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C. ADDITIONAL EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

1. INFORMATION ON FINANCIAL

CLASSIFICATION OF ASSETS BY GROUPS OF FINANCIAL INSTRUMENTS

Type of financial instrument	31 December 2006	31 December 2005
1. Assets held for trading	5 723	120 273
a) Derivatives	5 723	120 273
2. Loans granted and own receivables	232 422	22 800
a) Loans granted	232 422	22 800
3. Assets held to maturity	2 953 735	2 652 843
a) Short-term securities	503 622	1 951 245
b) Short-term currency deposits PLN	670 956	662 914
c) Short-term currency deposits (foreign currencies)	1 779 157	38 684
4. Assets available for sale	1 645	1 646
a) Shares in other entities	1 645	1 646
5. Hedging instruments with positive fair value	-	-
Total	3 193 525	2 797 562

VALUATION OF ASSETS CLASSIFIED AS FINANCIAL INSTRUMENTS

Type of financial instrument	valuation method as of 31 December 2006	value at acquisition price	value from balance sheet valuation	revaluation write-down as of 31 December 2006	change in write-downs in 2006*	difference between fair value and value at acquisition price charged to revaluation capital	amount charged in the current year to revaluation capital
1. Assets held for trading		-	5 723	-	-	-	-
a) Derivatives	fair value	-	5 723	-	-	-	-
2. Loans granted and own receivables		470 633	232 422	238 212	(61 656)	-	-
a) Loans granted	fair value	470 633	232 422	238 212	(61 656)	-	-
3. Assets held to maturity		2 952 388	2 953 735	-	-	-	-
a) Short-term securities	fair value	502 777	503 622	-	-	-	-
b) Short-term currency deposits PLN**	fair value	670 802	670 956	-	-	-	-
c) Short-term currency deposits (foreign currencies)	fair value	1 778 809	1 779 157	-	-	-	-
4. Assets available for sale		26 805	1 645	25 160	(4 541)	-	-
a) Shares in other entities	fair value	26 805	1 645	25 160	(4 541)	-	-
5. Hedging instruments with positive fair value		-	-	-	-	-	-
Total		3 449 826	3 193 525	263 372	(66 197)	-	-

* Increases (-); decreases (+).

** The carrying value includes accrued interest in the amount of 1,347 thousand

Type of financial instrument	valuation method as of 31 December 2005	value at acquisition price	value from balance sheet valuation	revaluation write-down as of 31 December 2005	change in write-downs in 2005*	difference between fair value and value at acquisition price charged to revaluation capital	amount charged in the current year to revaluation capital
1. Assets held for trading		-	120 273	-	-	-	-
a) Derivatives	fair value	-	120 273	-	-	-	-
2. Loans granted and own receivables		322 668	22 800	299 868	(14 121)	-	-
a) Loans granted	fair value	322 668	22 800	299 868	(14 121)	-	-
3. Assets held to maturity		2 651 880	2 652 843	-	-	-	-
a) Short-term securities	fair value	1 950 419	1 951 245	-	-	-	-
b) Short-term currency deposits PLN**	fair value	662 781	662 914	-	-	-	-
c) Short-term currency deposits (foreign currencies)	fair value	38 680	38 684	-	-	-	-
4. Assets available for sale		25 036	1 646	23 390	(501)	-	-
a) Shares in other entities	fair value	25 036	1 646	23 390	(501)	-	-
5. Hedging instruments with positive fair value		-	-	-	-	-	-
Total		2 999 584	2 797 562	323 258	(14 622)	-	-

* Increases (-); decreases (+).

**The carrying value includes accrued interest in the amount of 963.5 thousand

According to the Company the carrying value (after adjustment for revaluation write-downs) of loans granted reflects their fair value.

INTEREST ACCRUED ON LOANS GRANTED AND OWN RECEIVABLES

	31 December 2006	31 December 2005
Accrued and realized interest:	38 258	198 862
Interest on receivables	18 329	34 140
Interest on loans granted	19 929	164 722
Accrued but unrealized interest:	7 315	49 182
Interest on receivables	5 321	41 655
Interest on loans granted	1 994	7 527
Total	45 573	248 044

All unrealized interest has a maturity of less than 3 months.

CREATED REVALUATION WRITE-DOWNS ON ACCRUED BUT UNREALIZED INTEREST

	31 December 2006	31 December 2005
Revaluation write-down on receivables	5 037	39 831
Revaluation write-down on loans granted	1 994	7 527
Total	7 031	47 358

FINANCIAL LIABILITIES BY TITLE

Type of liability	31 December 2006	including the amount from valuation charged to revaluation capital	including the amount from valuation charged to financial result*
	amount		
1. Financial liabilities held for trading	55 067	-	(55 067)
a) Derivatives	55 067	-	(55 067)
2. Other financial liabilities	2 303 637	-	12 258
a) Credits and loans	2 303 637	-	12 258
b) Liabilities due to finance lease	-	-	-
3. Hedging instruments with negative fair value	-	-	-
Total	2 358 704	-	(42 809)

* Increases (-) charged to expenses, decreases (+) charged to revenues.

Type of liability	31 December 2005	including the amount from valuation charged to revaluation capital	including the amount from valuation charged to financial result*
	amount		
1. Financial liabilities held for trading	173 177	-	10 806
a) Derivatives	173 177	-	10 806
2. Other financial liabilities	2 326 400	-	(26 356)
a) Credits and loans	2 326 215	-	(26 356)
b) Liabilities due to finance lease	185	-	-
3. Hedging instruments with negative fair value	-	-	-
Total	2 499 577	-	(15 550)

*Increases (-) charged to expenses, decreases (+) charged to revenues.

EXPENSES DUE TO INTEREST ON FINANCIAL LIABILITIES

	31 December 2006	31 December 2005
Accrued and realized interest	69 986	315 570
Interest on bank credits	69 745	92 967
Interest on received loans	-	219 290
Interest on leasing	241	3 313
Accrued but unrealized interest	4 917	10 448
Interest on bank credits	4 917	8 356
Interest on received loans	-	2 092
Interest on leasing	-	-
Total	74 903	326 018

All unrealized interest has a maturity of less than 3 months.

DERIVATIVE FINANCIAL INSTRUMENTS

Objective and principles of financial risk management

Due to the type of business activity conducted by it, the Company is exposed to financial risks, including in particular:

- currency risk;
- interest rate risk;
- commodity risk;
- credit risk.

The Company manages exposure to various types of risk by aiming at their reduction to acceptable levels. To this end, the Company enters into hedging transactions involving derivatives.

Currency risk

The long-term portion of the Company's financial liabilities is denominated in EUR, whereas trade liabilities due to long-term contracts for the purchase of gas are denominated in USD and EUR.

The key objective of the Company's activities connected with hedging currency risk is to protect it against exchange rate fluctuations, inherent to payments of the loan principal and interest on credits as well as to payments for gas deliveries in foreign currencies. The Company primarily uses forwards, options and cross currency swaps with maturity of up to 5 years to hedge its liabilities.

Commodity risk

The price risk connected with contracts for gas deliveries is substantial. Fluctuations in the price of crude oil derivative products on fuel markets are the main risk factor. In certain contracts the formula for calculating the purchase price of gas 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 costs of purchasing gas increase by more than 5% during one quarter.

Credit risk

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

Derivative financial instruments

In accordance with International Financial Reporting Standards and with regulations in force since 2002, i.e. the Accounting Act and the Minister of Finance's Ordinance on financial instruments, the Company discloses all derivatives at fair value in its financial statements.

In 2006 the Company did not apply hedge accounting and therefore changes in the fair value of hedged financial instruments and hedging instruments were presented in the profit and loss account for the reporting period.

Fair value and cash flow hedges

The Company applies fair value and cash flows hedges to a portion of its credit and trade liabilities that are denominated in USD and EUR. Therefore, the Company concludes derivative transactions with renowned financial institutions: forward transactions related to the purchase of foreign currencies or rights to such purchases (options).

The below note presents the valuation of derivative financial instruments.

VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS

Hedged instrument	Value of the hedged instrument	Currency of the hedged instrument	Hedge type	Hedge start date	Hedge repurchase date	Instrument realization price or price range	Hedge currency	Risk hedged	Fair value valuation of the hedging instrument (positive)	Fair value valuation of the hedging instrument (negative)	Fair value valuation of the hedging instrument (positive)	Fair value valuation of the hedging instrument (negative)
									Balance as of 31.12.2006		Balance as of 31.12.2005	
CSFB credit 19/06/01-06/09/06 (USD)	100 000	USD	Currency Swap	20-06-2001	22-06-2006	4,0150	USD	FX risk	-	-	-	13 091
CSFB credit 19/06/01-06/09/06 (USD)	100 000	USD	Currency Swap	04-09-2001	06-09-2006	4,2820	USD	FX risk	-	-	-	26 599
Hedged instrument was redeemed	120000/800000	EUR	Currency Swap	23-10-2001	30-10-2006	3,8750	EUR	FX and interest rate risk	-	-	107 893	-
BH credit 27/07/05-27/07/10 (EUR) tranche A in EUR	25 000	EUR	CurrencySwap	13-12-2002	26-10-2006	3,9750	EUR	FX risk	-	-	-	2 362
BH credit 27/07/05-27/07/10 (EUR) tranche A in EUR *	25 000	EUR	Currency Swap	19-12-2002	26-10-2006	3,9970	EUR	FX risk	-	-	-	2 956
BH credit 27/07/05-27/07/10 (EUR) tranche A in EUR *	25 000	EUR	Currency Swap	09-04-2003	26-10-2006	4,2890	EUR	FX risk	-	-	-	10 378
BH credit 27/07/05-27/07/10 (EUR) tranche A in EUR *	25 000	EUR	Currency Swap	11-04-2003	26-10-2006	4,2525	EUR	FX risk	-	-	-	9 456
BH credit 27/07/05-27/07/10 (EUR) tranche A in EUR *	25 000	EUR	Currency Swap	14-07-2004	26-10-2006	4,4750	EUR	FX risk	-	-	-	15 248
BH credit 27/07/05-27/07/10 (EUR) tranche A in EUR *	25 000	EUR	Currency Swap	14-07-2004	26-10-2006	4,4450	EUR	FX risk	-	-	-	14 503
BH credit 27/07/05-27/07/10 (EUR) tranche A in EUR *	25 000	EUR	Currency Swap	07-09-2004	26-10-2006	4,3870	EUR	FX risk	-	-	-	13 083
BH credit 27/07/05-27/07/10 (EUR) tranche A in EUR *	25 000	EUR	Currency Swap	16-09-2004	26-10-2006	4,3475	EUR	FX risk	-	-	-	12 100
BH credit 27/07/05-27/07/10 (EUR) tranche A in EUR *	25 000	EUR	Currency Swap	13-10-2004	26-10-2006	4,3000	EUR	FX risk	-	-	-	11 184
BH credit 27/07/05-27/07/10 (EUR) tranche A in EUR *	25 000	EUR	Currency Swap	18-11-2004	26-10-2006	4,2499	EUR	FX risk	-	-	-	10 012
BH credit 27/07/05-27/07/10 (EUR) tranche A in EUR *	25 000	EUR	Currency Swap	20-12-2004	26-10-2006	4,1175	EUR	FX risk	-	-	-	6 868
liabilities for gas	10 000	USD	Collar	24-08-2005	10-01-2006	3,4600-3,2015	USD	FX risk	-	-	-	25
liabilities for gas	10 000	USD	Collar	24-08-2005	20-01-2006	3,4600-3,1900	USD	FX risk	-	-	13	90
liabilities for gas	10 000	USD	Collar	24-08-2005	10-01-2006	3,4600-3,1870	USD	FX risk	-	-	-	13
liabilities for gas	10 000	USD	Collar	07-09-2005	10-02-2006	3,3000-3,0490	USD	FX risk	-	-	356	25
liabilities for gas	10 000	USD	Collar	09-09-2005	21-02-2006	3,3500-3,0610	USD	FX risk	-	-	260	46
liabilities for gas	10 000	USD	Collar	14-09-2005	10-02-2006	3,3500-3,0910	USD	FX risk	-	-	221	53
liabilities for gas	10 000	USD	Collar	16-09-2005	21-02-2006	3,3300-3,0709	USD	FX risk	-	-	309	53
liabilities for gas	10 000	USD	Collar	29-09-2005	10-03-2006	3,4000-3,1365	USD	FX risk	-	-	238	200
liabilities for gas	10 000	USD	Collar	30-09-2005	10-03-2006	3,4300-3,1330	USD	FX risk	-	-	191	192
liabilities for gas	10 000	USD	Collar	13-10-2005	10-01-2006	3,3200-3,2095	USD	FX risk	-	-	42	35
liabilities for gas	10 000	USD	Collar	02-11-2005	10-04-2006	3,4000-3,2340	USD	FX risk	-	-	337	647
liabilities for gas	10 000	USD	Collar	02-11-2005	10-03-2006	3,4000-3,2370	USD	FX risk	-	-	238	533
liabilities for gas	10 000	USD	Collar	03-11-2005	20-03-2006	3,3800-3,2345	USD	FX risk	-	-	305	558
liabilities for gas	10 000	USD	Collar	10-11-2005	20-01-2006	3,5500-3,3360	USD	FX risk	-	-	1	858
liabilities for gas	10 000	USD	Collar	10-11-2005	20-01-2006	3,5500-3,3285	USD	FX risk	-	-	1	797
liabilities for gas	10 000	USD	Collar	10-11-2005	10-01-2006	3,5500-3,3530	USD	FX risk	-	-	-	930
liabilities for gas	10 000	USD	Collar	10-11-2005	10-01-2006	3,5500-3,3370	USD	FX risk	-	-	-	781
liabilities for gas	10 000	USD	Collar	10-11-2005	10-01-2006	3,5500-3,3275	USD	FX risk	-	-	-	695

VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS (CONT.)

Hedged instrument	Value of the hedged instrument	Currency of the hedged instrument	Hedge type	Hedge start date	Hedge repurchase date	Instrument realization price or price range	Hedge currency	Risk hedged	Fair value valuation of the hedging instrument (positive)	Fair value valuation of the hedging instrument (negative)	Fair value valuation of the hedging instrument (positive)	Fair value valuation of the hedging instrument (negative)
									Balance as of 31.12.2005	Balance as of 31.12.2005	Balance as of 31.12.2005	Balance as of 31.12.2005
liabilities for gas	10 000	USD	Collar	14-11-2005	20-04-2006	3,5500-3,3365	USD	FX risk	-	-	159	1 291
liabilities for gas	10 000	USD	Collar	14-11-2005	10-04-2006	3,5500-3,3333	USD	FX risk	-	-	133	1 223
liabilities for gas	10 000	USD	Collar	15-11-2005	20-04-2006	3,5300-3,3460	USD	FX risk	-	-	179	1 357
liabilities for gas	10 000	USD	Collar	15-11-2005	10-02-2006	3,5300-3,3326	USD	FX risk	-	-	33	969
liabilities for gas	10 000	USD	Collar	16-11-2005	21-02-2006	3,6000-3,2595	USD	FX risk	-	-	23	553
liabilities for gas	10 000	USD	Collar	16-11-2005	20-03-2006	3,6000-3,2630	USD	FX risk	-	-	59	701
liabilities for gas	10 000	USD	Collar	18-11-2005	10-02-2006	3,5500-3,3075	USD	FX risk	-	-	26	790
liabilities for gas	10 000	USD	Collar	18-11-2005	10-02-2006	3,5500-3,3080	USD	FX risk	-	-	26	793
liabilities for gas	10 000	USD	Collar	18-11-2005	20-03-2006	3,5500-3,3075	USD	FX risk	-	-	89	964
liabilities for gas	10 000	USD	Collar	23-11-2005	20-04-2006	3,4800-3,2595	USD	FX risk	-	-	239	823
liabilities for gas	10 000	USD	Collar	23-11-2005	10-04-2006	3,4800-3,2570	USD	FX risk	-	-	208	761
liabilities for gas	10 000	USD	Collar	23-11-2005	10-03-2006	3,4800-3,2565	USD	FX risk	-	-	131	629
liabilities for gas	10 000	USD	Collar	23-11-2005	21-02-2006	3,5000-3,2430	USD	FX risk	-	-	68	471
liabilities for gas	10 000	USD	Collar	23-11-2005	10-05-2006	3,5000-3,2220	USD	FX risk	-	-	260	711
liabilities for gas	10 000	USD	Collar	24-11-2005	10-05-2006	3,4800-3,2328	USD	FX risk	-	-	288	762
liabilities for gas	10 000	USD	Collar	24-11-2005	10-02-2006	3,4800-3,2300	USD	FX risk	-	-	60	361
liabilities for gas	10 000	USD	Collar	29-11-2005	20-03-2006	3,4300-3,2050	USD	FX risk	-	-	216	433
liabilities for gas	10 000	USD	Collar	05-12-2005	19-05-2006	3,4500-3,2000	USD	FX risk	-	-	358	645
liabilities for gas	10 000	USD	Collar	05-12-2005	21-02-2006	3,4500-3,2010	USD	FX risk	-	-	111	301
liabilities for gas	10 000	USD	Collar	12-12-2005	20-03-2006	3,3500-3,1800	USD	FX risk	-	-	375	345
liabilities for gas	10 000	USD	Collar	12-12-2005	19-05-2006	3,3500-3,1750	USD	FX risk	-	-	590	547
liabilities for gas	10 000	USD	Collar	12-12-2005	10-04-2006	3,3500-3,1730	USD	FX risk	-	-	456	403
liabilities for gas	10 000	USD	Collar	20-12-2005	10-05-2006	3,3000-3,1500	USD	FX risk	-	-	730	434
liabilities for gas	10 000	USD	Collar	28-12-2005	20-01-2006	3,2500-3,2070	USD	FX risk	-	-	394	127
liabilities for gas	5 000	EUR	Collar	14-09-2005	20-01-2006	4,0300-3,9075	EUR	FX risk	-	-	7	288
liabilities for gas	10 000	EUR	Collar	15-09-2005	20-02-2006	4,0200-3,8760	EUR	FX risk	-	-	114	504
liabilities for gas	5 000	EUR	Collar	24-11-2005	20-04-2006	4,0300-3,9165	EUR	FX risk	-	-	145	457
liabilities for gas	5 000	EUR	Collar	29-11-2005	20-04-2006	4,0000-3,8830	EUR	FX risk	-	-	173	359
liabilities for gas	5 000	EUR	Collar	05-12-2005	19-05-2006	3,9900-3,8350	EUR	FX risk	-	-	231	278
liabilities for gas	10 000	USD	FX forward	05-09-2005	20-01-2006	3,1505	USD	FX risk	-	-	1 107	-
liabilities for gas	10 000	USD	FX forward	13-09-2005	20-01-2006	3,2013	USD	FX risk	-	-	600	-
liabilities for gas	10 000	USD	FX forward	14-09-2005	21-02-2006	3,1920	USD	FX risk	-	-	688	-
liabilities for gas	10 000	USD	FX forward	11-10-2005	20-01-2006	3,2173	USD	FX risk	-	-	440	-
liabilities for gas	10 000	USD	FX forward	06-12-2005	10-03-2006	3,2551	USD	FX risk	-	-	60	-
liabilities for gas	10 000	USD	FX forward	14-12-2005	10-03-2006	3,1828	USD	FX risk	-	-	776	-
liabilities for gas	10 000	USD	FX forward	28-12-2005	10-02-2006	3,2296	USD	FX risk	-	-	316	-
liabilities for gas	5 000	EUR	FX forward	20-09-2005	20-01-2006	3,9084	EUR	FX risk	-	-	-	219
liabilities for gas	5 000	EUR	FX forward	11-10-2005	20-03-2006	3,8972	EUR	FX risk	-	-	-	101
liabilities for gas	5 000	EUR	FX forward	29-11-2005	20-03-2006	3,9185	EUR	FX risk	-	-	-	206
liabilities for gas	10 000	USD	collar	24-07-2006	10-01-2007	3,2900-2,9980	USD	FX risk	-	890	-	-
liabilities for gas	10 000	USD	collar	24-07-2006	10-01-2007	3,2600-2,9965	USD	FX risk	-	876	-	-
liabilities for gas	5 000	EUR	collar	24-07-2006	19-01-2007	4,0600-3,8985	EUR	FX risk	-	362	-	-
liabilities for gas	10 000	USD	collar	07-08-2006	10-01-2007	3,1200-2,9080	USD	FX risk	-	145	-	-
liabilities for gas	5 000	EUR	collar	07-08-2006	19-01-2007	4,0200-3,8000	EUR	FX risk	-	48	-	-
liabilities for gas	10 000	USD	collar	17-08-2006	18-01-2007	3,1100-2,9070	USD	FX risk	-	208	-	-

VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS (CONT.)

Hedged instrument	Value of the hedged instrument	Currency of the hedged instrument	Hedge type	Hedge start date	Hedge repurchase date	Instrument realization price or price range	Hedge currency	Risk hedged	Fair value valuation of the hedging instrument (positive)	Fair value valuation of the hedging instrument (negative)	Fair value valuation of the hedging instrument (positive)	Fair value valuation of the hedging instrument (negative)
									Balance as of 31.12.2006		Balance as of 31.12.2005	
liabilities for gas	10 000	USD	collar	21-08-2006	18-01-2007	3,1200-2,9250	USD	FX risk	-	313	-	-
liabilities for gas	10 000	USD	collar	08-09-2006	21-02-2007	3,2850-2,9985	USD	FX risk	-	1 050	-	-
liabilities for gas	10 000	USD	collar	08-09-2006	20-03-2007	3,2900-2,9980	USD	FX risk	-	1 134	-	-
liabilities for gas	10 000	USD	collar	08-09-2006	09-02-2007	3,2950-3,0185	USD	FX risk	-	1 193	-	-
liabilities for gas	10 000	USD	collar	11-09-2006	09-02-2007	3,2850-3,0200	USD	FX risk	-	1 206	-	-
liabilities for gas	10 000	USD	collar	11-09-2006	09-03-2007	3,2800-3,0060	USD	FX risk	-	1 171	-	-
liabilities for gas	10 000	USD	collar	13-09-2006	09-03-2007	3,2800-2,9900	USD	FX risk	-	1 040	-	-
liabilities for gas	10 000	USD	collar	15-09-2006	20-02-2007	3,2500-2,9970	USD	FX risk	-	1 033	-	-
liabilities for gas	10 000	USD	collar	15-09-2006	09-03-2007	3,2500-2,9970	USD	FX risk	-	1 094	-	-
liabilities for gas	10 000	USD	collar	18-09-2006	09-02-2007	3,2300-2,9940	USD	FX risk	-	978	-	-
liabilities for gas	10 000	USD	collar	19-09-2006	18-01-2007	3,2600-3,0000	USD	FX risk	-	938	-	-
liabilities for gas	10 000	USD	collar	20-09-2006	20-03-2007	3,2500-2,9980	USD	FX risk	-	1 130	-	-
liabilities for gas	5 000	EUR	collar	02-10-2006	20-02-2007	4,1100-3,8935	EUR	FX risk	-	391	-	-
liabilities for gas	5 000	EUR	collar	03-10-2006	20-03-2007	4,1100-3,8870	EUR	FX risk	-	397	-	-
liabilities for gas	10 000	USD	collar	03-10-2006	20-02-2007	3,2200-3,0025	USD	FX risk	-	1 078	-	-
liabilities for gas	5 000	EUR	collar	03-10-2006	20-02-2007	4,0900-3,8740	EUR	FX risk	-	316	-	-
liabilities for gas	5 000	EUR	collar	04-10-2006	20-03-2007	4,0900-3,8800	EUR	FX risk	-	368	-	-
liabilities for gas	10 000	USD	collar	04-10-2006	09-02-2007	3,1900-3,0275	USD	FX risk	-	1 270	-	-
liabilities for gas	10 000	USD	collar	05-10-2006	20-03-2007	3,1900-2,9995	USD	FX risk	-	1 129	-	-
liabilities for gas	10 000	USD	collar	11-10-2006	18-01-2007	3,2500-3,0015	USD	FX risk	-	951	-	-
liabilities for gas	5 000	EUR	collar	11-10-2006	10-04-2007	4,0000-3,8600	EUR	FX risk	-	278	-	-
liabilities for gas	10 000	USD	collar	13-10-2006	18-01-2007	3,2100-3,0110	USD	FX risk	-	1 041	-	-
liabilities for gas	10 000	USD	collar	13-10-2006	09-02-2007	3,2200-3,0035	USD	FX risk	-	1 060	-	-
liabilities for gas	10 000	USD	collar	13-10-2006	09-03-2007	3,2100-3,0075	USD	FX risk	-	1 175	-	-
liabilities for gas	10 000	USD	collar	26-10-2006	10-04-2007	3,1400-2,9975	USD	FX risk	-	1 134	-	-
liabilities for gas	10 000	USD	collar	27-10-2006	10-04-2007	3,0900-2,9900	USD	FX risk	-	1 034	-	-
liabilities for gas	10 000	USD	collar	31-10-2006	10-01-2007	3,1500-2,9920	USD	FX risk	-	832	-	-
liabilities for gas	10 000	USD	collar	31-10-2006	10-04-2007	3,1000-2,9640	USD	FX risk	-	851	-	-
liabilities for gas	10 000	USD	collar	06-11-2006	10-05-2007	3,1000-2,9250	USD	FX risk	-	651	-	-
liabilities for gas	10 000	USD	collar	06-11-2006	20-03-2007	3,1000-2,9370	USD	FX risk	-	622	-	-
liabilities for gas	10 000	USD	collar	07-11-2006	10-05-2007	3,0900-2,9160	USD	FX risk	-	586	-	-
liabilities for gas	10 000	USD	collar	07-11-2006	10-05-2007	3,0900-2,9115	USD	FX risk	-	561	-	-
liabilities for gas	10 000	USD	collar	09-11-2006	20-04-2007	3,0800-2,9160	USD	FX risk	-	543	-	-
liabilities for gas	10 000	USD	collar	09-11-2006	18-05-2007	3,0800-2,9100	USD	FX risk	-	551	-	-
liabilities for gas	10 000	USD	collar	10-11-2006	20-04-2007	3,0700-2,8990	USD	FX risk	-	437	-	-
liabilities for gas	10 000	USD	collar	14-11-2006	18-05-2007	3,0600-3,8730	USD	FX risk	-	334	-	-
liabilities for gas	10 000	USD	collar	15-11-2006	20-02-2007	3,0450-2,9240	USD	FX risk	-	423	-	-
liabilities for gas	10 000	USD	collar	21-11-2006	20-04-2007	3,0450-2,8815	USD	FX risk	-	316	-	-
liabilities for gas	10 000	USD	collar	22-11-2006	18-05-2007	3,0400-2,8565	USD	FX risk	-	231	-	-
liabilities for gas	5 000	EUR	collar	23-11-2006	10-05-2007	3,9500-3,7570	EUR	FX risk	-	8	-	-
liabilities for gas	5 000	EUR	collar	23-11-2006	10-04-2007	3,9500-3,7580	EUR	FX risk	-	11	-	-
liabilities for gas	10 000	USD	collar	24-11-2006	18-01-2007	2,9700-2,8890	USD	FX risk	-	77	-	-
liabilities for gas	10 000	USD	collar	27-11-2006	20-03-2007	2,9900-2,8600	USD	FX risk	-	91	-	-

VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS (CONT.)

Hedged instrument	Value of the hedged instrument	Currency of the hedged instrument	Hedge type	Hedge start date	Hedge repurchase date	Instrument realization price or price range	Hedge currency	Risk hedged	Fair value valuation of the hedging instrument (positive)	Fair value valuation of the hedging instrument (negative)	Fair value valuation of the hedging instrument (positive)	Fair value valuation of the hedging instrument (negative)
									Balance as of 31.12.2006		Balance as of 31.12.2005	
liabilities for gas	10 000	USD	collar	27-11-2006	20-04-2007	2,9700-2,8635	USD	FX risk	-	86	-	-
liabilities for gas	10 000	USD	collar	27-11-2006	18-05-2007	2,9700-2,8560	USD	FX risk	-	74	-	-
liabilities for gas	10 000	USD	collar	27-11-2006	20-04-2007	2,9800-2,8505	USD	FX risk	-	60	-	-
liabilities for gas	10 000	USD	collar	29-11-2006	10-05-2007	2,9500-2,8460	USD	FX risk	31	-	-	-
liabilities for gas	10 000	USD	collar	30-11-2006	18-05-2007	2,9600-2,8230	USD	FX risk	76	-	-	-
liabilities for gas	10 000	USD	collar	30-11-2006	18-05-2007	2,9600-2,8175	USD	FX risk	94	-	-	-
liabilities for gas	10 000	USD	collar	01-12-2006	08-06-2007	2,9600-2,7875	USD	FX risk	174	-	-	-
liabilities for gas	5 000	EUR	collar	01-12-2006	20-06-2007	3,9200-3,7447	EUR	FX risk	51	-	-	-
liabilities for gas	5 000	EUR	collar	15-12-2006	18-05-2007	3,9000-3,7335	EUR	FX risk	88	-	-	-
liabilities for gas	10 000	USD	forward	25-07-2006	10-01-2007	3,0853	USD	FX risk	-	1 759	-	-
liabilities for gas	10 000	USD	forward	03-08-2006	10-01-2007	3,0545	USD	FX risk	-	1 451	-	-
liabilities for gas	10 000	USD	forward	13-10-2006	10-04-2007	3,0797	USD	FX risk	-	1 776	-	-
liabilities for gas	10 000	USD	forward	26-10-2006	09-03-2007	3,0581	USD	FX risk	-	1 538	-	-
liabilities for gas	10 000	USD	forward	26-10-2006	20-02-2007	3,0595	USD	FX risk	-	1 537	-	-
liabilities for gas	10 000	USD	forward	26-10-2006	18-01-2007	3,0603	USD	FX risk	-	1 516	-	-
liabilities for gas	10 000	USD	forward	27-10-2006	18-01-2007	3,0434	USD	FX risk	-	1 347	-	-
liabilities for gas	10 000	USD	forward	31-10-2006	20-02-2007	3,0395	USD	FX risk	-	1 338	-	-
liabilities for gas	10 000	USD	forward	31-10-2006	10-04-2007	3,0336	USD	FX risk	-	1 321	-	-
liabilities for gas	10 000	USD	forward	06-11-2006	20-04-2007	2,9929	USD	FX risk	-	925	-	-
liabilities for gas	10 000	USD	forward	06-11-2006	20-03-2007	2,9964	USD	FX risk	-	935	-	-
liabilities for gas	10 000	USD	forward	07-11-2006	18-01-2007	2,9928	USD	FX risk	-	842	-	-
liabilities for gas	10 000	USD	forward	07-11-2006	10-05-2007	2,9857	USD	FX risk	-	868	-	-
liabilities for gas	10 000	USD	forward	09-11-2006	20-02-2007	2,9940	USD	FX risk	-	886	-	-
liabilities for gas	10 000	USD	forward	13-11-2006	20-02-2007	2,9862	USD	FX risk	-	808	-	-
liabilities for gas	10 000	USD	forward	13-11-2006	20-02-2007	2,9742	USD	FX risk	-	689	-	-
liabilities for gas	10 000	USD	forward	13-11-2006	20-03-2007	2,9719	USD	FX risk	-	693	-	-
liabilities for gas	10 000	USD	forward	14-11-2006	20-03-2007	2,9540	USD	FX risk	-	515	-	-
liabilities for gas	10 000	USD	forward	15-11-2006	20-02-2007	2,9599	USD	FX risk	-	547	-	-
liabilities for gas	10 000	USD	forward	30-11-2006	18-01-2007	2,8900	USD	FX risk	183	-	-	-
liabilities for gas	10 000	USD	forward	01-12-2006	08-06-2007	2,8561	USD	FX risk	384	-	-	-
liabilities for gas	10 000	USD	forward	01-12-2006	08-06-2007	2,8500	USD	FX risk	444	-	-	-
liabilities for gas	10 000	USD	forward	13-12-2006	10-01-2007	2,8595	USD	FX risk	496	-	-	-
liabilities for gas	10 000	USD	forward	13-12-2006	20-06-2007	2,8477	USD	FX risk	456	-	-	-
liabilities for gas	10 000	USD	forward	13-12-2006	08-06-2007	2,8490	USD	FX risk	453	-	-	-
liabilities for gas	10 000	USD	forward	20-12-2006	10-01-2007	2,8775	USD	FX risk	317	-	-	-
liabilities for gas	10 000	USD	forward	20-12-2006	09-02-2007	2,8760	USD	FX risk	299	-	-	-
liabilities for gas	10 000	USD	forward	20-12-2006	09-03-2007	2,8720	USD	FX risk	309	-	-	-
liabilities for gas	10 000	USD	forward	21-12-2006	09-02-2007	2,8733	USD	FX risk	326	-	-	-
liabilities for gas	10 000	USD	forward	21-12-2006	09-03-2007	2,8698	USD	FX risk	331	-	-	-
liabilities for gas	10 000	USD	forward	21-12-2006	10-01-2007	2,8771	USD	FX risk	321	-	-	-
liabilities for gas	10 000	USD	forward	21-12-2006	20-03-2007	2,8792	USD	FX risk	226	-	-	-
liabilities for gas	10 000	USD	forward	22-12-2006	09-02-2007	2,8842	USD	FX risk	217	-	-	-
liabilities for gas	10 000	USD	forward	22-12-2006	18-01-2007	2,8874	USD	FX risk	209	-	-	-
liabilities for gas	10 000	USD	forward	22-12-2006	18-01-2007	2,8874	USD	FX risk	209	-	-	-
liabilities for gas	10 000	USD	forward	28-12-2006	20-03-2007	2,8991	USD	FX risk	29	-	-	-
Total									5 723	55 067	120 273	173 177

2. INFORMATION ON OFF-BALANCE SHEET LIABILITIES, INCLUDING GUARANTEES AND SURETIES GRANTED BY THE COMPANY (ALSO BILL OF EXCHANGE LIABILITIES)

As of 31 December 2006 the value of off-balance sheet liabilities amounted to PLN 1,592,720.2 thousand, of which issued guarantees and sureties for a total of PLN 1,026,472.7 thousand constituted the most significant item. Bill of exchange liabilities additionally amounted to PLN 2,399.7 thousand.

As of 31 December 2006 total contingent liabilities arising from granted guarantees and sureties amounted to PLN 1,026,472.7 thousand, which accounts for 5.3 % of total assets. In 2005, total liabilities amounted to PLN 870,423.2 thousand, which accounted for 4.5% of the assets value.

Real estate tax

Pursuant to the decision of the Supreme Administrative Court in Warsaw of 2 July 2001 made by 7 judges, underground headings are not subject to real estate tax. Since in case of crude oil and gas mining a well is considered a mining heading, the municipal offices proper for the area of activity of Zielonogórski Zakład Górnictwa Nafty i Gazu (ZZGNiG) waived the enforcement of real estate tax; whereas some of them decided that the well development system was taxable.

The tax obligation referring to pipelines is applicable since 2001. The branch in Zielona Góra created provisions for claims of municipal office due to real property tax in the amount of PLN 821.3 thousand, whereas municipalities in the Podkarpacie region have not forwarded any claims yet. Mines located in Podkarpacie region did not declare or accrue real estate tax on excavations for years 2001-2005. Potential tax liability not disclosed in the financial statements together with interest amounted to PLN 59,290.3 thousand as of 31 December 2006.

Real estate claims

Additionally, claims are being submitted against PGNiG S.A. by the owners of real property:

- where gas pipelines are being planned;
- where existing gas pipelines and gas equipment is located.

Potential liabilities arising from claims related to real property cannot be estimated, due to the fact that such claims are often groundless (which has been confirmed by expert opinions).

CONTINGENT LIABILITIES ARISING FROM GRANTED SURETIES AND GUARANTEES

Borrower	Currency of the contingent liability	Amount of the contingent liability granted in foreign currency	Amount of contingent liability granted* in PLN '000	Date of the contingent liability	Expiration date of the liability	Contingent liability valid until	Bank or other institution to which the contingency liability was granted	Type of contingent liability granted
EUROPOL GAZ S.A.	PLN	56 000	56 000	1996-10-08	2009-09-30	2012-09-30	Bank Gdański S.A.	loan surety
The President Islamic Republic of Pakistan	USD	2 316	6 741	2000-11-20	2008-12-31	2008-12-31	Societe Generale Branch in Poland	bank guarantee
Supreme Court in Pakistan	USD	1 122	3 267	2004-07-08	2008-01-30	2008-01-30	Societe Generale Branch in Poland	bank guarantee
Gazexport Ltd.	USD	100 000	291 050	2005-12-14	2007-02-08	2007-02-08	Societe Generale Branch in Poland	bank guarantee
Gazexport Ltd.	USD	50 000	145 525	2005-12-14	2007-02-08	2007-02-08	Bank PEKAO S.A. Head Office	bank guarantee
Gazprom-Export Ltd.	USD	90 000	261 945	2006-12-12	2008-02-08	2008-02-08	Societe Generale Branch in Poland	bank guarantee
Gazprom-Export Ltd.	USD	90 000	261 945	2006-12-12	2008-02-08	2008-02-08	Bank PEKAO S.A. Head Office	bank guarantee
Total			1 026 473					

*Contingent liabilities in currencies translated at NBP exchange rates as of 29.12.2006 (EUR/PLN 3.8312; USD/PLN 2.9105)

CONTINGENT LIABILITIES DUE TO BILLS OF EXCHANGE ISSUED

Entity to which the bill of exchange was issued	Currency of the bill of exchange	Amount of the bill of exchange in currency	Amount of the bill of exchange issued in PLN	Bill of exchange expiry date
Bank Polskiej Spółdzielczości S.A. Branch in Wrocław	PLN	2 400	2 400	15.12.2007
Total			2 400	

*Translated at the NBP exchange rate as of 29 December 2006 (EUR/PLN 3.8312)

3. LIABILITIES TO STATE BUDGET OR LOCAL SELF-GOVERNMENT AUTHORITIES DUE TO OBTAINED PROPERTY RIGHTS TO BUILDINGS AND STRUCTURES

As of 31 December 2006 and 31 December 2005 the Company did not have any liabilities to the State Budget or local self-government authorities due to acquisition of property rights to buildings and structures.

4. INFORMATION ON DISCONTINUED OR PLANNED TO BE DISCONTINUED OPERATIONS

In 2006 PGNiG S.A. did not discontinue any operations. PGNiG SA does not plan to discontinue any activity conducted thus far.

5. MANUFACTURING COST

	31 December 2006	31 December 2005
Manufacturing cost of fixed assets under construction for internal purposes	2 475	7 667
Manufacturing cost of fixed assets for internal purposes	648	41
Manufacturing cost of other products for internal purposes	5 037	4 429
Total manufacturing cost of products for internal purposes of the entity	8 160	12 137

6. INCURRED AND PLANNED INVESTMENT OUTLAYS

	Outlays incurred in the current period	Outlays planned for 12 months from the balance sheet date
Total outlays, including:	895 628	1 707 654
Non-financial non-current assets:	663 543	1 551 004
- <i>Own outlays of PGNiG S.A.</i>	555 852	1 426 004
- <i>Outlays for the transmission system</i>	107 691	125 000
Other	232 085	156 650
Environmental protection	-	-

7. INFORMATION ABOUT TRANSACTIONS WITH RELATED PARTIES

FIGURES ON RELATED PARTIES (FOR THE YEAR ENDED 31 DECEMBER 2006)

	Registered office	Net sales	Net purchases	Dividend and profit sharing	Other interest receivable	Other interest payable
Related parties in total		6 836 327	395 216	59 260	22 429	1
Companies under full consolidation		6 800 572	293 417	58 003	5 032	1
Geofizyka Kraków Sp. z o.o.	Krakow	5	54 445	-	185	-
Geofizyka Toruń Sp. z o.o.	Toruń	3	71 347	-	191	-
PNiG Jasło Sp. z o.o.	Jasło	73	41 824	-	2	-
PNiG Kraków Sp. z o.o.	Krakow	426	7 618	-	1 404	-
PNiG NAFTA Sp. z o.o.	Piła	35	9 688	-	-	-
ZRG Krosno Sp. z o.o.	Krosno	163	44 626	-	-	-
Dolnośląska Spółka Gazownictwa Sp. z o.o.	Wroclaw	736 543	1 356	864	1 109	-
Górnośląska Spółka Gazownictwa Sp. z o.o.	Zabrze	1 126 773	1 051	-	-	1
Karpacka Spółka Gazownictwa Sp. z o.o.	Tarnów	1 618 806	1 334	41 545	-	-
Mazowiecka Spółka Gazownictwa Sp. z o.o.	Warsaw	1 445 716	746	12 595	-	-
Pomorska Spółka Gazownictwa Sp. z o.o.	Gdańsk	706 781	369	-	131	-
Wielkopolska Spółka Gazownictwa Sp. z o.o.	Poznań	1 164 755	872	1 133	677	-
BUG GAZOBUDOWA Sp. z o.o.	Zabrze	28	-	-	365	-
BN NAFTOMONTAŻ Krosno Sp. z o.o.	Krosno	61	4 748	-	967	-
Naft-Stal Sp. z o.o.	Krosno	-	-	-	-	-
ZUN NAFTOMET Sp. z o.o.	Krosno	1	2 583	-	-	-
PN DIAMENT Sp. z o.o.	Zielona Góra	281	36 606	733	-	-
Gazoprojekt S.A.	Wroclaw	1	542	223	1	-
PGNiG Finance B.V. (Netherlands)	Amsterdam	-	-	-	-	-
Geovita Sp. z o.o. Warsaw	Warsaw	99	1 190	-	-	-
INVESTGAS S.A.	Warsaw	22	12 472	910	-	-
Companies consolidated by the equity method		34 541	86 231	-	16 145	-
EuRoPol Gaz S.A.	Warsaw	34 541	86 231	-	16 145	-
Gas-Trading S.A.	Warsaw	-	-	-	-	-
Other unconsolidated related parties		1 214	15 568	1 257	1 252	-
Górnictwo Naftowe Sp. z o.o.	Warsaw	-	-	-	-	-
ZRUG Sp. z o.o. (in Pogórska Wola)	Pogórska Wola	32	195	-	140	-
BUD-GAZ Sp. z o.o.	Warsaw	860	11 342	-	-	-
PTG GAZOTECH Sp. z o.o. Warsaw	Warsaw	-	-	-	-	-
Turgaz Sp. z o.o.	Zielona Góra	296	-	-	-	-
NYSAGAZ Sp. z o.o.	Zgorzelec	-	-	-	-	-
ZRUG Sp. z o.o. w Warszawie S.A.	Warsaw	-	-	-	-	-
InterGasTrade GmbH Potsdam	Potsdam	-	-	-	-	-
InterTransGas GmbH Potsdam	Potsdam	-	-	-	-	-
ZRUG Sp. z o.o. in Poznań	Poznań	-	-	253	-	-
ZRUG w Toruniu S.A.	Toruń	-	-	-	-	-
ZRUG Sp. z o.o. in Zabrze	Zabrze	16	-	-	-	-
Sahara Petroleum Technology Llc (Oman)	Muscat	-	-	-	-	-
Polskie Elektrownie Gazowe Sp. z o.o.	Warsaw	-	143	-	-	-
PFK Gaskon S.A.	Warsaw	-	2 117	294	-	-
BG GAZOMONTAŻ S.A.	Wołomin	9	86	135	-	-
ZWUG Intergaz Sp. z o.o.	Tarnowskie Góry	1	-	575	-	-
"DEWON" S.A. (Ukraine)	Kiev	-	-	-	1 112	-
Huta Szkła SZCZAKOWA S.A. in bankruptcy	Jaworzno	-	-	-	-	-
MED. - FROZ S.A.	Zielona Góra	-	-	-	-	-
WOC TE-MA Sp. z o.o. in liquidation	Terespol	-	-	-	-	-
TENET 7 Sp. z o.o.	Warsaw	-	1 685	-	-	-
Subsidiaries and associated entities of subsidiaries		-	-	-	-	-
PolGazTelekom S.A. Warsaw	Warsaw	-	-	-	-	-
Gas-Trading Podkarpacie Sp. z o.o. Dębica	Dębica	-	-	-	-	-
Gaz Sp. z o.o. Blonie	Blonie	-	-	-	-	-
Gaz Media Sp. z o.o. Wołomin	Wołomin	-	-	-	-	-
Zakład Gospodarki Mieszkaniowej Sp. z o.o. Piła	Piła	-	-	-	-	-
PBU Petromin Sp. z o.o. Wołomin	Wołomin	-	-	-	-	-
GEOTERMIA Sp. z o.o. Szczecin	Szczecin	-	-	-	-	-
Geofizyka Toruń Kish Ltd Iran	Iran	-	-	-	-	-
ALFA-CENTER Sp. z o.o. Warsaw	Warsaw	-	-	-	-	-
Gazobudowa Kraków Sp. z o.o. Krakow	Krakow	-	-	-	-	-
Gazobudowa Poznań Sp. z o.o. Poznań	Poznań	-	-	-	-	-
NAFTEK Sp. z o.o. Krosno	Krosno	-	-	-	-	-
Oil Tech International F.Z.E. Ajman	Ząbki	-	-	-	-	-
Mazowiecki Dom Inwestycyjny Sp. z o.o. Ząbki	Warsaw	-	-	-	-	-

FIGURES ON RELATED PARTIES (FOR THE YEAR ENDED 31 DECEMBER 2006) (CONT.)

	Registered office	Gross receivables	Net receivables	Liabilities	Gross loans granted	Net loans granted	Loans received
Related parties in total							
Related parties in total		644 506	514 138	253 194	470 633	232 421	1 965
Companies under full consolidation		515 160	510 042	150 610	264 391	232 421	1 965
Geofizyka Kraków Sp.z o.o	Krakow	1	1	4 999	22 355	22 355	-
Geofizyka Toruń Sp. z o.o.	Toruń	3	3	12 712	11 295	11 295	-
PNiG Jasło Sp. z o.o.	Jasło	5	5	22 980	6 002	6 002	-
PNiG Kraków Sp. z o.o.	Krakow	15	15	6 947	69 057	53 587	-
PNiG NAFTA Sp. z o.o.	Piła	41	41	30 335	-	-	-
ZRG Krosno Sp. z o.o.	Krosno	36	36	7 473	-	-	-
Dolnośląska Spółka Gazownictwa Sp. z o.o.	Wrocław	98 788	98 788	308	20 042	20 042	-
Górnośląska Spółka Gazownictwa Sp. z o.o.	Zabrze	64 828	64 828	333	-	-	-
Karpacka Spółka Gazownictwa Sp. z o.o.	Tarnów	99 725	99 725	161	-	-	-
Mazowiecka Spółka Gazownictwa Sp. z o.o.	Warsaw	131 772	131 772	238	-	-	-
Pomorska Spółka Gazownictwa Sp. z o.o.	Gdańsk	40 606	40 606	17	29 005	29 005	-
Wielkopolska Spółka Gazownictwa Sp. z o.o.	Poznań	73 955	73 955	39	90 135	90 135	-
BUG GAZOBUDOWA Sp. z o.o.	Zabrze	5 118	-	16 052	-	-	-
BN NAFTOMONTAŻ Krosno Sp. z o.o.	Krosno	1	1	25 004	16 500	-	-
Naft-Stal Sp. z o.o.	Krosno	-	-	-	-	-	-
ZUN NAFTOMET Sp. z o.o.	Krosno	-	-	880	-	-	-
PN DIAMENT Sp. z o.o.	Zielona Góra	8	8	16 120	-	-	-
Gazoprojekt S.A.	Wrocław	181	181	1 535	-	-	-
PGNiG Finance B.V. (Netherlands)	Amsterdam	-	-	1 965	-	-	1 965
Geovita Sp. z o.o. Warsaw	Warsaw	50	50	120	-	-	-
INVESTGAS S.A.	Warsaw	27	27	2 392	-	-	-
Companies consolidated by the equity method		3 754	3 754	9 316	192 362	-	-
EuRoPol Gaz S.A.	Warsaw	3 754	3 754	9 316	192 362	-	-
Gas-Trading S.A.	Warsaw	-	-	-	-	-	-
Other unconsolidated related parties		125 592	342	93 268	13 880	-	-
Górnictwo Naftowe Sp. z o.o.	Warsaw	1 003	-	-	-	-	-
ZRUG Sp. z o.o. (in Pogórska Wola)	Pogórska Wola	451	-	3 087	-	-	-
BUD-GAZ Sp. z o.o.	Warsaw	337	337	2 068	-	-	-
PTG GAZOTECH Sp. z o.o. Warsaw	Warsaw	84 552	-	84 552	-	-	-
Turgaz Sp. z o.o.	Zielona Góra	4	4	-	-	-	-
NYSAGAZ Sp.z o.o.	Zgorzelec	-	-	-	-	-	-
ZRUG Sp. z o.o. w Warszawie S.A.	Warsaw	69	-	-	-	-	-
InterGasTrade GmbH Potsdam	Potsdam	-	-	-	-	-	-
InterTransGas GmbH Potsdam	Potsdam	-	-	-	-	-	-
ZRUG Sp. z o.o. in Poznań	Poznań	-	-	1 633	-	-	-
ZRUG w Toruniu S.A.	Toruń	-	-	-	-	-	-
ZRUG Sp. z o.o. in Zabrze	Zabrze	1	1	-	-	-	-
Sahara Petroleum Technology Llc (Oman)	Muscat	-	-	-	-	-	-
Polskie Elektrownie Gazowe Sp. z o.o.	Warsaw	-	-	-	-	-	-
PFK Gaskon S.A.	Warsaw	-	-	1 823	-	-	-
BG GAZOMONTAŻ S.A.	Wołomin	4	-	105	-	-	-
ZWUG Intergaz Sp. z o.o.	Tarnowskie Góry	-	-	-	-	-	-
"DEWON" S.A. (Ukraine)	Kiev	126	-	-	13 880	-	-
Huta Szkła SZCZAKOWA S.A. in bankruptcy	Jaworzno	39 045	-	-	-	-	-
MED. - FROZ S.A.	Zielona Góra	-	-	-	-	-	-
WOC TE-MA Sp. z o.o. in liquidation	Terespol	-	-	-	-	-	-
TENET 7 Sp. z o.o.	Warsaw	-	-	-	-	-	-
Subsidiaries and associated entities of subsidiaries		-	-	-	-	-	-
PolGazTelekom S.A. Warsaw	Warsaw	-	-	-	-	-	-
Gas-Trading Podkarpacie Sp. z o.o. Dębica	Dębica	-	-	-	-	-	-
Gaz Sp. z o.o. Błonie	Błonie	-	-	-	-	-	-
Gaz Media Sp. z o.o. Wołomin	Wołomin	-	-	-	-	-	-
Zakład Gospodarki Mieszkaniowej Sp. z o.o. Piła	Piła	-	-	-	-	-	-
PBU Petromin Sp. z o.o. Wołomin	Wołomin	-	-	-	-	-	-
GEOTERMIA Sp. z o.o. Szczecin	Szczecin	-	-	-	-	-	-
Geofizyka Toruń Kish Ltd Iran	Iran	-	-	-	-	-	-
ALFA-CENTER Sp. z o.o. Warsaw	Warsaw	-	-	-	-	-	-
Gazobudowa Kraków Sp. z o.o. Krakow	Krakow	-	-	-	-	-	-
Gazobudowa Poznań Sp. z o.o. Poznań	Poznań	-	-	-	-	-	-
NAFTEK Sp. z o.o. Krosno	Krosno	-	-	-	-	-	-
Oil Tech International F.Z.E. Ajman	Ząbki	-	-	-	-	-	-
Mazowiecki Dom Inwestycyjny Sp. z o.o. Ząbki	Warsaw	-	-	-	-	-	-

PGNiG S.A. did not execute any transactions with other related parties during in 2006.

8. JOINT VENTURES

In 2006, PGNiG S.A. cooperated with the following foreign entities in Poland: CalEnergy Gas (Polska) Sp. z o.o. and CalEnergy Resources Poland Sp. z o.o., Eurogas Polska Sp. z o.o., FX Energy Poland Sp. z o.o.

CalEnergy

The Company's registered office is located in Warsaw.
02-765 Warszawa, Al. Wilanowska 206 m.19

As a result of the agreement signed on 26 October 2005 between PGNiG S.A., CalEnergy Resources Poland Sp. z o.o. and FX Energy Poland Sp. z o.o. ("Operating Agreement of Mining Users covering the Płotki - EZA area" (the so-called Expanded Zaniemyśl Area)), PGNiG S.A. obtained shares in this mining area in the value of 51%, whereas the other shares belong to the following companies: Energy – 24,5% and CalEnergy – 24,5%. In the first half of 2006 the agreement on purchase/sale of gas from the Zaniemyśl deposit was signed, whereas in the second half of 2006 the deposit was developed and gas production was initiated as part of trial exploitation.

Eurogas Polska Sp. z o.o.

PGNiG S.A. signed, in July 2006, a letter of intent with Eurogas Polska Sp. z o.o. on cooperation and sent a joint request to the Minister of the Environment for the transfer of the concession and the right of mining usufruct owned by Eurogas, which covered the following blocks: 416, 417, 436, 437, 438, 456, 457 and 458 onto PGNiG S.A. to which the Minister of the Environment agreed in the letter dated on 3 January 2007.

On the territory of the said concession blocks PGNiG S.A. and Eurogas Sp. z o.o. planned to perform joint exploratory activities. PGNiG shall take over 51% of shares in this undertaking, whereas the remaining 49% was to be taken over by Eurogas. Eurogas provided half of its share (i.e. 24.5% of the whole) to the British Oil Company called Aurelian. The negotiations with the aforementioned companies which aim at signing of the agreement on joint operations are currently underway.

FX Energy Poland sp. z o.o.

Registered office: 00-613 Warsaw, ul. Chałubińskiego 8.

In Poland, the company operates as FX Energy Poland Sp. z o.o.

Its holding company is FX Energy Inc. - a joint-stock company in Utah, (USA).

PGNiG S.A. cooperates with FX Energy in the "Płotki" and "Poznań" area.

"Płotki" area

Pursuant to the agreement with FX Energy (as well as CalEnergy), PGNiG S.A. owns 51% of shares in this area, FX Energy holds 24.5% shares whereas the remaining shares i.e. 24.5% belong to CalEnergy.

In the second half of 2006 the Zaniemyśl deposit which is located in this area was developed and gas production was initiated as part of trial exploitation.

In 2006 the design of the Roszków-1 exploration well (approx. 2970-meter deep) has been prepared and approved. The tender for drilling of the well was won by the Poszukiwania Nafty i Gazu Jasło company. The drilling of the well shall start in the first quarter of 2007.

The "Agreement on Transfer of Mining Usufruct on the 'Kłęka' natural gas deposit" as well as the "Agreement on settlements of natural gas extracted from the 'Kłęka 11' well" were signed at the beginning of 2007.

"Poznań" area

Pursuant to the agreement with FX Energy, PGNiG S.A. owns 51% shares, whereas FX Energy has 49% of shares in this area.

In the "Poznań" area in 2006 the following field works were performed: 2D seismic works on Poznań-Śrem-Jarocin; 2D seismic works on Grundy II phase; 2D seismic works on Łuszczanów II phase, 2D works on Lubinia as well as the 3D seismic photo on Kórnik-Środa Wielkopolska.

The drilling of the exploration well Winna Góra-1 up to the depth of ca. 3650 meters was finished. The well awaits for the production test to be taken.

The area of block 255 (Wilga).

In September 2006 the production of natural gas from the Wilga deposit was initiated. The division of gas production between PGNiG S.A. and FX Energy is performed pursuant to the amount of their respective shares.

The "Agreement on transfer of Mining Usufruct on block 255", in which FX Energy transfers 18.8% of the mining usufruct to PGNiG S.A., was signed at the beginning of 2007.

9. INFORMATION ON AVERAGE EMPLOYMENT

AVERAGE EMPLOYMENT (NUMBER OF EMPLOYEES BROKEN DOWN BY POSITIONS)

	31 December 2006	31 December 2005
Blue-collar employees	2 512	3 137
White-collar employees	1 651	2 103
Managerial staff	592	656
Total	4 755	5 896

10. INFORMATION ON REMUNERATION PAID TO THE MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES

REMUNERATIONS AND BONUSES PAID TO MANAGERIAL STAFF

Full name	Total value of remuneration, benefits and bonuses paid in 2006	Total value of remuneration due to execution of functions in subordinated entities in 2006	Total
Managerial staff as of 31 December 2006	979	342	1 322
Krzysztof Głogowski- Chairman of the Board **	48	101	149
Jan Anysz – Member of the Board	197	10	206
Zenon Kuchciak – Member of the Board*	186	149	336
Stanisław Niedbałec – Member of the Board	172	30	202
Tadeusz Zwierzyński - Member of the Board*	81	9	90
Bogusław Marzec – proxy*	242	11	253
Ewa Bernacik - proxy **	54	32	86
Managerial staff in 2006 which no longer performs its functions as of 31 December 2006:	328	279	607
Franciszek Krok – Member of the Board	33	95	128
Bartłomiej Pawlak – Member of the Board*	52	149	202
Mieczysław Puławski - Chairman of the Board	48	0	48
Maria Teresa Mikosz - proxy***	195	34	229
Total	1 308	621	1 929

* Total for functions performed in the management board and as a proxy

** As of appointment

*** Until dismissal

REMUNERATIONS AND BONUSES PAID TO SUPERVISORY STAFF

Full name	Total value of remuneration, benefits and bonuses paid in 2006	Total value of remuneration due to execution of functions in subordinated entities in 2006	Total
Supervisory staff as of 31 December 2006:	239	52	291
Andrzej Rościszewski	32	0	32
Piotr Szwarc	32	52	84
Kazimierz Chrobak	32	0	32
Wojciech Arkuszewski	32	0	32
Mieczysław Kawecki	32	0	32
Marcin Moryń	17	0	17
Mieczysław Puławski	24	0	24
Mirosław Szkałuba	32	0	32
Wojtówicz Jarosław	6	0	6
Supervisory staff in 2006 which no longer performs its functions as of 31 December 2006:	47	0	47
Magdalena Bąkowska	15	0	15
Krzysztof Głogowski	24	0	24
Zbigniew Kamieński	8	0	8
Total	286	52	338

11. INFORMATION ON LOANS AND SIMILAR BENEFITS GRANTED TO MEMBERS OF MANAGEMENT AND SUPERVISORY BODIES

Pursuant to the resolution of 3 March 2006 the Supervisory Board decided to: grant additional benefits to Mr. Bogusław Marzec and Mr. Stanisław Niedbalec, both of whom are Vice Chairmen of the Management Board, which consisted in the refund of a portion of costs connected with the use of rented apartments. The Company stopped subsidizing the apartment rented by Mr. Bogusław Marzec on 31 July 2006. The subsidies were recognized in amounts presented under item 10 in the table "Remuneration and bonuses paid to managerial staff."

In the financial year, the Company did not conduct any material transactions with members of the Management Board and Supervisory Bodies, their spouses, direct line family members and relations up to the second degree or related by care, adoption or guardianship with a member of management or supervisory bodies in the Company or companies, of which they are significant shareholders or partners. The Company did not grant any loans to these individuals.

12. INFORMATION ON SIGNIFICANT EVENTS PERTAINING TO PREVIOUS YEARS AND DISCLOSED IN THE FINANCIAL STATEMENTS FOR 2006

By the date of the financial statements for 2006, no events had occurred that should have been recognized in the accounting records of the reporting period.

13. INFORMATION ON SIGNIFICANT POST-BALANCE SHEET EVENTS NOT INCLUDED IN THE FINANCIAL STATEMENTS

By the date of the financial statements for 2006, no events had occurred that should have been recognized in the accounting records of the reporting period.

14. INFORMATION ON THE RELATIONSHIP BETWEEN THE LEGAL PREDECESSOR AND ISSUER AS WELL AS THE METHOD AND RANGE OF ACQUISITION OF ASSETS AND LIABILITIES

Polskie Górnictwo Naftowe i Gazownictwo with registered office in Warsaw was transformed in 1996 into a joint stock company wholly owned by the State Treasury. The commercialization of the state company resulted only in an amendment of its legal form – the assets and liabilities of the predecessor were taken over by Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna.

The commercialization act was drawn up in the form of a notarized deed (Repertory A No. 18871/96) and recorded in the District Court for the capital city of Warsaw, XVI Business and Registry Division under number RHB 48382.

15. FINANCIAL STATEMENTS ADJUSTED BY THE INFLATION RATIO

Because accumulated inflation for the last 3 years of the Company's operation did not exceed 100%, the financial statements do not present the adjustment by the inflation ratio.

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

Following the review of the financial statements for 2006 and the disclosure of significant information with a material influence on the financial result after the preparation of the financial statements for the fourth quarter of 2006, the Company recognized the following adjustments in these financial statements, as suggested by the Company's auditor.

Result from the financial statements for the fourth quarter of 2006	1 617 299
a) change in recognition of the surplus of share value over contribution in kind	-24 507
b) change in provisions	41 707
c) change in revaluation write-downs	-55 696
d) other adjustments	2 771
e) income tax related to adjustments made	694
Result from annual financial statements for 2006	1 582 268

17. CHANGES IN ACCOUNTING PRINCIPLES (POLICY) IN 2006

No changes took place in accounting principles (policy) during the reporting period.

18. CHANGES IN ACCOUNTING PRINCIPLES (POLICY) AND THE METHOD OF PREPARING THE FINANCIAL STATEMENTS, INTRODUCED AS COMPARED TO THE PREVIOUS FINANCIAL YEAR AND THEIR IMPACT ON THE FINANCIAL AND ECONOMIC POSITION

No changes in accounting policies were introduced during the last reporting period.

19. INFORMATION ON UNCERTAINTY OF BUSINESS CONTINUITY, DESCRIPTION OF THESE UNCERTAINTIES AND INFORMATION WHETHER THE FINANCIAL STATEMENTS INCLUDE RELEVANT ADJUSTMENTS

The Company's financial statements for 2006 and 2005 were prepared under the going concern assumption. There are no circumstances indicating that business continuity may be threatened in the foreseeable future.

20. INFORMATION ABOUT BUSINESS COMBINATIONS

No business combinations took place during the current reporting period. The Company's financial statements do not include the data of companies subject to business combinations.

21. PRESENTATION OF THE EFFECTS OF SHARES VALUATION IN CONTROLLED ENTITIES USING THE EQUITY METHOD, IN THE COMPANY'S INDIVIDUAL FINANCIAL STATEMENTS

Pursuant to the Accounting Act of 29 September 1994, the Company values investments in controlled entities at the acquisition price less impairment write-downs.

For the purpose of these financial statements the Company measured shares in controlled entities, whose value calculated using the equity method differs from their value calculated based on the acquisition price less impairment write-downs.

The below table presents the effects of shares valuation in controlled entities on the Company's financial result:

	31 December 2006	31 December 2005

Net profit	1 582 268	1 132 228
Effects of shares valuation using the equity method	320 565	233 927
Net profit after consideration of the valuation of shares using the equity method	1 902 833	1 366 155

Applying the equity method to the measurement of shares in controlled entities would increase the value of shares in controlled entities by PLN 967,635 thousand in 2006 and PLN 647,069 thousand in 2005, respectively.

22. INFORMATION ABOUT THE CONSOLIDATED FINANCIAL STATEMENTS

The Company draws up the consolidated financial statements of PGNiG Capital Group in line with International Financial Reporting Standards.

23. OTHER RELEVANT INFORMATION - THE PROCESS OF RESTRUCTURING THE COMPANY

In 2006, PGNiG S.A. realized the restructuring process arising from the "PGNiG S.A. restructuring and privatization program" adopted by the Council of Ministers of the Republic of Poland on 5 August 2004.

The Energy Law which was amended on 4 March 2005 as well as the "PGNiG restructuring and privatization program" adopted by the Council of Ministers (on 5 October 2004), by implementing the assumptions specified in the Directive no. 2003/55/EC of the European Parliament and Council, impose the obligation of legal separation of the commercial activity and technical distribution of gas as well as the isolation of Distribution System Operators (DSO) until 1 July 2007. This obligation refers also to six regional Gas Companies (Dolnośląska, Górnośląska, Karpacka, Mazowiecka, Pomorska i Wielkopolska) which operate within the PGNiG Capital Group as of 1 January 2003 due to the fact that each one of them performs both the activity of technical distribution of gas as well as the commercial activity, inclusive of customer service.

Separation of the commercial activity and technical distribution of gas.

The Management Board of PGNiG S.A. by Resolution no. 256/2006 of 11 April 2006, adopted the implementation model of separation of the commercial activity from the technical gas distribution activity based on the option which assumes combination within PGNiG S.A. of wholesale and retail sale as well as transformation of six Gas Companies into Gas System Operators

While selecting the most favourable option the Company took into consideration the network equipment of legally separated distribution system operators.

Basic assumptions of the Project for separation of the commercial activity from technical distribution of gas:

- The retail sales of gas as well as customer service in the whole country shall be "moved" from the Gas Companies to PGNiG S.A. Thus, PGNiG S.A. apart from the mining and storage activity shall also run the entire commercial activity (wholesale and retail sale).
- The gas distribution activity shall still be performed by the Gas Companies which, after moving of the retail sale activity to PGNiG S.A., shall be transformed into Distribution System Operators. DSO shall have full ownership of the distribution network together with the technical infrastructure.
- The sales shall be executed within PGNiG S.A. by the Sales Division. This Division shall concentrate the entire gas sales activity, in that e.g. marketing gas sales (from import and own sources), customer service as well as gas commercial balancing. Due to strategic reasons, the purchase of gas shall remain outside the Sales Division within the Headquarters structure of PGNiG S.A.
- Apart from the Headquarters, the organizational structure of the Sales Division shall cover the Sales Plants (Gasworks) together with field entities (Customer Service Offices - and other).

Project milestones:

- establishment of six Sales Divisions in the Gas Companies (one in each company) on the basis of 23 Sales Plants (Gasworks), separated concurrently from the Divisions of the Gas Companies, which deal with gas sales (December 2006).
- not later than until 1 July 2007 - division of the Gas Companies and transfer of the six Sales Divisions from the Gas Companies to the Gas Sales Companies already established by PGNiG S.A. (i.e. Temporary Companies) having their registered seats in Warsaw (the Sales Division of each Gas Company is put in a separate Gas Sales Company),
- in the shortest time possible (planned due date - third quarter of 2007) - incorporation of the Temporary Companies from PGNiG S.A., with observance of the principle for incorporation of 23 Sales Plants (Gasworks), into one Sales Division of PGNiG S.A. established in Warsaw.

Organization and flow of project and implementation activities

The project of separation of the commercial activity from the technical gas distribution is executed by the structure, adopted by the Management Board of PGNiG S.A., which covers three levels of work organization: Steering Committee, Project Committee, Task Teams appointed separately for each of the business areas which are composed of representatives of the PGNiG S.A. Headquarters and of the Gas Companies. The Project Committee shall be supported by a Consultative Team which will be composed of the Management Board representatives of the Gas Companies.

In the Project, 23 PGNiG S.A. Representatives were appointed in the Gas Plant of the Companies (from 1 January 2007 - Gasworks Directors).

On 10 August 2006 the Management Board of PGNiG S.A. adopted the basic "Concept for operation of the Sales Division at PGNiG S.A." which specifies the guidelines for detailed project tasks, which resulted in the preparation of the "Restructuring project" together with a schedule of implementation activities. On 3 November 2006 the, Extraordinary Annual Shareholders Meeting of PGNiG S.A. positively evaluated the aforementioned study and adopted resolutions on:

- approval for implementation of the Restructuring Project at the PGNiG Capital Group together with a detailed legal Schedule,
- approval for the establishment of 6 Temporary Companies having their registered seats in Warsaw,
- authorization of the Management Board of PGNiG S.A. to undertake all actions to perform the future merger of PGNiG S.A. and the Temporary Companies.

On 8 November 2006 the General Meeting Gas Companies' Shareholders adopted resolutions on approval for implementation of the Restructuring Project in the Gas Companies, in particular inclusive of the authorization of the Management Boards of these companies to undertake all actions in order to perform the division of Gas Companies.

On 31 December 2006 the Gas Companies established the Sales Divisions which were then entered in the National Court Register. On 31 December 2006 the Management Boards of the Gas Companies equipped them with an adequate property and human resources. It should be mentioned that the allocations performed shall still be subject to some corrections due to the adoption of further detailed business solutions.

On 27 December 2006 the Foundation Deeds of the following Temporary Companies were signed:

- Dolnośląska Spółka Obrotu Gazem Sp. z o.o. seated in Warsaw,
- Górnośląska Spółka Obrotu Gazem Sp. z o.o. seated in Warsaw,
- Karpacka Spółka Obrotu Gazem Sp. z o.o. seated in Warsaw,
- Mazowiecka Spółka Obrotu Gazem Sp. z o.o. seated in Warsaw,
- Pomorska Spółka Obrotu Gazem Sp. z o.o. seated in Warsaw,
- Wielkopolska Spółka Obrotu Gazem Sp. z o.o. seated in Warsaw,

All shares in the initial capital of these Companies were covered in full by the only shareholder i.e. PGNiG S.A.

The Gas Companies Division Plans, which specify the detailed division principles together with draft documents necessary to perform the division procedure, were based on the Detailed Business Concept for the Sales Division of PGNiG S.A. adopted on 6 February 2007 by the Management Board of PGNiG S.A. The "Concept for operation of the Distribution System Operators established on the basis of Gas companies" which was drawn up in July 2006 is now being specified.

Communication within the Project

As of the implementation date of the Project, the people responsible for internal communication initiated a series of information activities about the project which are addressed to all interested group of recipients. In January 2007 a special service was created which provides information about the Project to the employees of the PGNiG Capital Group.

The design and implementation phase of the Project involved dialogues with representatives of trade unions at the PGNiG Capital Group. The "Agreement between the PGNiG Trade Union Head Offices and PGNiG S.A. on assurance of protection rights to employees of the PGNiG Capital Group during the execution of the governmental restructuring and privatization program and on adjustment of the organizational structure to the energy law provisions, and in particular on Sales integration and transformation of Gas Companies into Distribution System Operators" was concluded on 7 December 2006.

Internal restructuring of PGNiG S.A.

The formal liquidation process (accounting & settlements) of six Regional Transmission Branches was performed and finished in 2006 and it ensured, among others, the cession of agreements with PGNiG S.A (RTBs) onto Operator Gazociągów Przesyłowych Gaz System Sp. z o.o. (OGP Gaz-System Sp. z o.o., at present OGP Gaz-System S.A.),

Realization of the Employment restructuring program

The second stage of the Employment restructuring program was initially planned for 2003 – 2006. However following consultations with the Head Offices of Trade Unions the Employment restructuring program (the second stage) was adapted to new domestic regulations and EU directives as well as to changes in the outside legal environment.

Moreover, the amended Program will enable the Company to provide partial financing of severance payments to employees of the PGNiG Capital Group from the Central Restructuring Fund created to support the restructuring of employment in those entities of the Capital Group whose difficult financial situation will require such support. The amended Program assumed that a maximum of 4,142 individuals will be covered by the restructuring process during the period of 2004 – 2007, which in total with the number of individuals covered by the restructuring process in 2003 (1,406 individuals) gives forecasted total of 5,548 people.

In the period from 1 January 2004 until 31 December 2006 the Program in the entire PGNiG Capital Group covered 4,296 employees with various types of restructuring, in that:

- in the branches of PGNiG S.A. - 1,245 people,
- in gas companies - 1,982 people,
- in other subsidiaries - 962 people,
- in RTB's (up to 30 June 2005) – 107 people.

The savings in respect of remuneration and employee benefits in this period within the entire PGNiG Capital Group amounted to PLN 296 million, whereas the effect of the restructuring (after consideration of the restructuring costs and financial consequences resulting from necessary engagements of employees) amounted to PLN 128 million. The absolute headcount in the entities covered by the Program in the period from 1 January 2003 until 31 December 2006 decreased by 5,929 people (inclusive of the transfer of 2,181 people related to the separation of OGP Gaz-System Sp. z o.o. (at present OGP Gaz-System S.A.) outside of the PGNiG S.A. Capital Group).

Only in PGNiG S.A., in the period from 1 January 2004 until 31 December 2006, the restructuring covered 1,245 people. Relevant restructuring costs incurred amounted to PLN 10 million. The savings in respect of remuneration and employee benefits in the said period amounted to PLN 90 million, whereas the restructuring effect amounted to PLN 43 million.

3. The internal assets restructuring process includes continuation of management of non-production assets, redundant in the Company's business activity, mainly through lease or sales (this mostly includes real estate). These assets remained after liquidation of gas plants in 2003, regional transmission branches in 2006, and became redundant in activity of mining plants.

The management of assets excluded in 2006 from the Operating Lease Agreement, i.e. assets declared by OGP Gaz-System S.A. as redundant in the transmission process, constitutes a separate issue. The assets with the lease value of PLN 224 million were excluded from the Operating Lease Agreement, which at the exclusion date amounted to PLN 209 million (value decreased by the previous repayment). The assets of a distribution nature, which were excluded from the Operating Lease Agreement, were rendered operational by the Distribution Companies.

Pursuant to the resolution of the Management Board of 19 December 2006 these assets shall be provided to the Distribution Companies in 2007 in the form of a contribution. At present they are leased to the Companies.

The total net value of real property sold in 2006, which was excluded from the activity due to internal restructuring amounts to ca. PLN 13.9 million. Moreover, PGNiG S.A. renounced its rights to 24 redundant real estates for the benefit of the State Treasury.

The above described and currently implemented "Project for separation of the commercial activity from the technical distribution of gas" significantly influences the activity of PGNiG S.A. and the PGNiG Capital Group. In the design phase, in September 2006 the following risks were identified:

- Large organizational changes in the sales activity which may have a short-term negative impact on the customer service level,
- Necessity to create a countrywide sales structure from scratch and in particular at the Sales Division Headquarters level,
- Probable additional unification costs of many changes implemented over the recent years by Gas Companies in the sales activities, inclusive of IT system, incentive systems, work organization models, etc.
- Change in the subject-matter and model of operation of the Gas Companies (solely distribution activity), which may (at least in a short and medium period of time) have a negative impact on customer service. However, it should be pointed out that each variant which aims at the separation of the commercial activity from the technical one results in a change of the previous operational model of the Gas Companies and may have a negative impact on the customer service level,
- Significant amount of legal formalities related to the transformations (legal procedures, external agreements, employee agreements, etc.).

In the present phase of Project implementation the aforementioned risks did not pose any danger to the operation of the PGNiG Capital Group and PGNiG S.A.

24. OTHER RELEVANT INFORMATION - EMPLOYEE PENSION PLAN

As of January 2006, PGNiG S.A. offers the employee pension plan (EPP) to its employees pursuant to the Act of 20 April 2004 on employee pension plans (Journal of Laws No. 116, item 1207), hereinafter referred to as the Act, realized in the form of agreement on employees' contributions paid to investment funds by the Employer.

EPP general principles

- The plan is organized by the Company;
- The Employer finances the basic contributions and is responsible for the operational correctness of EPP;
- The contributions constitute a taxable portion of an employee's income - this is the only cost incurred by the employee in EPPs and it results from general law regulations;
- The participation in EPP is voluntary;
- The Employer may suspend the payment of a contribution, limit its value and liquidate the EPP;
- The contributions are divisible into basic and additional contributions. At PGNiG S.A. the basic contribution is financed by the Company and amounts to 7% of the employee's remuneration, whereas the additional contribution is financed independently by the employee (not higher than 3-times the value of the contribution to the Personal Pension Fund [IKE]). At PGNiG S.A. the minimum additional contribution amounts to PLN 50;
- The Company is not obliged to make payments to ZUS due to the basic contributions;
- The expenses related to the creation, maintenance and registration of the EPP constitute a tax deductible cost for the Company;
- The collected funds are paid out once the employee turns 60 or after acquisition of retirement entitlements - it is impossible to gain earlier access to the funds collected within the EPP;
- The EPP participant may point to persons entitled to receive the collected savings in case of his/her death;
- The payment to the participant or the entitled person is exempt from:
 - personal income tax,
 - capital gain tax,
 - inheritance tax.

Change of the employer

- In case of a change of the employer, the employee may transfer his/her savings in EPP to the new employer (if the new employer maintains the EPP);

- He may also leave his savings with the old employer and in such situation the collected savings shall remain in the EPP and will still be invested by specialists;
- If an employee loses his job or becomes unemployed, the savings gathered in EPP shall remain and shall be invested pursuant to a specified strategy;
- It is also possible to make a transfer of the funds gathered in EPP to a Personal Pension Funds (IKE).

EPP with TFI PZU S.A. funds

1. The contributions paid by the Company form part of the assets of individual Funds and shall be invested by each Fund in accordance with the investment aim of a given Fund. Pursuant to the act of 27 May 2004 on investment funds (Journal of Laws No. 146, item 1546 as amended) the Fund realized one of the following investment goals:
 - 1) protection of the real value of the fund's assets (PZU Fundusz Inwestycyjny Otwarty Papierów Dłużnych POLONEZ),
 - 2) revenues from the fund's net investments (PZU Fundusz Inwestycyjny Otwarty Stabilnego Wzrostu MAZUREK),
 - 3) increase of the fund's assets value as a result of increase in the value of investments (PZU Fundusz Inwestycyjny Otwarty Akcji KRAKOWIAK).

Investment results of the Funds

The following table presents the results of individual funds for the past 5 years

Fund	Result for 2002	Result for 2003	Result for 2004	Result for 2005	Result for 2006
PZU FIO Papierów Dłużnych POLONEZ	15.83%	2.63%	6.13%	7.42%	3.50%
PZU FIO Papierów Dłużnych MAZUREK	8.97%	10.40%	12.85%	9.63%	17.71%
PZU FIO Papierów Dłużnych KRAKOWIAK	4.82%	25.76%	23.38%	16.19%	48.43%

EPP operated in the form of an agreement for provision of the Employees' contributions to the investment fund by the Employer. The benefits of such capital solution were presented below:

- This is the most effective form of retirement guarantee of retirement benefits (100% of the contribution is invested)
- The safety level of investments is high (The employee owns the participation units whose value is open)
- The costs are transparent (the value of costs is controlled by the state institution)
- It is possible to adjust the investment strategy to individual needs of a given EPP Participant

The employee may chose the investment mode if their contributions:

- The individual mode is for people who prefer independence - the employee chooses in which fund his contributions shall be invested, or
- Recommended - for those who prefer to leave the decision to specialists and to avoid emotional stress related to consideration of decisions

Costs of participation in EPP - PGNiG S.A.

- Total exemption from fees charged on the contribution, which stands for 100% allocation of the employees' contributions. This means that the whole contribution of EPP Participants will be allocated in funds and no fees shall be deducted from it.
- Low fee for management collected from the fund's assets, included in the Fund's valuation - the so-called annual costs.

Management fee - annual costs, the following table shows the fee (in per cent) from the net value of assets of individual funds.

	PZU FIO Papierów Dłużnych POLONEZ	PZU FIO Stabilnego Wzrostu MAZUREK	PZU FIO Akcji KRAKOWIAK
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Handling charge	0%	0%	0%
Management fee (cost of the fund's operation) included in the valuation of the participation unit	0,9%	1,2%	1,4%
Fee for change of the fund	0%	0%	0%
Fee for transfers	0%	0%	0%
Fee for withdrawal of the capital	0%	0%	0%
Other fees for TFI related to start-up of the Plan	0%	0%	0%

The investment results which are published in newspapers already include the management fee.

Due to the character of the aforementioned plan, it is not necessary to disclose the EPP in the balance-sheet. The plan costs which are incurred by PGNiG S.A. are recognized costs of the period and the Company is not obliged to pay out the benefits to the employees.

25. OTHER RELEVANT INFORMATION - FOREIGN OPERATIONS

The shares of PGNiG S.A. in foreign companies

Ukraine

The Company "**Dewon**" **Z.S.A.** is a closed joint stock company (not listed). It was established on 17 November 1999. The basic aim and task of the Company is the execution of services related to the extraction of crude oil and natural gas, reconstruction of wells and development and exploitation of deposits in the Ukraine.

The authorized fund (initial capital) of the Company amounts to UAH 11,146.8 thousand which equals to PLN 6,420.6 thousand (acc. to the NBP exchange rate of 29 December 2006) and is divisible into 120.0 thousand shares with the nominal value of UAH 92.89 per share. The capital commitment in the company amounts to UAH 4,055.2 thousand which equals to PLN 2,335.8 thousand (acc. to the NBP exchange rate of 29 December 2006).

The ownership 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%

The Company initiated the natural gas production in 2003. The exploitation is performed on the "Sachalińskie" deposit of the gas condensate in the Krasnokutz Region of the Kharkov District (Eastern Ukraine). The Company extracts hydrocarbons, maintains production of natural gas and condensate and sells them on the Ukrainian market.

The exploitation of the Sachalinskoie deposit is based on a joint venture agreement with the PoltavaNaftoGasGeologia company. PoltavaNaftoGasGeologia is a subsidiary of the State-owned Company "Nadra Ukrainy" and owns a concession for the exploration and extraction of gas from the Sachalinskoie deposit

Oman

The initial capital of the "Sahara Petroleum Technology Llc" Company amounts to RO 150.0 thousand (Omani riyals) which equals to PLN 1,136.9 thousand (acc. to the average NBP exchange rate of 27 December 2006) and is divisible into 150.0 thousand shares in the value of 1 RO per share. The capital commitment of PGNiG S.A. in the Company amounts to RO 73.5 thousand which equals to PLN 557.1 thousand (acc. to the average NBP exchange rate of 27 December 2006). The ownership structure is as follows:

- PGNiG S.A. 49%
 - Petroleum and Gas Technology Ilc 51%
- P.O. Box 3641, Ruwi, Oman Sultanate

The Company was established out of the initiative of Zakład Robót Górniczych in Krosno (which until 30 June 2005 was a Branch of PGNiG S.A., whereas at present it is a Company in which PGNiG S.A. owns 100% of shares) in 2000. The major aim for establishment of the Company was the provision of

maintenance services in respect of reconditioning and reconstruction of wells, linear technique operations, maintenance of heads of exploration machines as well as light and medium drilling jobs using technical potential of PGNiG S.A. (ZRG).

PGNiG S.A. intends to withdraw from the company.

Germany

Two agreements were concluded on 1 July 2005 in Potsdam between PGNiG S.A. and VNG-Verbundnetz Gas AG that established the following two companies which operate based on German law:

- InterTransGas GmbH (ITG)

- InterGasTrade GmbH (IGT)

Both partners acquired 50% of shares in each of the companies. The initial capital of the established Companies, whose registered seat is in Potsdam, amounts to EUR 200 thousand each (which equals to PLN 383.1 thousand according to the average NBP exchange rate of 29 December 2006).

On 9 August 2005 InterTransGas GmbH was registered in the commercial register in Potsdam.

The scope of the Company's activities includes construction, operation and sale of transmission capacity.

At present, pursuant to the decision of the Shareholders, InterTransGas GmbH operates under assumption that minimum costs necessary for the Company to operate are incurred. Once there are circumstances which will enable the construction of the gas pipeline that would connect the Polish and German gas transmission system, the Company shall be able to undertake its basic activity specified in the Company's Articles of Association.

The shares of PGNiG S.A. in exploration licenses:

Pakistan

Exploration work in Pakistan is conducted by the Operating Branch of PGNiG S.A. in Pakistan.

In 2006, the interpretation of archive seismic profiles after reprocessing was made whereas the "Design of 2D Seismic Works in the Kirthar block area" was developed on the basis of complex geological & geophysical data. At the turn of September and October, Geofizyka Kraków was chosen to be the contractor of these works as a result of an unlimited tender. The seismic field works were preceded by an analysis of the impact of the seismic research on the natural environment. The seismic group which was activated in December 2006 was followed by geodetic works, which precede the production cycle. The experimental works, the aim of which was to specify the methodological parameters, were performed at the beginning of February 2007. These works were followed by a production start-up. The end of the production cycle is planned for May 2007.

The exploration works in the Kirthar block area are conducted jointly with Pakistan Petroleum Ltd. The distribution of shares is as follows: PGNiG S.A. with 70% and Pakistan Petroleum Ltd with 30%. The cost of investments are adequate to the shares owned by the companies.

Norway

On 28 February 2007 PGNiG S.A. concluded a conditional agreement with Mobil Development Norway A/S and ExxonMobil Production Norway Inc. (ExxonMobil) for the purchase of 15% of shares in three concessions covering the Skarv and Snadd deposits on the Norwegian Continental Shelf. Pursuant to the provisions of the agreement, PGNiG S.A. shall acquire 15% of shares in the concessions for the price of USD 360 million, which equals to ca. PLN 1,069.2 million (calculated at the NBP exchange rate of 28 February 2007).

The execution of the Agreement depends on the fulfillment of the following conditions:

- a) obtaining a consent of the Annual General Meeting of PGNiG S.A. and of other necessary corporate approvals;
- b) obtaining a consent from the Norwegian Ministry for Hydrocarbons and Energy pursuant to Art. 10-12 of the Norwegian Hydrocarbons Act;
- c) issue, by the Norwegian Ministry of the Finance, of a decision on tax pursuant to Art. 10 of the Act on taxation of business activity in the oil sector;
- d) non-execution of the right of preemption.

The agreement may be terminated if at least one of the conditions is not fulfilled and if:

- 1) the condition specified under a) is not fulfilled until 15 May 2007,

2) the remaining conditions are not fulfilled until 1 November 2007.

Moreover, in order to execute the Agreement it is necessary for PGNiG S.A. to receive the so-called prequalification and qualification from the Norwegian Ministry for Hydrocarbons and Energy, which constitutes a standard procedure for companies which intent to invest in the gas and crude oil sector in Norway. Apart from the necessity to obtain the qualification until the date of fulfillment of all conditions, PGNiG S.A. must also obtain a permit for gas transportation within two months from the Closing Date.

Upon the purchase of the Licence the Company shall become a party to a series of agreements referring to the organization and exploitation of deposits.

Pursuant to the data approved by the NPD (Norwegian Petroleum Directorate) (2006 Fact Book), the total amount of all Deposits in which PGNiG shall acquire shares from ExxonMobil is estimated at the level of ca.:

- 35.8 billion cubic meters of natural gas;
- 18.3 million cubic meters of crude oil and condensate (ca. 15 million tons);
- 5.8 million tons of NGL (Natural Gas Liquids).

British Petroleum is the direct operator on the deposits. The other partners include Shell, Statoil and Norsk Hydro.

The beginning of gas and crude oil extraction is planned for the first half of 2011. Pursuant to the estimates of PGNiG S.A. the investment outlays for the development of deposits shall amount to ca. USD 5 billion, in that the investment outlays of PGNiG S.A. shall amount to ca. USD 600 million which equals to ca. PLN 1,781.9 million (calculated at the NBP exchange rate as of 28 February 2007).

The transaction documents shall be governed by the Norwegian law.

The investment of PGNiG S.A. in the licences is a long-term investment.

India

In January 2007 PGNiG S.A. signed a MoU (Memorandum of Understanding) with GSPC (Gujart State Petroleum Company, a state-owned oil company of the Indian Gujarat state) on the possibility of cooperation on the territory of India as well as Yemen and Egypt.

In 2006 PGNiG S.A. applied for exploratory concessions in such countries as Libya, Algeria, Egypt and Denmark. In 2007 the aforementioned actions shall be continued.

26. OTHER RELEVANT INFORMATION – LONG-TERM CONTRACTS FOR GAS DELIVERIES

Agreements for the sale of gas fuel from the transmission system are concluded based on the Energy Law and in accordance with binding gas fuel trade tariffs. However agreements regarding the sale of gas directly from deposits are subject to Geological and Mining Law and are settled in accordance with prices negotiated based on economic profitability which takes into account development costs and costs of gas production and transmission.

In 2006 the following agreements for sale of gas fuels from the transmission system were signed:

- two agreements for an unspecified period with end customers for target total annual gas fuel amounts at the level of 1,216.0 thousand cubic meters,
- one agreement for a specified period (from 1 March 2006 until 30 September 2006) with an end customer for small amounts of gas fuel in the actually realized amount of ca. 56.0 thousand cubic meters,
- three agreements for an unspecified period with customers which resell the gas fuel on the basis of their own tariffs approved by the President of the Energy Regulatory Office for target total annual gas fuel amounts at the level of 53,330.0 thousand cubic meters,
- one agreement for a specified period from 7 September 2006 until 30 September 2007) with Operator Gazociągów Przesyłowych Gaz-System S.A. for 93 million cubic meters of high-methane natural gas smaller amount of nitrated gas.

At present the provisions contained in the so far concluded agreements for sale of gas are adjusted to the requirements made by e.g. IRiESP (IRiESP - Transmission Network Operational and Maintenance Instruction). The new entries shall be reflected in the comprehensive agreements which replace the so far concluded agreements for sale of gas fuels.

Gas deliveries to Arctic Paper Kostrzyń S.A. as part of the direct (deposit) contract concluded in 2003 were begun in June 2006. The target annual gas delivery volumes (from July 2007) stipulated in the contract will be equal to 125 million m³.

27. OTHER RELEVANT INFORMATION – GAS PURCHASE CONTRACTS

PGNiG S.A. imported gas as part of the below specified agreements and contracts, i.e. a long-term contract for the import of gas from Russia and Germany and the medium-term contracts for deliveries from Norway, Germany and countries in Central Asia:

- long-term Russian gas delivery contract of 25 September 1996 with OOO Gazexport (as of 1 November 2006 the name was changed into OOO „Gazprom eksport”), which is binding until 2022.
- German gas import agreement of 17 August 2006 with VNG – Verbundnetz Gas AG., which is 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;
- Norwegian gas import agreement of 5 May 1999 with Statoil ASA, Norsk Hydro Produksjon AS and Total E&P Norge AS, which is binding until 30 September 2006;
- Central Asian gas import agreement of 10 August 2005 with RosUkrEnergo AG, which is binding until 31 December 2006.

In addition, the following agreements for non-system gas are still in force :

- agreement for natural gas deliveries of 26 October 2004 with z NAK Naftogaz Ukraine, which is binding until 2020,
- gas sales agreement of 4 February 2004 with Severomoravska Plynarenska a.s., which is binding until 31 December 2007,
- gas trading contract with VNG - Verbundnetz Gas AG of 22 October 1992, which is binding until 1 October 2007.

The German gas import agreement between PGNiG S.A. and the German gas supplier VNG – Verbundnetz Gas AG was signed on 17 August 2006. Natural gas deliveries to the interconnection point in Lasów began on 1 October 2006. During the first two years, the deliveries will amount to 500 million m³ per annum, whereas gas deliveries during the period of 1 October 2008 to 1 October 2016 will be equal to 400 million m³ per annum. Thus this agreement will replace the thus far binding gas sales agreement with E.ON Ruhrgas AG and VNG starting from 1 October 2008.

The Gas Sales Agreement between PGNiG S.A. and Rosukrenergo AG was signed on 17 November 2006. The gas deliveries started on 1 January 2007 in the amount of 2.4 billion cubic meters per annum and shall be realized until 1 January 2011 solely with the possibility of extension of the delivery period until 1 January 2013.

The agreements concluded on 5 May 1999 with the Norwegian companies for the import of 0.5 billion cubic meters of gas per annum expired as of 1 October 2006.

The Framework Agreement between PGNiG S.A. and Statoil ASA was signed on 6 June 2006. This agreement constitutes a basis for conclusion of individual transactions for natural gas supplies. The Framework Agreement defines the general principles, based on which gas deliveries will be executed, whereas the details of particular delivery parameters, e.g. quantity and price, will each time be defined in Gas Agreements concluded in the future. The agreement contains provisions which provide PGNiG S.A. with access to Norwegian gas delivery locations in Europe, including to the TTF and BEB/VEP hubs. This will enable PGNiG S.A. to purchase gas during period of increased demand and resale potential surpluses. The Framework Agreement has been concluded for an indefinite period.

On 7 June 2006 annex no. 5 to the Gas Sales Agreement between PGNiG S.A. and DONG Naturgas A/S of 2 July 2001 was concluded. Pursuant to this annex all the validity dates which relate to the terms and conditions specified in this agreement have been extended to 31 December 2006 whereas the notice period of the agreement is one month.

The terms and conditions resulting from the provisions specified in the aforementioned gas sales agreement expired on 31 December 2006. As of the expiry of the agreement, PGNiG S.A. and DONG Naturgas A/S were relieved of all rights and obligations resulting from the above agreement.

On 17 January 2007 PGNiG S.A. and DONG signed a protocol in which they expressed their will for continuation of their cooperation with respect to gas business. The future cooperation shall be based on the previous experience of both Parties and shall take into consideration the condition of European gas markets and may cover the infrastructural projects in the area of the Baltic Sea basin to ensure the safety of natural gas supplies.

27. OTHER RELEVANT INFORMATION - MANAGEMENT BOARD'S PLANS REGARDING THE FINANCING OF OPERATIONS

The Company has sufficient cash to ensure the on-hand and timely settlement of financial liabilities to commercial partners and the State Budget. Funds gained from increase in the capital in 2005 in line with the prospectus were invested most of all in bills and bonds issued by the State Treasury and bonds issued by the National Bank of Poland, which are safe with respect to credit risk. The remaining part (several percent) was invested in renowned banks.

As of 31 December 2006 the Holding Company was using one syndicate credit whose agreement was signed on 27 July 2005. The credit is composed of tranche A, i.e. the term credit for the amount of EUR 600 million, and of tranche B, i.e. the revolving credit in the amount of EUR 300 million.

In 2006 the revolving portion of the credit was unused. The Company additionally has credit lines in the following banks:

- Societe Generale - PLN 40 million,
- Bank Handlowy - PLN 40 million,
- Bank BPH - PLN 40 million,
- Bank Pekao S.A. - PLN 40 million,
- PKO BP S.A. - PLN 40 million,
- Bank Millennium - PLN 40 million,

The credit lines, although unused, increase the Company's safety in respect of the settlement of current liabilities.

The Company intends to maintain its policy as regards the movement of funds between the key companies of the Capital Group in the form of the issuance of debt securities addressed to the group entities which very good liquidity or in the form of loans.