 2007 to 31 st Dec 2007	Period from 1st Jan 2006 to 31 st Dec 2006
Gross profit		2 421 032	1 270 996
Tax rate applicable in the period		19%	19%
Tax based on applicable tax rate		(459 996)	(241 489)
Permanent differences between the gross profit (loss) and tax base		193 885	67 409
Tax liability disclosed in the income statement		(266 111)	(174 080)
Current income tax	15a	(433 541)	(286 964)
Deferred income tax	15b	167 430	112 884
Effective tax rate		11%	14%

15. a. Current income tax

	Period from 1st Jan 2007 to 31 st Dec 2007	Period from 1st Jan 2006 to 31 st Dec 2006
Gross profit	2 421 032	1 270 996
Differences between the gross profit and income tax base	(135 487)	239 333
Revenues not included in the taxable income,	(1 907 704)	(2 300 614)
Costs not classified as tax-deductible	1 953 868	2 477 014
Taxable income not classified as accounting revenues	869 362	962 983
Tax-deductible expenses not classified as accounting costs	(1 048 660)	(898 568)
Deductions from income	(2 352)	(1 481)
Income tax base	2 285 545	1 510 330
Tax rate in a given period	19%	19%
Income tax	(434 254)	(286 963)
Increases, releases, exemptions, deductions and reductions of taxes	712	(2)
Current income tax disclosed in the tax return for the period	(433 541)	(286 964)
Current income tax recognized in the income statement	(433 541)	(286 964)

15. b. Deferred income tax

	Period from 1st Jan 2007 to 31 st Dec 2007	Period from 1st Jan 2006 to 31 st Dec 2006
Temporary differences and reversed negative temporary differences	(40 518)	184
Provisions for future liabilities	(9 581)	(26 502)
Write-downs on fixed financial assets, receivables and fixed assets under construction	19 372	25 463
Costs of hedging transactions for FX and interest rate risk	(22 930)	(3 224)
Exchange losses	12 140	1 836
Deferred income related to revaluation of leased out property, plant and equipment	-	(17 186)
Cost of sale taxable in the following month	(29 599)	23 512
Other	(9 920)	(3 715)
Temporary differences and reversed positive temporary differences	207 948	112 700
Difference between the balance-sheet and tax value of property, plant and equipment	75 300	(20 616)
Revaluation of property, plant and equipment	-	110 468
Finance lease revenue	131 797	(12 423)
Valuation of hedging transactions for FX and interest rate risk	(2 025)	21 765
Exchange gains	220	6 222
Accrued interest on receivables	(3 313)	(611)
Revenue due to tax obligation falling next month	5 013	7 553
Other	956	342
Deferred income tax disclosed in the income statement	167 430	112 884

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

Current reporting period covered financial period from 1 January 2007 to 31 December 2007.

In 2007, 19% CIT rate applied. In the comparative period in 2006, the tax rate was also 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, 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 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 not formal procedures in Poland that would allow determining final tax assessment. Tax settlements may be subject to inspection up to 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.

16. DISCONTINUED OPERATIONS

In 2007, the Company did not discontinue any operations; nor is it planning to discontinue any current operations.

17. EARNINGS PER SHARE

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

Diluted earnings per share are calculated by dividing the net profit (loss) for the period attributable to ordinary equity holders (after the deduction of interest on redeemable preference shares that are convertible to ordinary shares) by the weighed 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 1st Jan 2007 to 31 st Dec 2007	Period from 1st Jan 2006 to 31 st Dec 2006
Net profit attributable to the Parent's shareholders	2 154 921	1 096 939
Net profit attributable to shareholders of the Parent used for calculating diluted earnings per share	2 154 921	1 096 939
Weighted average number of ordinary shares applied to computation of basic earnings per share (thousand items)	5 900 000	5 900 000
Weighted average number of ordinary shares applied to computation of diluted earnings per share (thousand items)	5 900 000	5 900 000
Basic earnings per share in the financial year attributable to ordinary shareholders of the Company	0,37	0,19
Diluted earnings per share in the financial year attributable to ordinary shareholders of the Company	0,37	0,19

Weighted average number of shares was calculated as follows:

Start date	End date	No. of ordinary shares on the market ('000)	Number of days	Weighted average number of shares (in '000)
31 December 2007				
2007-01-01	2007-12-31	5 900 000	365	5 900 000
Total			365	5 900 000
31 December 2006				
2006-01-01	2006-12-31	5 900 000	365	5 900 000
Total				5 900 000

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

18. DIVIDEND PAYMENT AND PROPOSED PAYMENT

Dividends declared and paid in the period

	31 December 2007	31 December 2006
Dividend paid per share (in PLN)	0,17	0,15
Number of shares ('000)	5 900 000	5 900 000
Dividend value in PLN '000, including:	1 003 000	885 000
- dividend in kind paid to the State Treasury	849 998	681 481
- cash dividend paid to the State Treasury	2	68 519
- cash dividend paid to other shareholders	153 000	135 000

* number of dividend-bearing shares for 2006 and 2005 to be paid or paid in 2007 and 2006, respectively.

The impact on the result of the periods due to surplus of dividend in kind value over net book value in the balance sheet as at the dividend payment date was presented in note 13.

19. PROPERTY, PLANT AND EQUIPMENT

	31 December 2007	31 December 2006
Land	36 078	36 722
Buildings and structures	5 418 925	5 492 358
Technical plant and equipment	1 337 387	1 332 098
Vehicles and other	80 049	67 314
Total property, plant and equipment	6 872 439	6 928 492
Fixed assets under construction	1 696 477	1 370 963
Total property, plant and equipment	8 568 916	8 299 455

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 native deposit (in the quantities determined in the approved geological documentation), and its remaining portion has been pumped in order to obtain proper technical-geological parameters, required for the proper storage facility functioning. 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.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

PROPERTY, PLANT AND EQUIPMENT**31 December 2007**

As of 1 January 2007, including accumulated depreciation
Increase
- including due to business combinations
Decrease
-Reclassification from fixed assets under construction and between groups
Impairment loss
Depreciation for the financial year
As at 31 December 2007, including accumulated depreciation

Land	Buildings and structures	Technical plant and equipment	Vehicles and other	Total
36 722	5 492 358	1 332 098	67 314	6 928 492
1 005	179 109	36 992	15 549	232 655
977	81 094	33 483	15 513	131 067
(1 933)	(63 538)	(21 050)	(3 283)	(89 804)
1 252	267 372	123 679	15 386	407 689
(960)	(49 449)	14 666	(1 884)	(37 627)
(8)	(406 927)	(148 998)	(13 033)	(568 966)
36 078	5 418 925	1 337 387	80 049	6 872 439

As of 1 January 2007

Gross value
Accumulated depreciation and impairment loss
Net carrying amount as of 1 January 2007

40 182	9 015 843	2 193 317	100 491	11 349 833
(3 460)	(3 523 485)	(861 219)	(33 177)	(4 421 341)
36 722	5 492 358	1 332 098	67 314	6 928 492

As of 31 December 2007

Gross value
Accumulated depreciation and impairment loss
Net carrying amount as of 31 December 2007

40 506	9 401 980	2 343 839	136 303	11 922 628
(4 428)	(3 983 055)	(1 006 452)	(56 254)	(5 050 189)
36 078	5 418 925	1 337 387	80 049	6 872 439

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

31 December 2006

As of 1 January 2006, including accumulated depreciation
Increase
Decrease
Reclassification from fixed assets under construction and between groups
Impairment loss
Depreciation for the financial year
As at 31 December 2006, including accumulated depreciation

Land	Buildings and structures	Technical plant and equipment	Vehicles and other	Total
43 105	5 453 538	1 416 548	64 828	6 978 019
2 078	507 590	35 036	194	544 898
(6 604)	(268 529)	(26 573)	(2 348)	(304 054)
1 586	280 598	72 573	14 113	368 870
(3 435)	(145 792)	(19 165)	(389)	(168 781)
(8)	(335 047)	(146 321)	(9 084)	(490 460)
36 722	5 492 358	1 332 098	67 314	6 928 492

As of 1 January 2006

Gross value
Accumulated depreciation and impairment loss
Net carrying amount as of 1 January 2006

43 159	8 537 405	2 118 324	89 389	10 788 277
(54)	(3 083 867)	(701 776)	(24 561)	(3 810 258)
43 105	5 453 538	1 416 548	64 828	6 978 019

As of 31 December 2006

Gross value
Accumulated depreciation and impairment loss
Net carrying amount as of 31 December 2006

40 182	9 015 843	2 193 317	100 491	11 349 833
(3 460)	(3 523 485)	(861 219)	(33 177)	(4 421 341)
36 722	5 492 358	1 332 098	67 314	6 928 492

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

19. a. Impairment loss of property, plant and equipment

	Land	Buildings and structures	Technical plant and equipment	Vehicles and other	Total property, plant and equipment	Fixed assets under construction	Total property, plant and equipment
As of 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 of 31 December 2007	4 396	2 362 925	430 484	11 091	2 808 896	366 788	3 175 684
As of 1 January 2006	1	2 167 684	425 985	8 818	2 602 488	209 889	2 812 377
Increase	3 435	662 026	161 022	1 834	828 317	58 480	886 797
Decrease	-	(516 234)	(141 857)	(1 445)	(659 536)	-	(659 536)
As of 31 December 2006	3 436	2 313 476	445 150	9 207	2 771 269	268 369	3 039 638

The opening value of property, plant and equipment impairment loss amounted to PLN 2 771 269 thousand, including:

- assets used directly in production activity – PLN 2 010 584 thousand,
- underground gas storage facilities – PLN 238,616 thousand,
- other - PLN 522 069 thousand.

In the current period, the impairment loss amount was increased by PLN 818 843 thousand (including PLN 511 501 thousand of assets used directly for production activity) and reduced by PLN 781 216 thousand (including PLN 460 518 thousand of assets used directly for production activity).

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 value of property, plant and equipment impairment loss amounted to PLN 2 808 896 thousand, including:

- assets used directly in production activity – PLN 2 061 567 thousand,
- underground gas storage facilities – PLN 197 354 thousand,
- other - PLN 549 975 thousand.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

20. INVESTMENT PROPERTY

	31 December 2007	31 December 2006
Opening balance, including accumulated depreciation	4 782	4 831
Increase	2	-
Decrease	(5)	-
Reclassification from property, plant and equipment	47	-
Impairment loss	15	-
Depreciation for the financial year	(396)	(49)
Closing balance, including accumulated depreciation	4 445	4 782

Opening balance		
Gross value	6 966	6 966
Accumulated depreciation and impairment loss	(2 184)	(2 135)
Total net carrying amount	4 782	4 831

Closing balance		
Gross value	7 030	6 966
Accumulated depreciation and impairment loss	(2 585)	(2 184)
Total net carrying amount	4 445	4 782

The Company's investment property includes social and office buildings partially leased as well as industrial buildings and structures. The carrying amount of social and office buildings recognized as investment property at the end of current period amounted to PLN 767 thousand (PLN 849 thousand in 2006), while the carrying amount of industrial buildings and structures at the end of current period amounted to PLN 3 678 thousand (PLN 3 933 thousand in 2006).

In current period, the Company generated revenues from investment property in the amount of PLN 2 159 thousand (PLN 2 079 thousand in 2006).

Operating expenses related to investment property incurred due to lease revenues amounted to PLN 1 913 thousand in the current period (PLN 1 278 thousand in 2006).

Due to the immaterial nature of the investment property item in the balance sheet, the Company does not measure the property to obtain its fair value.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

21. INTANGIBLE ASSETS**31 December 2007**

As of 1 January 2007, including accumulated amortization
Increase
- including due to business combinations
Decrease
Reclassification from fixed assets under construction and between groups
Impairment loss
Amortization for the financial year
As at 31 December 2007, including accumulated amortization

R&D expenses	Goodwill	Land perpetual usufruct right (acquired for consideration)	Other intangible assets	Total
-	-	1 419	13 547	14 966
-	-	10 927	6 189	17 116
-	-	10 852	6 145	16 997
-	-	(13)	(44)	(57)
-	-	32	9 333	9 365
-	-	(133)	-	(133)
-	-	(95)	(8 103)	(8 198)
-	-	12 137	20 922	33 059

As of 1 January 2007

Gross value
Accumulated amortization and impairment loss
Net carrying amount as of 1 January 2007

-	-	1 689	32 166	33 855
-	-	(270)	(18 619)	(18 889)
-	-	1 419	13 547	14 966

As of 31 December 2007

Gross value
Accumulated amortization and impairment loss
Net carrying amount as of 31 December 2007

-	-	12 953	52 658	65 611
-	-	(816)	(31 736)	(32 552)
-	-	12 137	20 922	33 059

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

31 December 2006

As of 1 January 2006, including accumulated amortization

Increase

Decrease

Reclassification from fixed assets under construction and between groups

Impairment loss

Amortization for the financial year

As at 31 December 2006, including accumulated amortization

R&D expenses	Goodwill	Land perpetual usufruct right (acquired for consideration)	Other intangible assets	Total
-	-	1 890	16 628	18 518
-	-	114	318	432
-	-	(282)	88	(194)
-	-	(33)	3 239	3 206
-	-	(270)	-	(270)
-	-	-	(6 726)	(6 726)
-	-	1 419	13 547	14 966

As of 1 January 2006

Gross value

Accumulated amortization and impairment loss

Net carrying amount as of 1 January 2006

-	-	1 890	28 778	30 668
-	-	-	(12 150)	(12 150)
-	-	1 890	16 628	18 518

As of 31 December 2006

Gross value

Accumulated amortization and impairment loss

Net carrying amount as of 31 December 2006

-	-	1 689	32 166	33 855
-	-	(270)	(18 619)	(18 889)
-	-	1 419	13 547	14 966

21. a. Intangible assets impairment loss**As of 1 January 2007**

Increase

- including due to business combinations

Decrease

As of 31 December 2007**As of 1 January 2006**

R&D expenses	Goodwill	Land perpetual usufruct right (acquired for consideration)	Other intangible assets	Total
-	-	270	-	270
-	-	133	-	133
-	-	-	-	-
-	-	-	-	-
-	-	403	-	403
-	-	270	-	270

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

Increase	-	-	270	-	270
Decrease	-	-	-	-	-
As of 31 December 2006	-	-	270	-	270

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

22. FINANCIAL ASSETS AVAILABLE FOR SALE – NON-CURRENT

	31 December 2007	31 December 2006
Unlisted shares (gross value)	6 254 891	6 478 832
Listed shares (gross value)	-	-
Total gross value	6 254 891	6 478 832
Unlisted shares (net value)*	4 787 372	5 017 288
Listed shares (net value)*	-	-
Total net	4 787 372	5 017 288
* less impairment		

23. OTHER FINANCIAL ASSETS

	31 December 2007	31 December 2006
Finance lease receivables (note 23a)	2 288 845	3 272 126
Originated loans	1 065 025	148 722
Receivables from sale of property, plant and equipment	-	20
Other long-term investments	19	5
Other	1 541	1 446
Total gross value	3 355 430	3 422 319
Impairment loss	(14 719)	(29 191)
Total net	3 340 711	3 393 128

23. a. Finance lease

Lease 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. Separation of the transmission business from production and trade operations took place through industrial assets being transferred to Gaz-System S.A. for use. The lease covers property, movables and property rights. The lease was signed for 17 years.

The total lease installments reduced by discount defined as of the lease conclusion date and payable during its term exceed 90% of the lease subject market value as of that date. Due to the above, the lease is recognized as finance lease in accordance with IAS 17. Lease payments include principal and interest. The interest portion is calculated in line WIBOR 3M rates in the month preceding the month to which the calculated lease installment pertains plus markup.

Proceeds from the transmission system lease:

	31 December 2007	31 December 2006
Interest installment	219 085	268 617
Principal installment	188 177	225 327
Total	407 262	493 944

The table below presents the finance lease receivables by maturity:

	31 December 2007	31 December 2006
- under 1 year	163 772	218 924
- between 1 and 5 years	593 676	797 432
- over 5 years	1 695 169	2 474 694
Total, including:	2 452 617	3 491 050
- current receivables	163 772	218 924
- non-current receivables	2 288 845	3 272 126

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

24. DEFERRED TAX ASSET

	31 December 2007	31 December 2006
Provisions due to payment of pension allowances	11 628	15 617
Provisions due to payment of retirement benefits and jubilee awards	21 813	14 352
Provision for unused paid vacation	1 475	507
Provision for payment of termination benefits	2 272	1 713
Provision for gas pitch	8 494	8 430
Provision for reclamation of wells	75 756	88 933
Other provisions	7 169	10 697
Property, plant and equipment impairment loss	69 690	50 990
Shares impairment loss	26 429	25 313
Other impairment losses	1 050	304
Exchange losses from valuation of loans from previous years	15 515	730
Exchange losses	3 172	5 817
Accrued interest on loans and liabilities	-	934
Unpaid compensation with Social Security allowances	1 704	1 289
Cost to sell taxable in the following month	-	23 512
Valuation of forward transactions	6 750	10 463
Expenses related to transactions hedging against FX and interest rate risk	-	19 217
Connection fee	495	361
Other	7 796	9 762
Total	261 208	288 941

25. OTHER NON-CURRENT ASSETS

	31 December 2007	31 December 2006
Financial costs settled over time	-	3 733
Mining usufruct establishment fees	722	21
Prepayments of leased out property, plant and equipment	312	32 929
Provision of geological information	24 688	301
Other prepayments	33	11
Total	25 755	36 995

26. INVENTORIES

	31 December 2007	31 December 2006
Materials	1 077 978	1 244 981
At acquisition price	1 077 978	1 244 981
- gas	975 966	1 163 528
At net realizable value	1 054 786	1 222 142
- gas	958 302	1 145 864
Semi-finished products and work in progress	-	-
At acquisition price/manufacturing cost	-	-
At net realizable value	-	-
Finished products	5 805	17 249
At acquisition price/manufacturing cost	5 805	17 249
At net realizable value	5 805	17 249
Goods	565	87
At acquisition price	565	87
At net realizable value	565	87
Total inventories, at the lower of two values: acquisition price (manufacturing cost) and net realizable value	1 061 156	1 239 478

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

27. TRADE AND OTHER RECEIVABLES

	31 December 2007	31 December 2006
Trade receivables from other entities	3 365 706	990 722
Trade receivables from related parties	316 168	560 724
Receivables from tax, customs duty and social security	233 087	165 221
Due portion of originated loans	298 385	321 911
Finance lease receivables	163 772	218 924
Other receivables from related parties	956 241	83 783
Other receivables	67 967	69 243
Total gross receivables	5 401 326	2 410 528
Doubtful debt impairment (note 27a)	(1 045 688)	(900 577)
Total net receivables	4 355 638	1 509 951
Including:		
Trade receivables from other entities	2 660 845	491 469
Trade receivables from related parties	266 679	513 957
Receivables from tax, customs duty and social security	233 086	165 221
Due portion of originated loans	155 199	112 890
Finance lease receivables	163 773	218 924
Other receivables from related parties	872 640	181
Other receivables	3 416	7 309

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

27. a. Receivables impairment loss

	31 December 2007	31 December 2006
Opening balance of impairment loss	900 577	990 899
Impairment loss increases	358 104	24 593
- including due to business combinations	168 391	-
Reversed impairment	(218 700)	(118 222)
Utilized impairment loss	(2 409)	(3 550)
Reclassification between current and non-current portion	8 116	6 857
Closing balance of impairment loss	(1 045 688)	(900 577)

28. CURRENT TAX SETTLEMENTS

	31 December 2007	31 December 2006
Opening balance of current income tax liabilities	137 957	64 999
Change in balance of current tax receivables	-	-
Opening balance of current income tax receivables	-	-
Closing balance of current tax receivables	-	-
Income tax (cost of the period)	433 541	286 964
Income tax paid in the period	(384 324)	(214 006)
Closing balance of current income tax liabilities	187 174	137 957

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

29. PREPAYMENTS AND ACCRUALS

	31 December 2007	31 December 2006
Property insurance	36	24
Financial costs settled over time	-	1 385
Provision of geological information	2 375	99
Prepayments of leased out property, plant and equipment	18 174	2 133
Software upgrade, service	2 928	1 056
Mining usufruct establishment fees	17	21
Other expenses settled over time	526	2 010
Total	24 056	6 728

30. FINANCIAL ASSETS AVAILABLE FOR SALE - CURRENT

	31 December 2007	31 December 2006
Unlisted shares (gross value)	109 149	109 149
Investment fund units (gross value)	-	-
Treasury bills and bonds (gross value)	-	-
Total gross value	109 149	109 149
Unlisted shares (net value)*	29 341	29 341
Investment fund units (net value)	-	-
Treasury bills and bonds (net value)	-	-
Total net	29 341	29 341

* less impairment

31. CASH AND CASH EQUIVALENTS

	31 December 2007	31 December 2006
Cash in hand and at bank	37 969	17 064
Bank deposits	374 791	2 448 978
High liquidity short-term securities*	635 800	503 622
Other cash**	6 441	21
Total	1 055 001	2 969 685

* Bills (commercial, treasury, NBP, etc.), deposit certificates maturing under 3 months

** Cash in transit and checks and bills of exchange maturing less than 3 months

The Company has free cash at bank that ensure regular and timely payment of financial liabilities to commercial partners and the State Budget.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

32. ASSETS CLASSIFIED AS HELD FOR SALE

The following assets have been classified as held for sale:

Non-current asset (or disposal group)	Expected disposal date	Carrying amount as at 31 December 2007	Terms of disposal
Land	2008 rok	233	sale in tender
Property, plant and equipment	2008 rok	3	sale in tender
Total		236	

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

33. CONTINGENT ASSETS

33 a. Contingent receivables from guarantees

Borrower	Amount of the contingent receivable in currency	Currency of the contingent receivable	Amount of the contingent receivable in PLN	Expiry date of the contingent receivable	Bank or other institution issuing guarantee	Type of the contingent receivable
PBG S.A.	14,516	PLN	14,516	2008/10/27	Bank PeKaO	Performance bond
K.D.P. Sp. z o. o.	8,400	PLN	8,400	2009/06/30	K.D.P. Sp. z o. o.	Declaration of voluntary submission to enforcement pursuant to Article 777 § 1 item 4 of the Civil Procedure Code
Huta Szkła Wymiarki S.A.	4,535	PLN	4,535	2008/06/30	Huta Szkła Wymiarki S.A.	Declaration of voluntary submission to enforcement pursuant to Article 777 § 1 item 5 of the Civil Procedure Code, ordinary blanket mortgage
Huta Szkła Wymiarki S.A.	4,815	PLN	4,815	2008/06/30	Huta Szkła Wymiarki S.A.	Transfer of receivables as collateral (current and future commercial receivables) registered pledge (no decision on entry to pledge register)
Kopalnie i Zakłady Chemiczne Siarki "SIARKOPOL" S.A.	2,703	PLN	2,703	2008/06/30	Bank BPH S.A. branch in Kielce and Bank Pekao S.A. 1st branch in Staszów	Authorization to dispose of cash
Zakład Elektroenergetyczny H. Cz. ELSEN Sp. z o. o.	2,871	PLN	2,871	2009/03/30	Zakład Elektroenergetyczny H. Cz. ELSEN Sp. z o. o.	Declaration of voluntary submission to enforcement pursuant to Article 777 § 1 item 5 of the Civil Procedure Code
GASLINIA Sp. z o. o.	2,300	PLN	2,300	2017/12/21	GASLINIA Sp. z o. o.	Declaration of voluntary submission to enforcement pursuant to Article 777 § 1 item 5 of the Civil Procedure Code
KRI S.A.	2,000	PLN	2,000	2017/12/17	KRI S.A.	Declaration of voluntary submission to enforcement pursuant to Article 777 § 1 item 5 of the Civil Procedure Code
PKN ORLEN	2,000	PLN	2,000	2008/01/15	Bank BPH -	Tender bond
Budownictwo Urzędów Gazowniczych GAZOBUDOWA	1,391	PLN	1,391	2008/10/18	UNIQA Towarzystwo Ubezpieczeniowe	Defects liability guarantee
Minex Centrala Exportowo - Importowa S.A.	1,035	PLN	1,035	2008/12/15	Minex Centrala Exportowo - Importowa S.A.	Declaration of voluntary submission to enforcement pursuant to Article 777 § 1

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

						item 5 of the Civil Procedure Code
PBG S.A.	1,035	PLN	1,035	2008/09/30	Warta TUIR SA	Performance bond
POL-AQUA SA	1,021	PLN	1,021	2007/12/30	PZU SA, Warszawa	Performance bond
PZU Oddział Okręgowy w Łodzi	920	PLN	920	2010/06/30	Millennium Bank	Performance bond
DIAMIEN Sp. z o.o., Zielona Góra	824	PLN	824	2008/04/30	BRE Bank SA, Oddział Korporacyjny Zielona Góra	Performance bond
ZRUG Sp. z o.o., Poznań	791	PLN	791	2011/04/27	Hestia, Sopot	Performance bond and quality guarantee
POLMAX SA, Świebodzin	750	PLN	750	2008/09/30	BRE BANK S.A.	Payment guarantee
BRENTAG POLSKA Sp. z o.o., Kędzierzyn Koźle	703	PLN	703	2009/02/10	ABN AMRO Bank Polska SA, Warszawa	Bank guarantee
INTERSPEED PHUP Sp. ZOO Ostrowiec Św.	600	PLN	600	2008/03/31	ING Bank Śląski	Bank guarantee
				2008/07/14	PKO BP S.A.	Bank guarantee
Przedsiębiorstwo Energetyki Ciepłej Sp. z o. o.	698	PLN	698	2008/07/30		Declaration of voluntary submission to enforcement pursuant to Article 777 § 1 item 5 of the Civil Procedure Code
STALBUD TARNÓW Sp. z o.o.	616	PLN	616	2007/12/22	Generali Towarzystwo Ubezpieczeń S.A., Warszawa	Performance bond
Budownictwo Urządzeń Gazowniczych GAZOBUDOWA	555	PLN	555	2010/06/30	TU Allianz Polska	Performance bond
Gazomontaż S.A.	531	PLN	531	2010/12/04	TU i R WARTA S.A.	Performance bond
GAZSTAL SA, Zielona Góra	529	PLN	529	2008/01/10	Bank BPH SA, Lubuskie Centrum Korporacyjne, Zielona Góra	Bank guarantee
PBG S.A.	413	PLN	413	2009/01/21	ING Bank Śląski Katowice	Quality guarantee
PBG S.A.	327	PLN	327	2010/04/30	TUIR WARTA	Defects liability guarantee
KSB Pompy i Armatura Warszawa	364	PLN	364	2009/04/30	Bank BPH -	Performance bond
ATREM	320	PLN	320	2010/09/30	BRE BANK	Guarantee to perform on contractual guarantees
GAZSTAL SA, Zielona Góra	382	PLN	382	2008/01/10	Bank BPH SA, Lubuskie Centrum Korporacyjne, Zielona Góra	Bank guarantee
ZRUG Sp. z o.o., Podgórska Wola	384	PLN	384	2009/12/15	Bank PKO SA, I Oddział w Tarnowie	Performance bond
MICROTECH INTERNATIONAL LTD Sp. z o.o., Wrocław	317	PLN	317	2009/12/18	TUIR CIGNA STU S.A., II O W-wa	Defects liability guarantee
Other	7,369	PLN	7,369	1900/01/00	1900/01/00	1900/01/00
Total			66,015			

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

33. b. CONTINGENT RECEIVABLES DUE TO BILLS OF EXCHANGE RECEIVED AS COLLATERAL

Bill of exchange issuer	Amount of the bill of exchange in foreign currency	Bill of exchange currency	Amount of the bill of exchange in PLN	Bill of exchange expiry date
PGNiG Norway AS	1,800,000	NOK	809,460	2025/12/20
Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o.	100,000	PLN	100,000	2027/09/15
Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o.	60,000	PLN	60,000	2011/08/31
Poszukiwania Nafty i Gazu KRAKÓW Sp. z o.o.	54,000	PLN	54,000	2014/11/15
Dolnośląska Spółka Gazownictwa Sp. z o.o.	40,000	PLN	40,000	2015/03/31
Poszukiwania Nafty i Gazu KRAKÓW Sp. z o.o.	43,000	PLN	43,000	2017/01/31
Poszukiwania Nafty i Gazu NAFTA Sp. z o.o.	30,000	PLN	30,000	2015/12/31
Geofizyka Kraków Sp. z o.o.	23,126	PLN	23,126	2014/10/31
Pomorska Spółka Gazownictwa Sp. z o.o.	24,160	PLN	24,160	2020/01/31
Dolnośląski Operator Systemu Dystrybucyjnego Sp. z o.o.	25,000	PLN	25,000	2011/12/31
Poszukiwania Nafty i Gazu JASŁO Sp. z o.o.	12,000	PLN	12,000	2015/03/31
Pomorska Spółka Gazownictwa Sp. z o.o.	14,750	PLN	14,750	2015/01/31
Wielkopolska Spółka Gazownictwa Sp. z o.o.	15,135	PLN	15,135	2015/12/31
Wielkopolski Operator Systemu Dystrybucyjnego Sp. z o.o.	10,000	PLN	10,000	2011/02/28
Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o.	18,000	PLN	18,000	2012/09/15
K.D.P. Sp. z o. o.	8,361	PLN	8,361	2008/04/30
Huta Szkła Wymiarki S.A.	4,535	PLN	4,535	2008/06/30
Porcelana Śląska Sp. Z o.o.	3,333	PLN	3,333	unlimited
Zakład Robót Górniczych Krosno Sp. z o.o.	3,000	PLN	3,000	2013/12/31
Kopalnie i Zakłady Chemiczne Siarki "SIARKOPOL" S.A.	2,703	PLN	2,703	2008/06/30
ZP Jopex Franciszek Jopek	2,570	PLN	2,570	unlimited
Huta Szkła Deco-Glass Krosno	2,000	PLN	2,000	unlimited
BN NAFTOMONTAŻ Krosno Sp. z o.o.	1,473	PLN	1,473	2010/12/31
BN NAFTOMONTAŻ Krosno Sp. z o.o.	1,475	PLN	1,475	2010/12/19
BN NAFTOMONTAŻ Krosno Sp. z o.o.	1,397	PLN	1,397	2011/05/30
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

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

BUG GAZOBUDOWA Sp. z o.o. in Zabrze	946	PLN	946	2010/12/19
BUG GAZOBUDOWA Sp. z o.o. in Zabrze	442	PLN	442	2008/10/31
BN NAFTOMONTAŻ Krosno Sp. z o.o.	628	PLN	628	2011/05/30
BN NAFTOMONTAŻ Krosno Sp. z o.o.	363	PLN	363	2007/10/31
HUTA SZKŁA LUCYNA Zakład NYSA	900	PLN	900	unlimited
Teco - Tektura Sp. Z o.o.	371	PLN	371	unlimited
Uzdrowisko Krynica "Żegiestów" S.A.	500	PLN	500	unlimited
BilBird Kraków (general mortgage)	400	PLN	400	unlimited
Przedsiębiorstwo Energetyki Ciepłej Sp. z o. o.	699	PLN	699	2008/06/30
Minex Centrala Exportowo - Importowa S.A.	1,035	PLN	1,035	2008/12/15
Other	2,492	0.00	2,492	1900/01/00
Total			1,320,254	

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

34. SHARE CAPITAL

	31 December 2007	31 December 2006
Total number of shares in '000 items	5 900 000	5 900 000
Face value per share in PLN	1	1
Total share capital	5 900 000	5 900 000

35. LOANS, BORROWINGS AND DEBT SECURITIES

	Currency	31 December 2007	31 December 2006	Effective interest rate	Repayment/redemption date	31 December 2007	31 December 2006	Collateral
Long-term	Value in foreign currency					Value in PLN		
Syndicated loan*	EUR	-	600 000	3,36%	2010-07-27	-	2 298 720	bank guarantee
finance lease	PLN	58	-	2,77%	2011-02-21	58	-	
finance lease	PLN	20	-	7,48%	2009-12-20	20	-	
finance lease	PLN	2	-	7%	2009-11-20	2	-	
Total long-term						80	2 298 720	
Short-term	Value in foreign currency					Value in PLN		
Current portion of syndicated loan*	EUR	-	1 283	3,36%	2010-07-27	-	4 917	bank guarantee
Current portion of lease liabilities**	PLN	4 248	4 354	Wibor 3M + 1,5	b.d. **	4 248	4 354	
finance lease	PLN	29	-	2,77%	2011-02-21	29	-	
finance lease	PLN	22	-	7,48%	2009-12-20	22	-	
finance lease	PLN	17	-	7%	2009-11-20	17	-	
Total short-term						4 316	9 271	

* The agreement of 27 July 2005 concluded between PGNiG S.A. and Bank Handlowy w Warszawie S.A., Bank Polska Kasa Opieki S.A., Cylon S.A., Fortis Bank N.V., Powszechna Kasa Oszczędności Bank Polski S.A. and Société Générale S.A. Branch in Poland

** The Company discloses two lease liabilities with suspended installment repayment. One lease expired in August 2007 (buy back), the second lease is currently being disputed in court.

On 8 May 2007, the Management Board of PGNiG S.A. passed a resolution No. 297/2007 reducing the Company's debt by repaying of EUR 600,000 thousand of the term loan from the Company's own funds other than funds generated by series B share issue, upon having previously taken up the revolving credit in the same amount.

Reduction of the Company's debt with the Company's own funds other than funds generated by series B share issue will not adversely affect investment project schedule. The solution adopted by the Company will significantly reduce the debt servicing cost by eliminating the situation, where the Company uses the loan and invests the loan funds on the financial market, paying the market margin cost.

In addition, as the Company's Management Board stated, the investment project referred to in series B share prospectus are still implemented and paid by funds generated by the share issue.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

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

35. a. Amount of granted and unused credit lines

Bank	31 December 2007		31 December 2006	
	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.	40 000	40 000	40 000	40 000
Pekao S.A. (dawne BPH)	40 000	40 000	40 000	40 000
Bank Handlowy S.A.	40 000	40 000	40 000	40 000
Societe Generale	40 000	40 000	40 000	40 000
Millennium S.A.	40 000	40 000	40 000	40 000
BRE Bank S.A.	40 000	40 000	-	-
Total	280 000	280 000	240 000	240 000

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

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

36. PROVISIONS

	Jubilee bonuses and retirement benefits	Provision for gas allowance s	Provision for termination benefits	Other provisions for retirement and similar benefits	Provision for well reclamation costs	Provision for penalties imposed by the Office for Competition and Consumer Protection	Provision for environment protection	Provision for contingent liabilities due to gas transmission services	Central Restructuring Fund	Other	Total
As of 01 January 2007	82 906	82 197	9 017	4 869	740 646	4 068	44 368	-	9 740	32 367	1 010 178
Increases	57 877	3 039	5 078	2 827	70 315	-	339	22 500	-	47 970	209 945
- including due to business combinations	31 367	-	169	2 642	-	-	-	-	-	251	34 429
Used	(22 645)	(24 037)	(2 540)	(7 651)	(104 128)	(2 068)	-	-	(2 200)	(41 904)	(207 173)
As of 31 December 2007	118 138	61 199	11 555	45	706 833	2 000	44 707	22 500	7 540	38 433	1 012 950
Long-term	101 793	38 802	11 468	-	684 552	-	42 922	-	-	21 575	901 112
Short-term	16 345	22 397	87	45	22 281	2 000	1 785	22 500	7 540	16 858	111 838
As of 31 December 2007	118 138	61 199	11 555	45	706 833	2 000	44 707	22 500	7 540	38 433	1 012 950
Long-term	66 956	58 826	9 017	4 869	713 382	-	44 368	-	-	20 170	917 588
Short-term	15 950	23 371	-	-	27 264	4 068	-	-	9 740	12 197	92 590
As of 31 December 2006	82 906	82 197	9 017	4 869	740 646	4 068	44 368	-	9 740	32 367	1 010 178

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

Provisions for jubilee awards and retirement benefits

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 measuring forecasted individual entitlements using the actuarial method.

Adopted in calculation of interest rate

	31 December 2007	31 December 2006
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%

Provisions for jubilee bonuses is disclosed in current value of liabilities calculated by an actuary. The balance of provisions for retirement benefits is recognized in the balance sheet in liability net amount, i.e. after adjustment by unrecognized actuarial gains and losses and past employment cost – non-eligible benefits.

Unrecognized actuarial gains and losses as well as past employment costs are charged to current profit and loss for 15 years.

	31 December 2007	31 December 2006
Jubilee bonuses		
Opening balance of liability	53 340	46 745
Interest cost	1 832	888
Current employment cost	5 663	3 173
Paid benefits	(11 607)	(7 092)
Actuarial gains/losses	12 589	9 626
Gains/losses due to restrictions and settlements	19 214	-
Closing balance of liability	81 031	53 340
Retirement benefits		
Opening net balance	29 566	21 614
Current employment cost	1 995	1 169
Interest cost	952	411
Net actuarial profit/loss recognized during the year	(3 962)	4 513
Paid benefits	(2 352)	(1 104)
Past employment cost	-	-
Gains/losses due to restrictions and settlements	10 908	2 963
Closing balance of liability	37 107	29 566
Total closing balance of liability	118 138	82 906

Provision for gas allowances to former employees

The Company pays gas allowance 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 according to the principles of actuarial valuation applied for estimating the provision for jubilee awards and retirement benefits.

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 the planned employment reduction and the amount of one-off severance payment.

The provision for restructuring costs is recognized only when the Company has presented the detailed and formal restructuring plan to all interested parties.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

Provision for well reclamation costs

The Company creates a provision for future costs of well liquidation and for contribution to the Mine Liquidation Fund.

The provision well reclamation costs is calculated based on the average cost of well reclamation in particular mining plants over the last three years, adjusted by forecast CPI and changes in time value of money. The application of a three year period in these calculations results from the varied number of reclaimed wells and their reclamation costs in particular years.

Gross value of provision is charged to the relevant fixed asset. Subsequent adjustment of the provision resulting from changes of estimates are also treated as a property, plant and equipment value adjustment.

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

The value of provision for well reclamation cost is adjusted 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 penalty to the Office for Competition and Consumer Protection

The provision for penalty to 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 technical approval for connection of the existing boiler facility of the Municipality in Wysoka Mazowiecka to the existing measuring station.

As the Court of Appeals decision amending the Decision of the Office for Competition and Consumer Protection President has come in force thus reducing the penalty amount, the Company has released the related provision; and then, in February 2007, paid the reduced penalty, while using the remaining amount of the provision.

Due to the above, the remaining balance as at 31 December 2007 applies solely to the penalty of Office for Competition and Consumer Protection President, who has deemed PGNiG S.A. actions as unfair competition, due to the Company's abusing 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 contingent liabilities due to gas transmission services

Subsequent to the objection raised by SGT EUROPOL GAZ S.A. against the decision made by President of the Energy Regulatory Office on gas transmission tariff in 2007, PGNiG S.A. calculated additional costs to be borne by the Company in case the tariff for 2007 has been rejected. Pursuant to the tariff effective in 2nd half 2005, estimated surcharge for gas transmission services to be paid in 2007 may amount to 22.500 thousand PLN. For this reason, PGNiG S.A. made in 2007 a provision in equal amount to cover these liabilities.

Central Restructuring Fund

The Central Restructuring Fund was created in order to provide termination benefits for employees included in 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.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

37. DEFERRED INCOME

	31 December 2007	31 December 2006
Long-term		
Net value of gas connections taken over free of charge	285	295
Connection fee	2 579	2 135
Deferred income due to unused gas quota	4 708	326
Contractual penalties	28	28
Other	45	-
Total long-term	7 645	2 784
Short-term		
Gas sales forecast	396 611	-
Connection fee	26	12
Accrued fines	292	1 000
Land sale	23	1
Other	28	16
Total short-term	396 980	1 029

38. DEFERRED TAX PROVISION

	31 December 2007	31 December 2006
Exchange gains	2 054	2 274
Interest accrued	4 314	794
Measurement of financial instruments	3 113	1 088
Cost to sell taxable in the following month	12 977	-
Revaluation of property, plant and equipment	906 599	1 110 417
Commission paid on loan settled over time	-	972
Other	36	2
Total	929 093	1 115 547

39. OTHER NON-CURRENT LIABILITIES

	31 December 2007	31 December 2006
Liabilities due to concessions, rights to geological information and mining usufruct	20 577	388
Other non-current liabilities	-	-
Total	20 577	388

40. TRADE AND OTHER LIABILITIES

	31 December 2007	31 December 2006
Trade liabilities to other entities amounting	673 238	734 853
Trade liabilities to related parties	519 680	57 811
Liabilities due to VAT	711 075	479 044
Tax, customs duty and social security liabilities	41 778	27 264
Payroll liabilities	1 236	708
Liabilities due to unused rest leaves	7 763	2 668
Liabilities due to purchase of non- financial fixed assets	96 688	55 280
Liabilities due to purchase of non- financial fixed assets from affiliated entities	122 684	110 022
Liabilities due to resolved supplementary contribution to equity capital *	954 948	82 472
Other liabilities to related parties	3 325	2 889
Other liabilities to other entities	11 839	7 887
Accruals and advances for deliveries	29 772	1 932
Total	3 174 026	1 562 830
Incl. affiliated entities (note 46.b.)	1 600 637	253 194

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

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

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

	Period from 1st Jan 2007 to 31st Dec 2007	Period from 1st Jan 2006 to 31st Dec 2006
1) Cash opening balance	2 969 685	2 746 383
a) Opening balance of net cash exchange differences	(23 811)	(3 995)
Opening balance of cash and cash equivalents in the cash flow statement (1-a)	2 993 496	2 750 378
2) Cash closing balance	1 055 001	2 969 685
b) Closing balance of net cash exchange differences	(251)	(23 811)
Closing balance of cash and cash equivalents in the cash flow statement (2-b)	1 055 252	2 993 496
I. Change in the balance of cash (2-1)	(1 914 684)	223 302
II. Change in net cash exchange differences (b-a)	23 560	(19 816)
Change in cash balance in cash flow statement (I. – II.)	(1 938 244)	243 118

* Negative amounts represent the prevalence of cash exchange losses and are charged to cash balance in the balance sheet. These differences are eliminated in the cash flow statement.

	Period from 1st Jan 2007 to 31st Dec 2007	Period from 1st Jan 2006 to 31st Dec 2006
Balance-sheet change in net receivables	(1 862 481)	1 119 612
Change in lease receivables – adjustment of investing activities	(1 038 434)	(877 357)
Change in balance of receivables due to dividend (15%) to the State Treasury – adjustment of financing activities	-	(47 890)
Change in receivables due to combination	685 206	-
Change in receivables due to supplementary contribution to equity capital	872 476	-
Change in balance of investment receivables due to sale of intangible assets and property, plant and equipment	(221)	(2 728)
Other	-	(4 147)
Change in net receivables disclosed in the cash flow statement	(1 343 454)	187 490

	Period from 1st Jan 2007 to 31st Dec 2007	Period from 1st Jan 2006 to 31st Dec 2006
Balance-sheet change in inventories	178 322	(517 461)
Fixed assets under construction reclassified to inventories – adjustments to investing activities	1 511	56
Change in inventories due to amalgamation of entities	594	-
Change in inventories disclosed in the cash flow statement	180 427	(517 405)

	Period from 1st Jan 2007 to 31st Dec 2007	Period from 1st Jan 2006 to 31st Dec 2006
Balance-sheet change in provisions	2 772	(97 480)
Change in the provision for reclamation of wells adjusting property, plant and equipment – adjustment of investing activities	63 152	(114 412)
Change in provisions due to amalgamation of entities	(34 429)	-
Change in provisions in the cash flow statement	31 495	(211 892)

	Period from 1st Jan 2007 to 31st Dec 2007	Period from 1st Jan 2006 to 31st Dec 2006
Balance sheet change of current liabilities	1 631 385	25 515

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

Change in balance of investment liabilities due to acquisition of intangible assets and property, plant and equipment	(59 293)	(72 439)
Change in balance of liabilities due to dividend (15%) to the State Treasury – adjustment of financing activities	-	28 800
Change in receivables due to supplementary contribution to equity capital	(872 476)	-
Change in liabilities due to amalgamation of entities	(409 759)	-
Other	-	(11 775)
Change in balance of liabilities disclosed in the cash flow statement	289 857	(29 899)
	Period from 1st Jan 2007 to 31st Dec 2007	Period from 1st Jan 2006 to 31st Dec 2006
Balance sheet change in prepayments	(6 088)	(35 215)
Change in prepayments due to amalgamation of entities	1 778	-
Change in prepayments due to lease – adjustment to investing activity	(16 596)	-
Change in prepayments in the cash flow statement	(20 906)	(35 215)
	Period from 1st Jan 2007 to 31st Dec 2007	Period from 1st Jan 2006 to 31st Dec 2006
Balance sheet change in deferred income	400 812	(585 993)
Change in deferred income due to amalgamation of entities	(57 682)	-
Change in deferred income due to lease – adjustment to investing activity	-	542 931
Change in deferred income	343 130	(43 062)

42. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

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

	31 December 2007	31 December 2006
Financial assets measured at fair value through profit or loss	-	-
Available-for-sale financial assets (unlisted shares)	4 816 713	5 046 629
Financial investments held to maturity	-	-
Loans and receivables	8 473 835	7 690 452
Positive value of derivatives (hedge instruments, not applied in hedge accounting)	17 442	5 723
Financial liabilities measured at amortized cost	2 444 910	3 364 193
Negative value of derivatives	35 527	55 067

Values of recognized financial instruments do not differ at all or are only slightly different from their fair values, and, therefore, the values shown in foregoing table may be considered as the financial instruments' fair values.

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

	Period from 1st Jan 2007 to 31st Dec 2007	Period from 1st Jan 2006 to 31st Dec 2006
Financial assets measured at fair value through profit or loss	-	-
Financial assets available for sale		
Impairment recognized in profit or loss for the period	471	5 251
Financial investments held to maturity	-	-
Loans and receivables		
Interest accrued on deposits, BSB, REPO	53 826	31 668
Receivables impairment	14 159	(6 541)
Loan impairment	73 925	61 656
Measurement of originated foreign currency loans	(91 158)	(26 500)
Positive value of derivatives	30 199	230 343
Financial liabilities measured at amortized cost	(35 921)	(75 423)
Negative value of derivatives	(101)	(339 958)

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

Total impact on result	45 400	(119 504)
-------------------------------	---------------	------------------

42. c. Objectives and principles of financial risk management

Due to the type of conducted business activity the Company is exposed to 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 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 Company's financial instruments is basically limited to the surplus of third parties' liabilities over those of the Company. The Company 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 Company firstly takes into account their financial standing verified by rating agencies, their market share and reputation.

The Company has the following credit risk exposure:

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

Below are presented maximum exposures to credit risk for individual financial instrument classes.

Maximum credit risk exposure

	31 December 2007	31 December 2006
Originated loans	1 363 410	470 633
Deposits in other entities (bank deposits, BSB, REPO)	6 996 468	4 978 064
Granted financial guarantees	1 010 591	2 952 600
Positive value of derivatives	17 442	5 723
Trade receivables	3 388 979	1 026 473

Exposure to credit risk due to originated loans results only from loans granted to subsidiaries from PGNiG S.A. 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 Company's to the resulting credit risk. Loans are granted only after the applying companies have met specified terms and provided collateral. In addition, subsidiaries support the shared interest of the Group, which significantly reduces the related credit risk.

The receivables are subject to the highest credit risk exposure. Most of the receivables relates to receivables from gas fuel sold.

Large potential clients are verified and their financial position analyzed based on generally available financial information (in the Register of Debtors) in order to determine a client's financial reliability. PGNiG S.A. requests special collateral, if a client has been entered in the Register of Debtors.

Clients are analyzed on an ongoing basis as to the fulfillment of contractual obligations related to financial settlements. Each client is obligated to make payments for natural gas deliveries in accordance with the contractual provisions. Clients are billed on a monthly basis. The majority of concluded contracts require that clients make advance payments within deadlines provided for

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

in contracts. At the beginning of each month, an invoice that specifies payment dates is issued for planned payments. Clients have to pay for actually used gas fuel at the end of each month within deadlines foreseen in the contract. The standard payment period is 14 days, but there are also other terms of payment.

PGNiG S.A. applies the following performance bonds:

- Mortgage (general, capped)
- Bank guarantee,
- Deposit;
- Ordinary and registered pledge;
- Insurance guarantee;
- Blank bill of exchange;
- Declaration of voluntary submission to enforcement pursuant to Article 777 of the Civil Procedure Code;
- Assignment of receivables on long-term contracts
- Cash deposit at the bank account indicated by PGNiG S.A. Oddział Handlowy;
- Rating;
- Surety.

In the case of new contracts, the form of security is agreed between 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 a regularly based on internal regulations . Appropriate debt collection procedures are undertaken if payment is delayed.

Statutory interest is accrued on each delayed payment.

The Company 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. In addition, the Company signed Framework Agreements with all banks in which its funds are deposited that define details of concluding and settling all types of financial transactions. In the first half of 2007, the Company invested a significant long-term surplus of liquid cash in high-liquidity credit-risk-free instruments, in particular in treasury bills and bonds issued by the State Treasury.

The Company measures the related credit risk through the continuous verification of the financial standing of banks, reflected in fluctuations of financial ratings granted by the following rating agencies: Fitch, Standards&Poor's and Moody.

Credit risk due to guarantees granted by Company is basically limited to the risk that banks in which the Company purchased the guarantees in question will be in default. However, the banks in which the Company purchased guarantees are renowned institutions with high ratings and therefore the probability of default and the related risk is insignificant.

The abovementioned risk is measured through the ongoing verification of the financial standing of banks which sell guarantees, similarly as with the risk related to deposit transactions, Credit risk exposure resulting from concluded derivatives is equal to the carrying amount of their positive 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 have been concluded with all cooperating banks, which regulate the principles of cooperation and define threshold values.

As a result, the Company does not anticipate any significant losses due to credit risk.

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.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

Currency risk

Currency risk is defined as the probability of the unfavorable effect of FX fluctuations on the company's profit/loss.

In 2007, the long-term portion of the Company's financial liabilities comprised a loan of EUR 600 million denominated in EUR. The above loan was repaid and transformed into a credit line on 14 May 2007. Trade liabilities due to long-term gas fuel purchase contracts are denominated in USD and EUR. The exposure to currency risk due to trade liabilities is significant and has been presented in "Sensitivity analysis".

The key objective of the Company's activities aimed at hedging currency risk is to protect it against exchange rate fluctuations inherent to payments for gas fuel realized in foreign currencies. The Company primarily uses forwards and option strategies to hedge its liabilities.

Interest rate risk

Interest rate risk is defined as the probability of the unfavorable effect of interest rate changes on the company's profit/loss.

Interest rate risk resulting from originated loans (as of 31 December 2007 the Company did not have any loan liabilities) was insignificant and the Company did not hedge this type of risk.

The Company measures market (currency and interest rate) risk by monitoring of VAR on a daily basis. VAR (Value At Risk) means that the maximum loss due to changes in market (fair) value will not, with a certain probability (e.g. 99%), be higher than this value over a period of n work days. VAR is estimated based on the variance – covariance method using the Mondrian application.

Commodity risk

Commodity risk is defined as the probability of the unfavorable effect of commodity price changes on the company's profit/loss.

Commodity risk related to gas fuel delivery contracts is substantial. Fluctuations in the price 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 2007, the Company did not define in details or hedge this type of risk.

Liquidity risk

The key objective in the liquidity risk management process is the ongoing control and planning of liquidity. Liquidity is controlled through the preparation of a cash flow forecast that covers a period of at least 12 months and is regularly updated every month. 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 Company's loss of liquidity. Another material threat involves structural excessive liquidity, which negatively impacts business profitability.

As at 31 December 2007, the Company had signed credit line contracts up to PLN 280 000 thousand (PLN 240 000 thousand in 2006). Relevant details have been presented in note 35a.

In 2007, the Company did not use any credit lines.

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

Liquidity risk was significantly mitigated by the Management Board's approval of 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 forecasts, optimized free cash management, obtaining and restructuring of funds for current business activities and investments, hedging against the risk of temporary liquidity loss resulting from unexpected disruptions and servicing of concluded loan agreements.

Liquidity risk is measured based on ongoing cash flow control, including for probable cash flow dates and planned net cash position.

In the tables below, analysis of maturity of financial liabilities is provided.

Analysis of maturity of financial liabilities recognized at amortized cost

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

	31 st Dec 2007	31 st Dec 2006
up to 1 year	2 424 253	1 065 085
from 1 year to 5 years	16 651	2 299 108
above 5 years	4 006	-
TOTAL	2 444 910	3 364 193

In the current period as well as in the past period taken for comparison, the Group has paid all liabilities due to credits and loans taken on time. No case of violation of any agreement which might result in premature liability maturity has occurred.

Analysis of derivatives maturity

	Value as per balance sheet on 31st Dec 2007*	Contracted cash flowe, incl.:	upto 1 year	from 1 year to 5 years	3-5 years	above 5 years
<i>-interest swaps for hedging purpose</i>	13 391	62 850	61 278	1 572	-	-
- in-coming cash flows	-	1 042 967	61 278	981 689	-	-
- out-going cash flows	-	(980 117)	-	(980 117)	-	-
<i>- foreign currency options**</i>	(32 537)	-	-	-	-	-
- in-coming cash flows	-	-	-	-	-	-
- out-going cash flows	-	-	-	-	-	-
<i>- premium paid on options</i>	1 061	-	-	-	-	-
Total	(18 085)	62 850	61 278	1 572	-	-

	Value as per balance sheet on 31 st Dec 2006*	Contracted cash flowe, incl.:	upto 1 year	from 1 year to 5 years	3-5 years	above 5 years
<i>- foreign currency forwards</i>	(16 084)	(13 792)	(13 792)	-	-	-
- in-coming cash flows	-	1 047 780	1 047 780	-	-	-
- out-going cash flows	-	(1 061 572)	(1 061 572)	-	-	-
<i>- foreign currency options**</i>	(33 260)	-	-	-	-	-
- in-coming cash flows	-	-	-	-	-	-
- out-going cash flows	-	-	-	-	-	-
Total	(49 344)	(13 792)	(13 792)	-	-	-

* balance sheet value (i.e. difference between positive and negative values, both based on assets) represents fair value, i.e. discounted payments effected under swap contracts. Cash flows are given without discount.

** In case of foreign currency options, due to their contingent nature (i.e. actual cash flow is subject to foreign currency rate of exchange level at the moment of option realization on the market) no related cash-flows are recognized.

No other material risks were identified in the daily business operations of the Company.

Risk Management Policy

In order to effectively manage financial risk, the Company's Management Board approved the Financial Risk Management Policy for PGNiG S.A., which defines the competencies and tasks allocated to individual organizational units in the process of financial risk management and control, on 17 February 2003.

The Management Board is responsible for financial risk management and compliance with the adopted policy, whereas risk management related duties are assigned to individual organizational units.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

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

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

Sensitivity analysis

Sensitivity analysis of instruments for hedging of future off-balance sheet liabilities due to gas supplies shows that increase (decrease) of currency rate of exchange would cause respective increase (decrease) in value of such liabilities and increase (decrease) of positive value of instruments hedging such liabilities. Total value of hedges in the period they refer to is lower than value of off-balance sheet liabilities due to gas supplies.

Results of ForEx sensitivity analysis as on 31st Dec 2007 show that net profit would be higher by 32.02 m PLN if exchange rates of EUR, USD, NOK, and other currencies to PLN were higher by 10% providing that all other variables remained at the same level (profit would be higher by 17.3, 14.68, 0.03, and 0.02 m PLN due to appreciation of USD, NOK, EUR, and other currencies vs. PLN, respectively). It would be in first instance a result of positive ForEx differences arising from translation of assets (shares) held in PGNiG Norway AS, a subsidiary of the Company, and increased value of derivatives denominated in USD and EUR. In such a case, value of trade liabilities would also increase.

Net profit as on 31st Dec 2007 would be lower by 63.86 m PLN if exchange rates of EUR, USD, NOK, and other currencies to PLN were lower by 10% providing that all other variables remained at the same level (profit would be lower by 47.99, 14.68, 1.19 and 0.02 m PLN due to depreciation of USD, NOK, EUR, and other currencies vs. PLN, respectively). Negative result would be mainly caused by increase in negative portion of fair values of financial derivatives (negative value of options denominated in USD). It results from the fact that majority of increase in negative portion of fair values of financial derivatives hedges purchases of gas fuel, price of which would become considerably lower in case of USD depreciation. Additionally, negative result would be worse due to increased negative ForEx differences on NOK arising from increase in negative ForEx differences on NOK due to revaluation of the shares denominated in NOK held in PGNiG Norway, because increase in ForEx differences on other items would be set-off by considerable increase in positive value of derivatives. The loan granted to PGNiG Norway AS was secured in 100% by CCIRS transactions. The flows arising from that loan and hedging transactions counteract and set-off reciprocally, and, therefore, changes in positive (negative) valuation of the loan are set-off by negative (positive) changes in valuation of CCIRS transaction. Therefore, in total, those items are not sensitive for ForEx and interest rate fluctuations.

Results of ForEx sensitivity analysis as on 31st Dec 2006 show that net profit would be higher by 68.27 m PLN if exchange rates of EUR, USD, and other currencies to PLN were higher by 10% providing that all other variables remained at the same level (profit would increase by 108.78 m PLN resulting from USD appreciation and decrease by 40.49 m PLN resulting from EUR appreciation). It would mainly pertain to considerable advantage of positive ForEx differences from revaluation of cash assets and increase in positive value of derivatives over increase in negative ForEx differences from revaluation of liability due to loan denominated in EUR. Increase in negative ForEx differences on other liabilities would be set-off by reduction of negative value of derivatives.

In case of depreciation of USD, EUR, and other currencies vs. PLN by 10% and providing that all other variables remained at the same level, net profit as on 31st Dec 2006 would be lower by 110.49 m PLN (profit would be lower by 146.67 m PLN due to USD depreciation and higher by 36.16 m PLN due to EUR appreciation). It would mainly pertain to higher increase in negative ForEx differences arising from revaluation of cash and cash equivalents. These negative ForEx differences would exceed positive ForEx differences arising from liability revaluation made at lower exchange rate and reduced by increase in negative value of derivatives.

On next pages detailed results of sensitivity analysis of financial derivatives denominated in foreign currencies on ForEx fluctuations for 2007 and 2006 are given.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

	balance sheet value as on 31st Dec 2007 (in thousand PLN)	For Ex risk							
		for EUR	for USD	for NOK	for other currencies	for EUR	for USD	for NOK	for other currencies
	<i>change in rate of exchange:</i>		+10%				-10%		
Financial assets									
financial assets available for sale	224 134	43	-	22 370	-	(43)	-	(22 370)	-
other financial assets	822 538	-	-	82 254	-	-	-	(82 254)	-
trade and other receivables	55 950	421	5 174	-	-	(421)	(5 174)	-	-
financial assets for trading	-	-	-	-	-	-	-	-	-
Assets from financial derivatives	17 442	7 989	13 776	(16 093)	-	(59)	(226)	83 797	-
cash and cash equivalents	20 003	79	1 907	1	13	(79)	(1 907)	(1)	(13)
effect on financial assets before taxation	1 140 067	8 532	20 857	88 532	13	(602)	(7 307)	(20 828)	(13)
Tax (19%)	(216 613)	(1 621)	(3 963)	(16 821)	(3)	114	1 388	3 957	3
effect on financial assets after taxation	923 454	6 911	16 894	71 711	10	(488)	(5 919)	(16 871)	(10)
<i>total foreign currencies</i>			95 526				(23 288)		
Financial liabilities									
credits, loans and debentures (incl. finance lease)	-	-	-	-	-	-	-	-	-
trade and other liabilities	397 646	9 577	30 177	1	10	(9 577)	(30 177)	(1)	(10)
liabilities arising from financial derivatives	35 527	(1 086)	(30 684)	70 406	-	10 449	82 112	(2 701)	-
effect on financial liabilities before taxation	433 173	8 491	(507)	70 407	10	872	51 935	(2 702)	(10)
tax -19%	(82 303)	(1 613)	96	(13 377)	(2)	(166)	(9 868)	513	2
effect on financial liabilities after taxation	350 870	6 878	(411)	57 030	8	706	42 067	(2 189)	(8)
<i>total foreign currencies</i>			63 505				40 576		
total increase/ decrease		33	17 305	14 681	2	(1 194)	(47 986)	(14 682)	(2)
total foreign currencies			32 021				(63 864)		
rates of exchange at the balance sheet day and their changes:									
EUR/PLN	3,5820	3,9402	3,5820	3,5820	3,5820	3,2238	3,5820	3,5820	3,5820
USD/PLN	2,4350	2,4350	2,6785	2,4350	2,4350	2,4350	2,1915	2,4350	2,4350
NOK/PLN	0,4497	0,4497	0,4497	0,4947	0,4497	0,4497	0,4497	0,4047	0,4497

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

For Ex risk							
	balance sheet value as on 31st Dec 2006 (in thousand PLN)	<i>for EUR</i>	<i>for USD</i>	<i>for other currencies</i>	<i>for EUR</i>	<i>for USD</i>	<i>for other currencies</i>
<i>change in rate of exchange:</i>			+10%			-10%	
Financial assets							
financial assets held for sale	460	46	-	-	(46)	-	-
other financial assets	-	-	-	-	-	-	-
trade and other receivables	40 284	422	3 607	-	(422)	(3 607)	-
financial assets for trading	-	-	-	-	-	-	-
Assets from financial derivatives	5 723	11 006	127 610	-	(139)	(5 584)	-
cash and cash equivalents	1 780 736	175 938	2 125	10	(175 938)	(2 125)	(10)
effect on financial assets before taxation	1 827 203	187 412	133 342	10	(176 545)	(11 316)	(10)
Tax (19%)	(347 169)	(35 608)	(25 335)	(2)	33 544	2 150	2
effect on financial assets after taxation	1 480 034	151 804	108 007	8	(143 001)	(9 166)	(8)
<i>total foreign currencies</i>			259 819			(152 175)	
Financial liabilities							
credits, loans and debentures (incl. finance lease)	2 303 637	230 364	-	-	(230 364)	-	-
trade and other liabilities	611 871	9 225	51 940	22	(9 225)	(51 940)	(22)
liabilities arising from financial derivatives	55 067	(2 179)	(52 889)	-	18 401	221 697	-
effect on financial liabilities before taxation	2 970 575	237 410	(949)	22	(221 188)	169 757	(22)
tax -19%	(564 409)	(45 108)	180	(4)	42 026	(32 254)	4
effect on financial liabilities after taxation	2 406 166	192 302	(769)	18	(179 162)	137 503	(18)
<i>total foreign currencies</i>			191 551			(41 677)	
total increase/ decrease		(40 498)	108 776	(10)	36 161	(146 669)	10
total foreign currencies			68 268			(110 498)	
rates of exchange at the balance sheet day and their changes:							
EUR/PLN	3,8312	4,2143	3,8312	3,8312	3,4481	3,8312	3,8312
USD/PLN	2,9105	2,9105	3,2016	2,9105	2,9105	2,6195	2,9105

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

The Company measured sensivity of financial instruments arising from loans granted and taken and lease liabilities of variable interest rate on change of interest rate by +/-100 bp.

As on 31st Dec 2007 sensivity of loans granted on change of interest rate by +/-100 bp. was of +/- 3,38 m PLN. Such sensivity of lease liabilities was of +/- 0,04 m PLN

As on 31st Dec 2006 sensivity of liabilities due to loans granted on change of interest rate by +/-100 bp was of +/- 2.32 m PLN.

Such sensivity of loan and lease liabilities based on variable intererest rate was of +/- 23.08 m PLN.

Analysis of financial instrument sensivity on change of interest rate

	<i>balance sheet value</i> <i>State as on</i> <i>31.12.2007</i>	<i>change by:</i>	
		+100 bp	-100 bp
loans granted*	382 966	3 830	(3 830)
lease liabilities**	4 248	42	(42)

	<i>balance sheet value</i> <i>State as on</i> <i>31.12.2007</i>	<i>change by:</i>	
		+100 bp	-100 bp
loans granted*	232 422	2 324	(2 324)
loans taken	2 303 637	23 036	(23 036)
lease liabilities**	4 354	44	(44)

*this amount does not comprise loan granted to PGNiG Norway AS because interest rate risk is fully hedged.

**for lease liabilities based on variable interest rate.

Due to inaccurate identification of the risk related to change of prices on goods, sensivity analysis for this type of risk has not been carried out.

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

Derivative valuation methods

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

As of 31 December 2007, the Company held two types of derivatives: Fx forward and risk reversal strategies (Call and Put options). Measurement at fair value was carried out using the Risk Hedging application. The fair value of currency forwards is estimated by discounting the difference between the purchased non-base currency (USD or EUR) translated at the spot rate and the sold base currency (PLN) through profitability curves assigned to both currencies. The profitability curve is created using deposit rates up to one year and swap rates over one year. Market data as of 31 December 2007.

The measurement of Call and Put options at fair value was carried out in line with the Garman-Kohlhagen model based on the following market data: interest rates, FX rates and volatility as of 31 December 2007.

Hedge accounting

In 2007, the Company did not apply hedge accounting. Therefore changes in fair vale of hedged financial instruments and hedging instruments were presented in the income statement for the reporting period.

Derivatives

Face value in foreign currency	Maturity	Instrument realization price or	Measurement at fair value	
			31 December 2007	31 December 2006

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006

prepared in accordance with the International Financial Reporting Standards

(in PLN'000)

		price range		
	Collar			
USD 10 million	1/10/2008	2.8600-2.6195	(1,840)	-
USD 10 million	1/10/2008	2.8600-2.6185	(1,830)	-
USD 10 million	1/10/2008	3.0000-2.6750	(2,394)	-
USD 10 million	1/18/2008	2.9900-2.6550	(2,187)	-
USD 10 million	2/8/2008	2.9900-2.6550	(2,171)	-
USD 10 million	3/10/2008	2.9900-2.6490	(2,105)	-
USD 10 million	1/18/2008	2.9900-2.6000	(1,639)	-
USD 10 million	2/8/2008	2.9900-2.5945	(1,581)	-
USD 10 million	3/10/2008	2.9900-2.5890	(1,542)	-
USD 10 million	2/8/2008	2.9500-2.5815	(1,456)	-
USD 10 million	2/8/2008	2.9500-2.5680	(1,329)	-
USD 10 million	1/18/2008	2.9500-2.5690	(1,332)	-
USD 10 million	3/10/2008	2.9000-2.5680	(1,351)	-
USD 10 million	3/10/2008	2.8700-2.5690	(1,360)	-
USD 10 million	1/18/2008	2.8700-2.5665	(1,307)	-
USD 10 million	1/10/2008	2.8000-2.5599	(1,245)	-
USD 10 million	2/20/2008	2.8000-2.5500	(1,175)	-
EUR 5 million	2/8/2008	3.8700-3.7070	(621)	-
USD 10 million	3/20/2008	2.8300-2.5300	(1,035)	-
USD 10 million	3/20/2008	2.8300-2.5300	(1,035)	-
USD 10 million	1/10/2008	2.7000-2.4755	(433)	-
USD 10 million	2/20/2008	2.7500-2.4350	(312)	-
USD 10 million	4/10/2008	2.75000-2.3705	(171)	-
USD 10 million	2/20/2008	2.7500-2.3760	(105)	-
USD 10 million	4/10/2008	2.7500-2.3380	(102)	-
USD 10 million	2/20/2008	2.7500-2.2700	(6)	-
USD 10 million	3/20/2008	2.7500-2.2765	(21)	-
USD 10 million	4/10/2008	2.7500-2.3350	(97)	-
USD 10 million	4/10/2008	2.7500-2.3400	(106)	-
USD 10 million	5/9/2008	2.7700-2.3100	(82)	-
USD 10 million	5/20/2008	2.7400-2.3100	(79)	-
EUR 5 million	1/25/2008	3.7800-3.5630	(69)	-
EUR 5 million	4/10/2008	3.7600-3.5830	(167)	-
USD 10 million	1/18/2008	2.6500-2.3510	(9)	-
EUR 5 million	2/22/2008	3.7400-3.5700	(110)	-
USD 10 million	2/20/2008	2.7400-2.2850	(10)	-
USD 10 million	3/20/2008	2.7400-2.2750	(19)	-
EUR 5 million	3/25/2008	3.7500-3.5470	(84)	-
USD 10 million	4/18/2008	2.7400-2.2730	(28)	-
USD 10 million	5/9/2008	2.7300-2.2740	(30)	-
EUR 5 million	5/9/2008	3.7500-3.5090	(35)	-
USD 10 million	1/18/2008	2.6300-2.3100	(1)	-
USD 10 million	2/20/2008	2.6600-2.3075	(15)	-
USD 10 million	2/20/2008	2.6600-2.2860	(5)	-
USD 10 million	1/18/2008	2.6400-2.3275	(3)	-
USD 10 million	2/8/2008	2.6300-2.3050	(5)	-
USD 10 million	4/18/2008	2.6500-2.3000	(19)	-
EUR 5 million	4/18/2008	3.7600-3.4600	-	-
USD 10 million	2/20/2008	2.6400-2.2930	(4)	-
USD 10 million	5/20/2008	2.6600-2.2940	(17)	-
USD 10 million	5/20/2008	2.6600-2.2980	(22)	-
USD 10 million	5/9/2008	2.6600-2.2980	(22)	-
USD 10 million	1/18/2008	2.6400-2.2990	-	-
USD 10 million	4/10/2008	2.7000-2.2910	(30)	-
USD 10 million	3/10/2008	2.7200-2.2980	(26)	-
USD 10 million	5/9/2008	2.7100-2.2960	(46)	-
USD 10 million	1/10/2007	3.2900-2.9980	-	(889)
USD 10 million	1/10/2007	3.2600-2.9965	-	(876)
EUR 5 million	1/19/2007	4.0600-3.8985	-	(362)
USD 10 million	1/10/2007	3.1200-2.9080	-	(145)
EUR 5 million	1/19/2007	4.0200-3.8000	-	(48)
USD 10 million	1/18/2007	3.1100-2.9070	-	(208)
USD 10 million	1/18/2007	3.1200-2.9250	-	(313)
USD 10 million	2/21/2007	3.2850-2.9985	-	(1,050)
USD 10 million	3/20/2007	3.2900-2.9980	-	(1,134)
USD 10 million	2/9/2007	3.2950-3.0185	-	(1,193)
USD 10 million	2/9/2007	3.2850-3.0200	-	(1,206)
USD 10 million	3/9/2007	3.2800-3.0060	-	(1,171)
USD 10 million	3/9/2007	3.2800-2.9900	-	(1,040)
USD 10 million	2/20/2007	3.2500-2.9970	-	(1,033)
USD 10 million	3/9/2007	3.2500-2.9970	-	(1,094)

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards

(in PLN'000)

USD 10 million	2/9/2007	3.2300-2.9940	-	(978)
USD 10 million	1/18/2007	3.2600-3.0000	-	(938)
USD 10 million	3/20/2007	3.2500-2.9980	-	(1,130)
EUR 5 million	2/20/2007	4.1100-3.8935	-	(391)
EUR 5 million	3/20/2007	4.1100-3.8870	-	(397)
USD 10 million	2/20/2007	3.2200-3.0025	-	(1,078)
EUR 5 million	2/20/2007	4.0900-3.8740	-	(316)
EUR 5 million	3/20/2007	4.0900-3.8800	-	(368)
USD 10 million	2/9/2007	3.1900-3.0275	-	(1,270)
USD 10 million	3/20/2007	3.1900-2.9995	-	(1,129)
USD 10 million	1/18/2007	3.2500-3.0015	-	(951)
EUR 5 million	4/10/2007	4.0000-3.8600	-	(278)
USD 10 million	1/18/2007	3.2100-3.0110	-	(1,041)
USD 10 million	2/9/2007	3.2200-3.0035	-	(1,060)
USD 10 million	3/9/2007	3.2100-3.0075	-	(1,175)
USD 10 million	4/10/2007	3.1400-2.9975	-	(1,134)
USD 10 million	4/10/2007	3.0900-2.9900	-	(1,034)
USD 10 million	1/10/2007	3.1500-2.9920	-	(832)
USD 10 million	4/10/2007	3.1000-2.9640	-	(851)
USD 10 million	5/10/2007	3.1000-2.9250	-	(651)
USD 10 million	3/20/2007	3.1000-2.9370	-	(622)
USD 10 million	5/10/2007	3.0900-2.9160	-	(586)
USD 10 million	5/10/2007	3.0900-2.9115	-	(561)
USD 10 million	4/20/2007	3.0800-2.9160	-	(543)
USD 10 million	5/18/2007	3.0800-2.9100	-	(551)
USD 10 million	4/20/2007	3.0700-2.8990	-	(437)
USD 10 million	5/18/2007	3.0600-3.8730	-	(334)
USD 10 million	2/20/2007	3.0450-2.9240	-	(423)
USD 10 million	4/20/2007	3.0450-2.8815	-	(316)
USD 10 million	5/18/2007	3.0400-2.8565	-	(231)
EUR 5 million	5/10/2007	3.9500-3.7570	-	(8)
EUR 5 million	4/10/2007	3.9500-3.7580	-	(11)
USD 10 million	1/18/2007	2.9700-2.8890	-	(77)
USD 10 million	3/20/2007	2.9900-2.8600	-	(91)
USD 10 million	4/20/2007	2.9700-2.8635	-	(86)
USD 10 million	5/18/2007	2.9700-2.8560	-	(74)
USD 10 million	4/20/2007	2.9800-2.8505	-	(60)
USD 10 million	5/10/2007	2.9500-2.8460	-	31
USD 10 million	5/18/2007	2.9600-2.8230	-	76
USD 10 million	5/18/2007	2.9600-2.8175	-	94
USD 10 million	6/8/2007	2.9600-2.7875	-	175
EUR 5 million	6/20/2007	3.9200-3.7447	-	51
EUR 5 million	5/18/2007	3.9000-3.7335	-	88
			(32,825)	(33,260)
Forward				
USD 10 million	1/10/2007	3.0853	-	(1,759)
USD 10 million	1/10/2007	3.0545	-	(1,451)
USD 10 million	4/10/2007	3.0797	-	(1,776)
USD 10 million	3/9/2007	3.0581	-	(1,538)
USD 10 million	2/20/2007	3.0595	-	(1,537)
USD 10 million	1/18/2007	3.0603	-	(1,516)
USD 10 million	1/18/2007	3.0434	-	(1,347)
USD 10 million	2/20/2007	3.0395	-	(1,338)
USD 10 million	4/10/2007	3.0336	-	(1,321)
USD 10 million	4/20/2007	2.9929	-	(925)
USD 10 million	3/20/2007	2.9964	-	(936)
USD 10 million	1/18/2007	2.9928	-	(843)
USD 10 million	5/10/2007	2.9857	-	(868)
USD 10 million	2/20/2007	2.9940	-	(886)
USD 10 million	2/20/2007	2.9862	-	(808)
USD 10 million	2/20/2007	2.9742	-	(689)
USD 10 million	3/20/2007	2.9719	-	(693)
USD 10 million	3/20/2007	2.9540	-	(515)
USD 10 million	2/20/2007	2.9599	-	(547)
USD 10 million	1/18/2007	2.8900	-	183
USD 10 million	6/8/2007	2.8561	-	384
USD 10 million	6/8/2007	2.8500	-	444
USD 10 million	1/10/2007	2.8595	-	496
USD 10 million	6/20/2007	2.8477	-	456
USD 10 million	6/8/2007	2.8490	-	453
USD 10 million	1/10/2007	2.8775	-	317
USD 10 million	2/9/2007	2.8760	-	299

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards

(in PLN'000)

USD 10 million	3/9/2007	2.8720	-	309
USD 10 million	2/9/2007	2.8733	-	326
USD 10 million	3/9/2007	2.8698	-	331
USD 10 million	1/10/2007	2.8771	-	321
USD 10 million	3/20/2007	2.8792	-	226
USD 10 million	2/9/2007	2.8842	-	217
USD 10 million	1/18/2007	2.8874	-	209
USD 10 million	1/18/2007	2.8874	-	209
USD 10 million	3/20/2007	2.8991	-	29
			-	(16,084)
Swap				-
			4,605	-
NOK 300 million	1/17/2011	0.4686		-
			4,605	-
NOK 300 million	1/17/2011	0.4627	4,833	-
NOK 300 million	1/17/2011	0.4596	2,522	-
NOK 300 million	1/17/2011	0.4534	1,867	-
NOK 300 million	1/17/2011	0.4588	2,265	-
NOK 300 million	1/17/2011	0.4461	(2,701)	-
			13,391	-
Call option				-
EUR 5 million	1/10/2008	3.8400	200	-
EUR 5 million	3/10/2008	3.6800	317	-
USD 10 million	4/18/2008	2.5800	419	-
USD 10 million	4/18/2008	2.5700	413	-
			1,349	-
TOTAL			(18,085)	(49,344)
out of which:		positive value		17 442
		negative value		(35 527)

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

44. CONTINGENT LIABILITIES

44. 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 a different institution, which was granted a contingent liability	Type of contingent liability granted
Contingent liabilities granted by PGNiG S.A.						
Norway	627,556	EUR	2,247,904	2050/01/01	PGNiG Norway AS	Guarantee
EUROPOL GAZ S.A.	56,000	PLN	56,000	2012/09/30	Millenium S.A.	Bank guarantee
The President Islamic Republic of Pakistan	2,316	USD	5,639	2008/12/31	Societe Generale Oddział w Polsce	Bank guarantee
Egyptian General Petroleum Corporation	500	USD	1,218	2012/02/28	National Societe Generale Bank S.A.E.	Bank guarantee
Gazprom-Export Ltd.	90,000	USD	219,150	2008/02/08	Societe Generale Oddział w Polsce	Bank guarantee
Gazprom-Export Ltd.	90,000	USD	219,150	2008/02/08	Bank PEKAO S.A. Headquarters	Bank guarantee
National Oil Corporation Libia	10,800	USD	26,298	2008/05/15	Societe Generale Oddział w Polsce	Bank guarantee
Gazprom-Export Ltd.	210,000	USD	511,350	2009/02/08	BNP Paribas Oddział w Polsce	Bank guarantee
Gazprom-Export Ltd.	42,000	USD	102,270	2009/02/08	PKO Bank Polski	Bank guarantee
Total			3,388,979			

*Contingent liabilities in foreign currency translated at the NBP exchange rate as of 31 December 2007

44. b. Contingent bill of exchange liabilities

Entity, which received the bill-of-exchange	Value of the bill-of-exchange granted in foreign currency	Bill-of-exchange currency	Value of the bill-of-exchange granted in PLN	Bill of exchange expiry date
Bills of exchange issued by PGNiG S.A.				
Towarzystwo Finansowo-Leasingowe SA	6,852	PLN	6,852	2006-12-31*
Total			6,852	

44. c. Other contingent liabilities

Property tax

By the decision of 2 July 2001, the Supreme Administrative Court in Warsaw, with the panel of 7 judges decided that the underground mining workings are not subject to property tax. Since in the case of oil and gas production the mining working is a well, local authorities from the area of operation of Zielona Góra Branch withdrew from the execution of property tax; however but some authorities decided that the well infrastructure system was subject to tax.

The tax on pipelines was introduced in 2001. Zielona Góra Branch created in previous years provisions for municipal authority claims regarding property tax in the amount of PLN 821.3 thousand. Due to favorable adjudication of claims lodged by PGNiG S.A., the Company, after re-assessment of the risk of any possible future claims arising therefrom, came to the conclusion such risk is rather low and, therefore, discharged in 2007 the provision established for this purpose. On the other hand Podkarpacie municipal authorities have not put any related claims. Therefore the mines located in Podkarpacie region neither declared nor accrued property tax on excavations for years 2001-2005. Potential tax liability not disclosed in the financial statements together with interest amounted to PLN 60.642,2 thousand as of 31 December 2007 (PLN 59.290,3 thousand in 2006).

Property claims

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

- the land via which pipelines are planned to run;
- the 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.

45. OFF-BALANCE SHEET LIABILITIES

45. a. Operating lease liabilities

	31 December 2007	31 December 2006
Up to one year	-	-
From 1 to 5 years	-	-
Over 5 years	-	-
Total	-	-

45. b. Investment liabilities

	31 December 2007	31 December 2006
Liabilities arising from signed contracts	1 134 942	1 161 162
Contract execution progress as at balance sheet date	664 695	597 314
Contractual liabilities after the balance sheet date	470 247	563 848

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

46. INFORMATION ON RELATED PARTIES

46. a. Subsidiaries and associates not included in consolidation

Entity	Country	Interest in share capital	
		31 December 2007	31 December 2006
Subsidiaries			
Geofizyka Kraków Sp. z o. o.	Poland	100.00%	100.00%
Geofizyka Toruń Sp. z o. o.	Poland	100.00%	100.00%
PNiG Jasło Sp. z o. o.	Poland	100.00%	100.00%
PNiG Kraków Sp. z o.o.	Poland	100.00%	100.00%
PNiG Piła Sp. z o. o.	Poland	100.00%	100.00%
ZRG w Krośnie Sp. z o.o.	Poland	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%
Gazobudowa Zabrze Sp. z o. o.	Poland	100.00%	100.00%
Naftomontaż Krosno Sp. z o. o.	Poland	88.83%	88.83%
Naftomet Krosno Sp. z o. o.	Poland	100.00%	100.00%
Diamant Sp. z o.o.	Poland	100.00%	100.00%
Gazoprojekt S.A.	Poland	75.00%	75.00%
PGNiG Finance B.V.	Netherlands	100.00%	100.00%
Geovita Sp. z o.o. Warsaw	Poland	100.00%	100.00%
INVESTGAS S.A	Poland	100.00%	49.00%
Polskie LNG Sp. z o.o.*	Poland	100.00%	-
PGNiG Norway A/S**	Norway	100.00%	-
Subsidiaries of Naftomontaż Krosno Sp. z o.o. – a subsidiary			
Naft-Stal Krosno Sp. z o. o.	Poland	59.88%	59.88%
Co-subsidiaries and associates			
EUROPOL GAZ S.A.	Poland	49.74%	49.74%
Gas Trading S.A.	Poland	43.41%	43.41%

* The company was registered in the National Court Register and as of 21 May 2007 is included in the group of subsidiaries consolidated using the full method.

** PGNiG Norway AS with its registered office in Stavanger, Norway, was registered on 9 June 2007 and included in the group of subsidiaries consolidated using the full method.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

46. 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 originated to related parties	Net loans originated to related parties	Liabilities to related parties
Entities consolidated using full consolidation method and equity method	31 December 2007	4 440 424	2 050 194	1 143 481	1 138 343	1 350 888	1 205 505	1 505 887
	31 December 2006	6 835 113	379 648	518 914	513 796	456 753	232 422	159 926
Other related parties not included in consolidation	31 December 2007	2 062	17 667	128 928	976	12 523	-	94 750
	31 December 2006	1 214	15 568	125 592	342	13 880	-	93 268
Total related parties	31 December 2007	4 442 486	2 067 861	1 272 409	1 139 319	1 363 411	1 205 505	1 600 637
	31 December 2006	6 836 327	395 216	644 506	514 138	470 633	232 422	253 194

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

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

Full name	31 December 2007		
	Total compensation, additional benefits and bonuses paid in 2007	Total remuneration due to function performed in subsidiaries paid in 2007	Total remuneration paid in 2007
Total Management Board, including:			
<u>Management as of 31 December 2007</u>	1,779.89	2,816.67	4,596.56
Krzysztof Głogowski – Chairman of the Management Board	222.74	840.75	1,063.49
Jan Anysz – Member of the Management Board	270.31	178.21	448.52
Zenon Kuchciak – Member of the Management Board;	242.26	779.49	1,021.75
Stanisław Niedbalec – Member of the Management Board,	251.72	377.95	629.67
Tadeusz Zwierzyński – Member of the Management Board.	226.04	130.28	356.32
Bogusław Marzec - Proxy	315.06	470.38	785.44
Ewa Bernacik – Proxy	251.76	39.61	291.37
Total Supervisory Board, including:	304.74	94.61	399.35
<u>Supervisory Board as of 31 December 2007</u>			
Rościszewski Andrzej	33.86	-	33.86
Szwarc Piotr	33.86	56.66	90.52
Chrobak Kazimierz	33.86	6.00	39.86
Arkuszewski Wojciech	33.86	-	33.86
Kawecki Mieczysław	33.86	31.95	65.81
Moryń Marcin	33.86	-	33.86
Puławski Mieczysław	33.86	-	33.86
Szkałuba Mirosław	33.86	33.86	67.72
Wojtowicz Jarosław	33.86	-	33.86
Total	2,084.63	2,945.14	5,029.77

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

Full name	31 December 2006		Total remuneration paid in 2006
	Total compensation, additional benefits and bonuses paid in 2006	Total remuneration due to function performed in subsidiaries paid in 2006	
Total Management Board, including:	1,307.90	701.04	2,008.94
<u>Management as of 31 December 2006</u>	979.48	422.41	1,401.89
Krzysztof Głogowski – Chairman of the Management Board**	48.05	100.58	148.63
Jan Anysz – Member of the Management Board	196.59	56.58	253.17
Zenon Kuchciak – Member of the Management Board*	186.18	149.30	335.48
Stanisław Niedbalec – Member of the Management Board,	172.24	50.85	223.09
Tadeusz Zwierzyński – Member of the Management Board*	80.69	9.28	89.97
Bogusław Marzec – Proxy*	241.84	23.79	265.63
Ewa Bernacik – Proxy**	53.89	32.03	85.92
<u>Management members in 2006 not performing duties as at 31 December 2006</u>	328.42	278.63	607.05
Franciszek Krok – Member of the Management Board	32.99	95.21	128.20
Bartłomiej Pawlak – Member of the Management Board*	52.21	149.30	201.51
Mieczysław Puławski - Chairman of the Management Board	48.05	-	48.05
Maria Teresa Mikosz – Proxy***	195.17	34.12	229.29
Total Supervisory Board, including:	285.89	63.69	349.58
<u>Supervisory Board as of 31 December 2006</u>	239.36	63.69	303.05
Andrzej Rościszewski	32.03	-	32.03
Piotr Szwarc	32.03	52.10	84.13
Kazimierz Chrobak	32.03	4.00	36.03
Wojciech Arkuszewski	32.03	-	32.03
Mieczysław Kawecki	32.03	7.59	39.62
Marcin Moryń	17.29	-	17.29
Mieczysław Puławski	24.02	-	24.02
Mirosław Szałuba	32.03	-	32.03
Jarosław Wojtowicz	5.87	-	5.87
<u>Management members in 2006 not performing duties as at 31 December 2006</u>	46.53	-	46.53
Magdalena Bąkowska	14.87	-	14.87
Krzysztof Głogowski	24.02	-	24.02
Zbigniew Kamieński	7.64	-	7.64
Total	1,593.79	764.73	2,358.52

* total, for all functions performed in the Management Board and as the proxy

** since the day of appointment

*** until the day of dismissal

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.

46. d. Joint ventures

In 2007, PGNiG S.A. cooperated with the following foreign companies 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.

CalEnergy Gas (Polska) Sp. z o.o., registered office: Warszawa 02-765, Al. Wilanowska 206 m. 19

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

As a result of "Operating Agreement of Mining Users for Płotki – PTZ area" (so called expanded Zaniemyśl area) signed on 26 October 2005 between PGNiG S.A., CalEnergy Gas (Polska) Sp. z o.o. and FX Energy Poland Sp. z o.o., the parties assumed the following shares in the joint venture: PGNiG S.A. – 51%, CalEnergy Gas (Polska) Sp. z o.o. – 24.5% and FX Energy Poland Sp. z o.o. – 24.5%. In 2007, PGNiG S.A., as the operator, continued output from natural gas deposit "Zaniemyśl" commenced in 2006.

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

On 31 January 2007, PGNiG S.A., Eurogas Polska Sp. z o.o. and Energia Bieszczady Sp. z o.o. signed an agreement on "Joint operations in Bieszczady region". Joint venture shares in "Bieszczady" venture are as follows: PGNiG S.A. - 51%, EuroGas Polska Sp. z o.o. - 24%, Energia Bieszczady Sp. z o.o. - 25%. Area covered by "Bieszczady" agreement covers concession blocks 416, 417, 436, 437, 438, 456, 457. Concessions as well as mining usufruct for crude oil and natural gas exploration and prospecting within these blocks are held by PGNiG S.A. According to "Bieszczady" agreement, PGNiG S.A. is the operator authorized to conduct all of joint ventures.

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

In 2007 PGNiG S.A. continued joint output works along with FX Energy Poland Sp. z o.o. in the following fields:

- „Płotki” (Agreement on Joint Operations of 12th May 2000 as amended);
- „Płotki” – „PTZ” – in cooperation with CalEnergy Resources Poland Sp. z o.o. (co called „Expanded ZANIEMYŚL Area”, Operating Agreement of Mine Users of 26th October 2005);
- „Poznań” (Agreement on Joint Operations of 1st June 2005);
- Block 255 (Agreement on Joint Operations of 29th October 1999).

In continuation of joint operations in „Płotki” field, Agreement on Transfer of Mining Usufruct of „KŁĘKA” Natural Gas Deposit” and „Agreement on settlement of natural gas extracted from KŁĘKA-11 well” were concluded with FX Energy Poland Sp. z o.o. on 9th Jan 2007. In this area 3-D seismic tests were already completed and an exploration borehole was made. Currently, capacity measurements and deposit mining trials are being carried-out.

In 2007, mining of „Zaniemyśl” natural gas deposit located in „Płotki”-„PTZ” field was continued. Mining of Winna Góra-1 deposit in „Poznań” field already started. 3D seismic tests and analyses for preparation of new boreholes were completed.

In 2007 PGNiG S.A. concluded „Agreement on Transfer of Mining Usufruct of Block 255” with FX Energy Poland Sp. z o.o. Pursuant to this Agreement, FX Energy Poland Sp. z o.o. transferred to PGNiG S.A. 18,8% shares in mining usufruct. In 2007 natural gas output from Wilga well (Blok 255) was continued.

All assets, liabilities, revenues and expenses related to the aforementioned joint ventures have been recognized in PGNiG S.A. income statement proportionally to its share in joint venture.

47. EMPLOYMENT (NO. OF EMPLOYEES)

Employment at the end of period, by segments

	31 December 2007	31 December 2006
Company Headquarters*	604	811
Exploration and output	4 087	3 877
Trade and storage	3 705	99
Other	36	36
Total	8 432	4 823

* The Company Headquarters provide services to all other segments and is therefore not allocated to any of these segments

In 2007, average employment was 6 873 people (4 755 in 2006).

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

48. COMPANY SOCIAL BENEFITS FUND

Pursuant to the Act of 4 March 1994 on the Company's Social Benefits Fund (Dz. U. of 1996 No. 70, item 335 as amended) the Company's Social Benefits Fund is created by employers employing at least 20 full time equivalents. The Company creates a write-off to the Company Social Benefits Plan. The fund provides financing of the Company's social initiatives, employee loans and other social expenses.

The Company offset the fund's assets with its liabilities to the fund, as the assets are not separate assets of the Company. Due to the above, as of 31 December 2007, net balance (social fund receivables/liabilities) was recognized in the balance sheet in the amount of PLN 1 467 thousand; while as at 31 December 2006 the balance (social fund receivables/liabilities) it amounted to PLN (7 866) thousand.

The table below presents the fund's assets, liabilities and expenses.

Company Social Benefits Fund assets and liabilities	31 December 2007	31 December 2006
Employee loans and other receivables	31 339	16 524
Cash	11 381	2 509
Short-term prepayments	-	-
Other current liabilities	(581)	(17)
Liabilities due to Company Social Benefits Fund	(41 517)	(26 882)
Balance	622	(7 866)
Write-offs to the Company Social Benefits Fund (cost of the period)	(17 625)	(15 159)

The balance is settled in the future periods upon refunding.

49. INFORMATION ON SIGNIFICANT EVENTS PERTAINING TO PREVIOUS YEARS AND DISCLOSED IN THE FINANCIAL STATEMENTS FOR 2007

By the date of these financial statements for 2007, there were no events that had not and should have been included in the accounting records for the audited year.

50. MAIN REASONS OF UNCERTAINTY OF ESTIMATE DATA

In the process of the accounting policy applied by the Company as referred to in clause 11 of these financial statements, the Company made the following assumptions regarding uncertainty and estimates that 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 the following areas:

Capital contributions to Gazotech Sp. z o.o.

In 2007 two suits initiated by PGNiG S.A. regarding acknowledgement of resolutions passed by the Extraordinary Shareholders Meeting of PI GAZOTECH Sp. z o.o. on supplementary contribution to the shareholders' equity of this company as invalid were pending and none of them was finally adjudicated by 31st Dec 2007.

On 4th Feb 2008 the Court of Appeal dismissed the appeal submitted by PGNiG S.A. in the case regarding acknowledgment of resolutions passed by the Extraordinary Shareholders Meeting of PI GAZOTECH Sp. z o.o. on 23rd Apr 2004, including the resolution obliging PGNiG S.A. to pay supplementary contribution in cash amounting to 52.000 thousand PLN to the shareholders' equity of this company as invalid. The sentence is legally binding. On 6th Feb 2008 PGNiG S.A. submitted the motion for written substantiation of the sentence.

On 5th Feb 2008 the Court of Appeal in Warsaw dismissed the appeal submitted by PGNiG S.A. in the case regarding consideration of the resolution on redemption of the shares passed by the Shareholders' Meeting of PI GAZOTECH Sp. z o.o. on 23rd Apr 2004 as non-existent. The sentence is legally binding. Written substantiation of the sentence was delivered to the Company by the Court of Appeal in Warsaw. PGNiG S.A. is considering submission of a cassation complaint on legally binding sentence.

At the time, when these Statements were made, two actions brought by PGNiG S.A. against PI GAZOTECH Sp. z o.o. were pending. First suit refers to acknowledgement of the resolution passed by the Extraordinary Shareholders Meeting of PI GAZOTECH Sp. z o.o. on 19th Jan 2005 obliging

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

PGNiG S.A. to pay supplementary contribution in cash to the shareholders' equity of PI GAZOTECH Sp. z o.o. in amount of 25.999 thousand PLN as invalid, whereas the second one refers to acknowledgement of the resolution passed by the Shareholders Meeting of PI GAZOTECH Sp. z o.o. on 6th Oct 2005 obliging PGNiG S.A. to pay supplementary contribution in cash to the shareholders' equity of PI GAZOTECH Sp. z o.o. in amount of 6 552 thousand PLN as invalid.

The Parent Company estimated likelihood of incurring additional costs with respect to both cases in accordance to prudence principle.

With respect to the foregoing, the Company recognized liabilities towards and receivables from PI Gazotech Sp. z o.o. due to supplementary contributions to the shareholders' equity of the said company in amount of 82.472 thousand PLN, write-off of the same amount created for these receivables and provision for possible costs amounting to 924 thousand PLN in the Financial Statements for 2007 and in the accounting records

Impairment of property, plant and equipment

The main operating assets of the Company include mine assets and gas storage facilities. The assets were tested for impairment. The Company calculated and recognized in the accounting records impairment losses based on valuation of their useful life, planned liquidation or disposal. The assumptions regarding the use, liquidation and disposal of certain assets may change. The information regarding impairment loss values has been provided in Note 19a.

Useful life of property, plant and equipment

Note 11 to the financial statements presents useful life of main groups of property, plant and equipment. Useful life of property, plant and equipment was based on the estimate of technical services responsible for the asset operations. The estimates are charged with uncertainty regarding future business conditions, technology changes and market competition, which may result in a modified assessment of useful life of the assets and their remaining useful life, which may significantly impact value of these assets and future depreciation costs.

Provisions for environmental protection

Provision for the cost of well reclamation and other provisions for environmental protection presented in note 36 constitute a material item of the provisions in the financial statements. The above provision is based on estimated future liquidation and reclamation costs, which are significantly affected by the adopted discount rate and the estimated cash flow generating period.

51. STATEMENT AND EXPLANATIONS OF DIFFERENCES BETWEEN DATA DISCLOSED IN THE FINANCIAL STATEMENTS AND COMPARATIVE FINANCIAL DATA VS. THE PREVIOUSLY PREPARED AND PUBLISHED FINANCIAL STATEMENTS

As compared to data presented in the financial statements for Q4 2007 published on 28 February 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 Q4 2007	2,636,475
a) change in provisions	11 200
b) provision for costs of withdrawal of fixed assets from lease	(229 975)
c) change in re-valuation write-offs for assets	(297 935)
d) others	2 210
Profit on operating activities from the financial statements for 2007	2 121 975

Changes in net profit for the financial period

Net profit for Q4 2007	2,551,766
a) change in provisions	11 200
b) provision for costs of withdrawal of fixed assets from lease	(229 975)
c) change in re-valuation write-offs for assets	(297 935)
d) others	3 143
e) income tax related to adjustments made	5 322
f) adjustment to deferred income tax	111 400
Net profit from the financial statements for 2007	2 154 921

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006

prepared in accordance with the International Financial Reporting Standards

(in PLN'000)

52. CHANGES IN ACCOUNTING PRINCIPLES (POLICY) AND IN METHOD OF PREPARATION OF FINANCIAL STATEMENTS INTRODUCED FOR THE PREVIOUS FINANCIAL YEAR AND THEIR IMPACT ON THE ECONOMIC AND FINANCIAL SITUATION

The Company used to prepare its financial statements in accordance with the Accounting Act. These financial statements have been prepared in line with International Financial Reporting Standards. 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). Major accounting principles applied by the Company have been presented in clause 11.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

53. CHANGE IN EQUITY AND NET FINANCIAL RESULT DETERMINED IN ACCORDANCE WITH THE ACCOUNTING ACT AND IFRS

The table below presents adjustments applied to the financial statements of PGNiG S.A. (for comparative periods) due to transition from financial reporting in accordance with Polish Accounting Standards to International Financial Reporting Standards.

	31 December 2006	1 January 2006
Equity according to PAS	12 021 456	11 367 043
Restatement of property, plant and equipment as of 1 January 2004	5 702 751	6 274 795
Deferred tax on IFRS adjustments	(1 101 517)	(1 183 081)
Employee profit distribution payments	-	-
Other (adjustment of actuarial gains, provisions)	-	(48 052)
Equity according to IFRS	16 622 690	16 410 705

	Period from 1st Jan 2006 do 31st Dec 2006
Net profit according to PAS	1,582,268
Restatement of property, plant and equipment as of 1 January 2004	(572,044)
Deferred tax on IFRS adjustments	81,564
Employee profit distribution payments	(42,900)
Other (adjustment of actuarial gains, provisions)	48,051
Net profit according to IFRS	1,096,939

54. OTHER MATERIAL INFORMATION – COMPANY RESTRUCTURING PROCESS

In 2007, the Company implemented restructuring process regarding:

- Separation of commercial activity and technical distribution of gas fuel,
- Asset restructuring,
- Employment restructuring.

Separation of commercial activity and technical distribution of gas fuel

Pursuant to requirements of the Directive No. 2003/55/EC of the European Parliament and Council, the Energy Law imposed the obligation to separate gas fuel trading and technical distribution operations by 1 July 2007. The obligation also applied to six regional Gaz Companies operating within PGNiG Capital Group (Dolnośląska, Górniośląska, Karpacka, Mazowiecka, Pomorska and Wielkopolska). Based on in-depth legal and tax analysis it has been determined that the cheapest solution would be to divide Gaz Companies (separating field Trade units) and the to merge two temporary Companies (Trade Companies) with PGNiG S.A. This way, the Company managed to minimize tax charges and ensured general succession of concessions and all gas fuel supply contracts (approx. 6.3 million). As a result, Trade Divisions were created in six Gas Companies as of 31 December 2006, as confirmed by the entry in the National Court Register. The Management Boards of these Gas Companies provided them with the required assets and human resources. In addition, on 27 December 2006, Articles of Association were signed for 6 Gas Trade Companies with registered offices in Warsaw (Dolnośląska, Górniośląska, Karpacka, Mazowiecka, Pomorska and Wielkopolska). All shares (PLN 50 thousand each) in the share capitals of these Companies were assumed by PGNiG S.A., as their sole partner. A.

In 2007, the division of the Gas Companies was registered as well as reduction in their capital and changes in their Articles of Association restricting their operations and changing their names. A uniform name was agreed: (Dolnośląski, Górniośląski, etc.) Operator Systemu Dystrybucyjnego (Distribution System Operator). On 30 June 2007, the Head of Energy Regulatory Authority issued a decision approving OSD companies as distribution system operators for one year. On 29 June 2007, the increased capital was registered in six Gas Trading Companies, which in accordance with the Code of Commercial Companies means that the main stage of the legal separation of trade activities

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

and technical distribution has been completed and the DSO companies have been separated. Total share capital of the Trade Companies amounted to approx. PLN 538 million. On 3 July 2007, PGNiG S.A. Shareholders Meeting passed a resolution approving the business combination of the Gas Trading Companies with PGNiG S.A. At the end of July and beginning of August 2007, Gas Trading Companies held General Shareholders Meetings in connection with business combination with PGNiG S.A. On 20 September 2007, General Shareholders Meeting of PGNiG S.A. approved the motion of the Management Board to amend the Articles of Association of PGNiG S.A. as regards the change of its operations, by adding the operations taken over from Gas Trading Companies as well as operations to be conducted by gas works within the Commercial Department. As of 1 July 2007, the Commercial Department commenced its operations as a separate organizational unit of PGNiG S.A. The Department's office is located in Warsaw, ul. Kasprzaka, where all organizational units of the Commercial Department Headquarters are located. 3 145 employees were transferred from the Gas Companies to Gas Trading Companies (pursuant to Article 23 of the Labor Code), who will become the employees of the Commercial Department (Gas works) upon the trade integration in PGNiG S.A. The Gas Trading Companies were incorporated with PGNiG S.A. as of 1 October 2007. In order to regulate mutual economic relations between PGNiG S.A. and individual DSO's, appropriate agreements were concluded. Key agreements include: agreement on distribution services, IT services, CNG station services, meter reading services, cooperation between DSO's and Gas Trading Companies and leases. Through all the Project stages the negotiations were conducted with all trade unions in the Capital Group and PGNiG S.A. Employee Council based on "Agreement between GNiG Trade Unions and PGNiG S.A. on protection of employee rights in GK PGNiG during government restructuring and privatization program and harmonizing organizational structure to the energy law provisions, in particular integration of Trade and transformation of Gas Companies into Distribution System Operators".

PGNiG S.A. asset restructuring

The asset restructuring process includes actions aimed at utilization of obsolete and useless technological assets. It mainly refers to property – including land, right to perpetual usufruct, buildings and structures, as well as separately owned premises, housing co-operative right to a dwelling as well as co-operative right to commercial premises. The intensive measures to dispose of the aforementioned property, plant and equipment or to lease it out, which is a good solution in view of current situation on the property market. In addition, through its proxies, the Company continues the actions aimed at regulating the legal status of property, where the buildings are located constructed and funded by the Company. These activities include administrative procedures aimed at regulation of ownership, and contracts are concluded for the use, real property exchange, and sales of titles. Total net value of the Company's property sold in 2007 and excluded from its operations amounts to approx. PLN 7 million.

Employment restructuring program

Since 2000, an „*Employment Restructuring And Social Assistance Program For Employees Of PGNiG SA's Regional Branches And Subsidiary Companies*” has been in course in PGNiG S.A. Program duration was extended by end of 2008. In 2007, 587 employees were covered by this Program.

55. OTHER MATERIAL INFORMATION – EMPLOYEE PENSION PLAN

Since January 2006, PGNiG S.A. has offered Employee Pension Fund to its employees pursuant to the Law of 20 April 2004 on Employee Pension Plans (Dz. U. No. 116 item 1207), further referred to as the Law. Under the Plan, the Employer pays employee contributions to the investment funds.

General principles of EPP

- Plan is organized by the Company;
- The Employer funds the base premiums and is responsible for proper operation of EPP;
- Premiums are the part of taxable employee compensation – it is the only EPP cost incurred by the employees as required by the law;
- EPP participation is voluntary;
- The Employer may suspend the premium payment, limit its value and liquidate EPP;
- Premiums are divided into principle and extra premium. In PGNiG S.A. the base premium is funded by the Company and amounts to 7% of an employee's pay, while the extra premium is funded individually by employees (maximum 3 times IKE premium). In PGNiG S.A. the minimum premium is PLN 50.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

- The Company does not have to pay ZUS contributions due to basic premiums;
- Expenses related to establishment, maintaining and registration of EPP are included into tax deductible expenses of the Company;
- The accumulated funds are paid once an employee turns 60 or qualifies for pension benefits; there is no possibility to gain earlier access to the EPP funds;
- A EPP participant may indicate individuals authorized to collect the savings in case of his/her death;
- The payment to the authorized individual is exempted from:
 - PIT,
 - capital earnings tax;
 - inheritance tax.

Change of employer

- When an employee changes the employer, he/she may transfer the EPP savings to the new employer (if the new employer offers EPP).
- The employee may also leave the savings with the previous employer; then, the savings will remain in EPP and be invested by professionals;
- If an employee is unemployed as a result of layoff, the EPP savings will remain in the program and be invested in line with a defined strategy.
- The funds may be also transferred to an Individual Pension Account (IKE).

PPE with funds of TFI PZU S.A.

1. Premiums paid by the Company contribute to assets of individual funds and will be invested by each of them in line with its investment objective. In accordance with the Act on investment funds of 27 May 2004 (Dz. U. Nr 146, item 1546 as amended), each fund pursues one of the following investment objectives:
 - 1) protection of real value of its assets (PZU Fundusz Inwestycyjny Otwarty Papierów Dłużnych POLONEZ),
 - 2) generating income on net deposits of the fund (PZU Fundusz Inwestycyjny Otwarty Stabilnego Wzrostu MAZUREK),
 - 3) generating income on net deposits of the fund (PZU Fundusz Inwestycyjny Otwarty Stabilnego Wzrostu MAZUREK).

Investment fund performance

The table below presents the performance of funds for the past 5 years.

Fund	2002	2003	2004	2005	2006	2007
PZU FIO Papierów Dłużnych POLONEZ	15.83%	2.63%	6.13%	7.42%	3.50%	1.11%
PZU FIO Stabilnego Wzrostu MAZUREK	8.97%	10.40%	12.85%	9.63%	17.71%	2.77%
PZU FIO Akcji KRAKOWIAK	4.82%	25.76%	23.38%	16.19%	48.43%	5.63%

EPP operates in the form of an agreement regarding the Employer paying Employees' premiums to investment funds. Advantages of the solution are presented below:

- The most effective form of pension savings (100% premium is invested);
- High safety of investment (the Employee is an owner of fund units, whose value is disclosed);
- Costs are transparent (controlled by a state-owned institution);
- Investment strategy can be adjusted to the needs of individual EPP participants.

Employee may choose, how their premiums are to be invested:

- Individually: the employee selects the fund in which the money should be invested;
- Recommended: for those who prefer to rely on professionals and avoid emotional burden of making a decision.

EPP participation cost – PGNiG S.A.

- Full exemption from the charge on the premium – 100% premium allocated. Premiums are entirely allocated in the investment funds without any fee deducted.
- Low management fee deducted from the fund's assets included in the valuation, the so-called annual costs.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

The table below presents management fee – annual cost expressed as percentage of net asset value of individual funds.

	PZU FIO Papierów Dłużnych POLONEZ	PZU FIO Stabilnego Wzrostu MAZUREK	PZU FIO Akcji KRAKOWIAK
Handling fee	0%	0%	0%
Management fee (fund operating expenses) included in the unit price	0.9%	1.2%	1.4%
Fund change fee	0%	0%	0%
Transfer fee	0%	0%	0%
Capital withdrawal fee	0%	0%	0%
Other TFI fees for Program launch	0%	0%	0%

Investment profit/loss published in press include management fee.

Characteristics of the above program does not impose disclosure of EPP in the balance sheet. Program expenses incurred by PGNiG S.A. are recognized in the expenses of the period and the Company is not obliged to pay benefits to the employees.

56. OTHER MATERIAL INFORMATION - FOREIGN OPERATIONS

PGNiG S.A.'s shares in foreign companies

Ukraine

"Dewon" Z.S.A. is an unlisted joint stock company. It was incorporated on 17 November 1999. The main objective and goal of the Company is to provide crude oil and natural gas production services, well reconstruction as well as deposit development and operations in Ukraine.

The share capital of the Company amounts to UAH 11,146.8 thousand, i.e. PLN 5,366.1 thousand (based on NBP exchange rate of 31 December 2007) and is divided into 120.0 thousand shares with face value of UAH 92.89 each. The exposure in the company amounts to UAH 4,055.2 thousand, i.e. PLN 1,952.2 thousand (based on NBP exchange rate of 31 December 2007).

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. The gas is produced from natural gas condensate in Sachalin deposit in Krasnokucki Region of Charkov Region (East Ukraine). The Company produces hydrocarbons, natural gas and condensate and sells them on the Ukrainian market.

Sachalinskoie deposit is operated based on joint venture agreement with PoltavaNaftoGasGeologia. PoltavaNaftoGasGeologia is a subsidiary of State owned Nadra Ukrainy and holds a concession for gas exploration and production in Sachalin deposit.

Oman

The share capital of Sahara Petroleum Technology Llc amounts to RO 150.0 thousand (Omani rial), i.e. PLN 978.4 thousand (based on NBP exchange rate of 24 December 2007) and is divided into 150.0 thousand shares with face value of RO 1 each. The exposure of PGNiG S.A. in the company amounts to RO 73.5 thousand, i.e. PLN 479.4 thousand (based on NBP exchange rate of 24 December 2007). The shareholder structure is as follows:

- | | |
|------------------------------------|-----|
| • PGNiG S.A. | 49% |
| • Petroleum and Gas Technology Ilc | 51% |

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

P.O. Box 3641, Ruwi, Oman Sultanate

The Company was founded by Zakład Robót Górniczych in Krosno (PGNiG S.A. branch until 30 June 2005, presently owned by PGNiG S.A. in 100%) 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 PGNiG S.A. technical potential.

PGNiG S.A. is planning to withdraw its interest from the company.

Germany

On 1 July 2005, 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. Share capital of the two companies amounts to EUR 200 thousand (i.e. PLN 358.2 thousand based on average NBP exchange rate of 31 December 2007). Their registered offices are located in Potsdam.

Spółka InterGasTrade GmbH was not 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 construction, operation and sales of transmission capacity infrastructure.

InterTransGas GmbH was incorporated to build an interconnector connecting Polish and European gas transmission systems, constituting one of the elements of diversification of gas supply to Poland. At present, based on the Partners' decision, InterTransGas GmbH operates at minimum cost. When circumstances allow building gas pipeline connecting 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, InterTransGas GmbH registered office was moved from Potsdam to Lipsk.

Norway

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

All 10,000 shares with a face value of NOK 1,000 each were assumed by the sole shareholder - PGNiG S.A. On 18 October 2007, the share capital of PGNiG Norway AS was increased by NOK 487,327 thousand. At the end of 2007, PGNiG S.A. exposure in the company amounted to NOK 497,327 thousand, i.e. PLN 223,648 thousand (based on NBP exchange rate of 31 December 2007).

PGNiG Norway allows the PGNiG S.A. achieving the following goals:

- gas supply diversification,
- increased safety of gas supply,
- international expansion in oil and gas exploration and production,
- development of international trading.

PGNiG Norway AS was incorporated in particular to execute an agreement signed on 28 February 2007 between PGNiG S.A., Mobil Development Norway A/S and ExxonMobil Production Norway Inc. for the purchase of 15% shares in three concessions for Skarv and Snadd deposits in Norwegian Continental Shelf (license PL 212, PL 212B, PL 262). According to the joint venture agreement, PGNiG Norway AS holds the right to 11.9175% (after Skarv and Snadd deposits unitizing with Idun deposit on 14 September 2007) of production from Skarv/Snadd/Idun.

The sole shareholder of PGNiG Norway AS is Polskie Górnictwo Naftowe i Gazownictwo S.A. in Warsaw. The scope of PGNiG Norway AS business includes in particular oil and natural gas production and other similar and related operations. In addition, PGNiG Norway AS can take part in infrastructural projects, e.g. pipeline construction and operation.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

On 16 October 2007, a loan agreement was signed between PGNiG S.A. (the Lender) and PGNiG Norway AS (Borrower). According to the Agreement, the Lender grants to the Borrower the loan in the amount of NOK 3,800,000 thousand, i.e. PLN 1,846,420 thousand (based on NBP exchange rate of 16 October 2007). The loan was granted for the period ending 20 December 2022. The loan funds were used to finance the purchase of shares in licenses PL212, PL212B and PL262 on NCS and their development. As of 31 December 2007, the Company recognized in the balance sheet the value of disbursed loan in the amount of NOK 1,800,000 thousand, i.e. PLN 809,460 thousand (based on NBP exchange rate of 31 December 2007) and accrued interest in the amount of NOK 29,082 thousand, i.e. PLN 13,078.18 thousand (based on NBP exchange rate of 31 December 2007). As of 31 December 2007, total receivables of PGNiG S.A. due to originated loan amounted to PLN 1,829,082 thousand, i.e. PLN 822,538.18 thousand (based on NBP exchange rate of 31 December 2007).

As of 31 December 2007, total exposure of PGNiG S.A. in PGNiG Norway AS amounted to NOK 2,326,409 thousand (capital share in the amount of NOK 497,327 thousand and the loan plus interest in the amount of NOK 1,829,082 thousand), i.e. PLN 1,046,186.13 thousand (PLN 223,647.95 and 822,538.18, respectively).

On 19 October 2007, PGNiG S.A. and PGNiG Norway AS signed an agreement assigning all rights and obligations resulting from the agreement on the purchase of 15% shares in licenses PL 212, PL 212B, PL 262 on NCS, signed on 28 February 2007 between PGNiG S.A. (the Buyer), Mobil Development Norway A/S and ExxonMobil Production Norway Inc. (the Seller). The agreement came in force on 30 October 2007, i.e. on the closing day of transaction involving purchase of shares in licenses PL212, PL212B and PL262 on NCS.

On 19 October 2007, a guarantee agreement was signed between PGNiG S.A. and PGNiG Norway AS. According to the Agreement, PGNiG S.A. issued PGNiG Norway a guarantee for EUR 627,555.65 thousand, i.e. PLN 2,308,903 thousand (based on NBP exchange rate of 19 October 2007). The guarantee expires on 1 January 2050.

The agreement has been signed to secure potential liabilities of PGNiG Norway AS resulting from concessions or laws towards Norway and specific Norwegian entities. The guarantee is required by § 10-7 of the Norwegian Law on oil related operations of 1996. Such guarantee is a standard document required with respect to mining operations in Norway. The guarantee has been secured by a bill of exchange with recourse issued by PGNiG Norway AS. PGNiG S.A. will receive remuneration from PGNiG Norway AS for guarantee issue in the form of mutual performance involving the right of preemption to a portion of oil and gas produced.

As of 31 December 2007, the guarantee value amounted to PLN 2,247,901.33 thousand (translated based on NBP exchange rate of 31 December 2007) and was recognized in contingent liabilities presented in note 44a.

On 30 October 2007, PGNiG Norway AS purchased from Mobil Development Norway AS and ExxonMobil Production Norway Inc. (ExxonMobil) share in licenses PL 212, PL212B and PL 262 on NCS, with the rights and obligations resulting from agreements regarding deposits. The License was acquired under the agreement of 28 February 2007 between PGNiG S.A. and ExxonMobil, and taken over by PGNiG Norway AS pursuant to the agreement of 19 October 2007. PGNiG Norway AS paid the License fee in the amount of USD 360 million, i.e. PLN 908.6 million (based on NBP exchange rate of 30 October 2007). In addition, due to settlements and expenses incurred by ExxonMobil from 1 January 2007 to 30 October 2007 under the Licenses, PGNiG Norway AS paid approx. USD 3.5 million, i.e. PLN 8.8 million (based on NBP exchange rate of 30 October 2007) and NOK 170 million, i.e. PLN 79.9 million (based on NBP exchange rate of 30 October 2007). License fee was financed by PGNiG Norway AS by the loan from the PGNiG S.A. and capital contributions made by the PGNiG S.A., which were financed from the Company's own funds.

Shares in exploration concessions

Norwegian Continental Shelf project

Commitment to works performed in Norwegian Continental Shelf (NCS) is an element of PGNiG S.A. strategy aimed at increasing the Company's oil and gas resources outside Poland. The acquisition of shares in three exploration-production concessions in Norway is a long-term investment aimed at diversifying gas supply sources, thus strongly securing gas supply to Poland.

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
 prepared in accordance with the International Financial Reporting Standards
 (in PLN'000)

As a result of PGNiG Norway AS' acquiring, on 30 October 2007, shares in concession deposits in NCS, i.e. Skarv, Snadd and Idun deposits (licenses PL 212, PL 212B, PL 262) in accordance with joint-venture agreement, as of 31 December 2007 the PGNiG S.A. acquired the right to 11.9175% or output from Skarv/Snadd/Idun deposit (after unitizing of Skarv and Snadd deposits with Idun deposit).

According to the information confirmed by Norwegian Petroleum Directorate (NPD), total volume of all deposits, in which PGNiG S.A. is going to acquire shares from ExxonMobil, is estimated as follows:

- 37.9 billion m3 of natural gas
- 16.8 million m3 of crude oil and condensate (approx. 15 million tons)
- 5.3 million tons of NGL (Natural Gas Liquids)

Oil fields are located in the Norwegian Sea, approx. 200 km west of Sandnessjoen, at the depth of 350 to 450 m. At present, the output project is in the deposit development phase. Deposit development involves construction of an off shore mining, storing and loading platform on Skarv field, containing oil and gas/condensate. For Snadd and Idun fields, undersea connection will be built. Gas will be transported through Gassled network, while oil – by tankers. It is one of the largest projects currently implemented in Norway.

British Petroleum is the direct operator of the aforementioned deposits; the other partners include Shell, Statoil, Norsk Hydro and E.ON AG (as a result of acquisition of 28% shares in Skarv-Idun from Shell in February 2007).

Gas and oil output 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, including approx. USD 600 million of PGNiG S.A. expenditure.

Other foreign exploration

PGNiG S.A. conducts exploration in Pakistan, based on the Agreement between PGNiG S.A. and the Government of Pakistan of 18 May 2005 as regards exploration of hydrocarbons in Kirthar concession area; obligatory works defined in concession agreement and results of geological analysis of this block performed based on the existing geological and geophysical data.

Exploration works within Kirthar block are conducted together with Pakistan Petroleum Ltd. (PPL), in accordance with the expenditure split: PGNiG S.A. 70% and PPL – 30%.

In 2007, seismic testing stage was completed, followed by field data processing. At present, structural seismic maps are being developed. Based on the geological and geophysical analysis as well as economic analysis of the planned venture, the decision was made to drill an exploratory bore-hole in the southern part of Kirthar concession area.

On 18th June 2007, a Memorandum of Understanding on the assignment to PGNiG S.A. of 40% of shares in concession 1/05 covering the mainland of Denmark was signed with Willumsen Exploration Consultants Aps (WeXco), a Denmark-based company. Assignment agreement was concluded on 6th Dec 2007. Current concession holders are PGNiG S.A., WeXco- Willumsen Exploration Consultants Aps and Odin Energi AIS, a Norwegian state enterprise, and they are holding interests of 40%, 40% and 20%, respectively. At the beginning of 2008 review of historical seismic records aiming at preparation of 3-D seismic work project started. Seismic works are scheduled for completion in 2009.

In 2007, PGNiG S.A. conducted work aimed at obtaining concession in such countries, as Libia, India and Egypt.

57. OTHER MATERIAL INFORMATION - LONG-TERM CONTRACTS FOR GAS FUEL SUPPLY

In 2007, PGNiG S.A. entered into 9 contracts for supply of large volumes of gas fuel to industrial customers and distributing companies. Moreover, PGNiG S.A. concluded two contracts for sale of natural gas for the Company's own needs from OGP GAZ-SYSTEM S.A.

The Company concluded also two contracts for sale of gas fuel directly from the fields, incl.:

- One 10-years contract for sale of nitrogen-bearing natural gas; gas supplies shall start in 2nd Quarter 2008
- One contract valid by end 2008.

58. OTHER MATERIAL INFORMATION – GAS FUEL PURCHASE CONTRACTS

In 2007, PGNiG S.A. imported gas mainly under the following agreements and contracts:

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

- purchase/sales gas delivery contract of 25 September 1996 with OOO Gazprom export, 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;
- 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 (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).

In addition, in 2007 the Company undertook measures aimed at securing new gas fuel supply sources:

- On 27 March 2007, PGNiG S.A. signed a framework agreement with TOTAL E&P NORGE AS. PGNiG S.A. (General Terms of Gas Sales), according to which the Company can buy gas fuels and sell its surplus. General Terms agreement is a framework agreement, based on which individual gas supply transactions are conducted. The define general terms of gas fuel supply cooperation, while details regarding quantities and prices will be agreed on case-by-case basis in Transaction Terms. General Terms contain provisions allowing PGNiG S.A. access to Norwegian gas delivery points in Europe. It will allow PGNiG S.A. to purchase gas fuel in periods of increased demand and sell any surplus. The General Terms were concluded for an indefinite period.
- In 2007, PGNiG S.A. undertook measures to implement gas fuel delivery from Norwegian Continental Shelf. Details on the concept have been presented in note 56. At present the NCS project is in the phase of deposit development, while the production is planned to commence in the second half of 2011.
- On 20 June 2007, PGNiG S.A. assumed, free of charge, 15% of shares in Skanled Consortium, which is building gas pipeline from Karsto in Norway to Sweden and Denmark. The project has entered phase three: planning and financial models. The investment decision and phase 4 is planned in October 2009. Skanled gas pipeline is planned for commissioning in 2012/2013. PGNiG wants to transport at least 3 million m3 of gas fuel per year.

59. CAPITAL MANAGEMENT

Primary objective of the Group's capital management is assurance of ability to operate as a going concern with consideration of completing scheduled capital projects and increasing the Group goodwill to the favor of shareholders.

The Group monitors capital conditions using the leverage factor, which is counted as a ratio of net debt to a sum of total capital and net debt. The Group principle is to keep this factor at the value of no more than 35%. The Group includes in net debt all credits and loans, finance lease liabilities and trade and other liabilities minus cash and cash equivalents. Total capital comprises equity capital assigned to the shareholders of the Dominating Entity.

	31 December 2007	31 December 2006
credits, loans and finance lease liabilities	4 396	2 307 991
trade and other liabilities	3 381 777	1 701 175
cash and cash equivalents (-)	(1 055 001)	(2 969 685)
net debt	2 331 172	1 039 481
equity capital (assigned to the shareholders of the Dominating Entity)	17 795 968	16 622 690

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

capital and net debt	20 127 140	17 662 171
leverage factor	11,58%	5,89%

60. POST-BALANCE SHEET EVENTS

- a. On 3 January 2008, PGNiG Norway AS with the registered office in Stavanger registered the increase in its share capital. The share capital was increased from NOK 10,000 thousand to NOK 497,327 thousand, i.e. by NOK 487,327 (the equivalent of PLN 221,783 thousand, based on exchange rate table 2/A/NBP/2008 of 3 January 2008). Shares in the increase share capital were contributed in cash by PGNiG S.A., the sole shareholder. Upon registration of the increased share capital, the total number of votes is 497,327. PGNiG S.A. holds 100% interest in PGNiG Norway AS, representing 100% of votes at the shareholders meeting.
- b. On 3 January 2008, the Management Board of PGNiG S.A. granted powers of attorney to Mr. Jan Czerepok, Mr. Marek Dobryniewski and Mr. Waldemar Wójcik. These powers of attorney are joint powers of attorney, 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.
- c. On 7 January 2008, District Court in Szczecin, XVII Business Division of the National Court Registered recorded the increase in share capital of Polskie LNG Sp. z o. o. („PLNG”) with the registered office in Świnoujście. The share capital was increased by PLN 39,000 thousand to PLN 50,000 thousand, i.e. by PLN 11,000. Shares in the increase share capital were contributed in cash by PGNiG S.A., the sole shareholder. Upon registration of the increased share capital, the total number of votes is 50,000. PGNiG S.A. holds 100% interest in PLNG, representing 100% of votes at the shareholders meeting.
- d. On 31 January 2008, Extraordinary Shareholders Meeting of PGNiG S.A. passed resolutions regarding the allocation of the reserve “Central Restructuring Fund for 2005-2007” for one-off payment (termination benefit) to former employees of ZUN Naftomet Sp. z o.o. in Krosno; approval of PGNiG S.A.'s purchasing of plot of 1 159 m² located in Warsaw, ul. Kasprzaka 25A and approval for assumption of new shares by Geofizyka Kraków Sp. z o.o.
- e. On 24 January 2008, District Court for the City of Warsaw, XII Business Division of the National Court Registered issued a decision regarding the increase in the share capital of Mazowiecki Operator Systemu Dystrybucyjnego Sp. z o.o. (MOSD). The share capital was increased from PLN 930,819 thousand to PLN 1,217,350 thousand, i.e. by PLN 286,531 thousand by issue of 286,531 new, equal and indivisible shares of face value PLN 1,000 each. The new shares were assumed by PGNiG S.A. and covered by non-cash contribution in the form of property, plant and equipment being element of transmission or distribution network. Book value of contributed property, plant and equipment recorded in PGNiG S.A. accounting records amounts to PLN 286,531 thousand. Upon registration of the increased share capital of MOSD, the total number of votes is 1,217,350. PGNiG S.A. holds 100% interest in MOSD, representing 100% of votes at the shareholders meeting. MOSD scope of operations includes, in particular, gas fuel transport through distribution networks.
- f. As of 7 February 2008, Mr. Mirosław Szkałuba resigned as the Member of the Supervisory Board of PGNiG S.A. The reason for the resignation is that Mr. Mirosław Szkałuba is a candidate for Member of the Management Board of PGNiG S.A. elected by the Company employees.
- g. On 29 February 2008, the District Court in Gdańsk-Północ, VII Business Division of the National Court Register issued a decision on the increase of the share capital of Pomorski Operator Systemu Dystrybucyjnego Sp. z o.o. (POSD). The share capital was increased from PLN 502,750 thousand to PLN 596,141 thousand, i.e. by PLN 93,391 thousand by issue of 93,391 new, equal and indivisible shares of face value PLN 1,000 each. The new shares were assumed by the sole shareholder, PGNiG S.A. and covered by non-cash contribution in the form of property, plant and equipment being element of transmission or distribution network. Book value of contributed property, plant and equipment recorded in PGNiG S.A. accounting records amounts to PLN 93,391.88 thousand.
Upon registration of the increased share capital of POSD, the total number of votes is 596,141. PGNiG S.A. holds 100% interest in POSD, representing 100% of votes at the shareholders

Separate Financial statements for 12-month periods ended 31 December 2007 and 31 December 2006
prepared in accordance with the International Financial Reporting Standards
(in PLN'000)

meeting. POSD scope of operations includes, in particular, gas fuel transport through distribution networks.

- h. 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 Rychlickiego;
- Mr. Grzegorz Banaszka.

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

- Mr. Krzysztof Głogowskiego,
- Mr. Zenon Kuchciaka;
- Mr. Stanisław Niedbalca;
- Mr. Tadeusz Zwierzyńskiego.

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

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