Polskie Górnictwo Naftowe i Gazownictwo SA

SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

TABLE OF CONTENTS

Members of the Management Board

President of the Management Board	Michał Szubski	
Vice-President of the Management Board	Mirosław Dobrut	
Vice-President of the Management Board	Radosław Dudziński	
Vice-President of the Management Board	Sławomir Hinc	
Vice- President of the Management Board	Mirosław Szkałuba	
Vice-President of the Management Board	Waldemar Wójcik	

Warsaw, 3 March 2010

SELECTED FINANCIAL DATA
for the period ended 31 December 2009

	PLN		EUR	
	1 January 2009 - 31 December 2009	1 January 2008- 31 December 2008	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
I. Sales revenue	18 578 265	18 038 820	4 280 115	5 107 109
II. Profit/loss on operating activity	373 282	292 949	85 998	82 939
III. Profit/loss before tax	723 268	564 871	166 629	159 925
IV. Net profit/loss	665 874	546 236	153 406	154 649
V. Comprehensive income	689 331	506 405	158 810	143 372
VI. Net cash from operating activity	1 109 737	266 843	255 664	75 548
VII. Net cash from investing activity	(2 412 862)	(1 099 629)	(555 882)	(311 324)
VIII. Net cash from financing activity	920 194	585 708	211 997	165 824
IX. Total net cash	(382 931)	(247 078)	(88 221)	(69 952)
X. Earnings/loss and diluted earnings loss per ordinary share (in PLN / EUR)	0.11	0.09	0.03	0.03
	Balance as of 31 December 2009	Balance as of 31 December 2 008	Balance as of 31 December 2009	Balance as of 31 December 2008
XI. Total assets	24 183 549	23 440 498	5 886 653	5 617 989
XII. Liabilities and provisions for liabilities	6 843 846	6 259 126	1 665 899	1 500 126
XIII. Non-current liabilities	1 638 725	2 022 998	398 891	484 852
XIV. Current liabilities	5 205 121	4 236 128	1 267 008	1 015 274
XV. Equity	17 339 703	17 181 372	4 220 754	4 117 863
XVI. Share capital	5 900 000	5 900 000	1 436 152	1 414 054
XVII. Number of shares (weighted average in '000)	5 900 000	5 900 000	5 900 000	5 900 000
XVIII. Book value and diluted book value per share (in PLN/EUR)	2.94	2.91	0.72	0.70
XIX. Declared or paid dividend per share (in PLN/EUR)	0.09	0.19	0.02	0.05

The items in the income statement, statement of comprehensive income and statement of cash flows were translated at the EUR exchange rate being the arithmetic mean of average exchange rates determined by the National Bank of Poland (NBP) as of the last day of each month during the given financial period.
The items in the statement of financial position were translated at the average EUR exchange rate valid as of the end of each financial period determined by NBP.

Average PLN/EUR exchange rates defined by NBP

	31 December 2009	31 December 2008
Average exchange rate in the period	4.3406	3.5321
Exchange rate as of the end of the period	4.1082	4.1724

INCOME STATEMENT
for the period ended 31 December 2009

	Notes	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
		(in PLN '000)	
Sales revenue	**3**	**18 578 265**	**18 038 820**
Raw materials and consumables used	4	(10 902 437)	(11 119 336)
Employee benefits	4	(774 764)	(678 721)
Amortization/depreciation		(610 099)	(577 069)
External services	4	(5 484 935)	(5 365 118)
Manufacturing cost of benefits for internal purposes		13 710	6 388
Other operating expenses (net)	4	(446 458)	(12 015)
Total operating expenses		**(18 204 983)**	**(17 745 871)**
Profit/loss on operating activity		**373 282**	**292 949**
Financial revenue	5	699 891	379 770
Financial expenses	5	(349 905)	(107 848)
Profit/loss before tax		**723 268**	**564 871**
Income tax	6	(57 394)	(18 635)
Net profit/loss		**665 874**	**546 236**
Earnings/loss and diluted earnings/loss per share attributable to ordinary shareholders	8	0.11	0.09

STATEMENT OF COMPREHENSIVE INCOME
for the period ended 31 December 2009

	Notes	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
		(in PLN '000)	
Net profit/loss		**665 874**	**546 236**
Exchange differences from translation of foreign operations		(2 366)	928
Measurement of hedging instruments		-	-
Measurement of financial instruments		31 880	(50 320)
Deferred tax related to other comprehensive income		(6 057)	9 561
Exchange differences from translation of deferred tax		-	-
Other		-	-
Other net comprehensive income		**23 457**	**(39 831)**
Total comprehensive income		**689 331**	**506 405**

STATEMENT OF FINANCIAL POSITION
as of 31 December 2009

	Notes	31 December 2009	31 December 2008
		(in PLN '000)	
ASSETS			
Non-current assets (long-term)			
Property, plant and equipment	10	9 726 870	9 038 674
Investment property	11	3 778	5 395
Intangible assets	12	68 954	60 079
Available-for-sale financial assets	13	6 219 361	5 690 924
Other financial assets	14	2 417 571	2 065 541
Deferred tax asset	15	299 660	301 222
Other non-current assets	16	35 892	32 735
Total non-current assets (long-term)		**18 772 086**	**17 194 570**
Current assets (short-term)			
Inventories	17	1 110 220	1 579 726
Trade and other receivables	18	3 687 081	3 638 083
Current tax assets	19	161 546	39 574
Prepayments	20	9 370	6 342
Available-for-sale financial assets	21	-	-
Assets due to derivative financial instruments	34	18 002	174 186
Cash and cash equivalents	22	425 243	807 861
Non-current assets held for sale	23	**1**	**156**
Total current assets (short-term)		**5 411 463**	**6 245 928**
Total assets		**24 183 549**	**23 440 498**
EQUITY AND LIABILITIES			
Equity			
Share capital	25	5 900 000	5 900 000
Exchange differences from translation of foreign operations		(2 948)	(582)
Share premium		1 740 093	1 740 093
Other reserve capitals		8 983 114	8 953 301
Retained earnings/loss		719 444	588 560
Total equity		**17 339 703**	**17 181 372**
Non-current liabilities			
Loans, borrowings and debt securities	26	2 619	3 783
Provisions	27	1 084 367	1 248 785
Deferred income	28	3 941	6 063
Deferred tax liability	29	531 260	742 045
Other non-current liabilities	30	16 538	22 322
Total non-current liabilities		**1 638 725**	**2 022 998**
Current liabilities			
Trade and other liabilities	31	2 359 695	2 790 711
Loans, borrowings and debt securities	26	1 904 065	763 191
Liabilities due to derivative financial instruments	34	260 428	16 723
Current tax liabilities	19	-	-
Provisions	27	134 652	123 942
Deferred income	28	546 281	541 561
Total current liabilities		**5 205 121**	**4 236 128**
Total liabilities		**6 843 846**	**6 259 126**
Total equity and liabilities		**24 183 549**	**23 440 498**

STATEMENT OF CASH FLOWS
for the period ended 31 December 2009

	Notes	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
		(in PLN '000)	
Cash flows from operating activity			
Net profit/loss		665 874	546 236
Adjusted by:			
Amortization/depreciation		610 099	577 069
Net exchange gains/losses		(271 334)	37 739
Net interest and dividends		(237 519)	(275 985)
Profit/loss on investing activity		235 356	(101 727)
Income tax for the current period		57 394	18 635
Income tax paid		(394 647)	(462 883)
Other net items		649 718	(74 932)
Net cash generated by operating activity before changes in working capital		**1 314 941**	**264 152**
Changes in working capital:			
Net change in receivables	32	(10 986)	(220 101)
Change in inventories	32	469 507	(518 570)
Change in provisions	32	(42 495)	57 837
Change in current liabilities	32	(617 651)	548 409
Change in prepaid expenses	32	(6 185)	(7 752)
Change in deferred income	32	2 606	142 868
Net cash from operating activity		**1 109 737**	**266 843**
Cash flows from investing activity			
Proceeds from disposal of property, plant and equipment as well as intangible assets		44 733	3 915
Proceeds from disposal of shares in related parties		5	52 000
Proceeds from disposal of shares in other entities		132	-
Proceeds from disposal of short-term securities		6 297	64 167
Acquisition of property, plant and equipment as well as intangible assets		(1 932 514)	(1 161 888)
Acquisition of shares in related parties		(379 962)	(30 000)
Acquisition of short-term securities		-	-
Proceeds from loan repayments		266 586	189 876
Payments for originated loans		(679 827)	(519 400)
Proceeds from derivatives		113 107	-
Payments for derivatives		(120 540)	-
Interest received		70 017	157 601
Dividends received		164 434	50 513
Proceeds from finance lease		40 111	92 840
Other net items		(5 441)	747
Net cash from investing activity		**(2 412 862)**	**(1 099 629)**
Cash flows from financing activity			
Net proceeds from issues of shares and other equity instruments as well as capital contributions		-	-
Proceeds from contracted loans and borrowings		1 140 000	760 000
Proceeds from issues of debt securities		-	-
Repayment of loans and borrowings		-	-
Redemption of debt securities		-	-
Repayment of liabilities due to finance leases		(3 123)	(1 388)
Proceeds from derivatives		-	-
Payments for derivatives		-	-
Dividends paid	9	(148 501)	(171 006)
Interest paid		(58 742)	(153)
Other net items		(9 440)	(1 745)
Net cash from financing activity		**920 194**	**585 708**
Net changes in the balance of cash		**(382 931)**	**(247 078)**
Net exchange differences		313	(62)
Cash and cash equivalents at the beginning of the period		**808 174**	**1 055 252**
Cash and cash equivalents at the end of the period		**425 243**	**808 174**

STATEMENT OF CHANGES IN EQUITY
for the period ended 31 December 2009

	Equity					
	Share capital	Exchange differences from translation of foreign operations	Share premium	Other reserve capitals	Retained earnings/loss	**Total**
	(in PLN '000)					
Balance as of 1 January 2009	**5 900 000**	**(582)**	**1 740 093**	**8 953 301**	**588 560**	**17 181 372**
Reclassifications	-	-	-	3 991	(3 991)	-
Payment of dividends to owners	-	-	-	-	(531 000)	(531 000)
Comprehensive income for 2009	-	(2 366)	-	25 822	665 875	689 331
Balance as of 31 December 2009	**5 900 000**	**(2 948)**	**1 740 093**	**8 983 114**	**719 444**	**17 339 703**
Balance as of 1 January 2008	**5 900 000**	**(1 510)**	**1 740 093**	**3 344 146**	**6 813 239**	**17 795 968**
Reclassifications	-	-	-	5 649 915	(5 649 915)	-
Payment of dividends to owners	-	-	-	-	(1 121 000)	(1 121 000)
Comprehensive income for 2008	-	928	-	(40 760)	546 236	506 404
Balance as of 31 December 2008	**5 900 000**	**(582)**	**1 740 093**	**8 953 301**	**588 560**	**17 181 372**

NOTES TO THE FINANCIAL STATEMENTS OF PGNiG
as of 31 December 2009

1. GENERAL INFORMATION

1.1. Name, registered office, core business and basic registry data

Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna ("PGNiG S.A.", "Company") with its registered office in Warsaw, at ul. Marcina Kasprzaka 25, was incorporated as a result of transformation of a state enterprise PGNiG into a joint-stock company wholly owned by the State Treasury pursuant to Article 6.1 of the Act of 13 July 1990 on privatization of state companies (Dz. U. 1990 No. 51 item 298 with subsequent amendments) and the Ordinance of the Prime Minister concerning transformation of a public utility company - "Polskie Górnictwo Naftowe i Gazownictwo with its registered office in Warsaw" into a company wholly owned by the state treasury of 30 September 1996 (Dz. U. No. 116, item 553). On 21 October 1996, a Transformation Deed was drawn up based on the above Ordinance.

The Company was recorded in the Commercial Register kept by the District Court for the capital city of Warsaw, XVI Business Division, on 30 October 1996, under number RHB 48382. On 14 November 2001, PGNiG S.A. was entered to the Register of Entrepreneurs on the National Court Register under number KRS 0000059492, based on a decision of the District Court for the capital city of Warsaw, XII Business Division of the National Court Register.
The Company was assigned a statistical number REGON 012216736 and a tax identification number NIP 525-000-80-28.

Based on a decision of the Warsaw Stock Exchange of 16 September 2005, shares series A and B and subscription rights to B series shares of PGNiG S.A. were admitted to trading in the primary market. The subscription rights to B series ordinary bearer shares were first listed on the stock exchange on 23 September 2005. On 18 October 2005, the Warsaw Stock Exchange decided to float shares in PGNiG S.A., series A and B, on the primary market. The shares were first quoted on 20 October 2005.

Pursuant to the Articles of Association of PGNiG S.A., the Company carries out tasks to ensure energy security of the country understood as:

1) continuous supply of natural gas to customers and maintenance of necessary reserves;
2) safe exploitation of gas networks;
3) balanced amounts of gas fuels and control of the operations and capacity of power units connected to the common gas network;
4) natural gas production.

Pursuant to the Company's Articles of Association, the Company carries out production, service and trading activities in the area of:

1) production of crude oil;
2) production of natural gas;
3) services related to exploitation of oil and natural gas fields;
4) mining of sulfur-bearing materials;
5) other mining and extraction activities, not classified anywhere else;
6) production of oil refining products;
7) processing of oil refining products;
8) services in the area of installation, maintenance and repair of mining, extraction and construction equipment;
9) production of electricity;
10) transmission of electricity;
11) distribution of electricity;
12) production of gaseous fuels;
13) distribution of gaseous fuels via a network;
14) production of heat (steam and hot water);
15) distribution of heat (steam and hot water);
16) geological and engineering excavations and drilling;
17) general construction works on line structures: pipelines, electricity lines, electric traction and telecommunication and transmission lines;
18) central heating and ventilation systems;
19) gas systems;
20) maintenance and repair of motor vehicles;

21) retail sale of fuel;
22) wholesale of solid, liquid and gaseous fuels and by-products;
23) wholesale of semi-finished products;
24) other specialized wholesale;
25) hotels and motels with restaurants;
26) hotels and motels without restaurants;
27) carriage of cargo by road in specialized vehicles;
28) carriage of cargo by road in general purpose vehicles;
29) pipeline transport;
30) storage and warehousing of goods in other sites;
31) travel agencies;
32) fixed telephony and telegraphy;
33) mobile telephony;
34) data transmission and information and communication technologies;
35) radio communication;
36) research and development in the area of technical science;
37) geological and research activities;
38) surveying and cartography;
39) rental on property on own account;
40) management of residential property;
41) management of non-residential property;
42) sale and purchase of property on own account;
43) non-public libraries;
44) archives;
45) museums;
46) technical research and analyses;
47) lease of the Company's assets used for transmission of energy and gas;
48) other financial brokerage;
49) holdings;
50) other printing activities not classified anywhere else;
51) services related to pre-press preparation;
52) auxiliary graphic activity;
53) services in the area of installation, repair and maintenance of auxiliary, control, research, test and navigation devices;
54) heat, water, ventilation and gas systems;
55) activities of agents selling industrial fuels, ores, metals and chemicals;
56) activities of agents selling various types of goods;
57) wholesale of metal products and devices and auxiliary plumbing and heating equipment;
58) other retail sale in non-specialized shops;
59) finance lease,
60) auxiliary financial activities related to insurance and retirement and pension funds;
61) rental of machines and equipment;
62) data processing;
63) data bases;
64) other IT activities;
65) book-keeping and accounting;
66) advertising;
67) call centers;
68) other commercial activities not classified anywhere else;
69) management of property on commission;
70) other short-term accommodation, not classified anywhere else.

1.2. Duration of the Company

The Company's duration is not specified.

1.3. Period covered by the financial statements

The financial statements cover the period from 1 January 2009 to 31 December 2009, and from 1 January 2008 to 31 December 2008 for comparative data.

1.4. Aggregate data

PGNiG S.A. prepares aggregate financial statements. As of 31 December 2009, PGNiG S.A. comprised: the Company's Headquarters, 11 national branches and 4 foreign branches (in Algeria, Denmark, Egypt and Pakistan).

The aggregate financial statements of PGNiG S.A. have been prepared based on the financial data from the integrated accounting records of individual national branches and three foreign branches and based on the financial statements of the branch in Pakistan. At the end of the reporting period, the data from the statement of financial position of the foreign branch were translated to the Polish zloty at the average exchange rate determined by the National Bank of Poland valid as of the end of the reporting period; income statement items were translated at the arithmetic mean of the average exchange rates as of the last day of each month of the financial year. Exchange differences from translation were charged to the revaluation reserve.

PGNiG S.A., which is the parent, prepares also consolidated financial statements containing data of the 23 subsidiaries (including 1 indirect subsidiary) and 1 associate and 1 co-subsidiary.

1.5. Composition of the Management Board of PGNiG S.A.

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

As of 31 December 2009, the Management Board of PGNiG S.A. was composed of six persons:

- Michał Szubski - President of the Management Board;
- Mirosław Dobrut - Vice-President of the Management Board for Gas and Trade;
- Radosław Dudziński - Vice-President of Management Board for Strategy;
- Sławomir Hinc - Vice-President of the Management Board for Finance;
- Mirosław Szkałuba - Vice-President of the Management Board for Labor Issues and Restructuring;
- Waldemar Wójcik - Vice-President of the Management Board for Oil Mining.

In 2009 the composition of the Management Board of PGNiG S.A. changed.

On 28 January 2009, the Supervisory Board of PGNiG S.A. appointed Mr. Waldemar Wójcik to the Management Board of PGNiG S.A.

After 31 December 2009, by the date of preparation of these financial statements, there were no changes in the composition of the Management Board of PGNiG S.A.

1.6. Proxies of PGNiG S.A.

As of 31 December 2009, the Company's proxies were:

- Ewa Bernacik;
- Mieczysław Jakiel;
- Tadeusz Kulczyk.

In 2009 the following changes of proxies of PGNiG S.A. took place:

On 14 February 2009, the proxy granted to Mr. Marek Dobryniewski and Waldemar Wójcik was revoked. At the same time, the Management Board of PGNiG S.A. appointed as proxies Mr. Tadeusz Kulczyk and Zbigniew Król.
On 28 April 2009, the proxy granted to Mr. Zbigniew Król was revoked. At the same time, the Management Board of PGNiG S.A. appointed Mr. Mieczysław Jakiel as the Company's proxy.
On 31 December 2009 the proxy granted to Mr. Stanisław Radecki was revoked.

After 31 December 2009, by the date of preparation of these financial statements, there were no changes of proxies of PGNiG S.A.

The proxies are joint, i.e. in order for the acts in law to be effective, a proxy and a Member of the Management Board of PGNiG S.A. must act jointly.

1.7. Composition of the Supervisory Board of PGNiG S.A.

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

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

1) be elected according to the procedure referred to in § 36 clause 3 of the Articles of Association of PGNiG S.A.;
2) is not the Company's Related Party or its subsidiary;
3) is not a Related Party of the Parent or the Parent's subsidiary; and
4) is not in any relationship with the Company or any of the entities listed in points 2) and 3), which could significantly affect the ability of such person, as a member of the Supervisory Board, to make unbiased decisions.

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

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

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

As of 31 December 2009, the Supervisory Board was composed of eight members:

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

In 2009 the composition of the Supervisory Board of PGNiG S.A. changed.

On 16 June 2009 Mr. Maciej Kaliski resigned from the position of a member of the Supervisory Board of PGNiG S.A.

After 31 December 2009, by the date of preparation of these financial statements, there were no changes in the composition of the Supervisory Board of PGNiG S.A.

1.8. Shareholders of PGNiG S.A.

Shareholder structure of PGNiG S.A. as of 31 December 2009:

Entity	Registered office	Number of shares	percentage of share capital held	percentage of voting rights
State Treasury	Warsaw	4 303 686 368	72.94%	72.94%
Other	-	1 596 313 632	27.06%	27.06%
Total	**-**	**5 900 000 000**	**100.00%**	**100.00%**

1.9. Going concern

These financial statements were prepared on a going concern basis in the foreseeable future. As of the date of approval of these financial statements, there were no circumstances indicating a threat to the ability of the Company to operate as a going concern.

1.10. Business combination

In 2009 there were no cases of business combination between PGNiG S.A. and other companies,

11.11. Approval of the financial statements

These financial statements will be presented to the Management Board of PGNiG S.A. for approval on 22 March 2010.

2. ACCOUNTING PRINCIPLES APPLIED

2.1. Basis for the preparation of the financial statements

The financial statements have been prepared in line with the historical cost model, except for available-for-sale financial assets and derivatives measured at fair value.

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

2.1.1. Statement of compliance

These financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) in the form approved in the European Union (EU) as of 31 December 2009.

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

The scope of information disclosed in these financial statements complies with provisions of IFRS and the Ordinance of the Minister of Finance of 19 February 2009 on the current and periodic information to be provided by issuers of securities and the conditions for regarding information required by the law of a non-member state as equivalent. (Dz. U. No. 33, item 259).

2.2. Changes in the accounting principles and disclosures

2.2.1. Standards and interpretations applied for the first time

During the current year the Company adopted all new and revised standards and interpretations, presented below, issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee as approved for application in the European Union, applicable to the Company's operations and to annual reporting periods starting on or after 1 January 2009.

- *IFRS 8 "IFRS 8 "Operating segments"* – approved in the EU on 21 November 2007 (applicable to annual periods starting on or after 1 January 2009);
- *Amendments to IFRS 1 "First-time adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and separate financial statements"* - Cost of investment in a subsidiary, jointly-controlled entity or an associate, approved in the EU on 23 January 2009 (applicable to annual periods starting on or after 1 January 2009);

(in PLN '000)

- *Amendments to IFRS 4 "Insurance contracts" and IFRS 7 "Financial Instruments: Disclosures" -* Improving disclosures about financial instruments, approved in the EU on 27 November 2009 (applicable to annual periods starting on or after 1 January 2009);
- *IFRS (2008) "Amendments of International Financial Reporting Standards"* - amendments under the procedure of introducing annual improvements to IFRS published on 22 May 2008 (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41) primarily with a view to removing inconsistencies and clarifying wording, approved in the EU on 23 January 2009 (most amendments apply to annual periods starting on or after 1 January 2009);
- *Amendments to IAS 32 "Financial instruments: presentation" and IAS 1 "Presentation of financial statements" -* Financial instruments with a put option and liquidation-related obligations, approved in the EU on 21 January 2009 (applicable to annual periods starting on or after 1 January 2009);
- *Amendments to IAS 39 "Financial instruments: recognition and measurement" and to IFRS 7 "Financial instruments: disclosures"* - Reclassification of financial assets, effective date and transition, approved in the EU on 9 September 2009 (effective as of 1 July 2008);
- *IAS 1 (amended) "Presentation of financial statements"* - Revised presentation, approved in the EU on 17 December 2008 (applicable to annual periods starting on or after 1 January 2009);
- *IAS 23 (amended) "Borrowing costs"* - approved in the EU on 10 December 2008 (applicable to annual periods starting on or after 1 January 2009);
- *Amendments to IFRS 2 "Share-based payment"* - Vesting conditions and cancellations", approved in the EU on 16 December 2008 (applicable to annual periods starting on or after 1 January 2009);
- *Amendments to IFRIC 9 "Reassessment of embedded derivatives" and IAS 39 "Financial Instruments: recognition and measurement"* - Embedded derivatives (applicable to annual periods ending on or after 30 June 2009);
- *IFRIC Interpretation 11 "IFRS 2 – Group and treasury share transactions"* - approved in the EU on 1 June 2007 (applicable to annual periods starting on or after 1 March 2008);
- *IFRIC Interpretation 13 "Customer loyalty programs"* - approved in the EU on 16 December 2008 (applicable to annual periods starting on or after 1 January 2009);
- *IFRIC Interpretation 14 "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction"* – approved in the EU on 16 December 2008 (applicable to annual periods starting on or after 1 January 2009).

Except for the revised IAS 1 and IAS 23, the adoption of the above standards and interpretations did not result in significant changes in the Company' accounting policy or presentation of the financial statements.

Adoption of the revised IAS 1

The amendments to IAS 1 "Presentation of financial statements" includes changes in the names of basic financial statements and presentation of the balance sheet, income statement and statement of changes in equity.
As the Company adopted the revised IAS 1, the statement of changes in equity in these financial statements includes only transactions with owners. Other items have been recognized in the statement of comprehensive income.

The Company has also changed the names of basic financial statements:

Previous name	Present name
Income statement	Income statement*
-	Statement of comprehensive income*
Balance sheet	Statement of financial position
Cash flow statement	Statement of cash flows
Statement of changes in equity	the same in English

* The Company chose to present two separate statements: income statement and statement of comprehensive income.

Adoption of the revised IAS 23

Since 1 January 2009, borrowing costs that may be directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a portion of cost of the asset. In line with IAS 23, until the end of 2008, the Company recognized all borrowing costs as costs of the period in which they were incurred. Since 1 January 2009 the Company has been capitalizing borrowing costs. In the first half of 2009, capitalized borrowing costs amounted to PLN 22.5 million.

Adoption of IFRS 8

On 1 January 2009 IFRS 8 "Operating segments" replaced IAS 14 "Segment reporting". IFRS 8 requires recognizing operating segment data based on internal reports used by CODM (Chief Operating Decision Makers) in making decisions concerning allocation of resources and measurement of operating segment performance. Disclosed values should be compliant with amounts included in internal reports for CODMs, not necessarily in line with IFRS. Pursuant to IAS 14, an entity disclosed information on business segments and geographical segments.

The activity of the PGNiG S.A. is organized in three segments:
- Exploration and production;
- Trade and storage;
- Other segments.

Detailed description of segment reporting, assignment of companies to segments and information on key business data for particular segments are included in the Management Board Report on the activity of the Company.

No changes in the principles of assigning entities to particular reportable segments have been introduced since the last annual financial statements.

The Company assesses segment performance based on revenue, capital expenditure, EBIT and EBITDA. Revenue and capital expenditure are measured as in the financial statements. EBIT and EBITDA are not formal measures used for performance assessment in line with IFRS. EBIT is the operating profit, while EBITDA is the operating profit excluding depreciation/amortization and reversal/creation of impairment losses of goodwill and other non-current assets. The Company's funds and income taxes are managed at the level of the entire Company and they are not allocated to operating segments. Financial information concerning operating segments, used for their assessment by CODM, has been presented in Note 3 to these financial statements.

2.2.2. Standards and interpretations published and approved in the EU, but not yet effective

During approval of these financial statements the Company did not apply the following standards, amendments to standards and interpretations that had been published and approved for use in the EU, but which had not yet come into force:

- *IFRS 1 (revised) "First-time adoption of International Financial Reporting Standards"* approved in the EU on 25 November 2009 (applicable to annual periods starting on or after 1 January 2010);
- *IFRS 3 (revised) "Business combinations"* – approved in the EU on 3 June 2009 (applicable to annual periods starting on or after 1 July 2009);
- *Amendments to IAS 27 "Consolidated and separate financial statements"* – approved in the EU on 3 June 2009 (applicable to annual periods starting on or after 1 July 2009).
- *Amendments to IAS 32 "Financial instruments: presentation"* – Classification of rights issues, approved in the EU on 23 December 2009 (applicable to annual periods starting on or after 1 February 2010);
- *Amendments to IAS 39 "Financial instruments: recognition and measurement"* - approved in the EU on 15 September 2009 (applicable to annual periods starting on or after 1 July 2009);
- *IFRIC Interpretation 12 "Service concession arrangements"* - approved in the EU on 25 March 2009 (applicable to annual periods starting on or after 30 March 2009).
- *IFRIC 15 "Agreements for the construction of real estate"* - approved in the EU on 22 July 2009 (applicable to annual periods starting on or after 1 January 2010);
- *IFRIC 16 "Hedges of a net investment in a foreign operation"* - approved in the EU on 4 June 2009 (applicable to annual periods starting on or after 30 June 2009);
- *IFRIC Interpretation 17 "Distributions of non-cash assets to owners"* - approved in the EU on 26 November 2009 (applicable to annual periods starting on or after 1 November 2009);
- *IFRIC Interpretation 18 "Transfers of assets from customers"* - approved in the EU on 27 November 2009 (applicable to annual periods starting on or after 1 November 2009);

The Company decided not to exercise the possibility of earlier application of the above standards, amendments to standards and interpretations.

2.2.3. Standards and interpretations not yet approved by the EU

At present, IFRS in the form approved by the EU do not differ significantly from regulations adopted by the International Accounting Standards Board (IASB), except for the following standards as well as amendments to standards and interpretations which as of 31 December 2009 had not been yet adopted for use:

- *IFRS 9 "Financial instruments"* (applicable to annual periods starting on or after 1 January 2013);
- *IFRS (2009) "Amendments to IFRS"* - resulting from the annual quality improvement project of IFRS published on 16 April 2009 (IFRS 2, IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 18, IAS 36, IAS 38, IAS 39, IFRIC 9, IFRIC 16) primarily with a view to removing inconsistencies and clarifying wording, (most amendments are to be applied to annual periods starting on or after 1 January 2010);
- *Amendments to IAS 24 "Related party disclosures"* – Simplifying the disclosure requirements for government-related entities and clarifying the definition of a related party (applicable to annual periods starting on or after 1 January 2011);
- *Amendments to IFRS 1 "First-time Adoption of IFRS"* - additional exemptions for first-time adopters (applicable to annual periods starting on or after 1 January 2010);
- *Amendments to IFRS 1 "First-time adoption of IFRS"*- limited exemption from comparative IFRS 7 for first-time adopters (applicable to annual periods starting on or after 1 July 2010),
- *Amendments to IFRS 2 "Share-based payment"* - Group cash-settled share-based payment transactions (applicable to annual periods starting on or after 1 January 2010);
- *Amendments to IFRIC 14 "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction"* – prepayments of a minimum funding requirement (applicable to annual periods starting on or after 1 January 2011).
- *IFRIC 19 "Extinguishing financial liabilities with equity"* (applicable to annual periods starting on or after 1 July 2010).

According to the Company's estimates, the abovementioned standards, interpretations and amendments to standards would not have had a significant effect on the financial statements, if they had been adopted by the Company as of the end of the reporting period.
In addition, hedge accounting principles applicable to the portfolios of financial assets and liabilities 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 Company's estimates, application of hedge accounting principles with respect to the portfolio of financial assets or liabilities in line with IAS 39 "Financial Instruments: recognition and measurement" would not have had a material impact on the financial statements, if they had been adopted for use by the EU as of the end of the reporting period.

2.3. Accounting principles applied

The key accounting principles applied by PGNiG S.A. have been presented below.

2.3.1. Property, plant and equipment

Property, plant and equipment are tangible items and costs of tangible items under construction which the entity aims to use in its operations and for administrative purposes over a period longer than one year which in future will cause an inflow of economic benefits. Costs of tangible items include incurred capital expenditure as well as costs of future deliveries of machines, equipment or services related to manufacturing the items (advance payments). Property, plant and equipment include major, specialist spare parts which function as an element of a tangible item.
Property, plant and equipment is initially measured at cost (historical cost measurement model).

The cost includes the costs incurred to purchase or manufacture an item of property, plant and equipment and subsequent costs incurred in order to improve the usefulness of the asset, replace major spare parts or renovate the item. The costs of property, plant and equipment includes interest on borrowings (see note 2.3.3).

Spare parts and servicing equipment are carried as inventory and recognized in profit or loss as consumed. Major spare parts and stand-by equipment qualify as property, plant and equipment when the Company expects to use them during more than one year and if they can be allocated to a specific item of property, plant and equipment.

The Company does not recognize in the carrying amount of an item of property, plant and equipment the costs of the day-to-day servicing of the item. Rather, these costs are recognized in profit or loss as incurred. Costs of day-to-day servicing, understood as repairs and maintenance, are primarily the costs of labor and consumables, and may include the cost of small parts.

After recognition as an asset, an item of property, plant and equipment is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Depreciable amount of fixed assets excluding land and fixed assets under construction is allocated on a systematic basis over their useful life, using the straight-line method.

(in PLN '000)

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

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

Upon disposal or liquidation of an item of property, plant and equipment, the historical cost and accrued depreciation are derecognized from the statement of financial position, while any gains or losses are charged to profit or loss.

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

2.3.2. Costs of exploration and prospecting

Costs of natural gas and oil exploration and prospecting include geological work aimed at finding and documenting fields and are settled using the geological success method.

The Company recognizes costs incurred on initial land analyses (seismic work, development and drawing up of geological maps) directly as cost, in the income statement for the period in which such costs were incurred.

The Company recognizes the costs of bore holes incurred during exploration and prospecting in assets, as fixed assets under construction.

Previously capitalized costs of bore holes deemed as negative are charged to profit or loss for the period in which such bore holes were deemed negative.
After natural gas and/or oil extraction has been proven technically feasible and commercially justified, mineral resource exploration and assessment assets are reclassified to fixed assets or intangible assets, depending on their kind.

2.3.3. Borrowing costs

Since 1 January 2009 the Company has been capitalizing borrowing costs. In line with IAS 23, until the end of 2008, the Company recognized all borrowing costs as costs of the period in which they were incurred.

As a result of a revision of IAS 23, starting from 1 January 2009, borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use, form part of the cost of that asset until they are ready for their intended use or sale.

Investment income on the temporary investment of borrowings to be used directly for acquisition, construction or production of an asset, decrease the value of capitalized borrowing costs.

All other borrowing costs are charged directly to profit or loss in the period in which they were incurred.

The above capitalization rules are not applied to:

- assets measured at fair value; and
- inventories that are manufactured in large quantities, on a continuous basis, and are fast moving.

2.3.4. Investment property

Investment property is property (land or a building - or part of a building - or both) held by the Company as the owner or the lessee under a finance lease, to earn rentals or for capital appreciation.

An investment property is measured initially at its cost including transaction costs. The Company measures its investment property using the cost model and, after initial recognition, measures all of its investment property in accordance with the requirements of IAS 16 for that model i.e. at cost less accumulated depreciation and impairment loss.

An investment property is derecognized from the statement of financial position on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

Gains or losses arising from the disposal, liquidation or withdrawal from use of investment property are determined as the difference between revenue from sales and carrying amount and are recognized in profit or loss in the period of the operation.

(in PLN '000)

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

Buildings and structures	2 – 40 years

2.3.5. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance, controlled by the Company as a result of past events and expected to bring future economic benefits to the Company.

Intangible assets arising from research and development are recognized in the statement of financial position only when the entity can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- how the intangible asset will generate future economic benefits;
- the availability of adequate technical and financial resources to complete the development and to use or sell the intangible asset;
- its ability to measure reliably the expenditure incurred during development.

Expenditure on research is recognized in profit or loss when it is incurred.

Intangible assets include also costs related to acquisition of land perpetual usufruct right. Land perpetual usufruct rights acquired against payment (from other entities) are presented as intangible assets and amortized during their useful life.
Land perpetual usufruct rights acquired free of charge pursuant to an administrative decision issued based on the Act of 20 September 1990 amending the act on land management and property expropriation are recognized by the Company off-balance sheet only.

An intangible asset is measured initially at cost. As of the end of the reporting period, an intangible asset is carried at its cost less any accumulated amortization and any accumulated impairment losses.

The amortization method reflects the pattern in which the asset's future economic benefits are expected to be consumed by the Company. If that pattern cannot be determined reliably, the straight-line method is used. The method is applied consistently from period to period, unless there is a change in the expected pattern of consumption of the future economic benefits.

Amortization rates of intangible assets reflect their expected useful life. The amortization period and the amortization method are reviewed at the financial year-end. If the expected useful life of the asset is different from previous estimates, the amortization period is changed accordingly. If there has been a change in the expected pattern of consumption of the future economic benefits embodied in the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for as changes in accounting estimates and are charged to profit or loss in the period when the changes occurred.

Useful lives applied to intangible assets:

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

The useful life of the surplus of the first payment for land perpetual usufruct right over the annual fee is equal to the period of perpetual usufruct specified in the perpetual usufruct right agreement.
The useful life of land perpetual usufruct right acquired against payment from an entity other than the State Treasury or a local government unit is equal to the period from the usufruct acquisition to the last day of the useful life of land perpetual usufruct specified in the perpetual usufruct agreement.

Intangible assets with an indefinite useful life are not amortized.
Intangible assets with an indefinite useful life and intangible assets which are not yet used are tested for impairment once a year.

2.3.6. Lease

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee is a finance lease. All other forms of lease are treated as operating leases.

2.3.6.1. The Company as a lessor

Assets leased under finance leases are presented in the statement of financial position as a receivable at an amount equal to the net investment in the lease less the principal of lease payments for the given financial period calculated to reflect a constant periodic rate of return on the unsettled portion of the net investment in the lease.

Interest income due to finance lease is recognized in appropriate periods considering the fixed rate of return on the net investment of the Company due to leases.

Income due to operating lease is recognized in profit or loss using the straight line method during the period resulting from the lease.

2.3.6.2. 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 present value of minimum lease payments. The resulting liabilities toward the lessor are presented in the statement of financial position under finance lease liabilities.

Lease payments have been broken down into interest and the principal, so that the interest rate on the remaining liability is fixed. Financial expenses are charged to profit or loss.

Operating lease payments are charged to profit or loss using the straight line method during the period resulting from the lease.

2.3.7. Impairment of property, plant and equipment and intangible assets

The Company assesses at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset to determine potential impairment loss. If the asset does not generate cash flows that are largely independent of cash flows generated by other assets, the analysis is carried out for the group of assets that generate cash flows, which the asset belongs to.

Intangible asset with an indefinite useful life are tested for impairment annually and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of: the fair value less costs to sell and the value in use. The latter is the present value of the estimated future cash flows discounted using the discount rate including the current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or group of assets) is less than its carrying amount, the carrying amount is reduced to the recoverable amount. An impairment loss is recognized as an expense in the period, when it occurred.

In the case of reversal of an impairment loss, the net value of an asset (a group of assets) is increased to the new recoverable amount, however not exceeding the carrying amount of the assets that would have been determined had no impairment loss been recognized in prior years. A reversal of impairment loss is recognized in profit or loss as income.

2.3.8. Financial assets

Financial assets are classified to one of the categories below, depending on their nature and designation:

- financial assets at fair value through profit or loss;
- held-to-maturity investments;
- available-for-sale financial assets;
- loans and receivables;
- gain on measurement of derivatives.

At the time of initial recognition, a financial asset is measured at fair value, increased by transaction costs, excluding assets classified as measured at fair value through profit or loss.

2.3.8.1. Financial assets at fair value through profit or loss

This category includes financial assets classified as held for trading and financial assets which upon initial recognition are designated as at fair value through profit or loss.

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

- it is acquired principally for the purpose of selling it in the near term;
- it is part of a portfolio of identified financial instruments that are managed together in accordance with a recent actual pattern of short-term profit-taking;

- it is a derivative (except for a derivative which is a designated and effective hedging instrument).

This category includes:

- derivatives that are not measured in accordance with hedge accounting, disclosing gain on valuation (e.g.:. SWAP IRS, SWAP CIRS, FRA, CAP, FLOOR, OPTIONS, option strategies, futures, deliverable forwards, and non-deliverable forwards, FX SWAPS),
- investment in quoted shares and debt instruments held for trading;
- investment fund units;
- other items.

Financial assets at fair value through profit or loss are recognized at fair value and gains and losses are recognized in profit or loss. Net gains and losses recognized in profit or loss include dividends and interest generated by a given financial asset.

2.3.8.2. Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Company has the positive intention and ability to hold to maturity The items are measured at amortized cost using the effective interest method less impairment; revenue is recognized using the effective yield. The effects of measurement are charged to profit or loss.

This category includes:

- debt instruments such as treasury and commercial bonds, coupon bonds, discount bonds, treasury and commercial bills held to maturity;
- term deposits;
- other items.

2.3.8.3. Available-for-sale financial assets

Financial assets which are non-derivative financial assets designated as available for sale or are not classified to other categories, are classified as available-for-sale and measured at fair value. Gains and losses on changes in the fair value are recognized in equity under other reserve capitals. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value is not reliably measurable are presented at cost. Interests in subsidiaries, jointly-controlled entities and associates classified to this category are measured at cost when they are quoted in an active market.

This category includes:

- investments in unquoted equity instruments (including interests in subsidiaries, jointly-controlled entities and associates);
- investments in quoted equity instruments not held for trading (including interests in subsidiaries, jointly-controlled entities and associates);
- investments in debt instruments that the Company has no positive intention to hold to maturity;
- other items.

2.3.8.4. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
Loans and receivables are measured at amortized cost, using the effective interest method, including impairment. Interest income is recognized using the effective interest rate except for current liabilities, where interest is immaterial.

This category includes:

- all receivables (excluding tax, subsidies, customs, social security, health and other benefits);
- originated loans;
- receivables from buy/sell back and reverse repo transactions.

Uncollectible receivables are written off upon indication of uncollectibility. Writing-off or redemption of receivables due to expiry or uncollectibility results in the reduction of previously created write-downs.
Redeemed receivables which were not written down or were partially written down are classified as other operating expenses or financial expenses, as appropriate.

2.3.8.5. Derivatives – gain on valuation

Derivatives which are not classified as hedging instruments are measured at fair value through profit or loss and recognized at fair value, including changes in the fair value in profit or loss. Gain on valuation of derivatives is recognized in separate items of current assets.

2.3.9. Impairment of financial assets

Financial assets are tested for impairment as of each end of the reporting period. A financial asset is impaired, if there is objective evidence that events that occurred after the initial recognition of the asset had an impact on the estimated future cash flows.

In the case of loans and receivables or held-to-maturity investments carried at amortized cost, the probability of repayment is included. The loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Depending on the type of receivables, one of the two methods of determining impairment losses is used: statistical or individual. Revaluation write-downs on receivables are charged to other operating expenses or financial expenses, respectively, depending on the type of receivables which the revaluation write-down applies to. A 100% write-down is created for receivables past due by over 90 days and all accrued interest.

When the impairment loss on financial assets, except for held-for-sale financial instruments decreases, the previous loss is reversed through profit or loss. The reversal does not increase the carrying amount of the financial asset above the amount which would have been the amortized cost of such asset as of the date of the reversal, if the impairment had not taken place.
Impairment losses on investments in equity instruments are not reversed through profit or loss. Any increase in the fair value resulting from recognition of impairment loss is charged directly to equity.

2.3.10. Hedge accounting

On 1 April 2009 PGNiG S.A. started to apply hedge accounting with respect to cash flows from foreign currency transactions.

The Company hedges against currency risk (EUR/PLN and USD/PLN) in order to ensure a particular PLN value of expenses incurred in EUR and USD, related to purchases of gas based on long-term contracts.

The Company hedges future highly probable cash flows related to costs in EUR and USD incurred by the Company.

Hedging instruments are European call options and collar-type options – the balance of European call options bought and offered European put options for EUR/PLN and USD/PLN, with identical nominal value and settlement on dates of expected outflow of hedged currencies due to costs of gas.

Changes in the fair value of derivative financial instruments assigned to hedge cash flows in the portion that constitutes an effective hedge are charged directly to revaluation reserve. Changes in the fair value of derivative financial instruments assigned to hedge cash flows in the portion that does not constitute an effective hedge are classified to other operating revenue or expenses of the reporting period.

2.3.11. Interests in joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control, and where strategic financial, operating and political decisions require the unanimous consent of the parties sharing control.

In respect of its interests in jointly controlled operations, the Company recognizes in its financial statements the assets that it controls and the liabilities that it incurs; and the expenses that it incurs and its share of the income that it earns from the sale of goods or services by the joint venture.

2.3.12. Inventories

Inventories are assets held-for-sale in the ordinary course of business, in the process of production for such sale, or in the form of materials and supplies to be consumed in the production process or in the rendering of services. Inventories encompass materials, merchandise, finished goods and work in progress.

Inventories are measured at the lower of cost and net realizable value, including write-downs if inventories became obsolete. The cost of inventories comprises 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 estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Inventories of gaseous fuel are measured separately for each warehouse at the weighted average price of gas fuel acquisition.

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

The release of gaseous fuel for external sales is measured at gas fuel cost, i.e. the average actual acquisition price.

2.3.13. 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 or loss. The Company does not discount receivables maturing in less than 12 months after the end of the reporting period and in cases, when the discounting effect would be immaterial.

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

Revaluation write-downs on receivables from delivery of gaseous fuel to clients from tariff groups 1 to 4, are created using the statistical method. The write-downs are created based on an analysis of historical data regarding repayment of receivables that are past due in individual ageing groups. Based on the analysis, repayment ratios which are used to determine revaluation write-downs on receivables in every ageing group are determined.

Revaluation write-downs on receivables from other clients are recognized based on an individual analysis of the financial position of the debtors.

The revaluation write-down on receivables which are past due by over 90 days and on accrued penalties, court fees, enforcement costs and interest on delayed payments is created for 100% of the receivable.

Revaluation write-downs on receivables are charged to other operating expenses or financial expenses, respectively, depending on the type of receivables which the revaluation write-down applies to.

In the case of sale of cancellation of a receivable with an earlier revaluation write-down, the receivable is derecognized from the statement of financial position in correspondence with the revaluation write-down. Receivables which were partially written down are classified as other operating expenses or financial expenses, as appropriate.

2.3.14. Cash and cash equivalents

Cash and cash equivalents recognized in the statement of financial position include cash at bank and in hand as well as short-term highly liquid financial assets maturing within three months 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 in the statement of cash flows consists of the above-specified cash and cash equivalents, less unpaid overdraft facilities.

2.3.15. Non-current assets held for sale

The Company classifies a non-current asset (or a group of assets for disposal) as held for sale if its carrying amount will be recovered primarily through sale rather than its further use. For this to be the case, 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 disposal group) is classified as held for sale after an appropriate decision is passed by a duly authorized body under the Company's Articles of Association – the Company's Management

Board, Supervisory Board or General Shareholders' Meeting. In addition, an asset (or a disposal group) must be actively marketed for sale at a price that is reasonable in relation to its current fair value. In addition, the sale should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assts held for sale are measured at the lower of: the carrying amount and fair value less costs to sell. If the fair value is lower than the carrying amount, the difference is charged to profit or loss as a revaluation write-down. Any reversal of the difference is also charged to profit or loss, however, up to the previous write-down.

In the statement of financial position held-for-sale assets (or a disposal group) are presented as separate current assets and are not amortized.

2.3.16. Equity

Equity is recorded in the accounting records by type and in accordance with the principles specified in the law and in the Company's articles of association.

Share capital is disclosed at the nominal value in amounts complying with the Company's articles of association and the entry in the commercial register.

Declared but not transferred capital contributions are recognized as called up share capital. Treasury shares and called-up share capital reduce the value of the Company's equity.

The share premium is created from the surplus of the issue price of shares over their face value less issue costs.

Share issue costs incurred upon establishment of a joint stock company or an increase in the share capital are charged to the share premium up to the share premium amount, while the remaining amount is charged to other reserves.

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

In accordance with IFRS, prior year net profit can be allocated only to capital or dividends for shareholders. The possibility provided for by the Polish legal system under which profit can be allocated to the Company's Social Benefits Fund, Restructuring Fund, employee profit-sharing schemes or other purposes is not reflected in IFRS. Therefore, the Company recognizes the aforementioned reductions in profit in the financial profit/loss for the year in which the binding obligation to transfer the funds occurred. Distribution of profit among employees is recognized in payroll cost, while funds transferred to the Company's Social Benefits Fund are recognized under employee benefits costs.

2.3.17. Loans and borrowings

Bank loans bearing interest are recognized at the value of inflows less direct costs related to acquisition of funds. Following initial recognition, interest-bearing loans and borrowings are measured at adjusted cost using the effective interest method. The adjusted cost includes borrowing costs as well as discounts and premiums received upon the settlement of the liability.
The difference between net inflows and redemption value is disclosed in financial revenue or expenses over the loan term.

2.3.18. Provisions

Provisions are created when as a result of past events, the Company has an obligation (legal or constructive) and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation and its amount and maturity are certain.

The value of created provisions is verified and adjusted as of each end of the reporting period in order to reflect the most accurate estimate.

The Company creates provisions mainly for:

- well reclamation costs;
- jubilee benefits and retirement benefits;
- gas allowances for former employees;
- environmental protection;
- fines;
- potential liabilities;
- other.

2.3.18.1. Provision for well reclamation costs

The Company is obliged to remove the consequences of its geological and mining activities. Therefore it creates a provision for future costs of well reclamation and associated infrastructure and makes appropriations for the Mine Liquidation Fund.

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

The initial value of the discounted provision is part of the cost of property, plant and equipment. Subsequent revaluations of the provision resulting from changes of estimates are also treated as a fixed asset value adjustment.

The Mine Liquidation Fund is created based on the Act of 27 July 2001 amending the Mining and Geological Law. Appropriations to the fund are made at 10% of the value of tax depreciation of mining assets and they are recognized in other operating expenses.

The value of the provision for future well reclamation cost is adjusted by unused appropriations to the Mine Liquidation Fund.

2.3.18.2. Provision for jubilee benefits and retirement benefits

The Company has implemented a jubilee and retirement benefit plan. Payments are charged to profit or loss to facilitate distribution of the costs of jubilee benefits and retirement benefits over the period of employment in the Company. Costs resulting from the aforementioned benefits are determined using the actuarial projected unit credit method.

The provision for jubilee benefits is disclosed in the present value of liabilities resulting from actuarial calculations. The balance of provisions for retirement benefits is recognized in the statement of financial position in the net amount of the liability, i.e. after adjustment by unrecognized actuarial gains and losses and past service cost – benefits, in the case of which the vesting conditions were not satisfied.

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

When calculating provisions for jubilee benefits and retirement benefits, the Company makes the following assumptions:

- Assumptions regarding probability of turnover and retirement: calculations are based on the tables of probability of turnover and retirement divided into sex, age, total years in service, years in service in the Company and salary/wages, prepared based on information provided by the Company entities with regard to employees, whose employment was terminated. The table of probability of turnover does not encompass cases related to implementation of restructuring plans and organizational changes in recent years;
- Death rate assumptions: calculations are based on standard life tables;
- Salary/wage increase assumptions: calculations are based on market trends;
- Discount rate determined as the result of a return on assets and forecast increase in salaries/wages.

2.3.18.3. Provision for gas allowances for former employees

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

2.3.18.4. Provisions for environmental protection

Future liabilities due to reclamation of contaminated soil or elimination of hazardous substances, if there is a legal or customary obligation to do so, are recognized as provisions. The created provision reflects potential costs to be incurred, estimated and verified periodically according to current prices.

2.3.18.5. Provision for fines

The Company creates provisions for fines for potential liabilities due to fines imposed on the Company.

2.3.18.6. Provision for potential liabilities

In the case of indications suggesting a high probability of future events resulting in an increase in a liability to a given contracting party due to delivered goods or services, the Company calculates the additional cost which it would incur in the case of such events and creates an appropriate provision.

2.3.18.7. Other provisions

The Company created a provision in the form of a Central Restructuring Fund to ensure termination package for persons covered by the Restructuring Plan. Detailed principles of the fund's activity and the catalogue of increases and expenditure are defined in internal resolutions of the Company.

The Company may also create other provisions for future, probable costs related to the activity and operations of the Company, such as: provision for guarantees, provision for termination packages, provision for restructuring.

The Company verifies the balance of provisions as of each end of the reporting period in order to reflect the current most accurate estimate If the effect of the changes in the time value of money is material, the Company discounts the value of provisions. When using the discount, the carrying amount of the provision increases in every period to reflect the time that has elapsed. The increase is recognized as cost.

For long-term provisions, the Company applies a discount rate which results from the rate of return on assets free from risk and inflation rate at the level of a permanent inflation target of NBP.

2.3.19. Prepayments and accruals

Prepayments include costs incurred in advance, which in part or in whole refer to subsequent periods. In the statement of financial position, prepayments are presented as a separate asset.

Accruals are liabilities payable for goods or services that have been obtained/received, but not yet paid, billed or formally agreed with the supplier, together with amounts payable to employees (e.g. amounts related to accrued remuneration for unused paid vacation). The accruals are recognized in the statement of financial position under equity and liabilities together with trade and other liabilities.

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

The deferred income includes the value of income related to future periods due to forecast gas sales and additional payments for uncollected gas resulting from take or pay contracts.

Deferred income is recognized in the statement of financial position as a separate item of liabilities.

2.3.20. Trade and other liabilities

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

Other liabilities include mainly liabilities resulting from the current activity of the Company, i.e. from employee salaries/wages and other current employee benefits as well as accrued expenses and statutory liabilities.

2.3.21. Financial liabilities

Financial liabilities are measured at amortized cost, excluding derivatives (loss on valuation). Derivatives disclosing loss on valuation, which are not classified as hedging instruments, are measured at fair value through profit or loss and disclosed at fair value, including changes in the fair value in profit or loss.

Financial liabilities are classified to: financial liabilities at fair value through profit or loss and other financial liabilities.

2.3.21.1. Financial liabilities at fair value through profit or loss

A financial liability is classified as held for trading, if:

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

This category includes derivatives which are not measured in accordance with hedge accounting, disclosing loss on valuation (e.g.:. SWAP IRS, SWAP CIRS, FRA, CAP, FLOOR, OPTIONS, option strategies, futures, forwards, FX SWAPS) and other.

Financial liabilities at fair value through profit or loss are recognized at fair value and gains and losses are recognized in profit or loss, including interest paid on a given financial liability.

2.3.21.2. Financial liabilities measured at amortized cost

Other financial liabilities include all liabilities excluding liabilities due to salaries/wages, tax, subsidies, customs, social security, health and other benefits.

At initial recognition, the liabilities are measured at fair value increased by the transaction costs which may be directly attributed to acquisition or issue of the financial liability.

Afterwards, they are measured at amortized cost using the effective interest method. When defining the adjusted purchase price, borrowings costs, as well as discounts and premiums received upon settlement of the liability are included. The difference between net proceeds and redemption value is disclosed in financial revenue or expenses over the loan term.

2.3.22. Sales revenue

Sales revenue comprises receivables for products, goods and services delivered in the ordinary course of business. They are recognized at fair value of the received or receivable payment, less rebates, taxes related to the sale (VAT, excise duty) and other charges.

2.3.22.1. Sale of goods and products

Sales of goods and products are recognized at the time of delivery of goods and products and transfer of their ownership title.

In order to ensure classification of gas sales revenue to a correct reporting period, as of the end of the reporting period, the volume and value of gas delivered but not billed to individual customers as of the end of the reporting period are estimated.

Estimated sales of gas which were not billed in the given reporting period are determined based on gas collection characteristics of individual customers in comparative reporting periods. The value of estimated sales of gas is the product of the volume assigned to individual tariff groups and rates defined in the tariff.

2.3.22.2. Provision of services

Revenue from services are recognized according to their actual stage of completion as of the end of the reporting period. If services include an indefinable number of actions performed in a specific period of time, revenue is 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 revenue is deferred until the action is performed. If the result of the service-related transaction cannot be reliably estimated, revenue from the transaction is recognized only up to the amount of incurred expenses, which the entity expects to recover.

2.3.22.3. Interest income

Interest income is recognized over time, by reference to the principal and considering the effective interest rate, i.e. the actual interest rate calculated based on all cash flows from the transaction.

2.3.22.4. Dividends

Dividend income is recognized when the shareholders' right to dividend is established.

2.3.22.5. Rental income

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

2.3.23. Government grants

Grants are not recognized until there is reasonable assurance that the entity will meet the requirements necessary to receive the grant.

Grants which are generally conditional upon acquisition or manufacture of non-current assets by the entity, are recognized in the statement of financial position as deferred income and they are

systematically charged to profit or loss over the expected useful life of the assets by equal annual write-downs. Non-monetary grants are recognized in the accounting records at fair value.
Other grants are gradually recognized under revenue over the period necessary to set off the expenses that the grants were to set off. Grants due as a set-off of costs or losses already incurred or as direct financial aid for the entity not related to costs incurred in the future are recognized in profit or loss for the period, when they are due.

2.3.24. Employee benefits

Short-term employee benefits which are paid by the Company include:

- salaries/wages and social security contribution;
- short-term compensated absences;
- profit sharing and bonuses;
- non-monetary benefits.

Short-term employee benefits, including defined contribution plans, are recognized in the period when the entity received the benefit from the employee and in the case of profit sharing and bonuses when the following requirements have been met:

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

In the case of benefits due to compensated absences, employee benefits are recognized as accumulating compensated absences when the employee renders service that increases their entitlement to future compensated absences. In the case of non-accumulating compensated absences, benefits are recognized when the absences occur.
Post-employment benefits in the form of defined benefit plans (retirement benefits) and other long-term benefits (jubilee benefits, disability benefits) are determined using the projected unit credit method, with actuarial valuation carried out as of each end of the reporting period. Actuarial gains and losses are all recognized in profit or loss. Past service costs are recognized immediately up to the amount of already acquired services and in other cases they are amortized on a straight line basis over the average period after which the benefits are acquired.

2.3.25. Income tax

The statutory charges include: current corporate income tax and deferred tax.
The current tax liability is calculated based on the tax base for a given financial year. Tax profit (loss) differs from net book profit (loss) due to the exclusion of taxable revenue and tax-deductible expenses in subsequent years as well as items of expenses and revenue which are not subject to taxation. Tax charges are calculated based on tax rates applicable in a given financial year.
Deferred tax is calculated using the balance sheet liability method as the tax payable or refundable in future, resulting from the difference between the carrying amounts of assets and liabilities and their corresponding tax values used for the calculation of the tax base.
Deferred tax liability is created on all taxable temporary differences, whereas deferred tax asset is recognized up to the amount of probable deductible temporary differences that may reduce future taxable profit. Tax assets or liabilities do not occur if the temporary difference results from goodwill or initial recognition of another asset or liability in a transaction which does not affect either the tax or accounting profit/loss.
The value of the deferred tax asset is analyzed as of each end of the reporting period, and if the expected future tax profit 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 tax is charged to profit or loss, except for cases when it is related to items directly recognized in equity. In the latter case, deferred tax is also charged directly to equity.

2.3.26. Foreign currencies

The functional (measurement) and presentation currency of PGNiG S.A. is PLN. Transactions denominated in foreign currencies are initially recognized at the exchange rate of the functional currency as of the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate of the functional currency as of 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 operations. Such differences are recognized directly in equity until disposal of shares in such operations. Non-monetary items

measured at historical cost in foreign currencies are translated at the exchange rate as of the transaction date. Non-monetary items measured at fair value in foreign currencies are translated at the exchange rate as of the date the fair value was determined.
In order to hedge against the risk of exchange rate fluctuations, the Company uses FX forwards and options.

The functional currency of foreign branches is the Pakistani rupee (PKR) for the Operator Branch in Pakistan, and PLN for the Branch in Egypt, Branch in Denmark and Branch in Algeria. As of the end of the reporting period, the assets and liabilities of the Branch in Pakistan are translated to the presentation currency of PGNiG S.A. at the exchange rate valid as of the end of the reporting period, and the income statement is translated at the average exchange rate for the given financial year. Exchange differences resulting from such translations are recognized directly in equity as a separate item. Upon disposal of a foreign operation, accumulated deferred exchange differences recognized in equity and related to the foreign operation are recognized in profit or loss.

2.3.26. Operating segments

It has been assumed that the basic division into operating segments follows classification by types of activity. Application of the revised IFRS 8 "Operating segment" did not result in any changes in the division into segments as compared to the segments presented for prior years. IFRS apply to the following three segments:

a) *Production*. This segment involves acquisition of hydrocarbons from fields as well as preparation of products for sale. It covers the entire natural gas and oil production process, from development to exploitation of fields.

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

d) *Other activities*. The segment provides services ensuring correct and reliable measurements of natural gas.

Segment assets include all operating assets used by a given segment, including mainly cash, receivables, inventories as well as fixed assets less depreciation charges and revaluation write-downs. Most assets can be directly allocated to individual segments; the value of assets used by two or more segments is allocated to individual segments in the amount used by respective segments.

Segment liabilities include any operating liabilities, mainly trade, salary/wage 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 do not include deferred tax.
Intra-segment transactions were eliminated.

All transactions between segments are concluded based on internally agreed prices.

2.4. Main reasons for uncertainty of the estimates

As a result of application of the accounting principles described in point 2.3 of these financial statements, the Company made assumptions regarding uncertainty and estimates which had the most significant impact on the values presented in the financial statements. Due to the above, there is a risk of material changes in the future periods regarding mainly the following areas:

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

In 2009, cases were pending instigated by PGNiG S.A. regarding cancellation or revocation of resolutions of the Extraordinary Shareholders' Meeting of PI GAZOTECH Sp. z o.o. concerning contributions to the company's capital. By the date of these financial statements, the cases had not been resolved.

Court action instigated by PGNiG S.A. against PI GAZOTECH Sp. z o.o. regarding cancellation or revocation of the resolutions of the Extraordinary Shareholders' Meeting of PI GAZOTECH Sp. z o.o. of 23 April 2004, including the resolution obliging PGNiG S.A. to make a capital contribution of PLN 52,000 thousand. The case has been pending since 7 March 2006 before the District Court for

Warsaw, the Court of Appeal and the Supreme Court. As a result of a cassation appeal of PGNiG S.A. on 14 May 2009 the Supreme Court issued a decision whereby it accepted the position of PGNiG S.A. claiming the lack of detailed agenda of the Shareholders' Meeting of PI GAZOTECH Sp. z o.o. of 23 April 2004. The Supreme Court reversed the decision of the Court of Appeal of 4 February 2008 and sent the case to be re-examined by the Court of Appeal. On 13 October 2009, the Court of Appeal revoked the decision of the District Court and sent the case to be re-examined by the District Court.

Court action instigated by PGNiG S.A. against PI GAZOTECH Sp. z o.o. regarding cancellation or revocation of the resolution of the Extraordinary Shareholders' Meeting of PI GAZOTECH Sp. z o.o. of 19 January 2005, obliging PGNiG S.A. to make a capital contribution of PLN 26,000 thousand, examined by the District Court for Warsaw. Pursuant to the decision of 31 October 2008 the District Court dismissed the action of PGNiG S.A. PGNiG S.A. appealed against the decision. The claim was safeguarded until the date the decision became valid. PGNiG S.A. notified the Court of Appeal of the decision of the Supreme Court of 14 May 2009, which is of significant importance for the case. On 30 July 2009 the Court of Appeal reversed the decision of the District Court and sent the case to be re-examined by that court.

Court action instigated by PGNiG S.A. against PI GAZOTECH Sp. z o.o. regarding cancellation or revocation of the resolution of the Extraordinary Shareholders' Meeting of PI GAZOTECH Sp. z o.o. of 6 October 2005, obliging PGNiG S.A. to make a capital contribution of PLN 6,552 thousand, examined by the District Court for Warsaw ended in the court of first instance. On 30 May 2008 the District Court dismissed the action of PGNiG S.A. and cancelled the decision on safeguarding the claim of PGNiG S.A. The proceedings as regards safeguarding the claim were initiated on 22 July 2008 before the Court of Appeal and the District Court for Warsaw. On 17 February 2009 PGNiG S.A. appealed against the decision of the District Court for Warsaw to reverse the decision to safeguard the claim. On 23 April 2009 the Court of Appeal in Warsaw again reversed the decision of the District Court concerning reversal of the decision to safeguard the claim and sent the case to be re-examined by the District Court in Warsaw. PGNiG S.A. notified the Court of Appeal of the decision of the Supreme Court of 14 May 2009, which is of significant importance for the case. On 21 December 2009 the Court of Appeal revoked the unfavorable decision of the District Court and sent the case to be re-examined by that court .

Due to the above, the financial statements for 2009 include the liability to and receivable from PI GAZOTECH Sp. z o.o. due to capital contribution of PLN 84,552 thousand. A revaluation write-down was created for the receivable in the amount of PLN 84,552 thousand. Additionally, the Company revalued the provision for potential liabilities due to interest and increased it to PLN 13,017.5 thousand (from PLN 5,459 thousand at the end of 2008).

2.4.2. Impairment of non-current assets

The Company's basic operating assets include mine assets and gas stora facilities. These assets were tested for impairment. The Company calculated and recognized material impairment losses based on the assessment of their usefulness, planned liquidation or disposal. As regards the mine assets, an uncertainty exists as to the estimates applied to gas and oil resources, based on which cash flows related to such assets are estimated. A change in the estimates related to resources directly affects the amount of revaluation write-downs created on mine assets. Appropriate information regarding the value of impairment loss has been provided in Note 10.1.

2.4.3. Useful life of property, plant and equipment

Note 2.3.1 of the financial statements provides the useful lives of the main groups of fixed assets. The useful lives of fixed assets were defined based on assessments of technical services responsible for their operation. These estimates are connected with uncertainty regarding the future operating environment, technological changes and market competition, which may result in a modified assessment of the economic useful life of assets and their remaining useful life, which may significantly impact the value of these assets and future depreciation costs.

2.4.4. Estimated sales of gas

In order to ensure that revenue from sales of gas has been classified to the correct reporting period, the volume and value of gas supplied to individual customers are estimated as of the end of the reporting period.

The value of gas supplied to individual customers, which has not been billed as of the end of the reporting period, is estimated based on their previous collection in comparable reporting periods. There is a risk that actual volumes of sold gas may differ from the estimates. This may result in recognizing the estimated but unrealized sales in the profit/loss for the period.

2.4.5. Provisions for reclamation costs and environmental protection

The provision for future well reclamation costs and provision for environmental protection described in Note 27 are the main items of provisions in the financial statements. The provisions are based on estimated liquidation and reclamation costs, which are significantly affected by the adopted discount rate and the estimated cash flow period.

2.5. Changes in presentation of the financial statements

The Company did not change presentation of the financial statements.

3. OPERATING SEGMENTS

3.1. Reportable segments

The following tables present data on revenue, expenses and profit/loss as well as certain assets and liabilities by the Company's segments for periods ended 31 December 2009 and 31 December 2008.

(in PLN ‘000)

Period ended 31 December 2009	Production	Trade and storage	Other	Eliminations	Total
Income statement					
Sales to external customers	1 230 812	17 344 766	2 687	-	18 578 265
Inter-segment sales	1 255 039	-	-	(1 255 039)	-
Total segment revenue	2 485 851	17 344 766	2 687	(1 255 039)	18 578 265
Amortization/depreciation	(466 058)	(143 797)	(244)	-	(610 099)
Other expenses	(1 594 720)	(17 250 342)	(4 861)	1 255 039	(17 594 884)
Total segment expenses	(2 060 778)	(17 394 139)	(5 105)	1 255 039	(18 204 983)
Profit/loss on the segment operating activity	**425 073**	**(49 373)**	**(2 418)**	**-**	**373 282**
Net financial expenses					349 986
Profit/loss before tax					**723 268**
Income tax					(57 394)
Net profit/loss					**665 874**
Statement of financial position					
Segment assets	7 437 365	10 207 818	1 343	-	17 646 526
Unallocated assets					6 237 363
Deferred tax assets					299 660
Total assets					**24 183 549**
Total equity					17 339 703
Segment liabilities	1 265 984	2 879 065	426	-	4 145 475
Unallocated liabilities					2 167 111
Deferred tax liability					531 260
Total equity and liabilities					**24 183 549**
Other segment information					
Capital expenditure on property, plant and equipment and intangible assets	(1 143 046)	(789 104)	(364)	-	**(1 932 514)**
Revaluation write-downs on assets	(841 893)	(1 068 893)	-	-	**(1 910 786)**
Revaluation write-downs on unallocated assets					**(1 682 174)**

(in PLN '000)

Period ended 31 December 2008	**Production**	**Trade and storage**	**Other**	**Eliminations**	**Total**
Income statement					
Sales to external customers	1 322 041	16 714 557	2 222	-	18 038 820
Inter-segment sales	1 092 178	-	-	(1 092 178)	-
Total segment revenue	2 414 219	16 714 557	2 222	(1 092 178)	18 038 820
Amortization/depreciation	(437 738)	(139 171)	(160)	-	(577 069)
Other expenses	(1 173 192)	(17 083 413)	(4 375)	1 092 178	(17 168 802)
Total segment expenses	(1 610 930)	(17 222 584)	(4 535)	1 092 178	(17 745 871)
Profit/loss on the segment operating activity	**803 289**	**(508 027)**	**(2 313)**	**-**	**292 949**
Net financial expenses					271 922
Profit/loss before tax					**564 871**
Income tax					(18 635)
Net profit/loss					**546 236**
Statement of financial position					
Segment assets	7 264 157	10 008 998	1 011	-	17 274 166
Unallocated assets					5 865 110
Deferred tax assets					301 222
Total assets					**23 440 498**
Total equity					17 181 372
Segment liabilities	1 300 872	3 431 806	706	-	4 733 384
Unallocated liabilities					783 697
Deferred tax liability					742 045
Total equity and liabilities					**23 440 498**
Other segment information					
Capital expenditure on property, plant and equipment and intangible assets	(935 006)	(226 685)	(197)	-	**(1 161 888)**
Revaluation write-downs on assets	(499 899)	(1 012 567)	-	-	**(1 512 466)**
Revaluation write-downs on unallocated assets					**(1 680 405)**

(in PLN '000)

3.2. Information on geographical areas

The Company operates mainly on the territory of Poland. In 2009, revenue from external clients from export sales of products, goods and materials accounted for 2% (2% in 2008) of total net revenue from the sales of products, goods and materials to external clients. The Company exports its goods mainly to the UK, Germany and Belgium

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Domestic sales	**18 206 885**	**17 638 227**
Gas	17 592 339	16 913 440
Crude oil	361 609	430 388
Helium	11 626	12 282
Propane-butane gas	37 194	42 636
Gasoline	2 664	2 950
LNG	21 418	20 210
Geophysical and geological services	26 398	64 936
Hotel services	5 523	6 149
Other services	131 547	127 266
Other products	7 752	6 834
Goods and materials	8 815	11 136
Export sales	**371 380**	**400 593**
Gas	41 212	28 380
Crude oil	300 025	345 199
Helium	25 448	15 295
LNG	-	61
Geophysical and geological services	480	14
Other products and services	4 215	11 644
Total	**18 578 265**	**18 038 820**

The majority of the Company's non-current assets (other than financial instruments) are located in Poland. As of 31 December 2009, the value of non-current assets located abroad accounted for 0.39% (0.10% as of 31 December 2008) of the total non-current assets.

	31 December 2009	31 December 2008
Non-current assets other than financial instruments located in Poland	10 096 093	9 428 430
Non-current assets other than financial instruments located abroad	39 061	9 675
Total	**10 135 154**	**9 438 105**

3.3. Information about key clients

The Company does not have individual external clients whose revenue from sales would account for 10 or more percent of the Company's total revenue.

(in PLN '000)

4. OPERATING EXPENSES

4.1. Raw materials and consumables used

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Purchases of gas	(10 754 726)	(10 987 074)
Other raw materials and consumables used	(147 711)	(132 262)
Total	**(10 902 437)**	**(11 119 336)**

4.2. Employee benefits

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Payroll	(562 065)	(510 584)
Social security and other benefits	(212 699)	(168 137)
Total	**(774 764)**	**(678 721)**

4.3. External services

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Purchases of transmission and distribution services	(4 375 546)	(4 427 151)
Other external services	(1 109 389)	(937 967)
Total	**(5 484 935)**	**(5 365 118)**

4.4. Other operating expenses (net)

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Change in net provisions	32 596	(163 812)
Change in net write-downs	(590 106)	(30 724)
Taxes and charges	(167 093)	(184 319)
Interest on operating activity	94 376	163 181
Net exchange differences on operating activity	58 512	(69 292)
Profit/loss on valuation and exercising of hedging transactions related to operating activity	34 754	291 029
Value of goods and materials sold	(7 371)	(8 983)
Revenue from current settlement of deferred income recognized in the statement of financial position	153	50
Profit/loss on disposal of non-financial non-current assets	13 655	(10 019)
Difference from measurement of assets transferred as dividend	3 607	14 881
Provision for costs related to withdrawal of assets from lease	-	48 448
Change in prepaid expenses and inventories	4 275	892
Revenue due to damages and fines	126 362	1 846
Other net expenses	(50 178)	(65 193)
Total	**(446 458)**	**(12 015)**

(in PLN '000)

5. FINANCIAL REVENUE AND EXPENSES

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Financial revenue	**699 891**	**379 770**
Gain on measurement of hedging transactions	-	-
Gain on exercising of hedging transactions	-	80 287
Interest income	73 990	122 335
Exchange gains	267 071	-
Revaluation of investments	155 675	60 366
Gain on disposal of investments	6 329	66 167
Dividends and profit sharing	164 433	50 512
Other financial revenue*	32 393	103
Financial expenses	**(349 905)**	**(107 848)**
Loss on measurement of hedging transactions	(257 111)	(10 865)
Loss on exercising of hedging transactions	(7 433)	-
Interest expense	(36 359)	(7 147)
Exchange losses	-	(36 332)
Revaluation of investments	(36 472)	(51 077)
Commissions on loans	(766)	(1 726)
Other financial expenses	(11 764)	(701)
Profit/loss on financing activity	**349 986**	**271 922**

*This item includes PLN 27,482 thousand of derecognized exchange differences from revaluation of shares in foreign operations in prior years, due to the change of the approach to the valuation of shares in foreign currencies in 2009.

6. INCOME TAX

	Note	1 January 2009 - 31 December 2009	1 January 2008- 31 December 2008
Profit\loss before tax		723 268	564 871
Tax rate applicable in the period		19%	19%
Tax according to the applicable tax rate		(137 421)	(107 325)
Permanent differences between the profit\loss before tax and tax base		80 027	88 690
Tax liability disclosed in the income statement		**(57 394)**	**(18 635)**
Current income tax	6.1.	(272 675)	(236 135)
Deferred income tax	6.2.	215 281	217 500
Effective tax rate		8%	3%

6.1. Current income tax

	1 January 2009 - 31 December 2009	1 January 2008- 31 December 2008
Profit\loss before tax	**723 268**	**564 871**
Differences between the profit\loss before tax and income tax base	711 851	677 886
Revenue not included in taxable income	119 364	(1 591 784)
Costs not classified as tax-deductible	(1 209 916)	2 211 022
Taxable revenue not classified as revenue for accounting purposes	(447 938)	1 063 695
Tax-deductible expenses not classified as expenses for accounting purposes	2 251 711	(1 001 429)
Deductions from income	(1 370)	(3 618)
Income tax base	1 435 119	1 242 757
Tax rate for the given period	19%	19%
Corporate income tax	(272 673)	(236 124)
Increases, releases, exemptions, deductions and reductions in tax	(2)	(11)
Current income tax disclosed in the tax return for the period	(272 675)	(236 135)
Current income tax recognized in the income statement	**(272 675)**	**(236 135)**

(in PLN '000)

6.2. Deferred income tax

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Origination and reversal of deductible temporary differences* due to:	**4 495**	**30 453**
Provisions for future liabilities	(7 268)	25 394
Write-downs on financial assets, receivables and fixed assets under construction	(7 924)	1 627
Costs of hedging transactions for currency and interest rate risk	47 812	(3 573)
Exchange losses	(25 559)	6 872
Costs related to sales with tax point in the subsequent month	-	-
Tax loss	-	-
Other	(2 566)	133
Origination and reversal of taxable temporary differences* due to:	**210 786**	**187 047**
Difference between the tax and accounting value of non-current assets	115 446	18 587
Finance lease revenue	55 694	203 517
Gain on valuation of hedging transactions for currency and interest rate risk	26 869	(23 757)
Exchange gains	2 946	(892)
Calculated interest on receivables	12 614	(14 502)
Revenue from tax liability arising in the following month	(2 942)	4 217
Other	159	(123)
Deferred income tax recognized in the income statement	**215 281**	**217 500**

* Excluding the change in the deferred tax recognized directly in equity of PLN (6,057) thousand related to the measurement of financial instruments (PLN 9,561 thousand in 2008).

The current reporting period covered the tax period from 1 January 2009 to 31 December 2009.
In 2009 companies operating in Poland were subject to a 19% CIT rate. In the comparative period, i.e. 2008, the tax rate was also 19%.
The regulations on VAT, CIT and social security contributions are subject to frequent changes, and there is often no reference to established regulations or legal precedents. Additionally, the applicable regulations include ambiguities which give rise to discrepancies in the legal interpretation of tax regulations both among the state authorities and between the state authorities and companies. Tax and other settlements (e.g. customs or foreign currency settlements) can be subject to inspection by authorities entitled to impose high fines. Liabilities assessed as a result of inspections have to be settled together with high interest. As a result, tax risk in Poland is higher than in countries where the tax system is more mature. There are no formal procedures for reconciling final amount of tax valid in Poland. Tax returns can be inspected over a period of 5 subsequent years. Consequently, the amounts presented in the financial statements can change at a later date, after they have been finally assessed by tax authorities.

Foreign branches of the Company are subject to tax regulations of the countries where they operate and to treaties on avoidance of double taxation. In 2009 and 2008, tax rates applicable to foreign branches ranged from 25% to 35% of the tax base. In 2009 and 2008, the foreign operations did not pay income tax.

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.

7. DISCONTINUED OPERATIONS

The Company did not discontinue any operations in 2009, and it is not planning to discontinue any of its current operations.

8. EARNINGS\LOSSES PER SHARE

Basic earnings\losses per share are calculated by dividing the net profit\loss for the reporting period attributable to ordinary shareholders of the Company by the weighted average number of issued ordinary shares that existed during the financial period.
Diluted earnings\losses per share are calculated by dividing the net profit\loss for the reporting period attributable to ordinary shareholders (after the deduction of interest on redeemable preference shares which are convertible into ordinary shares) by the weighted average number of issued ordinary shares

that existed during the period (adjusted by the effect of diluted shares and redeemable preference shares that are convertible to ordinary shares).

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Net earnings\loss attributable to shareholders of the Company	665 874	546 236
Net earnings\loss attributable to shareholders of the Company applied to compute the diluted earnings\loss per share	665 874	546 236
Weighted average number of ordinary shares used for calculation of the basic earnings\loss per share ('000)	5 900 000	5 900 000
Weighted average number of ordinary shares used for calculation of diluted earnings\loss per share ('000)	5 900 000	5 900 000
Basic earnings per share for a financial year attributable to ordinary shareholders of the Company	0.11	0.09
Diluted earnings per share for a financial year attributable to ordinary shareholders of the Company	0.11	0.09

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

Start date	End date	No. of ordinary shares on the market ('000)	Number of days	Number of shares (weighted average in '000)
31 December 2009				
2009-01-01	2009-12-31	5 900 000	365	5 900 000
Total			**365**	**5 900 000**
31 December 2008				
2008-01-01	2008-12-31	5 900 000	366	5 900 000
Total			**366**	**5 900 000**

9. DIVIDENDS PAID AND PROPOSED

Dividends paid in the period	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Dividend paid per share (in PLN)	0,09	0,19
Number of shares ('000)	5 900 000	5 900 000
Dividend in PLN '000, including:	531 000	1 121 000
- dividend in kind paid to the State Treasury	382 499	949 994
- cash dividend paid to the State Treasury	6 137	6
- cash dividend paid to other shareholders of the Company	142 364	171 000

The dividend for 2008 was paid on 2 October 2009; the dividend for 2007, on 1 October 2008.

The effect on the result for the periods due to the surplus of the value of assets transferred as dividend in-kind over the carrying amount in the statement of financial position as of the dividend payment date was presented in Note 4.4.

By the date of preparation of these financial statements the decision concerning distribution of the profit for 2009 had not been made.

(in PLN '000)

10. PROPERTY, PLANT AND EQUIPMENT

	31 December 2009	31 December 2008
Land	22 000	36 495
Buildings and structures	5 071 837	5 588 763
Technical equipment and machines	1 293 321	1 338 078
Vehicles and other	97 412	91 754
Total fixed assets	**6 484 570**	**7 055 090**
Fixed assets under construction	3 242 300	1 983 584
Total property, plant and equipment	**9 726 870**	**9 038 674**

PGNiG S.A. has currently 7 underground gas storage facilities (PMG). Six storage facilities are located in mature natural gas fields and one is a salt cavern (PMG Mogilno).

The natural gas in the underground gas storage facilities is divided into the working fluid and the gas necessary to ensure safe operation of the facility.

The working fluid is the gas pumped as part of the working volume which may be released from the warehouse during the collection of the gaseous fuel.

The gas necessary to ensure safe operation of the facility comes partly from the domestic source (volume specified in the approved geological documentation); the remaining part was pumped to achieve correct technical and geological parameters, necessary for proper operation of the facility. This applies to the natural gas storage facilities located in exploited hydrocarbon fields. In the case of the storage facility located in the salt cavern (PMG Mogilno), gas necessary to ensure safe operation of the facility has been pumped to the cavities in the first pumping cycle accompanied by pumping out of brine.

The target volume of gas necessary to ensure safe operation of the facility, necessary for operations of each facility is considered as a buffer in the same volume over the time of operation of the facility.

(in PLN ‘000)

10.1 FIXED ASSETS

31 December 2009	Land	Buildings and structures	Technical equipment and machines	Vehicles and other	**Total**
As of 1 January 2009, including depreciation and revaluation write-downs	36 495	5 588 763	1 338 078	91 754	7 055 090
Increase	-	83 751	(6 391)	540	77 900
Decrease	(16 440)	(186 296)	16 153	(2 254)	(188 837)
Reclassification from fixed assets under construction and between groups	2 071	341 199	184 949	31 792	560 011
Impairment loss	(126)	(329 106)	(87 801)	(2 261)	(419 294)
Depreciation for the financial year	-	(426 474)	(151 667)	(22 159)	(600 300)
As of 31 December 2009, including depreciation and revaluation write-downs	**22 000**	**5 071 837**	**1 293 321**	**97 412**	**6 484 570**
As of 1 January 2009					
Gross value	38 747	7 688 478	2 056 179	155 698	9 939 102
Accumulated depreciation and impairment loss	(2 252)	(2 099 715)	(718 101)	(63 944)	(2 884 012)
Carrying amount as of 1 January 2009	**36 495**	**5 588 763**	**1 338 078**	**91 754**	**7 055 090**
As of 31 December 2009					
Gross value	24 337	7 857 297	2 216 519	177 650	10 275 803
Accumulated depreciation and impairment loss	(2 337)	(2 785 460)	(923 198)	(80 238)	(3 791 233)
Carrying amount as of 31 December 2009	**22 000**	**5 071 837**	**1 293 321**	**97 412**	**6 484 570**

(in PLN ‘000)

31 December 2008	Land	Buildings and structures	Technical equipment and machines	Vehicles and other	**Total**
As of 1 January 2008, including depreciation and revaluation write-downs	36 078	5 418 925	1 337 387	80 049	6 872 439
Increase	5 229	371 094	5 440	7 925	389 688
Decrease	(6 188)	(580 749)	(63 597)	(2 766)	(653 300)
Reclassification from fixed assets under construction and between groups	1 111	394 247	162 184	25 579	583 121
Impairment loss	273	382 345	49 339	(374)	431 583
Depreciation for the financial year	(8)	(397 099)	(152 675)	(18 659)	(568 441)
As of 31 December 2008, including depreciation and revaluation write-downs	**36 495**	**5 588 763**	**1 338 078**	**91 754**	**7 055 090**
As of 1 January 2008					
Gross value*	38 595	7 543 167	1 961 238	128 429	9 671 429
Accumulated depreciation and impairment loss	(2 517)	(2 124 242)	(623 851)	(48 380)	(2 798 990)
Carrying amount as of 1 January 2008	**36 078**	**5 418 925**	**1 337 387**	**80 049**	**6 872 439**
As of 31 December 2008					
Gross value*	38 747	7 688 478	2 056 179	155 698	9 939 102
Accumulated depreciation and impairment loss	(2 252)	(2 099 715)	(718 101)	(63 944)	(2 884 012)
Carrying amount as of 31 December 2008	**36 495**	**5 588 763**	**1 338 078**	**91 754**	**7 055 090**

* After adjustment

(in PLN '000)

10.2. Revaluation write-downs on property, plant and equipment

	Land	Buildings and structures	Technical equipment and machines	Vehicles and other	**Total fixed assets**	Fixed assets under construction	**Total property, plant and equipment**
As of 1 January 2009	**2 212**	**120 311**	**-**	**3 591**	**126 114**	**381 018**	**507 132**
Increase	13 914	361 211	96 672	3 347	475 144	(43 736)	431 408
Decrease	(13 788)	(32 105)	(8 871)	(1 086)	(55 850)	(6)	(55 856)
As of 31 December 2009	**2 338**	**449 417**	**87 801**	**5 852**	**545 408**	**337 276**	**882 684**
As of 1 January 2008*	**2 485**	**502 656**	**49 339**	**3 217**	**557 697**	**366 788**	**924 485**
Increase	610	300 755	51 341	3 348	356 054	78 278	434 332
Decrease	(883)	(683 100)	(100 680)	(2 974)	(787 637)	(64 048)	(851 685)
As of 31 December 2008*	**2 212**	**120 311**	**-**	**3 591**	**126 114**	**381 018**	**507 132**

* After adjustment

While preparing its first financial statements in accordance with IFRS the Company adopted the fair value as the deemed cost. To determine the fair value the Company assessed the possibility of recovering the value of fixed assets and in case of its irrecoverability the value was adjusted accordingly and the adjustment presented as an impairment loss. The Company reduced the initial value and the revaluation write-down by the above adjustment as of 1 January 2009.

The opening balance of revaluation write-downs on fixed assets was PLN 126 114 thousand, including:
- assets used directly in production – PLN 88,584 thousand;
- other assets – PLN 37,530 thousand.

Revaluation write-downs were increased in the current reporting period by PLN 475,144 thousand (of which PLN 379,906 thousand was related to assets used directly in production) and decreased by PLN (55,850) thousand (of which PLN (55,850) thousand was related to assets used directly in production).
Changes related to assets used directly in production resulted from updating the assumptions, verification of indications of impairment or disposal of assets.

The closing balance of revaluation write-downs on fixed assets was PLN 545,408 thousand, of which:
- assets used directly in production – PLN 412,640 thousand;
- underground gas storage facilities – PLN 28,015 thousand;
- other assets – PLN 104,753 thousand.

As of the end of 2009, the revaluation write-downs on fixed assets under construction included PLN 315,772 thousand related to capitalized expenditures on wells (as of the end of 2008 the write-down amounted to PLN 361,362 thousand).

(in PLN '000)

11. INVESTMENT PROPERTY

	31 December 2009	31 December 2008
Opening balance, including depreciation and revaluation write-downs	5 395	4 445
Increase	-	1 042
Decrease	(2 272)	(257)
Reclassifications from property, plant and equipment	(42)	-
Impairment loss	1 175	575
Depreciation for the financial year	(478)	(410)
Closing balance, including depreciation and revaluation write-downs	**3 778**	**5 395**

Opening balance		
Gross value	7 574	6 762
Accumulated depreciation and impairment loss	(2 179)	(2 317)
Carrying amount	**5 395**	**4 445**

Closing balance		
Gross value	5 063	7 574
Accumulated depreciation and impairment loss	(1 285)	(2 179)
Carrying amount	**3 778**	**5 395**

The Company's investment property includes social and office buildings partially designated for rent as well as industrial buildings and structures. The carrying amount of social and office buildings recognized as investment property at the end of the current reporting period was PLN 1,483 thousand (PLN 1,640 thousand in 2008), whereas the carrying amount of industrial buildings and structures at the end of the current reporting period was PLN 2,294 thousand (PLN 3,755 thousand in 2008).

In the current reporting period the Company generated revenue from rental of investment property in the amount of PLN 1,784 thousand (PLN 2,065 thousand in 2008).

Operating expenses related to investment property and incurred in connection with rental income amounted to PLN 1,272 thousand in the current reporting period (PLN 1,809 thousand in 2008).

Due to immateriality of investment property in the statement of financial position, the Company does not measure such property in order to determine its fair value.

(in PLN '000)

12. INTANGIBLE ASSETS

31 December 2009	R&D expenses	Goodwill	Land perpetual usufruct right – acquired for a consideration	Other intangible assets	**Total**
As of 1 January 2009, including amortization and revaluation write-downs	-	-	36 860	23 219	60 079
Increase	-	-	(3)	-	(3)
Decrease	-	-	(1 041)	(4)	(1 045)
Reclassification from fixed assets under construction and between groups	-	-	1 090	18 331	19 421
Impairment loss	-	-	(161)	(16)	(177)
Amortization for the financial year	-	-	(456)	(8 865)	(9 321)
As of 31 December 2009, including amortization and revaluation write-downs	**-**	**-**	**36 289**	**32 665**	**68 954**
As of 1 January 2009	-	-			
Gross value	-	-	37 397	62 642	100 039
Accumulated amortization and impairment loss	-	-	(537)	(39 423)	(39 960)
Carrying amount as of 1 January 2009	**-**	**-**	**36 860**	**23 219**	**60 079**
As of 31 December 2009					
Gross value	-	-	37 339	80 845	118 184
Accumulated amortization and impairment loss	-	-	(1 050)	(48 180)	(49 230)
Carrying amount as of 31 December 2009	**-**	**-**	**36 289**	**32 665**	**68 954**

* The Company uses land perpetual usufruct rights acquired free of charge, which are registered only in off-balance registry. The estimated value of the rights amounted PLN 337,880 thousand at 31 December 2009 (PLN 342,523 thousand at the end of 2008).

(in PLN '000)

31 December 2008	R&D expenses	Goodwill	Land perpetual usufruct right - acquired for a consideration	Other intangible assets	**Total**
As of 1 January 2008, including amortization and revaluation write-downs	-	-	12 137	20 922	33 059
Increase	-	-	293	92	385
Decrease	-	-	(9 644)	(10)	(9 654)
Reclassification from fixed assets under construction and between groups	-	-	34 276	10 079	44 355
Impairment loss	-	-	152	-	152
Amortization for the financial year	-	-	(354)	(7 864)	(8 218)
As of 31 December 2008, including amortization and revaluation write-downs	**-**	**-**	**36 860**	**23 219**	**60 079**
As of 1 January 2008					
Gross value*	-	-	12 773	52 658	65 431
Accumulated amortization and impairment loss	-	-	(636)	(31 736)	(32 372)
Carrying amount as of 1 January 2008	**-**	**-**	**12 137**	**20 922**	**33 059**
As of 31 December 2008					
Gross value*	-	-	37 397	62 642	100 039
Accumulated amortization and impairment loss	-	-	(537)	(39 423)	(39 960)
Carrying amount as of 31 December 2008	**-**	**-**	**36 860**	**23 219**	**60 079**

*** After adjustment**

12.1. Revaluation write-downs on intangible assets

	R&D expenses	Goodwill	Land perpetual usufruct right - acquired for a consideration	Other intangible assets	**Total**
As of 1 January 2009	-	-	71	-	71
Increase	-	-	170	16	186
Decrease	-	-	(9)	-	(9)
As of 31 December 2009	**-**	**-**	232	16	248
As of 1 January 2008*	-	-	223	-	223
Increase	-	-	15	-	15
Decrease	-	-	(167)	-	(167)
As of 31 December 2008*	**-**	**-**	71	-	71

*** After adjustment**

(in PLN '000)

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS – NON-CURRENT

	31 December 2009	31 December 2008
Unlisted shares (gross value)	7 688 863	7 189 095
Listed shares available for sale (gross value)	78 000	78 000
Other financial assets available for sale (gross value)	142 663	142 455
Total gross value	**7 909 526**	**7 409 550**
Unlisted shares (net value)*	6 085 566	5 589 004
Listed shares available for sale (net value)*/**	59 560	27 680
Other financial assets available for sale (net value)*	74 235	74 240
Total net value	**6 219 361**	**5 690 924**

*Less revaluation write-down.
**Including mark-to-market value.

"Other financial assets available for sale" include available-for-sale financial assets which do not meet the conditions to be classified as current financial assets or non-current financial assets held for sale as the date of their disposal is unknown.

"Listed shares available for sale" include shares in Zakłady Azotowe Mościce S.A. w Tarnowie (ZAT). The gain/loss on measurement of the shares in ZAT (an increase in 2009 year-on-year) has been recognized in the revaluation reserve. The investment is treated as a long-term one with an active market; therefore, changes in the value of the investment resulting from changes in its current market value are recognized directly in the Company's equity until a decision is made to dispose of the investment.

14. OTHER FINANCIAL ASSETS

	31 December 2009	31 December 2008
Finance leases receivables (Note 14.1.)	283 285	674 484
Originated loans	2 135 618	1 399 951
Receivables from disposal of fixed assets	7 392	-
Other long-term investments	16	18
Other	60	1 538
Total gross value	**2 426 371**	**2 075 991**
Impairment loss	(8 800)	(10 450)
Total net value	**2 417 571**	**2 065 541**

14.1. Finance leases

The lease agreement of 6 July 2005 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. Spin-off of the transmission business from production and trade took place by transferring the transmission assets to be used by Gaz-System S.A. The lease covers property, movables and property rights. The agreement was concluded for a period of 17 years.
As of the lease commencement date, the present value of minimum lease payments exceeded 90% of the fair value of the leased assets. Therefore, the lease is recognized as a finance lease in accordance with IAS 17. Lease payments include the principal and interest. The interest portion is calculated in line with WIBOR 3M rates in the month preceding the month to which the calculated lease installment pertains plus a mark-up.

Proceeds from the lease of the transmission system:

	31 December 2009	31 December 2008
Interest portion	42 235	125 374
Principal portion	40 111	92 840
Total	**82 346**	**218 214**

(in PLN '000)

The table below presents finance lease receivables by maturity:

	31 December 2009	31 December 2008
- up to 1 year	23 093	52 385
- 1 - 5 years	82 741	185 603
- over 5 years	200 544	488 881
Total, including:	**306 378**	**726 869**
- current receivables	23 093	52 385
- non-current receivables	283 285	674 484

15. DEFERRED TAX ASSET

	31 December 2009	31 December 2008
Provisions for payment of pension allowance	3 878	7 775
Provisions for payment of termination and jubilee benefits	21 235	21 110
Provision for unused paid vacation	1 996	1 848
Provision for payment of termination packages	-	2
Provision for gas pitch	14 439	16 460
Provision for liquidation of wells	96 330	95 478
Other provisions	14 959	17 415
Revaluation write-downs on fixed assets	64 082	72 392
Revaluation write-downs on shares	26 014	25 786
Other revaluation write-downs	775	617
Exchange losses on measurement of previous years' loans	-	19 997
Exchange losses	-	5 562
Interest accrued on loans and liabilities	95	138
Unpaid salaries/wages with social security contributions	294	2 259
Costs related to sales with tax point in the subsequent month	-	-
Valuation of forwards	50 989	3 177
Costs relating to transactions hedging currency and interest rate risk	-	-
Measurement of listed shares	3 504	9 561
Connection fee	309	329
Other	761	1 316
Total	**299 660**	**301 222**

16. OTHER NON-CURRENT ASSETS

	31 December 2009	31 December 2008
Prepaid financial expenses	8	-
Fees for establishing mining usufruct	5 503	3 618
Connection fee	4 565	-
Provision of geological information	25 616	28 245
Donations	-	575
Costs of future advertising and marketing activities	94	196
Other prepayments	106	101
Total	**35 892**	**32 735**

(in PLN ‘000)

17. INVENTORIES

	31 December 2009	31 December 2008
Materials	1 102 381	1 574 058
At cost, including:	1 106 462	1 577 306
- gaseous fuel	968 901	1 378 648
At net realizable value, including:	1 102 381	1 574 058
- gaseous fuel	968 901	1 378 648
Semi-finished products and work in progress	-	-
At cost	-	-
At net realizable value	-	-
Finished products	7 218	5 152
At cost	7 218	5 152
At net realizable value	7 218	5 152
Goods	621	516
At cost	621	516
At net realizable value	621	516
Total inventories, at the lower of: cost or net realizable value	**1 110 220**	**1 579 726**

17.1. Change in inventories in the reporting period

	31 December 2009	31 December 2008
Opening balance of inventories at cost	1 582 974	1 084 348
Purchase	12 043 228	13 125 890
Other increases	58 989	65 271
Value of inventories recognized as cost of the period	(11 963 152)	(12 464 694)
Sale	(7 913)	(9 627)
Other decreases	(599 825)	(218 214)
Closing balance of inventories at cost	**1 114 301**	**1 582 974**

18. TRADE AND OTHER RECEIVABLES

	31 December 2009	31 December 2008
Trade receivables from other entities	3 893 032	3 664 998
Trade receivables from related parties	87 918	70 718
VAT receivables	202 687	332 784
Receivables from taxes, customs duty and social security	4 738	4 266
Due loans	223 178	337 090
Finance lease receivables	23 093	52 385
Other receivables from related parties	86 741	85 910
Other receivables	191 117	77 683
Total gross receivables	**4 712 504**	**4 625 834**
Revaluation write-down on doubtful receivables (Note 18.1.)	**(1 025 423)**	**(987 751)**
Total net receivables	**3 687 081**	**3 638 083**
Including:		
Trade receivables from other entities	3 137 153	3 017 343
Trade receivables from related parties	40 905	24 002
VAT receivables	202 687	332 784
Receivables from taxes, customs duty and social security	4 738	4 266
Due loans	202 456	198 570
Finance lease receivables	23 093	52 385
Other receivables from related parties	1 059	229
Other receivables	74 990	8 504

The standard payment term for receivables related to regular sales by the Company is 14 days.

(in PLN '000)

18.1. Revaluation write-downs on receivables

	31 December 2009	31 December 2008
Opening balance of revaluation write-down	(987 751)	(1 045 688)
Increase	(291 397)	(123 898)
Release	182 130	180 117
Application	73 245	5 767
Transfers between the current and non-current portion	(1 650)	(4 049)
Closing balance of revaluation write-down	**(1 025 423)**	**(987 751)**

19. CURRENT TAX ASSET AND LIABILITIES

	31 December 2009	31 December 2008
Opening balance of current tax liabilities	-	187 174
Change in current tax asset	121 972	39 574
Opening balance of current tax asset	39 574	-
Closing balance of current tax asset	161 546	39 574
Income tax (liability in the period)	272 675	236 135
Income tax paid in the period	(394 647)	(462 883)
Closing balance of current tax liabilities	**-**	**-**

20. PREPAYMENTS

	31 December 2009	31 December 2008
Property insurance	366	42
Prepaid financial expenses	821	47
Prepaid rent and rental fees	324	230
Property tax	-	-
Provision of geological information	3 052	3 020
Prepayments relating to fixed assets leased by the Company	-	-
Software support and update	2 753	1 240
Fees for establishing mining usufruct	197	122
Donation	575	550
Costs of future advertising and marketing activities	215	512
Other prepaid expenses	1 067	579
Total	**9 370**	**6 342**

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS – CURRENT

	31 December 2009	31 December 2008
Unlisted shares (gross value)	-	-
Investment fund units (gross value)	-	-
Treasury bonds and bills (gross value)	-	-
Total gross value	**-**	**-**
Unlisted shares (net value)*	-	-
Investment fund units (net value)	-	-
Treasury bonds and bills (net value)	-	-
Total net value	**-**	**-**

*Less revaluation write-down.

(in PLN '000)

22. CASH AND CASH EQUIVALENTS

	31 December 2009	31 December 2008
Cash in hand and at bank	40 176	26 327
Bank deposits	381 444	280 634
Short-term highly liquid securities*	-	496 011
Other cash**	3 623	4 889
Total	**425 243**	**807 861**

* Bills (commercial, treasury, issued by the National Bank of Poland etc.) and certificates of deposit maturing within 3 months.

** Cash in transit, checks and promissory notes maturing within 3 months.

In its bank accounts, the Company holds surplus cash ensuring ongoing, timely settlement of financial liabilities to its business partners and the State Treasury.

23. NON-CURRENT ASSETS HELD FOR SALE

The Company's non-current assets held for sale include:

Non-current asset (or group)	Expected disposal date	Carrying amount as of 31 December 2009	Disposal conditions
Land	-	-	-
Buildings and structures	-	-	-
Vehicles and other	2010.01.31	1	sale
Total		**1**	

As of the end of the comparable period (the end of 2008) the value of non-current assets held for sale was PLN 156 thousand.

(in PLN '000)

24. CONTINGENT ASSETS

24.1. Contingent receivables due to received sureties and guarantees

Guarantor – the entity providing a surety/guarantee on behalf of a debtor	Value in the currency of receivables	Currency	Value in PLN	Expiry date	Debtor	Type of contingent receivables
Hestia, Sopot	796	PLN	796	2011-11-30	ZRUG Sp. z o. o.	insurance guarantee
TU InterRisk S.A.	536	PLN	536	2012-10-27	CETUS Energetyka Gazowa Sp. z o. o.	insurance guarantee
TU Allianz Polska	555	PLN	555	2010-06-30	Budownictwo Urządzeń Gazowniczych GAZOBUDOWA	performance bond
Millennium Bank	920	PLN	920	2010-06-30	PZU Regional Branch in Łódź	performance bond
TU i R WARTA S.A.	531	PLN	531	2010-12-04	Gazomontaż S.A.	performance bond
Bank Pekao S.A.	85 217	PLN	85 217	2013-04-30	PBG S.A.	performance bond
PZU S.A.	66 429	PLN	66 429	2013-01-18	A consortium: PBG S.A., Tecnimont S.p.A Societe Francaise d'Etudes de Realisations d'Equipements Gaziers "SOFREGAZ" Plynoslav PARDUBICE HOLDING A.S. Plynoslav REGULACE PLYNU A.S.	insurance performance bond
ING Bank Śląski	108 900	PLN	108 900	2012-01-07	A consortium: PBG S.A., Tecnimont S.p.A Societe Francaise d'Etudes de Realisations d'Equipements Gaziers "SOFREGAZ" Plynoslav PARDUBICE HOLDING A.S. Plynoslav REGULACE PLYNU A.S.	performance bond
Nordea Bank Polska S.A.	519	PLN	519	2011-02-17	Itella Information Sp. z o.o.	performance bond
CITI Handlowy	830	PLN	830	2010-05-07	Reckitt Benckiser Production (Poland) Sp. z o.o.	bank performance bond
ING Bank Śląski S.A.	1 200	PLN	1 200	2010-03-31	INTERSPEED Przedsiębiorstwo Handlowo Usługowo Produkcyjne Sp. z o.o.	bank guarantee
ING Bank Śląski S.A.	2 000	PLN	2 000	2010-12-31	Zakłady Przemysłu Wapienniczego TRZUSKAWICA S.A.	bank guarantee
Deutsche Bank Polska S.A	951	PLN	951	unlimited	MAN Trucks Sp. z o. o.	repayment guarantee
ING Bank Śląski S.A. CBK w Krakowie	608	PLN	608	2010-06-30	POLDIM S.A.	bank guarantee
Południowy Koncern Energetyczny S.A.	511	PLN	511	unlimited	Kopalnia Wapienia "Czatkowice" Sp. z o. o.	repayment guarantee
National Health Fund – Regional Branch for Małopolska in Kraków	737	PLN	737	2010-11-30	SPZOZ Szpital Uniwersytecki w Krakowie	repayment guarantee
Alior Bank S.A. Warsaw	530	PLN	530	2010-08-31	ARMATOORA S.A. Nisko	bank guarantee

(in PLN '000)

Bank Handlowy w Warszawie	1 910	PLN	1 910	unlimited	Frito Lay Sp. z o.o.	performance bond
DZ BANK Polska S.A.	515	PLN	515	unlimited	STEINHAUSER POLSKA Sp. z o.o.	bank guarantee
Fortis Bank Polska S.A.	2 250	PLN	2 250	2010-03-31	HOMANIT	bank guarantee
Fortis Bank Polska S.A.	500	PLN	500	2010-06-24	Koluszki Foundry & Machinery Sp. z o. o.	bank guarantee
Dresdner Bank S.A.	6 000	PLN	6 000	2010-12-31	EWE Energia Sp. z o. o.	bank guarantee
Bank Pekao S.A.	2 364	PLN	2 364	2010-01-31	Gaslinia Sp. z o. o.	bank guarantee
InterRisk Towarzystwo Ubezpieczeń S.A.	8 000	PLN	8 000	2010-11-26	ISD Huta Częstochowa Sp. z o. o.	insurance guarantee
PZU S.A.	1 400	PLN	1 400	2010-02-11	KRI S.A.	insurance guarantee
Glas Trosch Holding AG	8 000	PLN	8 000	2011-06-30	Euroglas Polska Sp. z o. o.	comfort letter/surety
TU Euler Hermes S.A.	1 841	PLN	1 841	2010-10-15	Pharmgas S.A.	performance bond and quality warranty
TUiR "Warta" S.A.	2 722	PLN	2 722	2010-10-15	PBG S.A.	performance bond and quality warranty
Nordea Bank Polska S.A.	519	PLN	519	2011-02-17	Itella Information Sp z o.o.	bank guarantee, performance bond
PZU S.A.	1 950	PLN	1 950	2010-09-14	ZRUG Sp. z o.o. in Poznań	performance bond and quality warranty
other			19 848			
Total			**329 589**			

(in PLN '000)

24.2. CONTINGENT RECEIVABLES DUE TO PROMISSORY NOTES PROVIDED AS COLLATERAL

Issuer	Value in the currency of the promissory note	Currency	Value in PLN	Maturity date
BN NAFTOMONTAŻ Sp. z o.o. in Krosno	4 771	PLN	4 771	2011-04-30
BN NAFTOMONTAŻ Sp. z o.o. in Krosno	1 473	PLN	1 473	2010-12-31
BN NAFTOMONTAŻ Sp. z o.o. in Krosno	1 475	PLN	1 475	2010-12-19
BUG GAZOBUDOWA Sp. z o.o. in Zabrze	946	PLN	946	2010-12-19
BN NAFTOMONTAŻ Sp. z o.o. in Krosno	1 886	PLN	1 886	2011-05-30
BN NAFTOMONTAŻ Sp. z o.o. in Krosno	628	PLN	628	2011-05-30
BN NAFTOMONTAŻ Sp. z o.o. in Krosno	363	PLN	363	2011-03-01
BN NAFTOMONTAŻ Sp. z o.o. in Krosno	1 175	PLN	1 175	2013-08-31
BN NAFTOMONTAŻ Sp. z o.o. in Krosno	8 415	PLN	8 415	2012-06-19
BN NAFTOMONTAŻ Sp. z o.o. in Krosno	2 133	PLN	2 133	2012-11-06
ZRUG Sp. z o.o. in Pogórska Wola	13 530	PLN	13 530	2011-01-16
ZRUG Sp. z o.o. in Pogórska Wola	6 765	PLN	6 765	2014-01-16
BN NAFTOMONTAŻ Sp. z o.o. in Krosno	3 175	PLN	3 175	2014-08-01
ZRUG Sp. z o.o. in Pogórska Wola	3 569	PLN	3 569	2014-11-30
GK PNiG Kraków Sp. z o.o.	54 000	PLN	54 000	2014-11-15
PNiG 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
Pomorska Spółka Gazownictwa Sp. z o.o.	24 160	PLN	24 160	2020-01-31
Dolnośląska Spółka Gazownictwa Sp. z o.o.	40 000	PLN	40 000	2015-03-31
Wielkopolska Spółka Gazownictwa Sp. z o.o.	15 135	PLN	15 135	2012-12-31
The Capital Group of PNiG Kraków Sp. z o.o.	43 000	PLN	43 000	2017-01-31
PNiG NAFTA Sp. z o.o. in Piła	30 000	PLN	30 000	2015-12-31
Pomorska Spółka Gazownictwa Sp. z o.o.	100 000	PLN	100 000	2027-09-15
ZRG Krosno Sp. z o.o.	3 000	PLN	3 000	2013-12-31
Pomorska Spółka Gazownictwa Sp. z o.o.	18 000	PLN	18 000	2012-09-30
PGNiG Norway AS	1 800 000	NOK	890 280	2025-12-20
PGNiG Norway AS	688 000	NOK	340 285	2025-12-20
PGNiG Norway AS	1 312 000	NOK	648 915	2025-12-30
Wielkopolska Spółka Gazownictwa Sp. z o.o.	31 200	PLN	31 200	2012-12-15
Geovita Sp. z o.o. in Warsaw	3 500	PLN	3 500	2015-06-30
The Capital Group of PNiG Kraków Sp. z o.o.	15 000	PLN	15 000	2011-12-31
The Capital Group of Geofizyka Kraków Sp. z o.o.	12 000	PLN	12 000	2016-06-30
Geovita Sp. z o.o. in Warsaw	11 000	PLN	11 000	2017-09-30
Mazowiecka Spółka Gazownictwa Sp. z o.o.	54 433	PLN	54 433	2022-12-31
Wielkopolska Spółka Gazownictwa Sp. z o.o.	14 000	PLN	14 000	2013-02-28

(in PLN '000)

Pomorska Spółka Gazownictwa Sp. z o.o.	30 000	PLN	30 000	2015-06-30
ZUN NAFTOMET Sp. z o.o. in Krosno	797	PLN	797	2017-12-31
The Capital Group of Geofizyka Kraków Sp. z o.o.	2 458	USD	7 007	2013-06-22
The Capital Group of Geofizyka Kraków Sp. z o.o.	2 841	USD	8 096	2013-06-22
ZRUG Sp. z o.o. in Pogórska Wola	10 000	PLN	10 000	2022-06-30
PNiG Jasło Sp. z o.o.	9 000	PLN	9 000	2013-08-31
Mazowiecka Spółka Gazownictwa Sp. z o.o.	38 000	PLN	38 000	2024-08-31
POGC – Libya B.V.	1 000	EUR	4 108	2013-11-30
EURO-HEL Pigłas Marek	300	PLN	300	unlimited
Systemy Grzewcze PHU "BEST"	500	PLN	500	unlimited
K&K Sp. z o.o.	3 000	PLN	3 000	unlimited
Colgate-Palmolive Manufacturing Poland Sp. z o.o.	500	PLN	500	2010-09-14
Lapp Insullators Sp. z o.o.	300	PLN	300	unlimited
Legipol Sp. z o.o.	350	PLN	350	unlimited
Poland Smelting Technologies Polst Sp. z o.o.	800	PLN	800	2010-12-21
HUTA SZKŁA LUCYNA Zakład NYSA	800	PLN	800	unlimited
Porcelana Śląska Sp. z o.o. Katowice	4 984	PLN	4 984	unlimited
ZP Jopex Franciszek Jopek Zabrze	1 177	PLN	1 177	unlimited
Energokon Sp. z o.o. Dąbrowa Górnicza	305	PLN	305	unlimited
Teco - Tektura Sp. z o.o. Warsaw	436	PLN	436	unlimited
Huta Będzin S.A. Będzin	985	PLN	985	unlimited
Jopex Sp. z o.o.	1 812	PLN	1 812	unlimited
STAL-ODLEW Sp. z o.o.	304	PLN	304	unlimited
Uzdrowisko Krynica "Żegiestów" S.A.	500	PLN	500	unlimited
Kuźnia "Glinik" Sp. z o.o. Gorlice	1 000	PLN	1 000	unlimited
Huta Szkła "MAKORA" s.j. Krosno	1 000	PLN	1 000	unlimited
Huta Szkła Deco-Glass Krosno	2 000	PLN	2 000	unlimited
Huta Szkła Marta 2 Sp. z o. o. Chełm	550	PLN	550	unlimited
Spółdzielnia Mleczarska Ryki	532	PLN	532	unlimited
Lallemand Sp. z o. o.	430	PLN	430	unlimited
Polmos Sp. z o.o. in Lublin	680	PLN	680	unlimited
MPWiK w Lublinie Sp. z o.o.	500	PLN	500	unlimited
Expol Sp. z o.o. Fruit & Vegetable Processing Plant No. 2	408	PLN	408	unlimited
S.V.Z POLAND Sp. z o.o.	900	PLN	900	unlimited
Feniks Metal	483	PLN	483	unlimited
BIBIRD Kraków	400	PLN	400	2010-12-31
Huta Szkła BIAGLASS Białystok	345	PLN	345	unlimited
DEKORGLASS DZIAŁDOWO S.A.	790	PLN	790	unlimited

(in PLN '000)

BP Print Sp. z o.o.	411	PLN	411	unlimited
Stocznia Marynarki Wojennej S.A.	5 000	PLN	5 000	unlimited
ZPJ Wistil S.A.	500	PLN	500	2010-03-31
Mahle Polska Sp. z o.o.	500	PLN	500	unlimited
VAN PUR S.A.	450	PLN	450	unlimited
Bioagra S.A.	8 000	PLN	8 000	unlimited
Other			6 659	
Total			**2 580 561**	

25. SHARE CAPITAL

	31 December 2009	31 December 2008
Total number of shares in '000	5 900 000	5 900 000
Nominal value per share in PLN	PLN 1	PLN 1
Total share capital	5 900 000	5 900 000

26. LOANS, BORROWINGS AND DEBT SECURITIES

	Currency	31 December 2009	31 December 2008	Effective interest rate	Maturity date	31 December 2009	31 December 2008
Long-term		Value in the original currency				Value in PLN	
finance lease	PLN	951	1 447	10.00%	2012-03-25	951	1 447
finance lease	PLN	450	693	10.00%	2011-11-20	450	693
finance lease	PLN	240	1 603	2.77%	2011-07-21	240	1 603
finance lease	PLN	841	-	0.83%	2012-05-30	841	-
finance lease	PLN	50	-	0.83%	2011-11-30	50	-
finance lease	PLN	-	40	Wibor 1 M 4.43 %	2010-07-31	-	40
finance lease	PLN	87	-	Wibor 1M 3.75%	2012-12-04	87	-
Total long-term						**2 619**	**3 783**

	Currency	31 December 2009	31 December 2008	Effective interest rate	Maturity date	31 December 2009	31 December 2008
Short-term		Value in the original currency				Value in PLN	
credit facility	PLN	759 567	760 592	Wibor 1M+ 0.2	2010-07-27	759 566	760 592
credit facility	PLN	800 482	-	Wibor 1M+ 0.2	2010-07-27	800 482	-
credit facility	PLN	240 316	-	Wibor 1M+ 0.2	2010-07-27	240 316	-
credit facility	PLN	100 113	-	Wibor 1M+ 0.2	2010-07-27	100 113	-
finance lease	PLN	1 082	805	10.00%	2012-03-25	1 082	805
finance lease	PLN	449	367	10.00%	2011-11-20	449	367
finance lease	PLN	1 363	1 364	2.77%	2011-07-21	1 363	1 364
finance lease	PLN	560	-	0.83%	2012-05-30	560	-
finance lease	PLN	51	-	0.83%	2011-11-30	51	-
finance lease	PLN	40	33	Wibor 1M 4.43%	2010-07-31	40	33
finance lease	PLN	43	-	Wibor 1M 3.75%	2012-12-04	43	-
finance lease	PLN	-	21	7.48%	2009-12-20	-	21
finance lease	PLN	-	9	7.00%	2009-11-12	-	9
Total short-term						**1 904 065**	**763 191**

(in PLN '000)

In addition, the Company had access to credit facilities, as listed in the note below.

26.1. Committed and unused credit facilities

Bank	31 December 2009		31 December 2008	
	Amount of committed facilities	Amount of unused facilities	Amount of committed facilities	Amount of unused facilities
Pekao S.A.	40 000	40 000	40 000	40 000
PKO BP S.A.	40 000	40 000	30 000	30 000
Bank Handlowy S.A.	40 000	40 000	40 000	40 000
Societe Generale	40 000	40 000	40 000	40 000
Millennium S.A.	40 000	40 000	40 000	40 000
BRE Bank S.A.	40 000	40 000	40 000	40 000
A syndicate of banks*	2 464 920	564 920	2 503 440	1 705 093
Total	**2 704 920**	**804 920**	**2 733 440**	**1 935 093**

*Credit facility of EUR 600 million maturing on 27 July 2010 committed by a syndicate of banks (Bank Handlowy w Warszawie S.A., Bank Polska Kasa Opieki S.A., Calyon S.A., Fortis Bank (Nederland) N.V., Powszechna Kasa Oszczędności BP, Societe Generale S.A. Polish Branch, ING Bank Śląski S.A., West LB AG, Bank Polska Kasa Opieki S.A. (formerly Bank BPH S.A.), Bank Millennium S.A., Nordea Bank Polska S.A., Landesbank Baden-Wurttemberg, DnB NOR Bank ASA).

Although not fully used, the credit facilities increase the Company's security as regards repayment of liabilities on an ongoing basis.

26.2. Maturity of finance lease liabilities (disclosed under liabilities)

Maturity:	31 December 2009		
	Value of (discounted) payments disclosed in the statement of financial position	Interest	Value of actual installments to be paid
up to 1 year	3 587	193	3 780
1 - 5 years	2 619	85	2 704
over 5 years	-	-	-
Total	**6 206**	**278**	**6 484**

Maturity:	31 December 2008		
	Value of (discounted) payments disclosed in the statement of financial position	Interest	Value of actual installments to be paid
up to 1 year	2 599	531	3 130
1 - 5 years	3 783	947	4 730
over 5 years	-	-	-
Total	**6 382**	**1 478**	**7 860**

(in PLN '000)

27. PROVISIONS

	Jubilee and retirement benefits	Provision for gas allowances	Provision for well reclamation costs	Provision for environmental protection	Provision for potential liabilities due to transmission services	Central Restructuring Fund	Other	**Total**
As of 1 January 2009	109 209	40 923	1 041 431	86 632	44 300	6 760	43 472	1 372 727
Increases	12 883	-	13 098	-	-	5 000	54 134	85 115
Decreases	(10 327)	(20 513)	(138 298)	(10 639)	(9 909)	(1 310)	(47 827)	(238 823)
As of 31 December 2009	**111 765**	**20 410**	**916 231**	**75 993**	**34 391**	**10 450**	**49 779**	**1 219 019**
Long-term	97 451	-	904 867	67 326	-	-	14 723	1 084 367
Short-term	14 314	20 410	11 364	8 667	34 391	10 450	35 056	134 652
As of 31 December 2009	**111 765**	**20 410**	**916 231**	**75 993**	**34 391**	**10 450**	**49 779**	**1 219 019**
Long-term	104 604	19 516	1 017 468	85 245	-	-	21 952	1 248 785
Short-term	4 605	21 407	23 963	1 387	44 300	6 760	21 520	123 942
As of 31 December 2008	**109 209**	**40 923**	**1 041 431**	**86 632**	**44 300**	**6 760**	**43 472**	**1 372 727**

The technical interest rate adopted for calculation of the discounted value of future payments relating to retirement benefits was established as 2.1% as a resultant of the rate of return on assets of 6.24% p.a. and the forecast pay growth rate of 4.1% (in 2008 a 2.0% rate was adopted as a resultant of rates at the level of 6.5% and 4.4% respectively).

In 2009 a discount rate of 3.65% was adopted for calculation of the provision for future well reclamation costs, being a resultant of a 6.24% rate of return on assets and the inflation rate of 2.5% (the inflation target of the National Bank of Poland) (in 2008 a 2.0% rate was adopted as a resultant of rates at the level of 6.5% and 4.4% (the planned annual inflation), respectively). An increase in the discount rate from 2.0% to 3.65% was the main reason for a substantial drop in the value of the provision for well reclamation costs in 2009.

As the 2008 gas transmission tariffs were approved, in the first half of 2009 PGNiG S.A. received revised invoices from SGT EUROPOL GAZ S.A. increasing the costs of transmission services. Consequently, PLN 26,109 thousand of the provision for potential liabilities due to transmission services was applied. At the same time, as of the end of 2009 the provision for potential liabilities due to transmission services for 2009 was increased by PLN 16,200 thousand.

(in PLN '000)

27.1. Provision for jubilee and retirement benefits – statement of actuarial gains and losses

	31 December 2009	31 December 2008
Jubilee benefits		
Opening balance of liability disclosed in the statement of financial position	70 503	81 031
Interest expense	2 890	3 566
Current employment costs	3 071	3 292
Benefits paid	(16 316)	(13 369)
Actuarial gains/losses	9 111	(4 017)
Gains/losses due to limitations and settlements	-	-
Closing balance of liability disclosed in the statement of financial position	**69 259**	**70 503**
Retirement benefits		
Opening balance of liability disclosed in the statement of financial position	38 706	37 107
Current employment costs	2 243	2 143
Interest expense	2 223	1 604
Net actuarial gain/loss recognized during the year	478	(44)
Benefits paid	(1 875)	(2 835)
Past employment costs	731	731
Gains/losses due to limitations and settlements	-	-
Closing balance of liability disclosed in the statement of financial position	**42 506**	**38 706**
Total closing balance of liability disclosed in the statement of financial position	**111 765**	**109 209**

28. DEFERRED INCOME

	31 December 2009	31 December 2008
Long-term		
Net value of gas service lines acquired free of charge	221	241
Connection fee	1 600	1 703
Deferred income related to uncollected gaseous fuel	2 008	4 011
Contractual penalties	28	28
Deferred income related to fixed assets leased by the Company	31	39
Other	53	41
Total long-term	**3 941**	**6 063**
Short-term		
Gas sales forecast	545 817	540 029
Connection fee	26	26
Accrued penalties	166	973
Sale of land	-	-
Other	272	533
Total short-term	**546 281**	**541 561**

29. DEFERRED TAX LIABILITY

	31 December 2009	31 December 2008
Exchange gains	-	2 946
Accrued interest	6 202	18 816
Measurement of hedging instruments	-	26 869
Revenue from tax liability arising in the following month	11 702	8 760
Revaluation of fixed assets	513 356	684 495
Paid costs of fees on a deferred loan	-	-
Other	-	159
Total	**531 260**	**742 045**

(in PLN '000)

30. OTHER NON-CURRENT LIABILITIES

	31 December 2009	31 December 2008
Liabilities due to licenses, rights to geological information and mining usufruct	16 538	21 741
Other non-current liabilities	-	581
Total	**16 538**	**22 322**

31. TRADE AND OTHER LIABILITIES

	31 December 2009	31 December 2008
Trade liabilities to other entities	665 644	1 233 185
Trade liabilities to related parties	404 232	329 075
VAT liabilities	748 190	861 216
Liabilities due to other taxes, customs duty and social security	45 139	46 057
Payroll liabilities	1 340	2 631
Liabilities due to unused paid vacation	10 503	9 724
Liabilities due to acquisition of non-financial non-current assets	186 643	45 748
Liabilities due to acquisition of non-financial non-current assets from related parties	146 851	116 120
Liability due to capital contribution adopted by resolution	93 795	84 552
Other liabilities to related parties	1 565	1 631
Other liabilities to other entities	19 589	15 824
Accruals and advance payments for deliveries	36 204	44 948
Total	**2 359 695**	**2 790 711**
Including related parties (Note 37.2.)	646 443	531 378

32. REASONS FOR DIFFERENCES BETWEEN CHANGES IN CERTAIN ITEMS OF THE STATEMENT OF FINANCIAL POSITION AND CHANGES IN THE SAME ITEMS DISCLOSED IN THE STATEMENT OF CASH FLOWS

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
1) opening balance of cash in the statement of financial position	807 861	1 055 001
a) opening balance of net exchange differences on cash*	(313)	(251)
Opening balance of cash and cash equivalents in the statement of cash flows (1-a)	808 174	1 055 252
2) closing balance of cash in the statement of financial position	425 243	807 861
b) closing balance of net exchange differences on cash	-	(313)
Closing balance of cash and cash equivalents in the statement of cash flows (2-b)	425 243	808 174
I. Change in the balance of cash in the statement of financial position (2-1)	(382 618)	(247 140)
II. Change in net exchange differences on cash (b-a)	313	(62)
Change in the balance of cash in the statement of cash flows (I. - II.)	(382 931)	(247 078)

*Negative amounts denote a surplus of exchange losses on cash and reduce the balance of cash disclosed in the statement of financial position. Such differences are eliminated in the statement of cash flows.

(in PLN '000)

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Change in net receivables and other financial assets in the statement of financial position	(401 028)	2 375 290
Change in lease receivables - adjustment of investing activity	(420 491)	(1 725 748)
Change in receivables due to capital contributions	-	(872 476)
Change in investment receivables due to disposal of intangible assets and property, plant and equipment	69 330	2 833
Change in originated loans	741 203	-
Change in net receivables in the statement of cash flows	(10 986)	(220 101)

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Change in inventories in the statement of financial position	469 507	(518 570)
Fixed assets under construction reclassified to inventories – adjustments of investing activity	-	-
Change in inventories in the statement of cash flows	469 507	(518 570)

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Change in provisions in the statement of financial position	(153 708)	359 777
Change in the provision for well reclamation costs adjusting property, plant and equipment – adjustment of investing activity	111 213	(301 940)
Change in provisions in the statement of cash flows	(42 495)	57 837

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Change in current liabilities in the statement of financial position	(436 800)	(381 570)
Change in investment liabilities due to acquisition of intangible assets and property, plant and equipment	(171 608)	57 503
Change in liabilities due to capital contributions	(9 243)	872 476
Change in current liabilities in the statement of cash flows	(617 651)	548 409

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Change in other assets and prepaid expenses in the statement of financial position	(6 185)	10 734
Change in prepayments due to leases – adjustment of investing activity	-	(18 486)
Change in other assets and prepaid expenses in the statement of cash flows	(6 185)	(7 752)

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Change in deferred income in the statement of financial position	2 598	142 999
Change in deferred income due to leases – adjustment of investing activity	8	(39)
Change in deferred income – emission rights – adjustment of investing activity	-	(92)
Change in deferred income in the statement of cash flows	2 606	142 868

(in PLN '000)

33. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT POLICY

33.1. Financial instruments – by category (carrying amounts)

	31 December 2009	31 December 2008
Financial assets measured at fair value through profit or loss	-	-
Available-for-sale financial assets (non-listed shares)	6 159 801	5 663 244
Available-for-sale financial assets (listed shares)	59 560	27 680
Financial investments held to maturity	-	-
Loans and receivables	6 278 655	6 143 223
Gain on valuation of derivatives*	18 002	174 186
Financial liabilities measured at amortized cost	3 477 745	2 660 379
Loss on valuation of derivatives*	260 428	16 723

* Since 1 April 2009 the Company has been applying hedge accounting.

The disclosed values of financial instruments do not differ at all or differ insignificantly from their fair value. The amounts presented in the table above may be regarded as corresponding to the fair values.

33.2. Net gains and losses on financial assets and liabilities

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Financial assets measured at fair value through profit or loss	-	-
Available-for-sale financial assets	-	-
Impairment recognized in profit or loss for the period	100	353
Financial investments held to maturity	-	-
Loans and receivables	-	-
Interest on deposits, BSB and REPO	6 603	21 441
Interest on receivables*	94 490	37 930
Interest on originated loans	67 387	100 844
Net revenue from short-term securities	(43)	66 210
Revaluation write-downs on receivables	(212 823)	(70 455)
Revaluation write-downs on loans	119 103	8 936
Measurement of originated foreign currency loans	243 335	(24 511)
Gain on valuation of derivatives	140 373	612 715
Financial liabilities measured at amortized cost	(38 418)	(886)
Loss on valuation of derivatives	(408 950)	(252 264)
Total effect on profit/loss	**11 157**	**500 313**

*Including PLN 42,242 thousand interest on finance lease receivables (PLN 125,374 thousand in 2008).

(in PLN '000)

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Available-for-sale financial assets (measurement recognized directly in equity)	31 880	(50 321)
Deferred tax on measurement of financial assets (recognized in equity)	(6 057)	9 561
Total effect on equity	**25 823**	**(40 760)**

The total amount of change in measurement resulting from revaluation of financial instruments, recognized directly in equity, relates to the shares in Zakłady Azotowe w Tarnowie–Mościcach S.A.

33.3. Financial risk management objectives and policy

The business operations of the Company are 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 the probability of late settlement or default on liabilities by the Company's counterparty. Credit risk resulting from third parties' inability to meet their obligations under contracts related to financial instruments is in principle limited to the potential surplus of third parties' liabilities over those of the Company. The Company enters into transactions in financial instruments with multiple entities with good creditworthiness. When selecting its finance partners, the Company takes into account primarily their financial standing verified by credit rating agencies as well as market share and reputation.
The Company is exposed to credit risk due to:

- originated loans;
- trade receivables;
- deposits;
- financial guarantees given;
- derivative contracts concluded.

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

Maximum credit risk exposure

	31 December 2009	31 December 2008
Originated loans	2 358 796	1 737 041
Trade receivables	4 572 638	4 575 331
Deposits with other entities (bank deposits, BSB, REPO)	381 444	776 645
Gain on valuation of derivatives	18 002	174 186
Financial guarantees given	2 905 168	2 995 980

The exposure to credit risk due to originated loans results from loans granted only to subsidiaries from the PGNiG S.A. Capital Group. Loans are granted to such companies in line with an internal procedure called "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 lays down detailed principles applicable to the process of concluding and monitoring loan agreements, thus minimizing the exposure of the Company to the related credit risk. Loans are granted after the applying companies have met specified conditions and provided collateral. In addition, subsidiaries act in the interest of the PGNiG Capital Group, which significantly reduces the related credit risk.

The highest credit risk is related to receivables. Receivables from gaseous fuel sales transactions constitute a material item of receivables.

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

Prior to concluding sales contracts of material value, prospective clients are verified and their financial position analyzed based on generally available financial information (registers of debtors) in order to determine the client's creditworthiness. In case of entries in a register of debtors, PGNiG S.A. requests special conditions for securing the contract.

The Company conducts ongoing analyses regarding its clients' compliance with contractual terms and conditions regarding financial settlements. The majority of concluded contracts require that clients make advance payments within deadlines provided for in contracts. At the end of the settlement period defined in the contract, clients have to pay for actually received gaseous fuel within deadlines determined in the contracts. The standard payment period is 14 days from the invoice date. Other payment terms are also used.

The following types of performance bond are used by PGNiG S.A.:

- mortgages (ordinary, maximum value);
- bank guarantees;
- deposits;
- ordinary and registered pledges;
- insurance guarantees;
- blank promissory notes;
- declarations of voluntary submission to enforcement pursuant to Article 777 of the Civil Proceedings Code;
- assignment of receivables from long-term contracts;
- cash deposits in accounts specified by PGNiG S.A.;
- rating;
- sureties.

As regards new contracts, the collateral is agreed upon by PGNiG S.A. and the client. Within the obligatory process of harmonizing contracts with the requirements of the Energy Law, negotiations are undertaken with certain clients in order to pledge collateral or increase its value.

The balance of receivables from clients is monitored on an ongoing basis, in line with internal procedures implemented by the Company. Appropriate debt collection measures are applied if payment is not received within the agreed deadline.
Debt collection measures are applied based on "Guidelines for monitoring and collection of receivables from customers of gas/oil/other products" and the "Interest receivable management procedure". Appropriate legal instruments and collection measures aimed at assessing the level of the associated risk and its cause are used as part of debt collection procedures. Standard collection activities are undertaken in this respect: request for payment, telephone call to the customer, notice and suspension of gaseous fuel deliveries as well as contract termination pursuant to Article 6.3a of the Energy Law. As a last resort, court claims are lodged and the client is reported to the National Debt Register maintained by Biuro Informacji Gospodarczej S.A. in Wrocław.
Statutory interest is accrued on each delayed payment.
If a client is experiencing temporary financial problems, an agreement can be signed at the client's request to divide the outstanding payment into installments and additional collateral is negotiated at the same time.
As a rule, no agreements for the remittance of the principal and interest are signed.
Clients' requests to remit interest (exceeding the equivalent of EUR 5 000) are forwarded to the Supervisory Board for approval in accordance with corporate procedures.

As of 31 December 2009, non-impaired past due receivables disclosed in the statement of financial position of the Company amounted to PLN 530,643 thousand (PLN 751,410 thousand as of the end of 2008).

(in PLN '000)

Ageing analysis of non-impaired past due receivables as of 31 December 2009:

DPD	31 December 2009	31 December 2008
up to 1 month	411 615	622 038
1 - 3 months	98 658	124 770
3 months - 1 year	18 143	3 467
1 - 5 years	2 227	1 135
over 5 years	-	-
Total net past due receivables	530 643	751 410

The Company identifies, measures and minimizes its own credit risk exposure to individual banks with which it holds deposits. Credit exposure was reduced by diversifying the portfolio of counterparties (in particular with regard to banks) with whom deposit transactions are concluded. Additionally, the Company signed Framework Agreements with all banks at which its funds are deposited. Such agreements set forth the terms of concluding and settling all types of financial transactions. In 2009 the Company invested substantial long-term surpluses of liquid cash in credit-risk-free instruments with high liquidity, in particular in treasury bills and bonds.
The Company measures the related credit risk through ongoing verification of the financial standing of banks, reflected in changes in their financial ratings granted by the following rating agencies: Fitch, Standards&Poor's and Moody's.

Credit risk resulting from guarantees, to which the Company is exposed, is in principle limited to default risk of the bank in which the guarantees have been purchased. However, the Company purchases guarantees from recognized banks with high ratings; therefore the probability of default and the related risk are insignificant.

As in the case of risk related to deposits, the resulting risk is measured through ongoing verification of the financial standing of banks which issue guarantees.

Credit risk exposure resulting from concluded derivative contracts is equal to the carrying amount of the gain on their valuation (at fair value). As in the case of deposits, derivative transactions are concluded with recognized banks that have a good financial standing. In addition, Framework Agreements or ISDA agreements which lay down the principles of cooperation and define threshold values have been concluded with all partner banks.

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

Market risk

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

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

Currency risk

Currency risk is defined as the probability of adverse impact of FX rate fluctuations on the financial profit/loss of the Company.
In 2009 some of the Company's financial liabilities to financial institutions were denominated in EUR. A credit facility for EUR 600 million was the key item of the above liabilities.
Trade liabilities due to long-term gaseous fuel purchase contracts are denominated in USD and EUR.
The Company's exposure to currency risk is significant and it has been presented in the "Sensitivity analysis".
The key objective of the Company's currency risk hedging activities is to protect the Company against FX rate fluctuations related to foreign currency payments for gaseous fuel. The Company hedges its liabilities using primarily forwards and option strategies.

Interest rate risk

Interest rate risk is defined as the probability of adverse impact of interest rate fluctuations on the financial profit/loss of the Company.
As of 31 December 2009 a loan originated to a subsidiary – PGNiG Norway AS – generated the highest interest rate risk. The interest rate risk resulting from the above loan was hedged by the Company through a series of 12 interest rate swap transactions. The transactions hedge 100% of the above risk until 2011.
The interest rate risk resulting from other loans originated by the Company was insignificant.
In 2009, the Company used a credit facility and as of 31 December 2009 the used amount of the facility was PLN 1,900 million. The facility is based on a floating rate – WIBOR 1M increased by a bank margin. The related interest rate risk is insignificant and as such, not hedged.
The Company measures market (currency and interest rate) risk by monitoring VAR on a daily basis. VAR (value at risk) denotes that the maximum loss with a certain probability (e.g. 99%), resulting from changes in the market (fair) value will not be higher than the value in the subsequent period of n business days. VAR is estimated based on the variance – covariance method using the Mondrian application.

Commodity risk

Commodity risk is defined as the probability of adverse impact of commodity price fluctuations on the financial profit/loss of the Company.
Price risk associated with gaseous fuel delivery contracts is substantial. Fluctuations of the prices of crude oil products in fuel markets are the main risk factor. In certain contracts the formula for calculating the purchase price of gaseous fuel limits the volatility of prices as it is based on the weighted average prices from previous months. Additionally, the energy law enables entities to apply for a change in the tariff if the gas purchase cost increases by more than 5% during one quarter.
In 2009, the Company did not identify in detail and hedge the above risk.

Liquidity risk

The key objective of the liquidity risk management process is liquidity monitoring and planning on an ongoing basis. The liquidity level is controlled through the preparation of cash flow projections covering a period of at least 12 months and updated on a monthly basis. The realization of planned cash flows is verified on a regular basis and includes among others an analysis of unrealized cash flows, their causes and effects. Liquidity risk related threats should not be associated only with the loss of the Company's liquidity. Excessive structural liquidity, which has a negative impact on the profitability the Company's operations, is another significant threat.
As of 31 December 2009 the Company was a party to credit facility agreements for the amount of PLN 2,704,920 thousand (PLN 2,733,440 thousand in 2008). Detailed information has been presented in Note 26.1.
In 2009 one credit facility was used by the Company. As of 31 December 2009, the amount of PLN 1,900 million available under the credit facility of EUR 600 million was used.

In order to avoid excessive liquidity, the Company invests cash surpluses mainly in profitable securities issued by the State Treasury and deposits with recognized banks.
Liquidity risk management principles have been laid down in the "Liquidity Management Procedure for PGNiG S.A.". The procedure has been implemented by all organizational units and it defines the measures that ensure proper liquidity management through: payments, cash flow projections, optimized free cash management, obtaining and restructuring funds for current business activities and investments, hedging the risk of temporary liquidity loss due to unexpected disruptions and servicing of concluded loan agreements.

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

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

(in PLN '000)

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

	31 December 2009	31 December 2008
up to 1 year	3 458 588	2 634 274
1 - 5 years	16 528	24 436
over 5 years	2 629	1 669
Total	**3 477 745**	**2 660 379**

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

Analysis of derivatives by maturity:

	carrying amount as of 31 December 2009*	**contractual cash flows, including:**	**up to 1 year**	**1 - 5 years**	**over 5 years**
- Interest Rate Swaps used for risk hedging purposes	(254 584)	(246 734)	558	(247 292)	-
- proceeds	-	1 859 021	98 030	1 760 991	-
- payments	-	(2 105 755)	(97 472)	(2 008 283)	-
*- FX options***	(13 780)	-	-	-	-
- proceeds	-	-	-	-	-
- payments	-	-	-	-	-
- option premiums paid	25 938	-	-	-	-
Total	(242 426)	(246 734)	558	(247 292)	-

	carrying amount as of 31 December 2008*	**contractual cash flows, including:**	**up to 1 year**	**1 - 5 years**	**over 5 years**
- Interest Rate Swaps used for risk hedging purposes	2 527	68 633	9 961	58 672	-
- proceeds	-	1 349 674	95 874	1 253 800	-
- payments	-	(1 281 041)	(85 913)	(1 195 128)	-
*- FX options***	154 936	-	-	-	-
- proceeds	-	-	-	-	-
- payments	-	-	-	-	-
- option premiums paid	-	-	-	-	-
Total	157 463	68 633	9 961	58 672	-

* Carrying amount (gain on valuation of assets minus loss on valuation of assets) shows the fair value, i.e. swap related payments are discounted, whereas cash flows are not discounted.
** As regards FX options, due to their option nature (cash flows conditional on FX rates at the time of exercising an option in the market), cash flows have not been presented.

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

Risk Management Policy

To ensure effective financial risk management, on 17 February 2003 the Management Board of the Company approved the Financial Risk Management Policy at PGNiG S.A., which defines competencies and tasks assigned to individual organizational units in the process of financial risk management and control.
The Management Board is responsible for financial risk management and ensuring compliance with the provisions of the related policy.
Ensuring compliance with the Financial Risk Management Policy at PGNiG S.A. and its periodic revision is the responsibility of:

- the Risk Committee, which proposes amendments and revision of the principles and carries out an ongoing assessment of the adequacy of the risk policy from the perspective of the Company's interest;
- the Management Board, which formally approves the policy.

Sensitivity analysis

In order to determine a reasonable scope of changes in individual currency risk factors, the Company used the (implied) market volatility for the period of six months and adopted the average level of 15% for sensitivity analysis as of the end of 2009 (for 2008, the adopted volatility level was 30%). The six-month period corresponds to the frequency of disclosure of information on the sensitivity of financial instruments in the financial statements of PGNiG S.A.

When conducting the analysis of sensitivity to currency risk as of 31 December 2009, one can observe that the net profit would have been lower by PLN 29.12 million had the exchange rate of EUR, USD and NOK as well as other currencies increased by 15% compared to PLN with all other variables remaining constant (a loss of PLN 17.53 million resulting from USD appreciation, a loss of PLN 12.50 million resulting from NOK appreciation, a gain of PLN 0.7 million due to EUR appreciation and a gain of PLN 0.21 million due to appreciation of other currencies). The above would have resulted mainly from an increase in the gain on valuation of derivatives in NOK, hedging the assets relating to a loan originated to a subsidiary – PGNiG Norway AS. A surplus of exchange losses on trade liabilities has an adverse impact on the gain/loss on other items.

The net profit as of 31 December 2009 would have been PLN 31.19 million higher had the exchange rate of EUR, USD, NOK and other currencies dropped by 15% compared to PLN with all other variables remaining constant (a loss of PLN 3.10 million due to EUR depreciation, a gain of PLN 22 million due to USD depreciation, a gain of PLN 12.5 million due to NOK depreciation and a loss of PLN 0.21 million due to depreciation of other currencies). The gain would have resulted mainly from the fact that the decrease in the value of trade liabilities and services denominated in USD would have substantially exceeded the increase in the negative portion of the fair value of financial derivatives (negative fair value of option transactions denominated in USD). The above results from a substantial balance of liabilities denominated in USD as of the end of 2009 and the fact that being a major importer of gaseous fuel the Company uses hedges against USD appreciation. Additionally, the gain would have led to a higher increase in the gain on valuation of derivatives denominated in NOK, which would have been higher than the increase in exchange losses for that currency due to revaluation of a loan denominated in NOK and originated to a subsidiary – PGNiG Norway AS.
The total value of the loan originated to PGNiG Norway AS has been hedged with CCIRS transactions. As the cash flows arising from the loan and the hedging transactions are set off, changes in the gain (loss) on valuation of the loan are set off against negative (positive) changes in the valuation of CCIRS transactions. Together the items are not sensitive to FX rate and interest rate fluctuations.

When conducting the analysis of sensitivity to currency risk as of 31 December 2008, one can observe that the net profit would have been higher by PLN 69.17 million had the exchange rate of EUR, USD and NOK as well as other currencies increased by 30% compared to PLN with all other variables remaining constant (PLN 23.07 million due to EUR appreciation, PLN 1.00 million due to USD appreciation, PLN 44.84 million due to NOK appreciation and PLN 0.26 million due to appreciation of other currencies). The above would have resulted mainly from an increase in exchange gains on measurement of assets (shares) held by the Company in a subsidiary – PGNiG Norway AS and an increase in the gain on valuation of derivatives denominated in USD and EUR. The value of trade liabilities would have increased as well.

The net profit as of 31 December 2008 would have been PLN 79.05 million higher had the exchange rate of EUR, USD, NOK and other currencies dropped by 30% compared to PLN with all other variables remaining constant (a loss of PLN 1.56 million due to EUR depreciation, a gain of PLN 105.31 million due to USD depreciation, a loss of PLN 24.43 million due to NOK depreciation and a loss of PLN 0.26 million due to depreciation of other currencies). The gain would have resulted mainly from the fact that the decrease in the value of trade liabilities and services denominated in USD would have substantially exceeded the increase in the negative portion of the fair value of financial derivatives (negative fair value of option transactions denominated in USD). The above results from a substantial balance of liabilities denominated in USD as of the end of 2008 and the fact that being a major importer of gaseous fuel the Company uses hedges against USD appreciation. Additionally, the loss would have led to an increase in exchange losses related to NOK, which would have resulted mainly from an increase in exchange losses on measurement of shares in PGNiG Norway AS denominated in NOK as an increase in exchange differences due to the loan originated by the Company would have been set off against a substantial increase in the gain on valuation of derivatives.

Presented below are details of the analysis of sensitivity of the Company's financial instruments denominated in foreign currencies to FX rate fluctuations, for 2009 and 2008, respectively.

Currency risk

	Carrying amount as of 31 December 2009 (PLN ‘000)	*EUR*	*USD*	*NOK*	*other currencies*	*EUR*	*USD*	*NOK*	*other currencies*
	fluctuation		*+15%*				*-15%*		
Financial assets									
Available-for-sale financial assets**	695 288	-	-	-	-	-	-	-	-
Other financial assets	1 822 059	-	2	273 306	-	-	(2)	(273 306)	-
Trade and other receivables	240 970	16 772	5 554	13 762	65	(16 772)	(5 554)	(13 762)	(65)
Financial assets held for trading	-	-	-	-	-	-	-	-	-
Assets due to derivative financial instruments	18 002	-	26 580	-	-	(1 821)	(21 064)	302 570	-
Cash and cash equivalents	57 311	825	7 131	81	559	(825)	(7 131)	(81)	(559)
Effect on financial assets before tax		17 597	39 267	287 149	624	(19 418)	(33 751)	15 421	(624)
19% tax		(3 343)	(7 461)	(54 558)	(119)	3 689	6 413	(2 930)	119
Effect on financial assets after tax		14 254	31 806	232 591	505	(15 729)	(27 338)	12 491	(505)
total currencies			279 157				(31 081)		
Financial liabilities									
Loans, borrowings and debt securities (including finance leases)	-	-	-	-	-	-	-	-	-
Trade and other liabilities	512 489	15 590	60 906	7	369	(15 590)	(60 907)	(7)	(369)
Liabilities due to derivative financial instruments	260 428	1 143	-	302 572	-	-	-	-	-
Effect on financial liabilities before tax		16 733	60 906	302 579	369	(15 590)	(60 907)	(7)	(369)
19% tax		(3 179)	(11 572)	(57 490)	(70)	2 962	11 572	1	70
Effect on financial liabilities after tax		13 554	49 334	245 089	299	(12 628)	(49 335)	(6)	(299)
total currencies			308 277				(62 268)		
Total increase/decrease		700	(17 530)	(12 498)	206	(3 101)	21 997	12 497	(206)
total currencies			(29 119)				31 187		
FX rates as of the end of the reporting period and their fluctuations:									
EUR/PLN	4.1082	4.7244	4.1082	4.1082	4.1082	3.4920	4.1082	4.1082	4.1082
USD/PLN	2.8503	2.8503	3.2778	2.8503	2.8503	2.8503	2.4228	2.8503	2.8503
NOK/PLN	0.4946	0.4946	0.4946	0.5688	0.4946	0.4946	0.4946	0.4204	0.4946

*For financial derivatives the table presents only the effect of FX rate fluctuations on the income statement. As the Company started to apply hedge accounting as of 1 April 2009, some changes in financial derivatives will have a direct effect on the equity. A change in FX rates by +15% would lead to an increase in the value of equity by PLN 86,869 thousand (PLN 70,364 thousand after tax). On the other hand, a change in FX rates by -15% would lead to a decrease in the value of equity by PLN 61,842 thousand (PLN 50,092 thousand after tax).

**This item includes shares presented by the Group as historical data starting from the current reporting period. Therefore, a change in FX rates will not have an impact on the measurement of such assets and the profit/loss of the period.

Currency risk

	Carrying amount as of 31 December 2008 (PLN '000)	*EUR*	*USD*	*NOK*	*other currencies*	*EUR*	*USD*	*NOK*	*other currencies*
	fluctuation		*+30%*				*-30%*		
Financial assets									
Available-for-sale financial assets	211 321	150	-	63 246	-	(150)	-	(63 246)	-
Other financial assets	1 088 388	-	17 600	308 916	-	-	(17 600)	(308 917)	-
Trade and other receivables	133 577	1 818	6 513	31 710	32	(1 818)	(6 513)	(31 710)	(32)
Financial assets held for trading	-	-	-	-	-	-	-	-	-
Assets due to derivative financial instruments	174 186	63 474	251 441	(7 489)	-	(36 921)	(113 871)	368 753	-
Cash and cash equivalents	15 180	1 661	2 562	6	326	(1 662)	(2 562)	(6)	(325)
Effect on financial assets before tax		67 103	278 116	396 389	358	(40 551)	(140 546)	(35 126)	(357)
19% tax		(12 750)	(52 842)	(75 314)	(68)	7 705	26 704	6 674	68
Effect on financial assets after tax		54 353	225 274	321 075	290	(32 846)	(113 842)	(28 452)	(289)
total currencies			600 992				(175 429)		
Financial liabilities									
Loans, borrowings and debt securities (including finance leases)	-	-	-	-	-	-	-	-	-
Trade and other liabilities	1 051 783	38 618	276 882	-	34	(38 618)	(276 882)	-	(34)
Liabilities due to derivative financial instruments	16 723	-	-	341 033	-	-	6 322	(4 962)	-
Effect on financial liabilities before tax		38 618	276 882	341 033	34	(38 618)	(270 560)	(4 962)	(34)
19% tax		(7 337)	(52 608)	(64 796)	(6)	7 337	51 406	943	6
Effect on financial liabilities after tax		31 281	224 274	276 237	28	(31 281)	(219 154)	(4 019)	(28)
total currencies			531 820				(254 482)		
Total increase/decrease		23 072	1 000	44 838	262	(1 565)	105 312	(24 433)	(261)
total currencies			69 172				79 053		
FX rates as of the end of the reporting period and their fluctuations:									
EUR/PLN	4.1724	5.4241	4.1724	4.1724	4.1724	2.9207	4.1724	4.1724	4.1724
USD/PLN	2.9618	2.9618	3.8503	2.9618	2.9618	2.9618	2.0733	2.9618	2.9618
NOK/PLN	0.4238	0.4238	0.4238	0.5509	0.4238	0.4238	0.4238	0.2967	0.4238

(in PLN '000)

The Company conducted an analysis of sensitivity of financial instruments due to originated loans, contracted loans and lease liabilities with a floating interest rate to changes in the interest rate by +/-200 basis points in 2009 (+/-300 basis points in 2008).

As of 31 December 2009, the sensitivity of originated loans to an interest rate change by +/-200 basis points was +/- PLN 8.31 million. On the other hand, the sensitivity of loan and lease liabilities with a floating interest rate to an interest rate change by +/-200 basis points was +/- PLN 38.13 million.

As of 31 December 2008, the sensitivity of originated loans to an interest rate change by +/-300 basis points was +/- PLN 13.61 million. On the other hand, the sensitivity of floating rate lease liabilities to an interest rate change by +/-300 basis points was +/- PLN 23.00 million.

Analysis of sensitivity of financial instruments to interest rate changes

	carrying amount balance as of 31 December 2009	*change by*	
		+200 bp	**-200 bp**
Originated loans*	415 550	8 311	(8 311)
Loans taken out	1 900 478	38 010	(38 010)
Lease liabilities	6 207	124	(124)

	carrying amount balance as of 31 December 2008	*change by*	
		+300 bp	**-300 bp**
Originated loans*	453 684	13 611	(13 611)
Loans taken out	760 592	22 818	(22 818)
Lease liabilities	6 382	191	(191)

*Excluding the loan originated to PGNiG Norway AS as the total interest rate risk is hedged.

As the commodity risk could not be identified precisely, the related sensitivity analysis was not conducted.

34. DERIVATIVES

Derivative valuation methods

In accordance with the International Financial Reporting Standards the Company discloses all derivatives in the financial statements at fair value.
As of 31 December 2009, the Company held 3 types of derivatives: Currency Basis Swaps, purchased call options and the so called risk reversal strategies (purchased FX call options and sold put options). Their fair value was measured using the Exante application.
The measurement of call and put options at fair value was performed in line with the Garman-Kohlhagen model based on the following market data: interest rates, FX rates and volatility as of 31 December 2009.

Hedge accounting

On 1 April 2009 the Company started to apply hedge accounting with respect to cash flows from foreign currency transactions. Details have been presented in Note 2.3.10. As of 31 December 2009 the entity did not recognize the portion constituting an effective hedge against changes in the fair value of financial derivatives designated as cash flow hedges. Therefore, all changes in the fair value of open derivatives have been presented in the income statement for the current reporting period. As hedge accounting was not applied in the comparable periods, all fair value changes were recognized in profit or loss for a given reporting period.

(in PLN '000)

Derivatives

Hedged instrument	Nominal value in foreign currency	Hedge start date	Maturity	Strike price or price range	Fair value measurement	
					31 December 2009	31 December 2008
			Call option*			
Payments for gas	USD 10 million	16 July 2009	8 January 2010	3.6000	-	-
Payments for gas	USD 10 million	16 July 2009	8 January 2010	3.6000	-	-
Payments for gas	EUR 5 million	20 July 2009	8 January 2010	4.6000	-	-
Payments for gas	USD 10 million	20 July 2009	8 January 2010	3.6000	-	-
Payments for gas	USD 10 million	24 July 2009	19 January 2010	3.5500	-	-
Payments for gas	USD 10 million	28 July 2009	19 January 2010	3.5000	-	-
Payments for gas	USD 10 million	31 July 2009	19 January 2010	3.3000	1	-
Payments for gas	USD 10 million	3 August 2009	10 February 2010	3.3000	41	-
Payments for gas	USD 10 million	3 August 2009	8 January 2010	3.2000	-	-
Payments for gas	EUR 5 million	4 August 2009	10 February 2010	4.4000	77	-
Payments for gas	USD 10 million	13 August 2009	10 February 2010	3.3000	41	-
Payments for gas	USD 10 million	20 August 2009	19 January 2010	3.4000	-	-
Payments for gas	USD 10 million	21 August 2009	19 February 2010	3.4000	34	-
Payments for gas	USD 10 million	21 August 2009	10 February 2010	3.4000	18	-
Payments for gas	USD 10 million	25 August 2009	8 January 2010	3.3000	-	-
Payments for gas	USD 10 million	7 September 2009	10 March 2010	3.3000	131	-
Payments for gas	USD 10 million	8 September 2009	10 February 2010	3.3000	41	-
Payments for gas	USD 10 million	8 September 2009	10 March 2010	3.3300	113	-
Payments for gas	USD 10 million	9 September 2009	10 February 2010	3.2000	85	-
Payments for gas	USD 10 million	10 September 2009	19 February 2010	3.3300	55	-
Payments for gas	USD 10 million	14 September 2009	19 February 2010	3.4000	34	-
Payments for gas	USD 10 million	14 September 2009	19 February 2010	3.3000	68	-
Payments for gas	USD 10 million	15 September 2009	19 February 2010	3.3000	68	-
Payments for gas	USD 10 million	15 September 2009	10 March 2010	3.3000	131	-
Payments for gas	USD 10 million	16 September 2009	19 March 2010	3.3000	166	-
Payments for gas	USD 10 million	17 September 2009	19 March 2010	3.2800	181	-
Payments for gas	USD 10 million	21 September 2009	19 March 2010	3.2500	205	-
Payments for gas	USD 10 million	21 September 2009	10 March 2010	3.2500	166	-
Payments for gas	USD 10 million	1 October 2009	10 March 2010	3.2500	166	-
Payments for gas	USD 10 million	5 October 2009	19 January 2010	3.2000	4	-
Payments for gas	USD 10 million	5 October 2009	19 January 2010	3.2000	4	-
Payments for gas	USD 10 million	6 October 2009	8 January 2010	3.1000	-	-
Payments for gas	USD 10 million	12 October 2009	19 March 2010	3.2500	205	-
Payments for gas	USD 10 million	12 October 2009	8 January 2010	3.1200	-	-
Payments for gas	USD 10 million	13 October 2009	8 January 2010	3.1000	-	-
Payments for gas	USD 10 million	14 October 2009	8 January 2010	3.0800	1	-
Payments for gas	EUR 5 million	14 October 2009	10 March 2010	4.5000	106	-
Payments for gas	USD 10 million	15 October 2009	19 January 2010	3.0500	44	-
Payments for gas	USD 10 million	20 October 2009	9 April 2010	3.2700	280	-
Payments for gas	EUR 7 million	20 October 2009	19 January 2010	4.4000	13	-
Payments for gas	EUR 6 million	21 October 2009	19 February 2010	4.4000	124	-
Payments for gas	USD 10 million	23 October 2009	9 April 2010	3.2700	280	-
Payments for gas	USD 10 million	26 October 2009	10 February 2010	3.0500	221	-
Payments for gas	USD 10 million	2 November 2009	10 February 2010	3.1000	164	-
Payments for gas	USD 10 million	2 November 2009	19 February 2010	3.1000	216	-
Payments for gas	USD 10 million	4 November 2009	19 February 2010	3.1200	194	-
Payments for gas	USD 10 million	5 November 2009	19 March 2010	3.1700	283	-
Payments for gas	USD 10 million	5 November 2009	20 April 2010	3.2000	395	-
Payments for gas	USD 10 million	6 November 2009	20 April 2010	3.3500	247	-
Payments for gas	USD 10 million	6 November 2009	10 May 2010	3.3500	319	-
Payments for gas	USD 10 million	9 November 2009	20 April 2010	3.3000	289	-
Payments for gas	USD 10 million	9 November 2009	10 May 2010	3.3000	366	-
Payments for gas	USD 10 million	9 November 2009	19 February 2010	3.0000	364	-
Payments for gas	USD 10 million	10 November 2009	10 March 2010	3.0500	398	-
Payments for gas	EUR 6 million	10 November 2009	9 April 2010	4.4000	288	-
Payments for gas	EUR 6 million	12 November 2009	10 May 2010	4.3800	400	-
Payments for gas	USD 10 million	12 November 2009	10 May 2010	3.2500	421	-

(in PLN '000)

Payments for gas	USD 10 million	13 November 2009	9 April 2010	3.2000	353	-
Payments for gas	USD 10 million	18 November 2009	9 April 2010	3.2000	353	-
Payments for gas	USD 10 million	23 November 2009	20 April 2010	3.2000	395	-
Payments for gas	USD 10 million	23 November 2009	20 May 2010	3.2000	534	-
Payments for gas	USD 10 million	23 November 2009	20 May 2010	3.2300	493	-
Payments for gas	USD 10 million	23 November 2009	20 May 2010	3.0500	814	-
Payments for gas	USD 10 million	25 November 2009	10 February 2010	2.9500	400	-
Payments for gas	USD 10 million	25 November 2009	9 April 2010	3.0000	701	-
Payments for gas	USD 10 million	25 November 2009	10 May 2010	3.0500	750	-
Payments for gas	USD 10 million	1 December 2009	20 May 2010	3.2000	534	-
Payments for gas	USD 10 million	2 December 2009	10 June 2010	3.2100	604	-
Payments for gas	USD 10 million	2 December 2009	19 March 2010	2.9900	583	-
Payments for gas	USD 10 million	2 December 2009	19 March 2010	2.9900	583	-
Payments for gas	USD 10 million	2 December 2009	10 May 2010	3.0500	750	-
Payments for gas	USD 10 million	3 December 2009	10 March 2010	2.9500	626	-
Payments for gas	USD 10 million	3 December 2009	18 June 2010	3.2100	636	-
Payments for gas	EUR 7 million	3 December 2009	19 March 2010	4.2700	412	-
Payments for gas	USD 10 million	8 December 2009	10 March 2010	3.0000	497	-
Payments for gas	EUR 6 million	8 December 2009	10 June 2010	4.3500	536	-
Payments for gas	USD 10 million	25 July 2008	9 January 2009	2.1900	-	7 738
Payments for gas	EUR 5 million	25 July 2008	9 January 2009	3.3200	-	4 270
Payments for gas	USD 20 million	28 July 2008	9 January 2009	2.3000	-	13 278
Payments for gas	USD 20 million	28 July 2008	9 January 2009	1.9100	-	-
Payments for gas	USD 15 million	28 July 2008	9 January 2009	2.2000	-	11 457
Payments for gas	USD 15 million	29 July 2008	9 January 2009	2.2200	-	11 158
Payments for gas	USD 15 million	29 July 2008	20 January 2009	2.2200	-	11 197
Payments for gas	EUR 5 million	29 July 2008	20 January 2009	3.3200	-	4 279
Payments for gas	USD 20 million	31 July 2008	20 January 2009	2.3100	-	13 134
Payments for gas	USD 20 million	31 July 2008	20 January 2009	1.9230	-	-
Payments for gas	USD 20 million	31 July 2008	20 January 2009	2.2300	-	14 729
Payments for gas	USD 20 million	1 August 2008	9 January 2009	2.3350	-	12 579
Payments for gas	USD 20 million	1 August 2008	9 January 2009	1.9300	-	-
Payments for gas	EUR 6 million	17 September 2008	9 January 2009	3.4500	-	4 345
Payments for gas	EUR 7 million	17 September 2008	10 February 2009	3.4900	-	4 852
Payments for gas	EUR 8 million	18 September 2008	20 February 2009	3.5050	-	5 463
Payments for gas	EUR 8 million	19 September 2008	10 March 2009	3.4600	-	5 848
Payments for gas	EUR 9 million	22 September 2008	20 March 2009	3.4400	-	6 785
Payments for gas	EUR 3 million	23 September 2008	20 February 2009	3.4300	-	2 266
Payments for gas	USD 20 million	15 October 2008	10 February 2009	2.8000	-	4 819
Payments for gas	USD 10 million	5 November 2008	10 February 2009	3.0000	-	1 392
Payments for gas	USD 15 million	5 November 2008	9 January 2009	3.3000	-	114
Payments for gas	USD 15 million	5 November 2008	9 January 2009	2.4705	-	-
Payments for gas	USD 10 million	13 November 2008	10 February 2009	3.4000	-	507
Payments for gas	USD 10 million	13 November 2008	20 January 2009	3.3800	-	192
Payments for gas	USD 10 million	14 November 2008	10 February 2009	3.3000	-	639
Payments for gas	USD 10 million	14 November 2008	10 February 2009	3.3000	-	639
Payments for gas	USD 10 million	17 November 2008	20 January 2009	3.3000	-	264
Payments for gas	USD 10 million	17 November 2008	10 February 2009	3.3800	-	530
Payments for gas	USD 10 million	24 November 2008	20 February 2009	3.4500	-	597
Payments for gas	USD 10 million	24 November 2008	20 February 2009	3.4500	-	597
Payments for gas	USD 10 million	25 November 2008	10 March 2009	3.4500	-	762
Payments for gas	USD 10 million	25 November 2008	10 March 2009	3.4500	-	762
Payments for gas	USD 10 million	25 November 2008	20 February 2009	3.4200	-	633
Payments for gas	USD 10 million	26 November 2008	10 March 2009	3.4000	-	832
Payments for gas	USD 10 million	27 November 2008	10 March 2009	3.3300	-	944
Payments for gas	USD 10 million	28 November 2008	20 March 2009	3.4000	-	945
Payments for gas	USD 10 million	8 December 2008	10 March 2009	3.4000	-	832
Payments for gas	USD 10 million	8 December 2008	10 March 2009	3.4000	-	832
Payments for gas	USD 10 million	8 December 2008	20 February 2009	3.3800	-	686
Payments for gas	USD 10 million	9 December 2008	20 February 2009	3.4000	-	659
Payments for gas	USD 10 million	9 December 2008	20 February 2009	3.4000	-	659
Payments for gas	USD 10 million	12 December 2008	10 March 2009	3.4000	-	832

(in PLN '000)

Payments for gas	USD 10 million	15 December 2008	20 March 2009	3.4000	-	945
Payments for gas	USD 10 million	15 December 2008	20 March 2009	3.4000	-	945
					18 002	154 936
			Put option			
Payments for gas	USD 10 million	16 July 2009	8 January 2010	2.8030	(83)	-
Payments for gas	USD 10 million	16 July 2009	8 January 2010	2.8100	(99)	-
Payments for gas	USD 10 million	20 July 2009	8 January 2010	2.7980	(73)	-
Payments for gas	USD 10 million	24 July 2009	19 January 2010	2.7285	(58)	-
Payments for gas	USD 10 million	28 July 2009	19 January 2010	2.6900	(27)	-
Payments for gas	USD 10 million	20 August 2009	19 January 2010	2.7425	(75)	-
Payments for gas	USD 10 million	21 August 2009	19 February 2010	2.7070	(214)	-
Payments for gas	USD 10 million	21 August 2009	10 February 2010	2.6720	(113)	-
Payments for gas	USD 10 million	25 August 2009	8 January 2010	2.6350	-	-
Payments for gas	USD 10 million	7 September 2009	10 March 2010	2.7025	(293)	-
Payments for gas	USD 10 million	8 September 2009	10 February 2010	2.6570	(94)	-
Payments for gas	USD 10 million	8 September 2009	10 March 2010	2.6595	(208)	-
Payments for gas	USD 10 million	10 September 2009	19 February 2010	2.6575	(131)	-
Payments for gas	USD 10 million	14 September 2009	19 February 2010	2.6800	(165)	-
Payments for gas	USD 10 million	16 September 2009	19 March 2010	2.6445	(214)	-
Payments for gas	USD 10 million	17 September 2009	19 March 2010	2.6070	(158)	-
Payments for gas	USD 10 million	20 October 2009	9 April 2010	2.5980	(204)	-
Payments for gas	USD 10 million	23 October 2009	9 April 2010	2.5900	(192)	-
Payments for gas	USD 10 million	6 November 2009	20 April 2010	2.6600	(343)	-
Payments for gas	USD 10 million	6 November 2009	10 May 2010	2.6685	(423)	-
Payments for gas	USD 10 million	9 November 2009	20 April 2010	2.6320	(286)	-
Payments for gas	USD 10 million	9 November 2009	10 May 2010	2.6300	(339)	-
Payments for gas	USD 10 million	12 November 2009	10 May 2010	2.5800	(249)	-
Payments for gas	USD 10 million	13 November 2009	9 April 2010	2.5900	(192)	-
Payments for gas	USD 10 million	18 November 2009	9 April 2010	2.5550	(147)	-
Payments for gas	USD 10 million	23 November 2009	20 April 2010	2.5680	(185)	-
Payments for gas	USD 10 million	23 November 2009	20 May 2010	2.5850	(285)	-
Payments for gas	USD 10 million	23 November 2009	20 May 2010	2.5680	(257)	-
Payments for gas	USD 10 million	1 December 2009	20 May 2010	2.5665	(255)	-
Payments for gas	USD 10 million	2 December 2009	10 June 2010	2.5280	(239)	-
Payments for gas	USD 10 million	3 December 2009	18 June 2010	2.5200	(243)	-
					(5 844)	**-**
			Cross Currency Rate Swap			
PGNiG Norway – loan	NOK 300 million	8 November 2007	17 January 2011	0.4686	(13 119)	3 430
PGNiG Norway – loan	NOK 300 million	12 November 2007	17 January 2011	0.4627	(14 978)	(1)
PGNiG Norway – loan	NOK 300 million	15 November 2007	17 January 2011	0.4596	(15 939)	1 645
PGNiG Norway – loan	NOK 300 million	19 November 2007	17 January 2011	0.4534	(17 859)	(2 954)
PGNiG Norway – loan	NOK 300 million	22 November 2007	17 January 2011	0.4588	(16 187)	1 388
PGNiG Norway – loan	NOK 300 million	30 November 2007	17 January 2011	0.4461	(20 091)	(1 682)
PGNiG Norway – loan	NOK 344 million	18 January 2008	17 January 2011	0.4530	(20 539)	1 026
PGNiG Norway – loan	NOK 344 million	18 January 2008	17 January 2011	0.4530	(20 554)	(325)
PGNiG Norway – loan	NOK 330 million	12 January 2009	16 January 2012	0.4300	(30 620)	-
PGNiG Norway – loan	NOK 330 million	12 January 2009	16 January 2012	0.4300	(30 803)	-
PGNiG Norway – loan	NOK 330 million	13 January 2009	16 January 2012	0.4380	(27 615)	-
PGNiG Norway – loan	NOK 322 million	13 January 2009	16 January 2012	0.4400	(26 280)	-
					(254 584)	2 527
Total					**(242 426)**	**157 463**
	Including:	option premiums	assets		**25 938**	**32 769**
		gain on valuation	assets		**(7 936)**	**141 417**
		loss on valuation	liabilities		**(260 428)**	**(16 723)**

* Call option valuation includes the premium paid. The portion of the option premium relating to derivatives on the valuation of which a loss has been incurred is presented in the Company's assets.

(in PLN '000)

A gain on valuation of derivatives as of the end of the reporting period is presented in the statement of financial position as a separate item of current assets. A loss on valuation is presented in the statement of financial position as a separate item of current liabilities. The effects of valuation of open positions are recognized in profit or loss of the period or directly in equity if the effective portion constituting a fair value hedge of financial derivatives designated as cash flow hedges may be identified. In such a case, at the time of exercising a derivative and the hedged item, the Company's equity is reduced/increased, whereas the effective value is recognized in profit or loss where the costs of the hedged item arise. The ineffective portion and the fair value of transactions not designated as hedges are recognized under other items of the financial profit or loss of the period.

	1 January 2009 - 31 December 2009	1 January 2008 - 31 December 2008
Gain/loss on valuation of derivatives - unrealized	(270 891)	143 839
Gain/loss on derivatives - realized	2 314	216 612
Total gain/loss on derivatives recognized in profit or loss	**(268 577)**	**360 451**
including:		
recognized in other net operating expenses	34 754	135 978
recognized in raw materials and consumables used*	(38 787)	-

* Since 1 April 2009 the Company has been applying hedge accounting.

(in PLN '000)

35. CONTINGENT LIABILITIES

35.1. Contingent liabilities arising from granted sureties and guarantees

Creditor – the entity to which a surety/guarantee is given by the Company on behalf of a debtor	Contingent liability in foreign currency	Currency	Contingent liability in PLN*	Maturity date	Debtor	Type of contingent liability
Contingent liabilities of PGNiG S.A.						
NATIONAL OIL CORPORATION	108 000	USD	307 833	2013-06-01	Polish Oil and Gas Company LIBYA B.V.	guarantee
NORWAY	627 556	EUR	2 578 124	2050-01-01	PGNiG Norway AS	guarantee
SOCIETE GENERALE S.A. POLISH BRANCH	2 458	USD	7 007	2010-06-22	Geofizyka Kraków Sp. z o.o.	guarantee
SOCIETE GENERALE S.A. POLISH BRANCH	2 841	USD	8 096	2010-06-22	Geofizyka Kraków Sp. z o.o.	guarantee
TMF NEDERLAND B.V.	1 000	EUR	4 108	2010-11-30	Polish Oil and Gas Company LIBYA B.V.	guarantee
Total			**2 905 168**			

*Contingent liabilities in foreign currencies are translated at the exchange rates of the National Bank of Poland ruling as of 31 December 2009.

Table 35.1. does not present bank guarantees given at the request of the Company to beneficiaries towards which the liabilities of PGNiG S.A. under contracts for the supply of goods and services are material. As of 31 December 2009, the above bank guarantees amounted to PLN 912,546 thousand (PLN 754,714 thousand as of 31 December 2008).

35.2. Contingent liabilities arising from promissory notes

Payee	Value in the currency of the promissory note	Currency	Value in PLN	Maturity date
Polish Agency for Enterprise Development	2 557	PLN	2 557	2014-12-31
Total			**2 557**	

(in PLN '000)

35.3. Other contingent liabilities

Property tax

Pursuant to a decision of the Supreme Administrative Court in Warsaw of 2 July 2001 issued by a panel of 7 judges, underground mining headings were not regarded as subject to property tax. As for oil and gas production wells are mining headings, local authorities from the Zielona Góra Branch's area of operation withdrew from the enforcement of property tax; however some authorities decided that well supporting infrastructure was subject to taxation.
Pipeline tax was introduced in 2001. In the previous years, the Zielona Góra Branch recognized provisions for the claims of the local authorities due to property tax in the amount of PLN 821.3 thousand. Following a favorable outcome of the court cases regarding the above claim, PGNiG S.A. reassessed the related risk and released the provision in 2007 as the risk was considered low. On the other hand, the local authorities in Podkarpacie have not filed any related claims so far. Therefore, mines located in the Podkarpacie region did not declare or accrue property tax on underground mining headings for the period from 2001 to 2009. The potential tax liability (not overdue) together with interest, which has not been disclosed in the financial statements, amounted to PLN 127,514.3 thousand as of 31 December 2009 (PLN 123,145.6 thousand as of the end of 2008).

Real property related claims

Additionally, claims are filed against PGNiG S.A. by owners of land:

- where gas pipelines are planned to be located;
- where pipelines and gas equipment are already located.

As real property related claims result from the demands of land owners and are frequently groundless (as confirmed by decisions issued by appraisers), the value of the potential liability may not be estimated.

36. OFF-BALANCE SHEET LIABILITIES

36.1. Operating lease liabilities

	31 December 2009	31 December 2008
up to one year	-	-
1 - 5 years	-	-
over 5 years	-	-
Total	**-**	**-**

36.2. Contractual liabilities (not yet disclosed in the statement of financial position)

	31 December 2009	31 December 2008
Contractual liabilities	4 865 464	3 833 075
Stage of contract completion as of the end of the reporting period	1 406 823	571 386
Contractual liabilities after the end of the reporting period	**3 458 641**	**3 261 689**

(in PLN '000)

37. RELATED PARTIES

Polskie Górnictwo Naftowe i Gazownictwo S.A. holds shares in production and service companies. As of 31 December 2009, PGNiG S.A. had 41 related parties, including:

- 27 subsidiaries;
- 14 other related parties.

37.1. Subsidiaries and associates subject to consolidation

Company	Country	Percentage interest in the share capital	
		31 December 2009	31 December 2008
Subsidiaries			
The Capital Group of GEOFIZYKA Kraków [2)]	Poland	100.00%	100.00%
GEOFIZYKA Toruń Sp. z o. o.	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu Jasło Sp. z o.o.	Poland	100.00%	100.00%
The Capital Group of Poszukiwania Nafty i Gazu Kraków [3)]	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu NAFTA Sp. z o.o.	Poland	100.00%	100.00%
Zakład Robót Górniczych Krosno Sp. z o.o.	Poland	100.00%	100.00%
Poszukiwania Naftowe "Diament" Sp. z o.o.	Poland	100.00%	100.00%
PGNiG Norway AS	Norway	100.00%	100.00%
Polish Oil and Gas Company – Libya B.V.	The Netherlands	100.00%	100.00%
Dolnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Górnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Karpacka Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
The Capital Group of Mazowiecka Spółka Gazownictwa[4)]	Poland	100.00%	100.00%
Pomorska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Wielkopolska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
BUG Gazobudowa Sp. z o. o. Zabrze	Poland	100.00%	100.00%
Budownictwo Naftowe Naftomontaż Sp. z o.o.	Poland	88.83%	88.83%
Zakład Urządzeń Naftowych Naftomet Sp. z o.o.	Poland	100.00%	100.00%
B.S. and P.G. "Gazoprojekt" S.A.	Poland	75.00%	75.00%
Geovita Sp. z o.o.	Poland	100.00%	100.00%
INVESTGAS S.A	Poland	100.00%	100.00%
PGNiG Energia S.A.	Poland	100.00%	-
Subsidiaries of BN Naftomontaż Krosno Sp. z o. o. (a subsidiary)			
NAFT-STAL Sp. z o.o.	Poland	59.88%	59.88%
Co-subsidiaries and associates measured using the equity method			
SGT EUROPOL GAZ S.A. [1)]	Poland	49.74%	49.74%
GAS - TRADING S.A.	Poland	43.41%	43.41%

[1)]Including 48% direct share and a 1.74%% indirect share through GAS-TRADING S.A.

[2)]The Capital Group of GEOFIZYKA Kraków comprises Geofizyka Kraków Sp. z o.o. and its subsidiary GEOFIZYKA Kraków Libya JSC.

[3)]The Capital Group of Poszukiwania Nafty i Gazu Kraków comprises Poszukiwania Nafty i Gazu Kraków Sp. z o. o. and its subsidiary Oil Tech International - F.Z.E.

[4)]The Capital Group of Mazowiecka Spółka Gazownictwa comprises Mazowiecka Spółka Gazownictwa Sp. z o.o. and its subsidiary Powiśle Park Sp. z o.o. which has been consolidated since Q1 2009.

(in PLN '000)

37.2. Related party transactions

Related party		Sales to related parties	Purchases 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 the full and the equity method	31 December 2009	281 511	4 196 178	46 432	40 986	2 330 173	2 319 723	533 706
	31 December 2008	630 939	3 434 780	28 338	23 197	1 720 698	1 588 071	439 435
Other related parties not subject to consolidation	31 December 2009	7 244	37 033	128 227	978	28 623	9 551	112 737
	31 December 2008	3 719	25 108	128 290	1 034	16 343	-	91 943
Total related parties	**31 December 2009**	288 755	4 233 211	174 659	41 964	2 358 796	2 329 274	646 443
	31 December 2008	634 658	3 459 888	156 628	24 231	1 737 041	1 588 071	531 378

The key transactions with shareholders in 2009 and 2008 included dividend payment, presented in Note 9.
In 2009, the Company did not conclude any material transactions with related parties under non-arm's length terms and conditions.

Documentation of related party transactions prepared by the Company complies with Article 9a of the CIT Act. The procedure is applied each time entities of the PGNiG Capital Group conclude agreements (including master agreements), annexes to agreements, place orders (conclude detailed agreements) or place orders based on master agreements with related parties if the total amount of liabilities/receivables (under a single contract with a single counterparty) or its PLN equivalent exceeds the amount of EUR 100 thousand in the calendar year for goods transactions and EUR 30 thousand for transactions involving provision of services, selling or granting access to intangible assets. The Company calculates profit and determines transaction prices using the methods specified in Article 11 of the CIT Act, i.e. the comparable uncontrolled price method, the resale price method and the cost plus method as well as additional transactional profit methods (the profit split method and the transactional net margin method).

(in PLN '000)

38.3. Transactions with entities co-owned by the State Treasury

In 2009 PGNiG S.A. generated the highest turnover in transactions with the following entities, whose shares are held by the State Treasury: Operator Gazociągów Przesyłowych "GAZ-SYSTEM" S.A., Polski Koncern Naftowy ORLEN S.A., Rafineria Trzebinia S.A., Zakłady Azotowe ANWIL SA, Zakłady Azotowe PUŁAWY S.A. and Zakłady Azotowe KEDZIERZYN S.A.
In 2009 sales to the aforementioned entities amounted to PLN 2,761 million, which accounted for 14.9% of sales revenue. In 2009 purchases from the aforementioned entities amounted to PLN 1,403 million, which accounted for 7.7% of operating expenses.
As of 31 December 2009 the carrying amount of receivables from the aforementioned entities was PLN 729 million, whereas liabilities amounted to PLN 86 million as of that date.

In 2008 PGNiG S.A. generated the highest turnover in transactions with the following entities, whose shares are held by the State Treasury: Operator Gazociągów Przesyłowych "GAZ-SYSTEM" S.A., Polski Koncern Naftowy ORLEN S.A., Rafineria Trzebinia S.A., Zakłady Azotowe ANWIL S.A., Zakłady Azotowe POLICE S.A. and Zakłady Azotowe PUŁAWY S.A.
In 2008 sales to the aforementioned entities amounted to PLN 3,019 million, which accounted for 16.7% of sales revenue. In 2008 purchases from the aforementioned entities amounted to PLN 1,401 million, which accounted for 7.9% of operating expenses.
As of 31 December 2008 the carrying amount of receivables from the aforementioned entities was PLN 1,119 million, whereas liabilities amounted to PLN 84 million as of that date.

37.4. Information on remuneration, loans and similar benefits paid to members of management and supervisory bodies

	1 January 2009 - 31 December 2009		
Full name	Total remuneration, additional benefits and bonuses paid in 2009	Total remuneration for functions performed at controlled entities in 2009	**Total remuneration paid in 2009**
Management Board, including:	**3 396.15**	**3 379.74**	**6 775.89**
Michał Szubski – President of the Management Board	322.02	820.78	**1 142.80**
Mirosław Dobrut - Vice President	274.17	410.17	**684.34**
Radosław Dudziński - Vice President	279.81	736.69	**1 016.50**
Sławomir Hinc - Vice President	278.85	747.52	**1 026.37**
Mirosław Szkałuba - Vice President	298.40	199.55	**497.95**
Waldemar Wójcik - Vice President*	381.85	224.52	**606.37**
Ewa Bernacik - Proxy	343.31	80.85	**424.16**
Mieczysław Jakiel - Proxy	240.31	39.84	**280.15**
Tadeusz Kulczyk - Proxy	334.79	33.20	**367.99**
Management Board members in 2009 not performing duties as of 31 December 2009:			
Stanisław Radecki - Proxy	541.84	39.84	**581.68**
Marek Dobryniewski - Proxy	33.00	6.64	**39.64**
Zbigniew Król - Proxy	67.80	40.14	**107.94**
Supervisory Board, including:	**337.06**	**217.15**	**554.21**
Stanisław Rychlicki	39.84	80.00	**119.84**
Marcin Moryń	39.84	-	**39.84**
Mieczysław Kawecki	39.84	52.16	**92.00**
Agnieszka Chmielarz	39.84	45.15	**84.99**
Grzegorz Banaszek	39.84	-	**39.84**
Marek Karabuła	39.84	-	**39.84**
Mieczysław Puławski	39.84	-	**39.84**
Jolanta Siergiej	39.84	39.84	**79.68**
Supervisory Board members in 2009 not performing duties as of 31 December 2009:			
Maciej Kaliski	18.34	-	**18.34**
Total	**3 733.21**	**3 596.89**	**7 330.10**

*Including remuneration for performing the function of a proxy from 1 to 28 January 2009.

(in PLN '000)

Full name	1 January 2008 - 31 December 2008		
	Total remuneration, additional benefits and bonuses paid in 2008	Total remuneration for functions performed at controlled entities in 2008	**Total remuneration paid in 2008**
Management Board, including:	**4 641.25**	**2 716.97**	**7 358.22**
Michał Szubski - President of the Management Board	211.37	240.04	451.41
Mirosław Dobrut - Vice President	184.8	82.39	267.19
Radosław Dudziński - Vice President	189.35	203.00	392.35
Sławomir Hinc - Vice President	184.12	218.33	402.45
Mirosław Szkałuba - Vice President	192.83	130.33	323.16
Ewa Bernacik - Proxy	334.57	74.39	408.96
Marek Dobryniewski - Proxy	342.25	37.24	379.49
Stanisław Radecki - Proxy	401.39	37.24	438.63
Waldemar Wójcik - Proxy	442.51	36.95	479.46
Management Board members in 2008 not performing duties as of 31 December 2008:			
Krzysztof Głogowski	318.05	386.91	704.96
Jan Anysz	337.75	271.76	609.51
Zenon Kuchciak	315.85	323.64	639.49
Stanisław Niedbalec	268.22	270.33	538.55
Tadeusz Zwierzyński	318.59	174.69	493.28
Jan Czerepok	352.9	133.26	486.16
Bogusław Marzec	246.7	96.47	343.17
Supervisory Board, including:	**312.23**	**165.30**	**477.53**
Stanisław Rychlicki	32.65	48.49	81.14
Marcin Moryń	37.24	-	37.24
Mieczysław Kawecki	37.24	34.89	72.13
Agnieszka Chmielarz	24.96	21.65	46.61
Grzegorz Banaszek	32.65	-	32.65
Maciej Kaliski	4.65	-	4.65
Marek Karabuła	4.65	-	4.65
Mieczysław Puławski	37.24	-	37.24
Jolanta Siergiej	24.96	18.91	43.87
Supervisory Board members in 2008 not performing duties as of 31 December 2008:			
Wojciech Arkuszewski	4.73	-	4.73
Kazimierz Chrobak	12.27	2	14.27
Hubert Konarski	20.48	-	20.48
Andrzej Rościszewski	4.73	-	4.73
Joanna Stuglik	20.48	19.34	39.82
Mirosław Szkałuba	3.84	-	3.84
Piotr Szwarc	4.73	20.02	24.75
Jarosław Wojtowicz	4.73	-	4.73
Total	**4 953.48**	**2 882.27**	**7 835.75**

In the financial period the Company did not enter into any other material transactions with members of the Management Board and Supervisory Bodies and their spouses, relatives or persons related by affinity up to the second degree in direct line, by custody, adoption or guardianship to a member of the management or supervisory bodies of the entity or companies at which they are major shareholders (or partners). The Company did not originate any loans to the aforementioned individuals, either.

37.5. Joint ventures

In 2009, PGNiG S.A. cooperated with the following companies in Poland: FX Energy Poland Sp. z o.o., EuroGas Polska Sp. z o.o. and Energia Bieszczady Sp. z o.o.

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

In 2009, PGNiG S.A. continued joint work with FX Energy Poland Sp. z o.o. in the following licensed areas of PGNiG S.A.:

- "Płotki" – cooperation based on the Agreement on Joint Operations of 12 May 2000; interest: PGNiG S.A. – 51%, FX Energy – 49%;
- "Płotki - PTZ" (the so called Extended Area of Zaniemyśl) – cooperation based on Operating Agreement of Mine Users of 26 October 2005; interest: PGNiG S.A. – 51%, FX Energy – 24.5%, CalEnergy – 24.5%;
- "Poznań" – cooperation based on the Agreement on Joint Operations of 1 June 2005; interest: PGNiG S.A. – 51%, FX Energy – 49%

and in the areas covered by the license of FX Energy Poland sp. z o.o.:

- Block 255 – cooperation based on the Agreement on Joint Operations of 29 October 1999; interest: FX Energy – 81.82%, PGNiG S.A. – 18.18%;
- "Ostrowiec" – cooperation based on the Agreement on Joint Operations of 27 February 2009, license blocks 163 and 164; interest: FX Energy – 51%, PGNiG S.A. – 49%.

Based on the "Agreement on settlements of natural gas produced from the Klęka 11 well", the Klęka field was exploited. Additionally, reprocessing and reinterpretation of seismic data were completed within the "Płotki" area.

In 2009, in the "Poznań" area reprocessing and interpretation of a 3D image of Żerków-Pleszew were carried out, the Kromolice-2 well was drilled and a 2D image of Lutynia-Taczanów was reprocessed and interpreted. In the "Płotki" - "PTZ" area, the output from the "Zaniemyśl" natural gas field was continued.

In 2009 natural gas production in the Wilga field (Block 255) and drilling of the "Ostrowiec-1" exploration well ("Ostrowiec" area) were completed. The well was liquidated due to a lack of hydrocarbons flow.

EuroGas Polska Sp. z o.o., registered office: Pszczyna 43-200, ul. Górnośląska 3
Energia Bieszczady Sp. z o.o., registered office: Warsaw 00-654, ul. Śniadeckich 17

In 2009, PGNiG S.A. jointly with Eurogas Polska Sp. z o.o. and Energia Bieszczady Sp. z o.o. completed 2D seismic work in Kostarowce-Zahutyń in the Carpathian region and started image processing and interpretation work, based on the "Bieszczady" Agreement on Joint Operations of 1 June 2007. The licenses and mining usufruct right related to the exploration and prospecting for oil and natural gas fields in the above area belong to PGNiG S.A.

Orlen Upstream Sp. z o. o., registered office: Warsaw 02-159, ul. J. G. Bennetta 2B

On 22 June 2009 the Company signed an agreement with Orlen Upstream Sp. z o.o. on development of oil fields in Sieraków, in the licensed area of PGNiG S.A. The interest is as follows: PGNiG S.A. – 51%, Orlen Upstream Sp. z o. o.– 49%. In 2009 reconstruction work was started in the field (Sieraków-4 well).

Energia Karpaty Zachodnie Sp. z o. o. Sp. k., registered office: Warsaw 00-654, ul. Śniadeckich 17

On 17 December 2009 the Company entered into an Agreement on Joint Operations with Energia Karpaty Zachodnie Sp. z o. o. Sp. k. covering the Western Carpathian area. Energia Karpaty Zachodnie Sp. z o.o. Sp. k. performs the function of an Operator holding a 60% interest, whereas the interest of PGNiG S.A. is 40%.

Energia Karpaty Wschodnie Sp. z o. o. Sp. k., registered office: Warsaw 00-654, ul. Śniadeckich 17

On 17 December 2009 PGNiG S.A. entered into an Agreement on Joint Operations with Energia Karpaty Wschodnie Sp. z o. o. Sp. k. covering the Eastern Carpathian area. Energia Karpaty Wschodnie Sp. z o.o. Sp. k. performs the function of an Operator holding an 80% interest, whereas the interest of PGNiG S.A. is 20%.

All the assets, liabilities, revenue and expenses related to the aforementioned joint ventures have been recognized in the statement of financial position and the income statement of PGNiG S.A. in proportion to its interest in the respective joint ventures.

(in PLN '000)

38. NUMBER OF EMPLOYEES

Employment as of the end of the period, by segments	31 December 2009	31 December 2008
Head Office*	833	837
Exploration and production	4 300	4 223
Trade and storage	3 730	3 702
Other	37	37
Total	**8 900**	8 799

* As the Head Office of the Company provides services to all other segments, it has not been assigned to any of such segments.

In 2009 the average number of employees was 8,845 (8,590 in 2008).

39. EQUITY MANAGEMENT

The main objective of the Company's equity management is to ensure its ability to operate as a going concern, carry out planned investments, and at the same time, increase its shareholder value.
PGNiG S.A. monitors its equity level using the leverage ratio, calculated as the ratio of the net debt to total equity increased by net debt. In line with the Company's principles, the leverage ratio may not exceed 35%. The net debt includes loans and borrowings, finance lease liabilities, trade and other liabilities less cash and cash equivalents. Equity includes equity attributable to the shareholders of PGNiG S.A.

	31 December 2009	31 December 2008
Loans, borrowings and finance lease liabilities	1 906 684	766 974
Trade and other liabilities	2 376 233	2 813 033
Cash and cash equivalents (-)	(425 243)	(807 861)
Net debt	**3 857 674**	**2 772 146**
Equity	**17 339 703**	**17 181 372**
Equity and net debt	**21 197 377**	**19 953 518**
Leverage ratio	**18.20%**	**13.89%**

40. OTHER MATERIAL INFORMATION

40.1. Information on the restructuring process

The "Employment rationalization and termination benefit program for employees of the PGNiG Capital Group for the years 2009-2011 (stage 3)" was approved by the Extraordinary Shareholders' Meeting of PGNiG S.A. on 11 December 2008 and it was implemented in January 2009 (the "Program"). Unlike the "Employment restructuring and termination benefit program for employees of the Branches and subsidiaries" of the preceding years, the Program follows a "stand by" formula. This denotes that it may be applied only in exceptional circumstances, i.e. decisions to implement the Program can be made only in cases justified by the scale of the projected restructuring measures related to headcount reduction and/or liquidation of jobs.

In the case of PGNiG S.A. decisions to apply the Program to the branches and the Head Office are taken by the Management Board of PGNiG S.A. in the form of a resolution.
By the end of the reporting period, i.e. by 31 December 2009 no decision was taken to initiate the Program in the Company's branches.

In 2009, in line with the directions specified in the Strategy of PGNiG S.A., analytical and project work was carried out aimed at reorganizing the structures of the Capital Group through consolidation of companies with similar business profiles. One of the objectives of such projects is to establish operationally and financially sustainable companies which will be able to carry out investment and exploration work of key importance for the Polish gas and oil industry, both in Poland and abroad.

40.2. Foreign operations

The share of PGNiG S.A. in foreign entities:

The shares held by PGNiG S.A. in its entities are recognized in the accounting records at historical values (without revaluation by changes in FX rates as of each balance sheet date). If impairment of shares is identified, a relevant loss is recognized by the Company in its accounting records. The value of the above shares disclosed in the statement of financial position is reduced by the impairment losses recognized by the Company.

Ukraine

"**Dewon" Z.S.A.** is an unlisted joint stock company. It was established on 17 November 1999. The main objective and task of the company is to provide services involving oil and natural gas production, well reconstruction as well as development and exploitation of Ukrainian fields.

The share capital of the company amounts to UAH 11,146.8 thousand, i.e. PLN 3,966.0 thousand (using the exchange rate of the National Bank of Poland as of 31 December 2009) and it is divided into 120.0 thousand shares with a nominal value of UAH 92.89 each. The interest in the company is UAH 4,055.2 thousand, i.e. PLN 1,442.8 thousand (using the exchange rate of the National Bank of Poland as of 31 December 2009). The value of the shares disclosed in the accounting records as of 31 December 2009 was PLN 2,499.4 thousand, covered by a revaluation write-down (100%).

The shareholding structure is as follows:

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

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

The Sakhalin field is exploited on a joint venture basis under an agreement concluded between "Dewon" Z.S.A. and NAK "Nadra Ukrainy" (a hydrocarbon production license holder) and PoltavaNaftoGasGeologia. On 24 April 2009 the license for carrying out work in the Sakhalin field expired. Since then "Dewon" Z.S.A has not exploited the field. Despite intervention of the Polish Embassy in Kiev and representatives of the Polish Government, a license allowing Dewon Z.S.A. to continue exploitation of the field had not been granted by the date of these financial statements. Discontinuation of production was the reason for significant deterioration of the financial and economic position of the company.

Oman

The share capital of Sahara Petroleum Technology Llc amounts to RO 150.0 thousand (Omani rial), i.e. PLN 1,120.2 thousand (using the average exchange rate of the National Bank of Poland as of 30 December 2009) and it is divided into 150.0 thousand shares with a nominal value of RO 1 each. The interest of PGNiG S.A. in the capital of the company is RO 73.5 thousand, i.e. PLN 548.9 thousand (using the average exchange rate of the National Bank of Poland as of 30 December 2009). The value of the shares disclosed in the accounting records as of 31 December 2009 was PLN 879.0 thousand, covered by a revaluation write-down (100%).

The shareholding structure is as follows:

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

The Company was established in 2000 at the initiative of Zakład Robót Górniczych in Krosno (a Branch of PGNiG S.A. until 30 June 2005, at present wholly owned by PGNiG S.A.). The

company's main objective was to provide technical services related to reconditioning and reconstruction of wells, linear technique operations, maintenance of heads of exploration machines as well as light and medium drilling jobs using the technical potential of PGNiG S.A.
The Company has never started its business activities. On 7 June 2009 the shareholders adopted resolutions to wind up the company and appoint an official receiver. At present the company is being liquidated.

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 under the German law:

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

Both partners acquired 50% of shares in each of the entities. The share capital of each of the established companies amounts to EUR 200 thousand (i.e. PLN 821.6 thousand at the average exchange rate of the National Bank of Poland as of 31 December 2009). Their registered offices are located in Potsdam (InterGasTrade GmbH (IGT)) and Leipzig (InterTransGas GmbH (ITG)). InterGasTrade GmbH has not been entered into the commercial register. On 9 August 2005, InterTransGas GmbH was entered into the commercial register in Potsdam. The scope of the company's activities includes construction, operation and sale of transmission capacity.

ITG was established to build an interconnector between the Polish and European gas transmission system, which would constitute one of the elements of the diversification of gaseous fuel supplies to Poland. At present, based on the Shareholders' decision, ITG operates at minimum cost. When circumstances enable the construction of a pipeline connecting the Polish and German transmission system, the company will be able to start its core activity specified in its Articles of Association.
In 2007, pursuant to a resolution of the Shareholders' Meeting, the registered office of ITG was moved from Potsdam to Leipzig.
On 29 January 2009 the Shareholders' Meeting of ITG adopted resolutions approving the Bornicke – Hintersee – Police transmission pipeline construction business model, business plan for 2009 and the shareholders' capital contributions of EUR 3 million each increasing the reserve capital. The capital injection will be in the form of payment to the reserve capital, without the issue of new shares. The first portion of EUR 750 thousand was paid by each shareholder in June 2009. The remaining portion of the contribution to the reserve capital will be paid after the shareholders have agreed further cooperation terms and conditions to be applied in the course of the "Germany – Poland Interconnector" pipeline construction, in particular as regards the rights and obligations of ITG partners. The decision concerning construction of the interconnector can be expected in 2011.
As of 31 December 2009, the interest of PGNiG S.A. in the capital of ITG was EUR 3,100 thousand (i.e. PLN 13,855.8 thousand at the average exchange rate of the National Bank of Poland as of 31 December 2009). As of 31 December 2009 the value of the above shares disclosed in the accounting records was PLN 13,602.5 thousand.

Norway

On 24 May 2007, PGNiG S.A. established a subsidiary in Norway – PGNiG Norway AS, a limited liability company acting as a special purpose vehicle for the operations of PGNiG on the Norwegian Continental Shelf (NCS), and in particular to perform the agreement of 28 February 2007 between PGNiG S.A., Mobil Development Norway AS and ExxonMobil Produktion Norway Inc. regarding the Company's acquisition of interest in the field licensed area on the Norwegian Continental Shelf, i.e. Skarv, Snadd and Idun fields (license PL 212, PL 212B, PL 262), which took place on 30 October 2007. In line with the joint venture agreement (after unitization of the Skarv, Snadd and Idun fields) PGNiG Norway AS holds the right to 11.9175% of production from the Skarv/Snadd/Idun field and has a proportional share in capital expenditures. The remaining interest is held by: British Petroleum (Operator) – 24%, StatoilHydro – 36% and E.ON Ruhrgas Norge – 28%.

At present, the fields on the Norwegian Continental Shelf have documented deposits of gas and oil (approx. 36 billion m^3 of gas and 15 million tons of oil), confirmed by the Norwegian Petroleum Directorate (NPD), whereas the production project is at the stage of field development. In 2009 the Skarv field development project was continued. The field development project covers 16 wells, including 7 for oil production, 5 for natural gas production and 4 injection wells (for pumping). At a later stage, the injection wells will be converted to gas production ones for the purpose of full exploitation of the field. The field will be developed using a geostationary floating production platform – Floating

Production, Storage and Offloading (FPSO) – 292 meters long and weighing 62 thousand tons, constructed in a Southern Korean shipyard. Construction will be completed in the fourth quarter of 2010. The first income from field exploitation is expected in 2011.

According to estimates, capital expenditures related to field development will amount to approx. USD 5 billion, of which approx. USD 600 million will be incurred by the Group.

In 2009 PGNiG Norway AS acquired interest in two new licenses: a 30% interest in PL350 and a 25% interest in PL419. In January 2010 PGNiG Norway AS acquired a 15% interest in license PL558 adjacent to the Skarv field and license PL350. It is operated by E.ON Ruhrgas Norge (30%). The remaining partners are Nexen Exploration Norge (15%), Det norske oljeselskap (20%) and Petoro (20%).

As of the end of January 2010 the company held interest in 8 exploration and production licenses on the Norwegian Continental Shelf.

For the purpose of acquiring interest in the fields and to carry out further investments, PGNiG S.A. originated a loan of NOK 3,800,000 thousand to the company. The loan is extended in tranches, with the repayment date set for December 2022. In 2009, the Company received the second loan tranche of NOK 1,312,000 thousand. As of 31 December 2009 the balance of the loan taken out by PGNiG Norway AS was at the target level of NOK 3,800,000, i.e. PLN 1,879,480 thousand (at the exchange rate of the National Bank of Poland as of 31 December 2009). Interest is accrued based on the 3M NIBOR rate increased by a margin. On 8 October 2009 the Shareholders' Meeting of PGNiG Norway AS adopted a resolution to increase the share capital by NOK 454,000 thousand, up to the level of NOK 951,327 thousand. All the new shares were acquired by PGNiG S.A. and covered with a cash contribution. The funds are to be used for continuation of the Skarv project. The structure of financing the company's operations complies with the rules for the equity to debt ratio applicable in Norway (the so called thin capitalization).

PGNiG S.A. with its registered office in Warsaw is the sole shareholder of PGNiG Norway AS. The scope of business operations of PGNiG Norway includes oil and natural gas exploitation as well as other similar and related operations. PGNiG Norway AS may also take part in infrastructure projects related to transmission services using the undersea network (e.g. gas pipeline construction and operation) and carry out trading and financing activities as well as other operations at each stage of the value chain connected with the use of oil and natural gas.

As of 31 December 2009, the interest of PGNiG S.A. in the company's capital was NOK 951,327 thousand, i.e. PLN 470,526.3 thousand (at the exchange rate of the National Bank of Poland as of 31 December 2009). As of 31 December 2009 the value of the above shares disclosed in the accounting records was PLN 462,872.6 thousand.

The Netherlands - Libya

PGNiG Finance B.V. was established on 14 September 2001 for PGNiG S.A. bond issue management (bonds denominated in EUR). PGNiG S.A. is the company's sole shareholder. Its share capital amounts to EUR 20 thousand, i.e. PLN 82.2 thousand (at the exchange rate of the National Bank of Poland as of 31 December 2009).

In January 2008, the Management Board of PGNiG S.A. adopted a resolution granting a consent for using PGNiG Finance B.V. for the purpose of exploration and production activities in the territory of Libya. On the same day the Management Board of PGNiG S.A. passed a resolution amending the Articles of Association and changing the composition of the Management Board of PGNiG Finance B.V. as well as establishing a Libyan branch.
The amendment to the company's Articles of Association was registered in the Netherlands on 4 February 2008. The new Articles of Association changed the name of the company to Polish Oil and Gas Company – Libya B.V. (POGC – Libya B. V.).

The Management Board of POGC - Libya B.V. undertook measures resulting in the conclusion of the Exploration and Production Sharing Agreement (EPSA) in February 2008 with a Libyan company operating under the name of National Oil Corporation. The Agreement laid down the terms and conditions for carrying out an exploration and production project in Libya in connection with winning a tender for a license in area 113 of 5,494 square kilometers, located at the border

of the Murzuq and Gadamesh basins near the Algerian border. In line with the tender submitted, POGC – Libya B.V. undertook to carry out exploration work for the total amount of USD 108,000 thousand including: 3000 square kilometers of 2D seismic work, 1500 square kilometers of 3D seismic work and drilling 8 wells.
In February 2008 PGNiG S.A. issued a guarantee for National Oil Corporation in relation to the fulfillment of license related obligations of POGC – Libya B.V. in the amount of USD 108,000 thousand, i.e. PLN 307,832.4 thousand (at the exchange rate of the National Bank of Poland as of 31 December 2009).
In January 2009 the Libyan partner approved the environmental and archaeological audit report, which allows the tender winner – Geofizyka Kraków Sp. z o.o. (a subsidiary of the PGNiG Capital Group) to start 2D and 3D seismic work. The first stage of seismic work was completed at the end of 2009/at the beginning of 2010. At the same time, in the fourth quarter of 2009 an annex to the agreement for completion of the 2nd stage of the seismic prospecting work was signed with Geofizyka Kraków. In the second half of 2009, the company began to process data received as a result of seismic work and it started to analyze 2D and 3D data in December 2009.

In March 2009 the Management Board of PGNiG S.A. adopted a resolution to increase the capital of POGC Libya BV by EUR 47,500 thousand to be used mainly for exploration related expenditures in Libya. The capital injection did not involve an issue of new shares. At the date of the resolution a portion of the contribution to the reserve capital was set off against the receivables of PGNiG S.A. in the amount of USD 20,591 thousand due to a loan originated in 2008. The portion of the capital contribution remaining after the offset against the loan and interest was paid in cash in three tranches. The first tranche of EUR 11,603.3 thousand was transferred to the account of POGC Libya B.V. on 19 March 2009, the second of EUR 10,000 thousand on 1 July 2009 and the third of EUR 10,000 thousand on 1 October 2009.

As of 31 December 2009, the interest of PGNiG S.A. in the company was EUR 47,520.0 thousand i.e. PLN 195,221.7 thousand (at the exchange rate of the National Bank of Poland as of 31 December 2009). As of 31 December 2009 the value of the above shares disclosed in the accounting records was PLN 218,813.2 thousand.

Direct activities of PGNiG S.A. abroad - interests in exploration licenses:

PGNiG S.A. carries out exploration work in Pakistan based on the Agreement concluded between PGNiG S.A. and the Pakistani Government on 18 May 2005 as regards hydrocarbon prospecting and exploitation within the Kirthar licensed area. Exploration work in the Kirthar block is carried out jointly with Pakistan Petroleum Ltd. (PPL), in accordance with the following distribution of interest and expenses: PGNiG S.A. – 70% and PPL – 30%. In 2009, the first exploration well (Rehman-1) was drilled successfully and tests aimed at determining its capacity commenced.

On 6 December 2007, PGNiG S.A. concluded an interest assignment agreement for exploration license no. 1/05 in the territory of Denmark and became its operator. In March 2009 PGNiG S.A. acquired a 40% interest in license no. 1/05 in Denmark from Odin Energi A/S. At present, the interest is as follows: PGNiG S.A. – 80% and Nordsofonden – 20%. In 2009 work aimed at obtaining 2D and 3D seismic images and seismic data processing began.

In 2007, PGNiG S.A. won a tender for the Bahariya exploration license (Block 3) in Egypt. On 17 May 2009 PGNiG S.A. and the Government of Egypt entered into an Exploration and Production Sharing Agreement (EPSA). Preparatory work related to reprocessing of 1,450 kilometers of 2D seismic images and gravimetric measurements began in 2009.

The Company's foreign branches:

PGNiG S.A. has foreign branches which carry out operating activity or support the development of the Company's operations abroad.

Operator Branch in Pakistan – Islamabad;
Branch in Egypt – Cairo;
Branch in Denmark – Copenhagen;
Branch in Algeria – Alger.

40.3. Contracts for the supply of gaseous fuel and oil

In 2009, PGNiG S.A. entered into 6 comprehensive agreements for the sale of gaseous fuel for production (2 agreements) and further distribution purposes (4 agreements). The estimated annual quantity of gaseous fuel to be sold in 2010 under the aforementioned 6 agreements exceeds 400 million m^3.

5 of the new agreements have been negotiated in connection with previously performed contracts.

Additionally, in 2009 PGNiG S.A. entered into agreements for the sale of gaseous fuel for internal purposes with the following distribution system operators:

- Górnośląska Spółka Gazownictwa Sp. z o.o.;
- Dolnośląska Spółka Gazownictwa Sp. z o.o.;
- Karpacka Spółka Gazownictwa Sp. z o.o.;
- Mazowiecka Spółka Gazownictwa Sp. z o.o.;
- Pomorska Spółka Gazownictwa Sp. z o.o.;
- Wielkopolska Spółka Gazownictwa Sp. z o.o.;

and with OGP Gaz-System S.A., a transmission system operator, regarding:

- sale of high-methane natural gas (E group) for the purposes of balancing the transmission system and for non-balancing purposes; the agreement was concluded for a limited period until 31 December 2009;
- sale of nitrated natural gas (L group, Lw) for purposes other than balancing the transmission system (internal purposes); the agreement was concluded for a limited period until 31 December 2010.

In 2009 the Company concluded also an agreement with Gaskon S.A. for the sale of natural gas collected directly from the field for the purpose of LNG production. The agreement has been concluded for a term of 15 years and it provides for supplies of 110 million m^3 of gas a year starting from mid-2012.

Additionally, in 2009 the Company decided to continue cooperation with two major recipients of oil, signing agreements for an unlimited period with Rafineria Trzebinia S.A. and TOTSA TOTAL OIL TRADING S.A.

40.4. Contracts for the purchase of gaseous fuel

In 2008, PGNiG S.A. imported gas mainly under the following agreements and contracts, i.e. a long-term and a short-term contract for import from Russia and Germany, as well as medium-term contracts for the supply of gas by German entities:

- contract for the purchase/sale of Russian gas to Poland of 25 September 1996 with OOO Gazprom Eksport, which is binding until 2022;
- "Lasów" gaseous fuel sales contract of 17 August 2006 with VNG-Verbundnetz Gas AG., which is binding until 1 October 2016;
- "Lasów" gas sales contract of 29 August 2006 with VNG-Verbundnetz Gas AG., binding until 1 October 2011.

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

- natural gas supply contract of 26 October 2004 with NAK "Naftogaz Ukrainy", binding until 2020. Supply for the Hrubieszów region;
- aggregated gas supply contract between Severomoravská plynárenská a.s. and PGNiG S.A. of 27 March 2008. The contract entered into force as of 1 April 2008 and it was binding until 31 December 2009. On 1 January 2010 the contract term was extended by 12 months. Supply for Branice.
- Natural gas exchange contract of 22 October 1992 with VNG-Verbundnetz Gas AG. The contract was extended annually with annexes. Supply for border areas on both sides of the Polish/German border. The contract expired on 1 October 2009 and was superseded by the following agreements:
  - Framework Agreement with VNG-Verbundnetz Gas AG of 28 July 2009. Two individual contracts were concluded under the aforementioned agreement:
    - individual contract for the purchase of gas from 1 October 2009 to 1 October 2011, delivery to Gubin;
    - individual contract for the sale of gas from 1 October 2009 to 1 October 2011, delivery to Kamminke;
  - Framework Agreement with Vitol S.A. of 30 September 2009. An individual contract for the purchase of gas from 1 October 2009 to 1 October 2011 (delivery to Lasów) was concluded under the aforementioned agreement.

Since the beginning of 2009 gas has not been supplied under the contract signed with ROSUKRENERGO.

In 2009 PGNiG S.A. applied to the Ministry of Treasury for a consent to effect summer transactions in the years 2009-2011 relating to short-term supplies of natural gas at prices quoted on commodity exchanges. Based on the consent, on 24 June 2009 the Company concluded a contract for gas supplies from 1 July to 1 October 2009 with RWE Supply & Trading. Supplies were carried out to Lasków.

On 29 June 2009 PGNiG S.A. and Qatargas Operating Company Ltd concluded a contract for the sale and supply of liquefied natural gas from Qatar to Poland. The contract covers supplying 1 million tons of LNG per annum (ca. 1.5 billion m^3) in the period of 20 years starting from 2014.

In 2009, PGNiG S.A. purchased nitrated gas (Ls and Lw) produced in Poland from entities other than companies of the PGNiG Capital Group under the following agreements:

- Agreement for the purchase/sale of natural gas from fields in the Klęka region between PGNiG S.A. and FX Energy Poland Sp. z o.o. of 18 December 2000. Klęka field.
- Agreement for the sale of natural gas between PGNiG S.A. and FX Energy Poland Sp. z o.o. of 8 December 2005. Zaniemyśl field.
- Agreement for the sale of natural gas between PGNiG S.A. and CalEnergy Resources Poland Sp. z o.o. of 8 December 2005. Zaniemyśl field.
- Agreement for the sale of natural gas between PGNiG S.A. and DPV Service Sp. z o.o. of 13 January 2009. Antonin field.
- Agreement for the sale of natural gas between PGNiG S.A. and FX Energy Poland Sp. z o.o. of 19 June 2009. Roszków field.
- Agreement for the sale of natural gas between PGNiG S.A. and P.L. Energia S.A. of 29 June 2009. Grabówka field.

All the aforementioned agreements will remain in force until the resources available in the fields have been used.

40.5. Information on free-of-charge acquisition of shares in PGNiG S.A. by eligible employees

Pursuant to the Act on Commercialization and Privatization of 30 August 1996 (the "Act"), the Company's employees are entitled to acquire 15% of its shares free of charge. The above right is vested with the so called "eligible employees", i.e. those referred to in Article 2.5 of the Act. The right to acquire shares free of charge is vested after three months from the date of the State Treasury's disposal of the first shares under general terms.

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

Therefore, pursuant to Article 38.2 of the Act, the eligible employees' right to acquire the Company's shares free of charge arose on 1 October 2008 and it will expire on 1 October 2010.
Pursuant to Article 36.1 of the Act, eligible employees have the right to acquire 15% of shares acquired by the State Treasury at the date of the Company's entry in the register free of charge, i.e. no more than 750,000,000 shares with a nominal value of PLN 1 each. The list of eligible employees was drafted in December 1997 and it includes 61,516 names.

As of 31 December 2009 the market value of the block of 750,000,000 shares was PLN 2,842,500 thousand (as of the date of the financial statements, i.e. 3 March 2010, the value of the block was PLN 2,670,000 thousand).

In line with the adopted schedule, the process of granting shares was initiated on 6 April 2009. As of 31 December 2009, 696,313,631 shares were acquired (entered in securities accounts) by eligible employees or their inheritors.

Pursuant to Article 38.3 of the Act, shares acquired free of charge by eligible employees cannot be traded prior to 1 July 2010, whereas shares acquired free of charge by members of the Management Board may not be traded before 1 January 2011.

The key principle of IFRS 2 "Share-based Payment" is recognition of the cost of employee benefits in the period they are actually received. The right to acquire shares free of charge in line with the provisions of the Act was originally intended to compensate eligible employees for the period prior to the Act's entry into force, in particular for the period before 1989, when the political and economic system in Poland was transformed. In line with IFRS 2, the value of the program should be defined as of the date of determining the number of shares per one employee based on the fair value of the shares. As regards PGNiG S.A., the shares will be granted from the pool held by the State

Treasury. Therefore, the Company incurs only administrative costs related to releasing the shares to eligible employees.

Costs related directly to releasing the shares, incurred in 2009 and disclosed in the income statement amounted to PLN 1,852.8 thousand. Press announcements accounted for PLN 121.4 thousand of the aforementioned costs, conclusion of agreements for free-of-charge disposal of shares by CDM Pekao S.A. accounted for PLN 1,309.9 thousand, whereas conclusion of agreements for free-of-charge disposal of shares by employees of the PGNiG S.A. Capital Group accounted for PLN 421.5 thousand of the aforementioned costs.

41. EVENTS AFTER THE END OF THE REPORTING PERIOD

a. On 13 January 2010 the second loan agreement for NOK 786 million was entered into by PGNiG S.A. and its subsidiary – PGNiG Norway AS. The loan is to be disbursed in five monthly tranches from January to May 2010. At the same time, the Company is conducting negotiations with banks aimed at arranging a syndicated loan of USD 280-400 million, collateralized by the Company's assets, to provide further financing for a project until revenue is generated from hydrocarbon production on the Norwegian Continental Shelf (NCS).

b. On 20 January 2010 the Management Board of the Company was informed that following the close of the APA 2009 license round the Norwegian Ministry of Hydrocarbons and Energy granted a 15% interest in the PL558 exploration and production license on the Norwegian Continental Shelf (the "License") to PGNiG Norway AS ("PGNiG Norway"), a 100% subsidiary of PGNiG S.A. E.ON Ruhrgas Norge A/S (a 30% interest) is the direct License operator. The remaining partners are: Nexen Exploration Norge A/S (a 15% interest), Det norske oljeselskap A/S (a 20% interest) and Petoro A/S (a 20% interest). Acquiring interest in the PL558 license is an important element of the strategy adopted by PGNiG Norway. The license covers an area adjacent to the Skarv field and the PL350 license, in which PGNiG Norway holds a 30% interest. PGNiG Norway acquired interest in the aforementioned license based on a License Application filed to the Ministry of Hydrocarbons and Energy jointly with E. ON Ruhrgas Norge A/S. PGNiG Norway was responsible for the geological concept and interpretation of geophysical data.

c. On 27 January 2010, due to very low temperatures and a substantial rise in the demand for natural gas, PGNiG S.A. reduced its supplies to Zakłady Chemiczne Police S.A. The above decision was taken on the basis of the binding commercial contract entered into by the companies, which provides for the possibility to reduce supplies. The decision to reduce natural gas supplies was cancelled on 1 February 2010.

d. On 27 January 2010, a trilateral Agreement was entered in Moscow by PGNiG S.A., OAO Gazprom Export with its registered office in Moscow, Russia ("Gazprom Export") and System Gazociągów Tranzytowych EuRoPol GAZ S.A. with its registered office in Warsaw, Poland ("EuRoPol GAZ"). The Agreement provides for:
a. extension of the term of the Yamal Contract (the "Contract") for natural gas supplies from the Russian Federation to Poland until 31 December 2037;
b. the possibility to increase the volume of natural gas supplies in line with the binding Contract to the maximum level of 10.2 billion m^3 of gas in line with the Polish standard (11 billion m^3 in line with GOST).
Additionally, PGNiG and Gazprom Export undertook to introduce relevant amendments to the binding Contract. The Agreement allows to introduce the required modifications to the Agreement entered into by the Government of the Russian Federation and the Government of the Republic of Poland for the construction of a gas pipeline system for the transit of Russian gas through the territory of the Republic of Poland dated 25 August 1993 and to the Supplementary Protocol of 12 February 2003. Additionally, the Agreement provides for the extension of the term of the contract for gas transmission through the territory of the Republic of Poland using the Yamal pipeline owned by EuRoPol GAZ until 2045 under the existing terms.

e. On 1 February 2010 an agreement for a capital contribution was entered by POGC – Libya B.V. and PGNiG S.A., pursuant to which PGNiG S.A. undertook to increase the capital of POGC – Libya B.V. by EUR 18.0 million. The capital injection will be in the form of payment to the supplementary capital, without the issue of new shares. The funds are to be used for exploration planned in 2010.

f. On 2 February 2010 an annex to the agreement of 8 December 2009 (the "Annex") was signed with Zakłady Chemiczne Police S.A. ("ZCh Police"). Pursuant to the provisions thereof, ZCh Police undertook to pay the liabilities for gaseous fuel supplied in January 2010 by 5 March 2010, increased by statutory interest.

g. On 10 February 2010, the Management Board of PGNiG S.A. confirmed the provisions of the trilateral agreement entered into by PGNiG, OAO Gazprom Export with its registered office in Moscow and System Gazociągów Tranzytowych EuRoPol GAZ S.A. with its registered office in Warsaw ("Trilateral Agreement"). The Trilateral Agreement was signed in Moscow on 27 January 2010. At its meeting on 10 February 2010 the Supervisory Board accepted the provisions of the Trilateral Agreement approved previously by the Management Board.

h. On 12 February 2010 PGNiG S.A. entered into an agreement with six banks for organization of the bond issue program (up to the amount of PLN 3 billion) and underwriting the issue by the banks. Funds obtained from the bonds issue will be used mainly to refinance a loan extended by a syndicate of banks on 27 July 2005, maturing on 27 July 2010.