PGNiG

Polskie Górnictwo Naftowe i Gazownictwo SA

INTERIM CONSOLIDATED FINANCIAL STATEMENT

FOR THE PERIOD OF 6 MONTHS ENDED 30 JUNE 2009

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Management Board

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

Warszawa, 12 August 2009

SELECTED FINANCIAL DATA
for the period ended 30 June 2009

	PLN		EUR	
	Period from 1 January 2009 to 30 June 2009	**Period from 1 January 2008 to 30 June 2008**	**Period from 1 January 2009 to 30 June 2009**	**Period from 1 January 2008 to 30 June 2008**
I. Net revenues from sales of products. goods and materials	10 253 588	9 259 603	2 269 296	2 662 642
II. Profit on operating activities	(679 238)	1 292 546	(150 327)	371 678
III. Profit before tax	(576 857)	1 369 924	(127 668)	393 928
IV. Net profit	(493 007)	1 059 271	(109 111)	304 598
V. Total revenue	(432 308)	1 026 278	(95 677)	295 111
VI. Net cash flows from operating activities	1 095 633	1 977 639	242 483	568 679
VII. Net cash flows from investment activities	(1 698 271)	(1 099 662)	(375 857)	(316 213)
VIII. Net cash flows from financial activities	527 521	(5 890)	116 750	(1 694)
IX. Total net cash flows	(75 117)	872 087	(16 625)	250 773
X. Profit per ordinary share (in PLN/EUR)	(0.08)	0.18	(0.02)	0.05
XI. Diluted profit per ordinary share (in PLN/EUR)	(0.08)	0.18	(0.02)	0.05
	As of 30 June 2009	**As of 30 June 2008**	**As of 30 June 2009**	**As of 30 June 2008**
XII. Total assets	29 291 341	29 745 277	6 553 460	7 129 057
XIII. Liabilities and provisions for liabilities	9 538 929	9 029 352	2 134 180	2 164 067
XIV. Non-current liabilities	5 110 347	4 058 629	1 143 357	972 732
XV. Current liabilities	4 428 582	4 970 723	990 823	1 191 335
XVI. Equity	19 752 412	20 715 925	4 419 280	4 964 990
XVII. Share capital	5 900 000	5 900 000	1 320 029	1 414 054
XVIII. Number of shares (weighted average in '000)	5 900 000	5 900 000	5 900 000	5 900 000
XIX. Book value per share (in PLN/EUR)	3.35	3.51	0.75	0.84
XX. Diluted book value per share (in PLN/EUR)	3.35	3.51	0.75	0.84
XXI. Declared or paid dividend per share (in PLN/EUR)	0.09	0.19	0.02	0.05

Income statement and cash flow statement items were translated at the average EUR exchange rate calculated as the arithmetic average of average rates announced by the National Bank of Poland (NBP) as at the last day of each month during the given financial period. Balance sheet items were translated at the EUR exchange rate published by the National Bank of Poland as at the end of the given period.

Average PLN/EUR exchange rates defined by the NBP

	30 June 2009	31 December 2008	30 June 2008
Average exchange rate during the period	4.5184	3.5321	3.4776
Exchange rate as at the end of the period	4.4696	4.1724	3.3542

CONSOLIDATED INCOME STATEMENT
for the period ended 30 June 2009

	Notes to the financial statements	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
		(in PLN '000)	
Sales revenues	**3**	**10 253 588**	**9 259 603**
Raw materials and consumables used	4	(7 610 198)	(4 893 787)
Employee benefits	4	(1 228 475)	(1 036 406)
Amortization/depreciation		(762 489)	(721 423)
External services	4	(1 348 148)	(1 338 898)
Manufacturing cost of benefits for internal purposes		359 567	307 910
Other operating expenses (net)	4	(343 083)	(284 453)
Total operating expenses		**(10 932 826)**	**(7 967 057)**
Result on operating activities		**(679 238)**	**1 292 546**
Financial revenues	5	169 951	110 910
Financial expenses	5	(67 374)	(33 593)
Share in profits/(losses) of entities measured using the equity method	6	(196)	61
Result before tax		**(576 857)**	**1 369 924**
Income tax	7	83 850	(310 653)
Net result		**(493 007)**	**1 059 271**
Attributable to:			
Equity holders of the parent		(493 448)	1 059 601
Minority interest		441	(330)
Earnings per share attributable to ordinary equity holders of the parent	9	(0.08)	0.18

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
for the period ended 30 June 2009

	Notes to the financial statements	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
		(in PLN '000)	
Net profit/loss		**(493 007)**	**1 059 271**
Exchange differences from translation of foreign operations		31 442	(19 648)
Measurement of hedging instruments		-	-
Measurement of financial instruments		36 120	(15 400)
Deferred tax related to other comprehensive income		(6 863)	2 926
Exchange differences from deferred tax translation		-	-
Other		-	(871)
Other total net comprehensive income		**60 699**	**(32 993)**
Total comprehensive income		**(432 308)**	**1 026 278**
Attributable to:			
Equity holders of the parent		(432 749)	1 026 608
Minority interest		441	(330)

CONSOLIDATED BALANCE SHEET
As at 30 June 2009

	Note	30 June 2008	31 December 2008
ASSETS		(in PLN '000)	
Non-current assets (long-term)			
Property. plant and equipment	11	21 445 054	20 587 027
Investment property	12	7 874	8 181
Intangible assets	13	159 785	151 721
Investments in associates measured using the equity method	6	556 686	556 882
Financial assets available for sale	14	92 554	42 935
Other financial assets	15	653 868	676 634
Deferred tax asset	16	617 316	514 867
Other non-current assets	17	39 254	35 343
Total non-current assets (long-term)		**23 572 391**	**22 573 590**
Current assets (short-term)			
Inventories	18	1 358 791	1 721 259
Trade and other receivables	19	2 587 465	3 716 923
Current tax receivables	20	191 063	59 614
Prepayments and accruals	21	212 212	70 262
Financial assets available for sale	22	7 226	6 495
Derivative assets	36	15 481	174 186
Cash and bank balances	23	1 345 980	1 421 939
Non-current assets held for sale	24	732	1 009
Total current assets (short-term)		**5 718 950**	**7 171 687**
Total assets		**29 291 341**	**29 745 277**
EQUITY AND LIABILITIES			
Equity			
Share capital	26	5 900 000	5 900 000
Exchange differences from translation of foreign operations		(7 618)	(39 060)
Surplus from sale of shares above face value		1 740 093	1 740 093
Other reserves		11 422 224	10 729 053
Retained earnings		688 443	2 376 809
Equity (attributed to equity holders of the parent)		**19 743 142**	**20 706 895**
Minority interest		9 270	9 030
Total equity		**19 752 412**	**20 715 925**
Non-current liabilities			
Borrowings and debt securities	27	1 117 701	41 055
Provisions	29	1 561 353	1 501 939
Deferred income	30	1 137 382	1 139 332
Deferred tax provision	31	1 271 903	1 352 241
Other non-current liabilities	32	22 008	24 062
Total non-current liabilities		**5 110 347**	**4 058 629**
Current liabilities			
Trade and other payables	33	2 971 141	3 222 540
Borrowings and debt securities	27	370 776	871 755
Liabilities due to derivative financial instruments	36	232 459	16 723
Current tax liabilities	20	42 140	47 552
Provisions	29	199 284	173 382
Deferred income	30	612 782	638 771
Total current liabilities		**4 428 582**	**4 970 723**
Total liabilities		**9 538 929**	**9 029 352**
Total equity and liabilities		**29 291 341**	**29 745 277**

CONSOLIDATED CASH FLOW STATEMENT
for the period ended 30 June 2009

	Notes to the financial statements	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
		(in PLN '000)	
Cash flows from operating activities			
Net result		(493 007)	1 059 271
Adjusted by:			
Share in profits/(losses) of entities measured using the equity method		196	(61)
Amortization/depreciation		762 489	721 423
Net foreign exchange gains/losses		(247 237)	98 424
Net interest and dividends		14 660	(68 742)
Profit/loss on investing activities		38 690	(14 237)
Income tax for the current period		(83 850)	310 653
Income taxes paid		(229 030)	(416 973)
Other net items		471 585	(64 671)
Net cash generated by operating activities before movements in working capital		**234 496**	**1 625 087**
Movements in working capital:			
Net change in receivables	34	1 293 584	800 323
Change in inventories	34	362 468	(148 704)
Change in provisions	34	48 756	58 602
Change in current liabilities	34	(669 876)	(235 957)
Change in cost prepayments	34	(145 861)	(162 438)
Change in deferred income	34	(27 934)	40 726
Net cash generated by operating activities		**1 095 633**	**1 977 639**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment as well as intangible assets		12 255	11 927
Proceeds from disposal of shares in entities not included in consolidation		-	-
Proceeds from disposal of short-term securities		5 607	33 167
Payments to acquire property, plant and equipment as well as intangible assets		(1 784 840)	(1 193 487)
Payments to acquire shares in entities not included in consolidation		(3 517)	(78 000)
Payments to acquire short-term securities		-	-
Received interest		25 622	74 505
Received dividends		3 461	255
Proceeds from finance lease		23 200	52 599
Other net items		19 941	(628)
Net cash (used in)/generated by investing activities		**(1 698 271)**	**(1 099 662)**
Cash flows from financing activities			
Net proceeds from issue of equity shares and other capital instruments as well as capital contributions		-	-
Proceeds from borrowings		798 073	35 145
Repayment of borrowings		-	-
Proceeds from issue of debt securities		(219 726)	(18 140)
Redemption of debt securities		-	-
Repayment of liabilities due to finance leases		(18 382)	(14 990)
Inflows related to derivatives		-	-
Outflows related to derivatives		-	-
Paid dividends		-	-
Interest paid		(31 491)	(5 889)
Other net items		(953)	(2 016)
Net cash (used in)/generated by financing activities		**527 521**	**(5 890)**
Net changes in cash and bank balances		**(75 117)**	**872 087**
Net foreign exchange differences		(842)	293
Cash and bank balances at the beginning of the financial period		**1 420 863**	**1 584 868**
Cash and bank balances at the end of the financial period		**1 345 746**	**2 456 955**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the period ended 30 June 2009

	Equity (attributed to equity holders of the parent)						Minority interest	Total equity
	Share capital	Exchange differences from translation of foreign operations	Share premium	Other reserves	Retained earnings	Total		
	(in PLN '000)							
As at 1 January 2009	**5 900 000**	**(39 060)**	**1 740 093**	**10 729 053**	**2 376 809**	**20 706 895**	**9 030**	**20 715 925**
Reclassifications	-	-	-	663 914	(663 918)	**(4)**	4	**-**
Payment of dividends to equity holders	-	-	-	-	(531 000)	**(531 000)**	(205)	**(531 205)**
Total revenue for the first half of 2009	-	31 442	-	29 257	(493 448)	**(432 749)**	441	**(432 308)**
As at 30 June 2009	**5 900 000**	**(7 618)**	**1 740 093**	**11 422 224**	**688 443**	**19 743 142**	**9 270**	**19 752 412**
As at 1 January 2008	**5 900 000**	**(44 525)**	**1 740 093**	**3 478 081**	**9 939 427**	**21 013 076**	**8 689**	**21 021 765**
Reclassifications	-	-	-	6 876 340	(6 876 340)	**-**	-	**-**
Payment of dividends to equity holders	-	-	-	-	(1 121 000)	**(1 121 000)**	(104)	**(1 121 104)**
Total revenue for the first half of 2008	-	(19 648)	-	(12 474)	1 058 730	**1 026 608**	(330)	**1 026 278**
As at 30 June 2008	**5 900 000**	**(64 173)**	**1 740 093**	**10 341 947**	**3 000 817**	**20 918 684**	**8 255**	**20 926 939**

NOTES

As at 30 June 2009

1. GENERAL INFORMATION

1.1. PGNiG CAPITAL GROUP

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

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

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

The Company was entered in the Commercial Register kept by the District Court for Warsaw, XVI Business Division on 30 October 1996, under number RHB 48382. Currently, the Company is entered in the Register of Entrepreneurs kept by the District Court for Warsaw, XII Business Division of the National Court Register under number KRS 0000059492.
The Company was assigned the statistical number REGON 012216736.

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

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

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

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

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

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

As at 30 June 2009 PGNiG Capital Group included PGNiG S.A. as the Parent as well as 34 companies whose activities focus on production and services, including:

- 26 PGNiG S.A. subsidiaries;
- 8 PGNiG S.A. indirect subsidiaries

Presented below are PGNiG Capital Group entities as at 30 June 2009.

PGNiG Capital Group entities

	Company	Share capital (in PLN)	Share of PGNiG S.A. in the company's share capital (in PLN)	Percentage of share capital held by PGNiG S.A.	Percentage of PGNiG S.A. votes
	PGNiG S.A. subsidiaries				
1	Poszukiwania Nafty i Gazu Jasło Sp. z o.o.	100 000 000.00	100 000 000.00	100.00%	100.00%
2	Poszukiwania Nafty i Gazu Kraków Sp. z o.o.	105 231 000.00	105 231 000.00	100.00%	100.00%
3	Poszukiwania Nafty i Gazu NAFTA Sp. z o.o.	60 000 000.00	60 000 000.00	100.00%	100.00%
4	GEOFIZYKA Kraków Sp. z o.o.	64 400 000.00	64 400 000.00	100.00%	100.00%
5	GEOFIZYKA Toruń Sp. z o.o.	66 000 000.00	66 000 000.00	100.00%	100.00%
6	Poszukiwania Naftowe Diament Sp. z o.o.	62 000 000.00	62 000 000.00	100.00%	100.00%
7	Zakład Robót Górniczych Krosno Sp. z o.o.	26 903 000.00	26 903 000.00	100.00%	100.00%
8	PGNiG Norway AS (NOK)[1)]	497 327 000.00	497 327 000.00	100.00%	100.00%
9	Polish Oil and Gas Company - Libya B.V. (EUR)[1)]	20 000.00	20 000.00	100.00%	100.00%
10	„INVESTGAS" S.A.	502 250.00	502 250.00	100.00%	100.00%
11	Dolnośląska Spółka Gazownictwa Sp. z o.o.	658 384 000.00	658 384 000.00	100.00%	100.00%
12	Górnośląska Spółka Gazownictwa Sp. z o.o.	1 299 488 000.00	1 299 488 000.00	100.00%	100.00%
13	Karpacka Spółka Gazownictwa Sp. z o.o.	1 484 953 000.00	1 484 953 000.00	100.00%	100.00%
14	Mazowiecka Spółka Gazownictwa Sp. z o.o.	1 255 800 000.00	1 255 800 000.00	100.00%	100.00%
15	Pomorska Spółka Gazownictwa Sp. z o.o.	614 696 000.00	614 696 000.00	100.00%	100.00%
16	Wielkopolska Spółka Gazownictwa Sp. z o.o.	1 033 186 000.00	1 033 186 000.00	100.00%	100.00%
17	B.S. i P.G. Gazoprojekt S.A.	4 000 000.00	3 000 000.00	75.00%	75.00%
18	BUG Gazobudowa Sp. z o.o.	39 220 000.00	39 220 000.00	100.00%	100.00%
19	Zakład Urządzeń Naftowych Naftomet Sp. z o.o.	23 500 000.00	23 500 000.00	100.00%	100.00%
20	Geovita Sp. z o.o.	86 139 000.00	86 139 000.00	100.00%	100.00%
21	Budownictwo Naftowe Naftomontaż Sp. z o.o.	44 751 000.00	39 751 000.00	88.83%	88.83%
22	Górnictwo Naftowe Sp. z o.o.	50 000.00	50 000.00	100.00%	100.00%
23	„NYSAGAZ Sp. z o.o."	3 700 000.00	1 887 000.00	51.00%	51.00%
24	ZRUG Sp. z o.o. (w Pogórskiej Woli)	4 300 000.00	4 300 000.00	100.00%	100.00%
25	BUD-GAZ PPUH Sp. z o.o.	51 760.00	51 760.00	100.00%	100.00%
26	PPUiH „TURGAZ" Sp. z o.o. w likwidacji	176 000.00	90 000.00	51.14%	51.14%
	PGNiG S.A. indirect subsidiaries				
27	GEOFIZYKA Kraków Libya JSC (LYD)[1)]	1 000 000.00[2)]	600 000.00	60.00%	60.00%
28	Geofizyka Toruń Kish Ltd (Rial) [1)]	10 000 000.00	10 000 000.00[3)]	100.00%	100.00%
29	Oil Tech International F.Z.E. (USD) [1)]	20 000.00	20 000.00	100.00%	100.00%
30	Zakład Gospodarki Mieszkaniowej Sp. z o.o. (Piła)	1 806 500.00	1 806 500.00	100.00%	100.00%
31	GAZ Sp. z o.o. (Błonie)	300 000.00	153 000.00	51.00%	51.00%
32	GAZ MEDIA Sp. z o.o. (Wołomin)	300 000.00	153 000.00	51.00%	51.00%
33	NAFT-STAL Sp. z o.o.	667 500.00	450 000.00	67.40%	67.40%
34	Powiśle Park Sp. z o.o. (Warszawa)	78 131 000.00	78 131 000.00	100.00%	100.00%

[1)] Values in foreign currencies.

[2)]Capital paid: LYD 300.000.00. of which LYD 180.000.00 paid by GEOFIZYKA Kraków sp. z o.o.

[3)]Capital not paid

The entities of the Capital Group included in consolidation as at the end of first half of 2009

Name of the Company	Country	Percentage share in the share capital	
		30 June 2009	30 June 2008
Subsidiaries			
GK 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%
GK 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.	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%
GK Mazowiecka Spółka Gazownictwa [5]	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. i P.G. „Gazoprojekt" S.A.	Poland	75.00%	75.00%
Geovita Sp. z o.o.	Poland	100.00%	100.00%
INVESTGAS S.A	Poland	100.00%	100.00%
Polskie LNG Sp. z o.o. [4]	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 in line with 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] GEOFIZYKA Kraków Sp. z o. o. Capital Group includes Geofizyka Kraków Sp. z o.o. and its subsidiary GEOFIZYKA Kraków Libya JSC.

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

[4] Consolidated until 8 December 2008, i.e. the date of being sold to GAZ-SYSTEM S.A.

[5] GK Mazowiecka Spółka Gazownictwa includes Mazowiecka Spółka Gazownictwa Sp. z o.o. and its subsidiary Powiśle Park Sp. z o.o., which was included in the consolidation of the First quarter of 2009.

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

The key changes in the structure of the PGNiG Capital Group in the first half of year 2009 included:

- Registration of the increase in the share capital of Wielkopolska Spółka Gazownictwa Sp. z o. o. by PLN 54,899 thousand to the level of PLN 1,033,186 thousand. The increase in the share capital of the company was registered in the National Court Register on 22 January 2009;

- An increase in the share capital of Dolnośląska Spółka Gazownictwa Sp. z o. o. by PLN 3,321 thousand to the level of PLN 658,384 thousand. The increase in the share capital of the company was registered in the National Court Register on 12 May 2009;

- An increase in the share capital of Mazowiecka Spółka Gazownictwa Sp. z o. o. by PLN 4,062 thousand to the level of PLN 1,255,800 thousand. The increase in the share capital of the company was registered in the National Court Register on 11 May 2009;

- Registration of the increase in the share capital of Górnośląska Spółka Gazownictwa Sp. z o. o. by PLN 10,808 thousand to the level of PLN 1,299,488 thousand. The increase in the share capital of the company was registered in the National Court Register on 22 June 2009;

Additionally:

- On 12 March 2009, POGC – Libya BV concluded a contribution agreement with PGNiG S.A., pursuant to which PGNiG S.A. is obliged to additional payment to shares (agio) in the amount of EUR 47,500 thousand. On the same date both companies concluded an Annex to the Loan Agreement dated 18 June 2008 amending the maturity date and repayment currency. Pursuant to the aforementioned agreements, at the date of concluding a portion of PGNiG S.A. liabilities was set off against the liabilities of POGC – Libya BV due under the principal loan amount and interest. The remaining amount will paid in three portions. The first tranche of EUR 11,603 thousand will be paid on 19 March 2009. The second and third tranches amount to EUR 10,000 thousand each. The second tranche was paid on 1 July 2009 and the third one will be paid on 1 October 2009;

- On 22 April 2009 the Extraordinary Shareholders Meeting of PPUiH TURGAZ decided on dissolution of the company and commencing its liquidation process.

1.4. Composition of the Management Board of PGNiG S.A.:

According to the Company's By-laws, the Management Board of PGNiG S.A. is composed of two to seven people. The number of the members in the Management Board is defined by the entity that appoints the Management Board. Members of the Management Board are appointed for a joint three year term. Members of the Management Board or the entire Management Board are appointed by the Supervisory Board. Each of the Members of the Management Board can be dismissed or suspended by the Supervisory Board or the General Shareholders Meeting. During the period in which the State Treasury is the Company's shareholder and the Company employs 500 persons on average per year, the Supervisory Board appoints one person selected by the employees to the Management Board for one term.
As at 30 June 2009 the Management Board of PGNiG S.A. was composed of six persons:

- Michał Szubski - Chairman of the Board;
- Mirosław Dobrut – Vice Chairman of the Management Board in Charge of Gas Production and Trade;
- Radosław Dudziński – Vice Chairman of Management Board in Charge of Strategy;
- Sławomir Hinc – Vice Chairman of the Management Board in Charge of Finance;
- Mirosław Szkałuba – Vice Chairman of the Board in Charge of HR and Restructuring;
- Waldemar Wójcik – Vice Chairman of the Board in Charge of Oil Mining..

The following changes in the composition of the Management Board of PGNiG S.A. took place in the first half of year 2009:
During a meeting on 28 January 2009 the Supervisory Board of PGNiG S.A. appointed Waldemar Wójcik to the Management Board of PGNiG S.A.
There were no changes in the composition of the Management Board of PGNiG S.A. after 30 June 2009.

1.5. Proxies of PGNiG S.A.

As at 30 June 2009, the Company's proxies were:

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

The following changes of the proxies of PGNiG S.A. took place in the first half of year 2009:
On 14 February 2009, the proxies granted to Marek Dobryniewski and Waldemar Wójcik were revoked. At the same time, the Management Board of PGNiG S.A appointed as proxies the following persons: Tadeusz Kulczyk and Zbigniew Król.
On 28 April 2009, the proxy granted to Zbigniew Król was revoked. At the same time, the Management Board of PGNiG S.A appointed Mieczysław Jakiel as proxy.
There were no changes in the composition of proxies after 30 June 2009.

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

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

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

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

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

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

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

As of 30 June 2009, the Supervisory Board consisted 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.

The following changes in the composition of the Supervisory Board of PGNiG S.A. took place in the first half of year 2009:

On 16 June 2009, Maciej Kaliski resigned from the position of Member of the Supervisory Board.

There were no changes in the composition of the Supervisory Board of PGNiG S.A. after 30 June 2009.

2. INFORMATION ON THE APPLIED ACCOUNTING PRINCIPLES

2.1. Basis of the preparation of the consolidated financial statements

The consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union (EU) as at 30 June 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 current and periodic information submitted by issuers of securities and conditions of considering information required by non-member state regulations as equivalent (Dz. U. No. 33, item 259).

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

The consolidated financial statements are presented in PLN, and all figures, unless stated otherwise, are presented in PLN thousands. Any potential differences between totals and their components arise from rounding.
The financial statements of the Group have been prepared under the going concern assumption for the period of at least 12 months after the balance sheet date as regards the Parent and the subsidiaries.
As at the date of signing the financial statements, the parent's Management Board was not aware ofany facts and circumstances that could indicate that, as a result of intended or compulsory discontinuation or significant limitation of existing operations, the continuity of the Company's operations during 12 months after the balance sheet date could be threatened.
The financial statements will be signed and presented to the Management Board of the Parent for approval on 31 August 2009.

Statement of compliance

The International Financial Reporting Standards consist of standards and interpretations approved by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee.
During the current year the Group adopted all new and verified standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee as approved for application in the European Union, applicable to the Company's operations and to annual reporting periods beginning on or after 1 January 2009. The adoption of new and verified standards and interpretations did not result in changes in the Group's accounting principles affecting the figures disclosed in the financial statements for previous years and the current year.
The following amendments to the existing standards issued by the International Accounting Standards Board and adopted by the EU are effective for the current period:

- IFRS 8 "Operating Segments" adopted by the EU on 21 November 2007 (effective for annual periods beginning on or after 1 January 2009),

- Amendments to IFRS 1 "First-time Adoption of IFRS" and IAS 27 "Consolidated and Separate Financial Statements" – Cost of investment in a subsidiary, jointly-controlled entity or associate, adopted by the EU on 23 January 2009 (effective for annual periods beginning on or after 1 January 2009),

- Amendments to various standards and interpretations resulting from the Annual quality improvement project of 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, adopted by the EU on 23 January 2009 (most amendments are to be applied for annual periods beginning on or after 1 January 2009),

- Amendments to IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" – Puttable financial instruments and obligations arising on liquidation,

adopted by the EU on 21 January 2009 (effective for annual periods beginning on or after 1 January 2009),

- IAS 1 (revised) "Presentation of Financial Statements" – A revised presentation, adopted by the EU on 17 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- IAS 23 (revised) "Borrowing Costs" adopted by the EU on 10 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- Amendments to IFRS 2 "Share-based Payment" – Vesting conditions and cancellations, adopted by the EU on 16 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- IFRIC 11 "IFRS 2 – Group and Treasury Share Transactions" adopted by the EU on 1 June 2007 (effective for annual periods beginning on or after 1 March 2008),
- IFRIC 13 "Customer Loyalty Programmes" adopted by the EU on 16 December 2008 (effective for annual periods beginning on or after 1 January 2009),
- IFRIC 14 "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" adopted by the EU on 16 December 2008 (effective for annual periods beginning on or after 1 January 2009).

The adoption of the aforementioned standards and interpretations, except for the revised IAS 1 and revised IAS 23, did not result in significant changes in the Group's accounting policy or the presentation of the financial statements.

Adoption of the revised IAS 1

As IAS 1 "Presentation of financial statements" has been adopted, the consolidated statement of changes in equity included in these consolidated financial statements include transactions with the shareholders only. The remaining items have been recognized in the consolidated statement of comprehensive income.

Adoption of the revised IAS 23

Since 1 January 2009, borrowing costs, which can be directly attributable to acquisition, construction or production of a qualifying asset should be capitalized as a portion of the acquisition price or manufacturing cost of this asset. In line with IAS 23, by the end of 2008 the Group recognized all borrowing costs as costs of the period in which they were incurred. Since 1 January 2009 the Group has capitalized borrowing costs. In the first half of 2009, capitalized financial expenses amounted to PLN 4.7 million.

Adoption of IFRS 8

On 1 January 2009 IAS 14 "Segment reporting" was replaced by IFRS 8 "Operating segments". IFRS 8 requires recognizing operating segment data of the Group based on internal report used by CODM (Chief Operating Decision Makers) in making decisions concerning allocation of resources and measurement of operating segments results. Disclosed values should be compliant with amounts included in internal reports for CODMs, not necessarily be in line with IFRS. Pursuant to IAS 14 an entity reports information on business segments and an geographical segments.
Activities of the PGNiG Capital Group are organized in four segments:
- Exploration and production;
- Trade and storage;
- Distribution;
- Other.

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

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

The Group assesses segment performance based on revenue, capital expenditure, EBIT and EBITDA. Revenue and capital expenditure are measured as in the consolidated 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. Although the Group is not formally a tax capital group, Group financing and income tax are managed at the Group's level and they are not allocated to operating segments. Other financial information concerning operating segments, used for their assessment by CODM, have been presented in Note 3 to these financial statements.

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

At the date of authorisation of these financial statements the following standards, revisions and interpretations adopted by the EU were in issue but not yet effective:

- IFRS 3 (revised) "Business Combinations" adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IAS 27 "Consolidated and Separate Financial Statements" adopted by the EU on 3 June 2009 (effective for annual periods beginning on or after 1 July 2009),
- IFRIC 12 "Service Concession Arrangements" adopted by the EU on 25 March 2009 (effective for annual periods beginning on or after 30 March 2009),
- IFRIC 15 "Agreements for the Construction of Real Estate" adopted by the EU on 22 July 2009 (effective for annual periods beginning on or after 1 January 2010),
- IFRIC 16 "Hedges of a Net Investment in a Foreign Operation" adopted by the EU on 4 June 2009 (effective for annual periods beginning on or after 30 June 2009),

The Entity has elected not to adopt these standards, revisions and interpretations in advance of their effective dates.
At present, IFRS as adopted by the EU do not significantly differ from regulations adopted by the International Accounting Standards Board (IASB) except from the following standards, amendments to the existing standards and interpretations, which were not endorsed for use as at 30 June 2009:

- IFRS 1 (revised) "First-time Adoption of IFRS" (effective for annual periods beginning on or after 1 July 2009),
- Amendments to various standards and interpretations 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 for annual periods beginning on or after 1 January 2010),
- Amendments to IFRS 1 "First-time Adoption of IFRS"- Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IFRS 2 "Share-based Payment" - Group cash-settled share-based payment transactions (effective for annual periods beginning on or after 1 January 2010),
- Amendments to IFRS 7 "Financial Instruments: Disclosures" - Improving disclosures about financial instruments (effective for annual periods beginning on or after 1 January 2009),
- Amendments to IAS 39 "Financial Instruments: Recognition and Measurement" - Eligible hedged items (effective for annual periods beginning on or after 1 July 2009),
- Amendments to IAS 39 „Financial Instruments: Recognition and Measurement" and IFRS 7 „Financial Instruments: Disclosures" - Reclassification of financial assets, effective date and transition (effective on or after 1 July 2008),
- Amendments to IFRIC 9 "Reassessment of Embedded Derivatives" and IAS 39 "Financial Instruments: Recognition and Measurement" -Embedded Derivatives (effective for annual periods ending on or after 30 June 2009),
- IFRIC 17 "Distributions of Non-Cash Assets to Owners" (effective for annual periods beginning on or after 1 July 2009),

- IFRIC 18 "Transfers of Assets from Customers" (effective for transfer of assets from customers received on or after 1 July 2009).

The Entity anticipates that the adoption of these standards, amendments to the existing standards and interpretations will have no material impact on the financial statements of the Entity in the period of initial application.

At the same time, hedge accounting regarding the portfolio of financial assets and liabilities, whose principles have not been adopted by the EU, is still unregulated.

According to the entity's estimates, application of hedge accounting for the portfolio of financial assets or liabilities pursuant to IAS 39: "Financial Instruments: Recognition and Measurement" would not significantly impact the financial statements, if applied as at the balance sheet date.

2.3. Accounting principles applied

Consolidation principles

The consolidated financial statements include the financial statements of PGNiG S.A. acting as the Parent and the financial statements of the entities controlled by the Parent (or controlled by the Parent's subsidiaries) prepared as at 3June 2009, except for subsidiaries, whose impact on the consolidated financial statements would not be material. An entity is considered to be controlled whenever the Parent has the ability to influence the financial and operational policy of the entity to generate benefits from its operations.
As at the date of acquisition, assets and liabilities plus equity of the acquiree are measured at their fair value. The surplus of the acquisition price over the fair value of the acquired identifiable net assets of the entity is recognized as goodwill. In case the acquisition price is lower than the fair value of identifiable net assets acquired from the entity, the difference is recognized as profit in the income statement for the period when the acquisition took place. The share of minority equity holders is disclosed in appropriate proportions of the fair value of the assets and equity. In subsequent periods losses attributable to individual minority equity holders over the value of their shares are charged to the Parent's equity.
Whenever necessary the financial statements of the subsidiaries or associates are adjusted in order to standardize the accounting principles applied by the entity with the accounting principles applied by the Parent.
All transactions, balances, revenues and expenses related to operations between related parties included in consolidation are eliminated from consolidation.
The profit or loss of the entities acquired or sold during the year is recognized in the consolidated financial statements from the moment of their acquisition and until their sale.
In case a subsidiary is no longer controlled, the consolidated financial statements should disclose the profit or loss for the part of the year covered by the financial statements when the Parent exercised such control.
Minority interest in the first half of year 2009 includes the part of shares in BSiPG Gazoprojekt S.A., BN Naftomontaż Sp. z o. o. and Naft-Stal Sp. z o.o. that do not belong to the Capital Group.

Investments in associates

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

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

Interests in joint ventures

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

Translation of items denominated in foreign currencies

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

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

Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

Exploration and prospecting expenditure

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

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

Borrowing costs

Since 1 January 2009 the Group has capitalized borrowing costs. In line with IAS 23, by the end of 2008 the Group recognized all borrowing costs as costs of the period in which they were incurred. Based on revised IAS 23, since 1 January 2009 borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized as a portion of the acquisition price or manufacturing cost of the asset.

Investment property

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

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

Buildings and structures	2 – 40 years

Intangible assets

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

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

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

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

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

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

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

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

R&D expenses

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

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

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

Leases

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

The Group as a Lessor

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

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

The Group as a Lessee

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

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

Financial assets

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

Hedge Accounting

On 1 April 2009 the Parent Company started to apply hedge accounting of cash flows from foreign currency transactions.

The Parent Company has hedged 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 purchasing gas based in long-term contracts.
The entity hedges future highly probable cash flows related to costs in EUR and USD incurred by the Parent 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.

Non-current assets held for sale

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

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

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

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

Inventories

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

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

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

Trade and other receivables

Trade receivables are initially recognized at fair value. Upon initial recognition, receivables are measured at amortized cost using the effective interest rate method. Measurement differences are charged to the income statement. The Group does not discount receivables maturing in less than 12 months from the balance sheet date and in cases, when the discounting effect would be immaterial.
Receivables are revalued based on the probability of their recovery, if there is objective evidence that the receivables will not be fully recovered.
Revaluation write-downs of receivables for gas deliveries to small customers (low consumption of gas), settled in line with tariff groups 1-4, are calculated on a statistical basis. Write-downs are created based on an analysis of historical data regarding settlement of receivables during the year. Using the results of the analysis, repayment ratios are calculated, and on this basis, the aging analysis of receivables is prepared.
The Group creates revaluation write-downs for gas delivery receivables from customers from tariff groups 5-7 which are overdue by more than 90 days. Their amounts are calculated individually based on the Group's information on the debtor's financial position.
A 100% write-down is created for all accrued interest.
Revaluation write-downs on receivables are charged to other operating expenses or financial expenses, respectively, according to the type of receivables, to which the revaluation write-down applies.
Irrecoverable receivables are charged to losses upon the assessment of their irrecoverability.
Writing-off or derecognition of receivables due their o expiry or irrecoverability results in the reduction of previously created write-downs.
Receivables redeemed or written-off due to expiry or irrecoverability which were not written down or were partially written down are classified as other operating expenses or financial expenses, as appropriate.

Cash and bank balances

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

Impairment

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

Equity

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

Borrowings

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

Provisions

Provisions are created when a potential liability (legal or constructive) of a reliably estimated value, which will most likely result in the outflow of assets generating economic benefits from the Company, is generated as a result of future events. The value of created provisions is verified at the balance sheet date in order to be adjusted to the current forecast.
The Group measures its provisions by discounting them, if the effect of changes in the time value of money is material; using a pre-tax discount rate which reflects current market estimates of the time value of money as well as risks related to a given liability which are not reflected in the most

appropriate cost estimate. If a provision is discounted, increases in its value over time are recognized as borrowing costs. The discount rate should not bear the risk by which future estimated cash flows have been adjusted.
When provisions pertain to the cost of liquidating production related assets, the initial value of the provision increases the value of the respective fixed asset. Subsequent adjustments of the provision resulting from changes of estimates are also treated as a fixed asset value adjustment.
A detailed description of the bases of the Group's provisions is provided in point 29.

Prepayments and accruals

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

Trade and other liabilities

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

Financial liabilities

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

Sales revenues

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

Sale of goods and products

Sales revenues are recognized at fair value of payments due or received and represent receivables for services, products and goods supplied under regular business operations less discounts, VAT and other sale-related taxes (excise duty). Sales of goods and products are recognized at the moment of delivery of goods and transfer of the related ownership title.
In order to ensure classification of gas sales revenue to a correct reporting period, as at the balance sheet date volume of gas supplied to individual customers is estimated in accordance with so-called "purchase method".
Additional sales not invoiced within the given reporting period is determined based on gas collection characteristics of individual customers in comparable reporting periods. The value of estimated sales of gas is arrived at as a product of the number assigned to individual tariff groups and rates defined in the valid tariff.

Services

Revenues from services are recognized according to their actual stage of completion as at the balance sheet date. If services include an indefinable number of actions performed within a finite

period, revenues are recognized on a straight line basis (equally distributed) over the entire period. If a certain action is more important than other actions, the recognition of revenues is deferred until the action is performed. If the result of the service-related transaction cannot be reliably estimated, revenues from the transaction are recognized only up to the amount of incurred expenses, which the entity expects to recover.

Interest

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

Dividends

Dividend revenue is recognized when the cum dividend is established.

Rental income

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

Construction contracts

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

Government grants

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

Income tax

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

related to items directly recognized in equity. In this case, deferred tax is also charged directly to equity.

2.4. Main reasons for uncertainty of the estimate data

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

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

In I half of 2009, cases filed by PGNiG S.A. were pending regarding the cancellation or revocation of resolutions passed by the Extraordinary Shareholders' Meeting of PI GAZOTECH Sp. z o.o. regarding contribution to the company's capital. By the date of the financial statements, the cases had not been decided.

The court action instigated by PGNiG S.A. against PI GAZOTECH Sp. z o.o. regarding revocation or overruling the resolutions passed by the Extraordinary Shareholders' Meeting of PI GAZOTECH Sp. z o.o. of 23 April 2004, including the resolution obliging PGNiG S.A. to make a capital contribution of PLN 52,000 thousand. The case has been analyzed since 7 March 2006 by the District Court for Warsaw, the Court of Appeal and the Supreme Court. As a result of PGNiG S.A.'s plea of cassation, the Supreme Court issued a decision of 14 May 2009 in which 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.

The court action instigated by PGNiG S.A. against PI GAZOTECH Sp. z o.o. regarding revocation or overruling the resolutions passed by 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 25,999 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 by the date the decision came into force. PGNiG S.A. notified the Court of Appeal of the Supreme Court's decision of 14 May 2009, which is of significant importance for the case. On 30 July 2009 the Court of Appeal reversed the judgement of the lower instance court and the case is to be re-examined.

The court action instigated by PGNiG S.A. against PI GAZOTECH Sp. z o.o. regarding revocation or overruling the resolutions passed by the 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. On 30 May 2008 the District Court dismissed the action of PGNiG S.A. and cancelled a decision on safeguarding PGNiG S.A. claim. The proceedings concerning safeguarding the claim have been 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 reversed the decision of the District Court concerning reversal of the decision to safeguard the claim again and sent the case to be re-examined by the District Court in Warsaw. PGNiG S.A. notified the Court of Appeal of the Supreme Court's decision of 14 May 2009, which is of significant importance for the case.

Due to the above, the financial statements for I half of 2009 include the Parent's liability and receivables from PI GAZOTECH Sp. z o.o. due to capital contributions in the amount of PLN 82,472 thousand as well as a revaluation write-down of PLN 82,472 thousand corresponding to the receivables in question. Additionally, the Parent updated the value of the provision for potential interest liabilities, increasing to the amount of PLN 9,201 thousand (from the level of PLN 5,459 thousand as at the end of 2008).

Impairment of non-current assets

The Group's basic operating assets include mine assets, transmission infrastructure and gas storage facilities. These assets were tested for impairment. The Group calculated and recognized impairment losses in the accounting records based on the assessment of their useful life, planned liquidation or disposal. Assumptions regarding usefulness, liquidation and disposal of certain assets may change. Appropriate information regarding the value of impairment loss has been provided in Note 11.2.

As regards the mine assets, an uncertainty exists as to the estimates applied to gas and oil resources, based on which cash flows related to such assets are estimated. A change in the estimates related to resources directly affects the amount of revaluation write-downs created on mine assets.
Additionally, the risk that the decision of the Energy Regulatory Office as to the level of prices for gaseous fuel distribution services may change accounts for that uncertainty considerably. The price change has a significant impact on the change in cash flows of the distribution companies, which may require an update of revaluation write-downs on the distribution assets.

Useful life of property, plant and equipment

Depreciation rates applied to the main groups of fixed assets were presented in point 2.3 of the financial statements. The useful lives of fixed assets were defined based on assessments of technical services responsible for their operation. These estimates are connected with uncertainty regarding the future operating environment, technological changes and market competition, which may result in a modified assessment of the economic useful life of assets and their remaining useful life, which may significantly impact the value of these assets and future depreciation costs.

Estimated sales of gas

In order to ensure classification of gas sales revenue to a correct reporting period, as at the balance sheet date volume of gas supplied to individual customers is estimated.
The value of uninvoiced gas supplied to individual customers is estimated based on their previous collection characteristics in comparable reporting periods. There is a risk that actual gas sales figures may differ from the estimates. This may result in recognizing additional estimated but unrealized sales in the period profit/loss.

Provisions for environmental protection

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

Impairment of shares in SGT EUROPOL GAZ S.A.

The Parent conducted impairment tests of the shares in SGT EUROPOL GAZ S. A. using the discounted cash flows method. The calculations were based on data included in the financial plan of SGT EUROPOL GAZ S. A. for the years 2006–2019 as described in detail in Note 6. Results of impairment tests performer indicate significant differences depending on assumptions regarding future cash flows, discount rate and estimated cash flow period. As a result, the tests may significantly impact future value of shares.

2.5. Changes of presentation in the financial statements

Changes in income statement presentation

The Company introduced changes in the income statement for the first half of 2008 in order to ensure the comparability of data for the previous and the current period.

In the third quarter of 2008 the Parent Company introduced changes to presentation of measurement and settlement of derivative transactions hedging foreign assets. By the end of the second quarter 2008 measurement and settlement of the transactions were presented in financial activities, while foreign exchange differences regarding hedged assets were recognized in operating activities. Since the hedging items regard assets used in operating activities, the Parent Company presents them in operating activities of the income statement. Consequently, the Parent Company reclassified corresponding items in the income statement for the first half of 2008. In the Parent Company's opinion, the change allows better reflecting operating and financial profit/loss of the Group in the financial statements.

In the fourth quarter of 2008, the Parent Company changed the presentation method applied to discounting provisions for liquidation of fixed assets. By the end of the first half of 2008 changes of the discount-related portion of the provision had been presented as financial operations in the income statement. Currently, it is presented in operating activity together with other changes regarding the provision. Consequently, the Parent Company reclassified corresponding items in the income statement for the first half of 2008. The profit/loss before tax and net profit/loss did not change.

Changes in operating profit/loss resulting from introduction of the above adjustment were presented in the table below.

	Period from 1 January 2008 to 30 June 2008
Profit/loss on operating activity - before changes	**1 210 326**
Reclassification of measurement and settlement of derivatives related to foreign assets*	88 285
Reclassification of discount related to provisions for liquidation of fixed assets*	(6 065)
Profit/loss on operating activity - after changes	**1 292 546**

* The changes affect the exploration and production segment.

Cash flow statement presentation changes

In relation to the change in presentation of profit/loss on derivatives hedging exchange rate at the purchase of imported gas, the Parent introduced relevant changes to the cash flow statement. The amounts currently realized on derivative transactions hedging the exchange rate at the purchase of imported gas and realized transactions hedging loan amounts granted to foreign companies are presented in operating activities. Therefore, the amount of PLN 37.493 thousand (PLN 41.662 thousand inflows and PLN 4.169 thousand outflows) was reclassified from I half-year income statement to "Other net items" under operating activities. The change resulted in a drop in cash from financing activity accompanied with an increase in cash from operating activities by PLN 37.493 thousand.
The change in the net cash balance and other items did not change as a result of the above reclassifications.

Changes in segment reporting presentation

The Parent Company reclassified revenue of PLN 26,228 thousand from external revenue of the trade and storage segment to external revenue of the exploration and production segment in the income statement (segment reporting). The revenue is related to geophysical and geological services re-invoiced on a co-operator in a joint undertaking. The review of the statement on segment operations related to adoption of IFRS 8 has shown that the costs related to these services are recognized in the exploration and production segment. Consequently, the aforementioned revenue amount had to be reclassified to the exploration and production segment in order to ensure appropriate presentation of segment financial condition. At the same time, the costs of profit distribution for bonuses and of the Social Benefit Fund related to the exploration and production segment equal to PLN 22,037 thousand and the portion related to segment 'other' of PLN 277 thousand were reclassified from the trade and storage segment. Due to the reclassification, the result of the exploration and production segment grew by PLN 4,191 thousand, the result of the segment 'other' diminished by PLN 277 thousand and the result on the trade and storage segment dropped by PLN 3,914 thousand. Moreover, the revenue of PLN 158,543 thousand was reclassified from inter-segment revenue to other expenses within the exploration and production segment. The values in the elimination column changed by the same amount. The change did not affect the segment result or other results in the financial statements, but it has improved the revenue and expenses structure in the exploration and production segment. The amount reclassified is the revenue of exploration units in the exploration segment but it becomes expenditure in production units, therefore it should be and it is recognized in manufacturing costs for internal purposes (reducing the expenses) not in the revenue.

3. SEGMENT REPORTING

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

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

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

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

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

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

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

3.1. Business segments

The following tables present data on revenues, costs and profits as well as certain assets and liabilities broken down into the Group's business segments for periods ended 30 June 2009 and 30 June 2008.

Period ended 30 June 2009	Prospecting and production	Trade and storage	Distribution	Other	Eliminations	Total
Income statement						
Sales to external customers	953 210	9 190 319	26 551	83 508	-	10 253 588
Inter-segment sales	651 535	107 267	1 509 290	86 375	(2 354 467)	-
Total segment revenues	1 604 745	9 297 586	1 535 841	169 883	(2 354 467)	10 253 588
Amortization/depreciation	(325 540)	(69 144)	(362 739)	(5 066)	-	(762 489)
Other expenses	(1 087 105)	(10 390 746)	(871 484)	(169 219)	2 348 217	(10 170 337)
Total segment expenses	(1 412 645)	(10 459 890)	(1 234 223)	(174 285)	2 348 217	(10 932 826)
Result on the segment operating activities	**192 100**	**(1 162 304)**	**301 618**	**(4 402)**	**(6 250)**	**(679 238)**
Net financial expenses						102 577
Share in profits/(losses) of entities measured using the equity method		(196)				(196)
Result before tax						**(576 857)**
Income tax						83 850
Net result	-	-	-	-	-	**(493 007)**
Balance sheet						
Segment assets	10 732 542	9 306 352	10 400 811	295 679	(2 726 079)	28 009 305
Investments in entities measured using the equity method		556 686				556 686
Unallocated assets						108 034
Deferred tax assets						617 316
Total assets	**-**	**-**	**-**	**-**	**-**	**29 291 341**
Total equity						19 752 412
Segment liabilities	1 698 183	3 116 400	1 989 499	95 079	(2 726 079)	4 173 082
Unallocated liabilities						4 093 944
Deferred tax provision						1 271 903
Total liabilities and equity	**-**	**-**	**-**	**-**	**-**	**29 291 341**
Other segment information						
Capital expenditure on property, plant and equipment and intangible assets	(828 534)	(480 826)	(459 037)	(16 443)	-	**(1 784 840)**
Revaluation write-downs on assets	(2 641 705)	(2 350 418)	(10 879 501)	(8 441)	-	**(15 880 065)**
Revaluation write-downs on unallocated assets						(53 339)

Period ended 30 June 2008	Prospecting and production	Trade and storage	Distribution	Other	Eliminations	Total
Income statement						
Sales to external customers	1 129 323	8 047 312	11 903	71 065	-	9 259 603
Inter-segment sales	565 958	522 361	1 745 463	75 509	(2 909 291)	-
Total segment revenues	1 695 281	8 569 673	1 757 366	146 574	(2 909 291)	9 259 603
Amortization/depreciation	(307 410)	(70 644)	(338 352)	(5 017)	-	(721 423)
Other expenses	(758 386)	(8 065 336)	(1 165 254)	(144 163)	2 887 505	(7 245 634)
Total segment expenses	(1 065 796)	(8 135 980)	(1 503 606)	(149 180)	2 887 505	(7 967 057)
Result on the segment operating activities	**629 485**	**433 693**	**253 760**	**(2 606)**	**(21 786)**	**1 292 546**
Net financial expenses						77 317
Share in profits/(losses) of entities measured using the equity method		61				61
Result before tax						**1 369 924**
Income tax						(310 653)
Net result	-	-	-	-	-	**1 059 271**
Balance sheet						
Segment assets	9 614 154	9 989 096	9 825 570	258 918	(1 754 556)	27 933 182
Investments in entities measured using the equity method		556 722				556 722
Unallocated assets						163 664
Deferred tax assets						434 299
Total assets						**29 087 867**
Total equity						20 926 938
Segment liabilities	2 601 185	3 311 743	2 012 328	82 296	(1 754 556)	6 252 996
Unallocated liabilities						476 529
Deferred tax provision						1 431 404
Total liabilities and equity						**29 087 867**
Other segment information						
Capital expenditure on property, plant and equipment and intangible assets	(644 101)	(149 442)	(391 642)	(8 302)	-	**(1 193 487)**
Revaluation write-downs on assets	(2 638 153)	(2 259 716)	(10 904 502)	(3 593)	-	**(15 805 964)**
Revaluation write-downs on unallocated assets						(34 424)

3.2. Geographical segments

The Group operates mostly in Poland. Revenues from the export sales of products, goods and materials in I half of 2009 represent 4.71% (5.26% in I half of 2008) of total net revenues from the sales of products, goods and materials.

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Domestic sales	9 770 973	8 772 703
High-methane gas	8 595 417	7 468 092
Nitrated gas	753 763	708 725
Crude oil	168 136	262 257
Helium	5 150	6 349
Propane-butane gas	17 610	22 408
Gasoline	929	2 005
Decompressed gas	10 117	9 552
Geophysical and geological services	15 343	66 545
Exploration services	29 922	50 776
Construction and assembly services	43 221	22 745
Design services	10 938	9 506
Hotel services	16 721	16 557
Other services	83 647	102 697
Other products	10 383	15 146
Goods and materials	9 676	9 343
Export sales	482 615	486 900
High-methane gas	22 630	13 814
Nitrated gas	-	-
Crude oil	149 442	185 102
Helium	10 563	7 090
Propane-butane gas	-	-
Gasoline	-	-
Decompressed gas	-	-
Geophysical and geological services	108 619	134 232
Exploration services	161 147	133 866
Construction and assembly services	15 922	1 565
Design services	1 750	-
Hotel services	-	-
Other services	5 325	3 147
Other products	6 772	7 170
Goods and materials	445	914
Total	**10 253 588**	**9 259 603**

The Group' sales are addressed mainly to the following countries: Switzerland, India, Kazakhstan, Germany, Pakistan, Egypt, Thailand, Slovenia, Uganda, Libya, Ukraine, Belgium, the Czech Republic, Hungary, Slovakia, Russia, Norway, Denmark

In addition, the majority of the Group's fixed assets (different than financial instruments) are located in Poland. As at 30 June 2009, the value of fixed assets located abroad accounted for 9.97% of the total assets (7.51% as at 31 December 2008).

	30 June 2009	31 December 2008
The value of assets other than financial instruments located in Poland	19 457 614	19 189 034
The value of assets other than financial instruments located abroad*	2 155 099	1 557 895
Total	**21 612 713**	**20 746 929**

* Of which the amount of PLN 1.864.219 thousand was related to PGNiG Norway AS as at 30 June 2009 (1.260.534 as at the end of 2008).

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

4. OPERATING EXPENSES

4.1. Raw materials and consumables used

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Gas purchase	(7 310 017)	(4 599 727)
Consumption of other materials	(300 181)	(294 060)
Total	**(7 610 198)**	**(4 893 787)**

4.2. Employee benefits

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Payroll	(889 813)	(750 932)
Social security and other benefits	(338 662)	(285 474)
Total	**(1 228 475)**	**(1 036 406)**

4.3. External services

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Purchase of transmission services	(679 430)	(724 373)
Other external services	(668 718)	(614 525)
Total	**(1 348 148)**	**(1 338 898)**

4.4. Other operating expenses (net)

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Change in net write-downs	(284 582)	(32 702)
Change in net provisions	18 227	4 785
Taxes and charges	(354 219)	(374 143)
Net interest on operating activities	50 272	90 240
Net exchange differences on operating activities	290 149	(116 620)
Profit/loss on derivatives related to operating activity	(231 567)	27 524
Value of goods and materials sold	(10 465)	(10 038)
Revenues from the current settlement of deferred income recognized in the balance sheet	37 390	42 534
Profit/loss on disposal of non-financial non-current assets	(4 530)	(11 247)
Property and casualty insurance	(16 332)	(13 576)
Business trips within the country and abroad	(26 799)	(22 783)
Change in inventories	148 505	144 546
Other net expenses	40 868	(12 973)
Total	**(343 083)**	**(284 453)**

5. FINANCIAL REVENUES AND EXPENSES

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Financial revenues	**169 951**	**110 910**
Profit on derivatives	-	-
Interest income	23 596	39 099
Exchange gains	2 458	-
Revaluation of investments	133 412	33 454
Gain on disposal of investments	5 607	33 167
Dividends and profit sharing	4 025	4 757
Other financial revenues	853	433
Financial expenses	**(67 374)**	**(33 593)**
Loss on derivatives	-	-
Interest expense	(23 517)	(11 303)
Exchange losses	-	(16 896)
Revaluation of investments	(38 748)	(2 184)
Loss on disposal of investment	-	-
Commissions on loans	(736)	(1 117)
Costs of granted guarantees	(3 647)	-
Other financial expenses	(726)	(2 093)
Profit/loss on financing activity	**102 577**	**77 317**

6. MEASUREMENT OF ASSOCIATES USING THE EQUITY METHOD

6.1. Carrying value of investments in associated entities measured using the equity method.

	30 June 2009	31 December 2008
SGT EUROPOL GAZ S.A.		
Share of PGNiG S.A. Capital Group in the company's share capital*	49.74%	49.74%
Core business	Gas fuel transmission	Gas fuel transmission
Measurement of shares using the equity method	1 588 297	1 389 089
Acquisition price	38 400	38 400
Share in changes in capital	1 626 697	1 427 489
Impairment write-down	(1 087 997)	(888 789)
Carrying amount of investment	**538 700**	**538 700**
GAS-TRADING S.A.		
Share of PGNiG S.A. Capital Group in the company's share capital	43.41%	43.41%
Core business	Trade	Trade
Measurement of shares using the equity method	16 695	16 891
Acquisition price	1 291	1 291
Share in changes in capital	17 986	18 182
Impairment write-down	-	-
Carrying amount of investment	**17 986**	**18 182**
Total carrying amount of investment	**556 686**	**556 882**

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

6.2. Reconciliation of investments in associates measured using the equity method

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Opening balance of the investment's carrying amount	556 882	557 529
Dividend paid by **GAS-TRADING S.A.**	-	(868)
Measurement charged to profit/loss, including:	**(196)**	**61**
Measurement of **SGT EUROPOL GAZ S.A.**	-	-
Measurement of **GAS TRADING S.A.**	(196)	61
Closing balance of the investment's carrying amount	**556 686**	**556 722**

The Parent estimated its share in the equity of SGT EUROPOL GAZ S.A. based on the value of such equity resulting from the financial statements of SGT EUROPOL GAZ S.A. as at 30 June 2009 prepared in line with the Accounting Act, adjusted by differences in the accounting principles applied in the Group as well as the results on intergroup transactions. The differences in accounting principles concerned (till the end of 2008) the recognition of interest expenses in the net value of fixed assets. The Group till the end of 2008 applied the benchmark approach for recognizing borrowing costs (IAS 23), under which the gross value of fixed assets did not include borrowing costs. In connection with the fact that the Group from the beginning of 2009 capitalize financial costs in the value of fixed assets, the correction concerns continuing of elimination those costs from previous years. Subsequently, the Parent conducted impairment tests of the shares in SGT EUROPOL GAZ S. A. using the discounted cash flows method. The calculations were based on data included in the financial plan of SGT EUROPOL GAZ S. A. for the years 2006–2019. Discounted cash flows include all cash flows generated by SGT EUROPOL GAZ S.A., including those related to servicing external funding sources bearing an interest (interest costs and repayment of loans and borrowings). As at 30 June 2009, in using the equity method, the Parent calculated the value of its stake in the co-subsidiary's equity at PLN 1,626,697 thousand.
The results of impairment tests show significant differences depending on the adopted assumptions.

For reasons beyond the Company's control, the assumptions adopted in the measurement of the value of shares include a significant uncertainty related to material fluctuations in exchange rates and tariff policy changes.
Considering the above, the carrying amount of SGT EUROPOL GAZ S.A. measured by the Parent as at 30 June 2009 in line with the DCF method amounted to PLN 538,700 thousand. The measurement did not change as compared to the measurement conducted as at 31 December 2008.

7. INCOME TAX

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

7.1. Income tax disclosed in the income statement

	Note	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Profit/loss before tax		(576 857)	1 369 924
Tax rate applicable in the period		19%	19%
Tax according to the applicable tax rate		109 603	(260 286)
Permanent differences between the gross profit (loss) and tax base		(25 753)	(50 367)
Tax liability disclosed in the consolidated income statement		**83 850**	**(310 653)**
Current income tax	7.2.	(92 169)	(422 847)
Deferred income tax	7.3.	176 019	112 194
Effective tax rate		15%	23%

The Capital Group is not a tax group. Low effective tax rate in the first half of 2009 results from the fact that when calculating the current tax a part of companies could not set off profits for the first half of 2009 (mainly gas and geophysical and exploration companies) with losses of the remaining entities (mainly PGNiG S.A.). On the other hand, in the first half of 2008 effective tax rate was slightly higher than the applicable tax rate due to higher tax revenue related to contributions-in-kind.

7.2. Current income tax

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Profit/loss before tax (consolidated)	(576 857)	1 369 924
Consolidation adjustments	226 820	31 004
Differences between the gross profit/loss and income tax base	528 948	751 177
Taxable income not classified as revenues for accounting purposes	166 639	1 096 557
Tax-deductible expenses not classified as expenses for accounting purposes	(1 237 887)	(615 664)
Revenues not included in taxable income	212 193	352 910
Costs not classified as tax-deductible	(1 810 217)	(623 267)
Deductions from income	2 172	(73)
Income tax base	178 911	2 152 105
Tax rate for the given period	19%	19%
Income tax	(33 993)	(408 900)
Increases, releases, exemptions, deductions and reductions in taxes	(58 176)	(13 947)
Current income tax disclosed in the tax return for the period	(92 169)	(422 847)
Current income tax recognized in the consolidated income statement	**(92 169)**	**(422 847)**

7.3. Deferred income tax

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Origination and reversal of deferred tax due to negative temporary differences*	**98 796**	**14 957**
Revaluation write-downs on financial assets, receivables and fixed assets under construction	11 032	(3 967)
Provisions for future liabilities	(1 704)	(1 204)
Costs of hedging transactions for FX and interest rate risk	41 400	1 269
Exchange losses	(25 618)	19 766
Costs related to sales where the tax liability is originated in the subsequent month	-	-
Investment allowances (Norway)	42 608	-
Tax loss of the current period	28 513	-
Other	2 565	(907)
Origination and reversal of deferred tax due to positive temporary differences	**77 223**	**97 237**
Difference between the tax and accounting value of non-current assets	34 803	95 669
Positive valuation of hedging transactions for FX and interest rate risk	26 869	(11 439)
Exchange gains on credit facilities and deposit	3 147	308
Accrued interest	3 341	(855)
Revenue arising from tax obligation falling due in the following month	8 773	12 134
Other	290	1 420
Deferred income tax disclosed in the consolidated income statement	**176 019**	**112 194**

* Without a change in the deferred tax of PLN (6.863) thousand recognized directly in the capital (of PLN 2.926 thousand in the first half of 2008)and related to measurement of financial instruments and differences on translation of deferred tax of foreign companies of PLN 13.631 thousand (of PLN 1.680 thousand in the first half of 2008.

The current reporting period covered the tax period from 1 January 2009 to 30 June 2009.
A 19%% CIT rate was applicable in I half of 2009 for businesses operating in Poland. In the comparative period in I half of 2008, the tax rate was also 19%.

Regulations on VAT, CIT and social security contributions are subject to frequent changes, and there is often no reference to established regulations or legal precedents. Additionally, the applicable regulations include ambiguities which give rise to discrepancies in the legal interpretation of tax regulations both among the state authorities and between the state authorities and companies. Tax and other settlements (e.g. customs or foreign currency settlements) can be subject to inspection by authorities entitled to impose high fines. Liabilities assessed as a result of inspections have to be settled together with high interest. As a result, the tax risk in Poland is higher than in countries where

the tax system is more mature. There are no formal procedures in Poland enabling taxpayers to determine the final value of their tax liability. Tax settlements may be subject to inspection during a period of five years. Consequently, the amounts presented in the financial statements can change at a later date, after they have been finally assessed by tax authorities.

Foreign subsidiaries and branches of the Parent and of Polish subsidiaries are subject to tax regulations of the countries of their operation and to double taxation treaty regulations. In I half of 2009 and I half of 2008 tax rates applicable to foreign branches of subsidiaries ranged from 30% to 37% of the tax base. In I half of 2009 and I half of 2008, the foreign branches of the Parent did not pay income tax.

For PGNiG Norway AS, the margin interest rate is 78% of the tax base, the reason being that its operations on the continental shelf is taxed under two separate tax systems:

- Income tax (28% tax rate);
- Oil tax (an additional 50% tax rate).

The high tax rate is related, though, to several investment allowances and tax deductions, such as:

- Opportunity to apply a high depreciation rate (16.67% per year), i.e. commencing depreciation immediately after investment outlays are incurred. In the first year, the company is entitled to full annual depreciation regardless of the outlay date.
- An opportunity to apply an investment allowance of 7.5% for the period of four years under the oil tax regime. The allowance relates to investment outlays incurred in relation to the Norwegian Continental Shelf (NCS) (except from exploration costs) and amounts to 30% of spends subject to depreciation (7.5% times four - for four years). The allowance is deducted only from the oil tax base (the 50% rate) and does not apply to the standard CIT. It is to be an incentive for further investments in NCS. If the allowance amount exceeds income generated in the given year, it can be deducted in subsequent years.
- Total spends incurred for exploration of the field may be immediately deducted from revenue. If a company does not generate income allowing deduction of the exploration expenses (as PGNiG AS at present), it is entitled to immediate return of 78% of exploration costs. The return is made in cash, and the transfer to the company's bank account shall be effected by the end of the year following the tax returns one.
- Financial expenses may be deducted under both taxation systems.

Therefore, PGNiG Norway AS commenced depreciation of its investments and applied the allowance in 2008, initially recognizing them as deferred tax (in the amount recorded under “Investment allowance (Norway)” in table 7.3.). Once revenue is generated (i.e. after 2011), the amounts will be deducted from the current tax base.

Importantly, the Norwegian tax system allows settlement of loss without time limitation. Additionally, losses incurred after 2002 bear interest. For such losses, interest is calculated as risk-free interest increased by a markup including income tax (28%). In other words, losses incurred by PGNiG Norway AS in the years 2007-2011 increased by interest will reduce its current tax payable once production from the Skarv field starts up.

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 certain.

8. DISCONTINUED OPERATIONS

The Group did not discontinue any operations in I half of 2009, nor is it planning to discontinue any of its current operations.

9. EARNINGS PER SHARE

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

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Net profit/loss attributable to equity holders of the Parent	(493 448)	1 059 601
Net profit/loss attributable to equity holders of the Parent used for calculating diluted earnings per share	(493 448)	1 059 601
Weighted average number of ordinary shares used for calculating basic earnings per share ('000)	5 900 000	5 900 000
Weighted average number of ordinary shares used for calculating diluted earnings per share ('000)	5 900 000	5 900 000
Basic earnings/loss for the financial year per share attributable to ordinary equity holders of the Parent	(0.08)	0.18
Diluted earnings/loss for the financial period per share attributable to ordinary equity holders of the Parent	(0.08)	0.18

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

Start date	End date	Number of ordinary shares on the market ('000)	Number of days	Weighted average number of shares ('000)
30 June 2009				
2009-01-01	2009-06-30	5 900 000	181	5 900 000
Total			**181**	**5 900 000**
30 June 2008				
2008-01-01	2008-06-30	5 900 000	182	5 900 000
Total			**182**	**5 900 000**

10. DIVIDENDS PAID AND PROPOSED

Dividends declared and paid in the period	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Dividend paid per share (in PLN)	0.09	0.19
Number of shares ('000)	5 900 000	5 900 000
Dividend value in PLN '000, including:	531 000	1 121 000
- dividend in kind paid to the State Treasury*	382 500	949 994
- cash dividend paid to the State Treasury*	-	6
- cash dividend paid to other equity holders	148 500	171 000

* The final division of the 2008 dividend into property dividend and cash dividend can be changed insignificantly if the property part does not reach the amount of PLN 382,500 thousand.

26, August 2009 was established as a day of the dividend for 2008. On 2, October 2009 dividend will be paid. Dividend for 2007 was paid on 1 October 2008.

11. PROPERTY, PLANT AND EQUIPMENT

	30 June 2009	31 December 2008
Land	83 076	82 372
Buildings and structures	13 324 140	13 557 215
Technical equipment and machinery	2 233 834	2 322 574
Vehicles and other	908 649	903 316
Total fixed assets	**16 549 699**	**16 865 477**
Fixed assets under construction	4 895 355	3 721 550
Total property, plant and equipment	**21 445 054**	**20 587 027**

FIXED ASSETS

30 June 2009	Land	Buildings and structures	Technical equipment and machinery	Vehicles and other	**Total**
As at 1 January 2009, including depreciation	82 372	13 557 215	2 322 574	903 316	**16 865 477**
Increase	-	126 543	697	21 326	**148 566**
Decrease	(491)	(83 201)	(16 730)	(16 579)	**(117 001)**
Reclassification from fixed assets under construction and between groups	1 620	288 912	119 562	74 155	**484 249**
Impairment loss	64	(76 485)	(15 442)	8 082	**(83 781)**
Depreciation for the financial year	(489)	(488 844)	(176 827)	(81 651)	**(747 811)**
As at 30 June 2009, including accumulated depreciation	**83 076**	**13 324 140**	**2 233 834**	**908 649**	**16 549 699**
As at 1 January 2009					
Initial value	91 488	29 962 452	4 320 545	1 764 607	**36 139 092**
Accumulated depreciation and impairment loss	(9 116)	(16 405 237)	(1 997 971)	(861 291)	**(19 273 615)**
Net carrying amount as at 1 January 2009	**82 372**	**13 557 215**	**2 322 574**	**903 316**	**16 865 477**
As at 30 June 2009					
Initial value	92 616	30 281 629	4 404 466	1 826 913	**36 605 624**
Accumulated depreciation and impairment loss	(9 540)	(16 957 489)	(2 170 632)	(918 264)	**(20 055 925)**
Net carrying amount as at 30 June 2009	**83 076**	**13 324 140**	**2 233 834**	**908 649**	**16 549 699**

31 December 2008	Land	Buildings and structures	Technical equipment and machinery	Vehicles and other	**Total**
As at 1 January 2008, including depreciation	83 570	12 542 252	2 129 116	860 554	**15 615 492**
Increase	1 988	1 129 077	66 973	14 463	**1 212 501**
Decrease	(3 621)	(284 105)	(17 483)	(20 799)	**(326 008)**
Reclassification from fixed assets under construction and between groups	1 392	1 049 653	456 035	186 539	**1 693 619**
Impairment loss	20	28 186	29 866	10 598	**68 670**
Depreciation for the financial year	(977)	(907 848)	(341 933)	(148 039)	**(1 398 797)**
As at 31 December 2008, including accumulated depreciation	**82 372**	**13 557 215**	**2 322 574**	**903 316**	**16 865 477**
As at 1 January 2008					
Initial value	91 877	28 486 648	3 857 286	1 609 789	**34 045 600**
Accumulated depreciation and impairment loss	(8 307)	(15 944 396)	(1 728 170)	(749 235)	**(18 430 108)**
Net carrying amount as at 1 January 2008	**83 570**	**12 542 252**	**2 129 116**	**860 554**	**15 615 492**
As at 31 December 2008					
Initial value	91 488	29 962 452	4 320 545	1 764 607	**36 139 092**
Accumulated depreciation and impairment loss	(9 116)	(16 405 237)	(1 997 971)	(861 291)	**(19 273 615)**
Net carrying amount as at 31 December 2008	**82 372**	**13 557 215**	**2 322 574**	**903 316**	**16 865 477**

11.1. Property, plant and equipment used under finance leases

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

	30 June 2009				31 December 2008			
	Initial value of capitalized finance leases	Depreciation	Revaluation write-down	Net carrying amount	Initial value of capitalized finance leases	Depreciation	Revaluation write-down	Net carrying amount
Buildings and structures	27 685	(5 609)	-	22 076	-	-	-	-
Technical equipment and machinery	76 116	(27 830)	-	48 286	98 010	(28 619)	-	69 391
Vehicles and other	24 291	(5 263)	(677)	18 351	19 302	(3 310)	(490)	15 502
	128 092	**(38 702)**	**(677)**	**88 713**	**117 312**		**(490)**	**84 893**

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

	Land	Buildings and structures	Technical equipment and machinery	Vehicles and other	**Total fixed assets**	Fixed assets under construction	**Total property, plant and equipment**
As at 1 January 2009	4 380	12 353 217	597 358	257 391	**13 212 346**	395 291	**13 607 637**
Increase	210	95 701	21 943	862	**118 716**	47 770	**166 486**
Decrease	(274)	(19 216)	(6 501)	(8 944)	**(34 935)**	(7)	**(34 942)**
As at 31 June 2009	**4 316**	**12 429 702**	**612 800**	**249 309**	**13 296 127**	**443 054**	**13 739 181**
As at 1 January 2008	4 400	12 381 403	627 224	267 989	**13 281 016**	379 105	**13 660 121**
Increase	886	303 260	52 778	3 363	**360 287**	81 420	**441 707**
Decrease	(906)	(331 446)	(82 644)	(13 961)	**(428 957)**	(65 234)	**(494 191)**
As at 31 December 2008	**4 380**	**12 353 217**	**597 358**	**257 391**	**13 212 346**	**395 291**	**13 607 637**

The opening value of revaluation write-downs on property, plant and equipment was equal to PLN 13.212.346 thousand, including:
- assets used directly in production activity – PLN 1.969.164 thousand;
- distribution assets – PLN 10.444.209 thousand;
- other assets – PLN 798.973 thousand.

Revaluation write-downs were increased during the current year by PLN 118.716 thousand (of which PLN 288.398 thousand was related to assets used directly in production) and decreased by PLN 34.935 thousand (of which PLN 126.148 thousand was related to assets used directly in production).

The closing balance of revaluation write-downs on fixed assets amounted to PLN 13.296.127 thousand, of which:
- assets used directly in production activity – PLN 2.131.414 thousand;
- distribution assets – PLN 10.422.042 thousand;
- other assets – PLN 742.671 thousand.

As at the I half-year of 2009, the revaluation write-downs on fixed assets under construction included PLN 409.476 thousand related to capitalized outlays on wells (as at the end of 2008 this write-down amounted to PLN 361.362 thousand).

12. INVESTMENT PROPERTY

	30 June 2009	31 December 2008
Opening balance, including depreciation	8 181	10 578
Increase	-	1 759
Decrease	(77)	(4 357)
Reclassifications from/to property, plant and equipment	25	160
Impairment loss	16	575
Depreciation for the financial year	(271)	(534)
Closing balance, including accumulated depreciation	**7 874**	**8 181**
Opening balance		
Initial value	11 334	14 398
Accumulated depreciation and impairment loss	(3 153)	(3 820)
Net carrying amount	**8 181**	**10 578**
Closing balance		
Initial value	11 296	11 334
Accumulated depreciation and impairment loss	(3 422)	(3 153)
Net carrying amount	**7 874**	**8 181**

The Group's investment property includes social and office buildings partially designated for rent, industrial buildings and structures as well as land. The carrying amount of social and office buildings recognized as investment property as at the end of the current period amounted to PLN 4,089 thousand (PLN 4,201 thousand at the end of 2008), whereas the carrying amount of industrial buildings and structures as at the end of the current period amounted to PLN 3,558 thousand (PLN 3,755 thousand as at the end of 2008). The value of land and land perpetual usufruct right amounted to PLN 227 thousand as at the end of the current period (PLN 225 thousand as at the end of 2008).

In the current period, the Group generated revenues from investment property rental in the amount of PLN 1,634 thousand (PLN 1,406 thousand in the first half of 2008).

Operating expenses related to investment property and associated with rental income amounted to PLN 1,214 thousand in the current period (PLN 1,274 thousand in the first half of 2008).

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

13. INTANGIBLE ASSETS

30 June 2009	R&D expenses	Goodwill	Right of perpetual usufruct of land	Other intangible assets	Total
As at 1 January 2009, including depreciation	1 459	-	51 134	99 128	**151 721**
Increase	-	-	(3 707)	7 700	**3 993**
Decrease	-	-	(1 156)	(1 331)	**(2 487)**
Reclassification from fixed assets under construction and between	480	-	1 096	20 305	**21 881**
Impairment loss	-	-	(916)	-	**(916)**
Depreciation for the financial year	(157)	-	(298)	(13 952)	**(14 407)**
As at 30 June 2009, including accumulated depreciation	**1 782**	**-**	**46 153**	**111 850**	**159 785**
As at 1 January 2009					
Initial value	2 693	-	66 394	214 396	**283 483**
Accumulated depreciation and impairment loss	(1 234)	-	(15 260)	(115 268)	**(131 762)**
Net carrying amount as at 1 January 2009	**1 459**	**-**	**51 134**	**99 128**	**151 721**
As at 30 June 2009					
Initial value	3 163	-	64 789	240 705	**308 657**
Accumulated depreciation and impairment loss	(1 381)	-	(18 636)	(128 855)	**(148 872)**
Net carrying amount as at 30 June 2009	**1 782**	**-**	**46 153**	**111 850**	**159 785**

31 December 2008	R&D expenses	Goodwill	Right of perpetual usufruct of land	Other intangible assets	Total
As at 1 January 2008, including depreciation	1 132	-	13 691	69 813	**84 636**
Increase	-	-	18 730	5 414	**24 144**
Decrease	-	-	(15 638)	(6 857)	**(22 495)**
Reclassification from fixed assets under construction and between	548	-	34 695	55 701	**90 944**
Impairment loss	-	-	105	-	**105**
Depreciation for the financial year	(221)	-	(449)	(24 943)	**(25 613)**
As at 31 December 2008, including accumulated depreciation	**1 459**	**-**	**51 134**	**99 128**	**151 721**
As at 1 January 2008					
Initial value	2 145	-	25 555	164 250	**191 950**
Accumulated depreciation and impairment loss	(1 013)	-	(11 864)	(94 437)	**(107 314)**
Net carrying amount as at 1 January 2008	**1 132**	**-**	**13 691**	**69 813**	**84 636**
As at 31 December 2008					
Initial value	2 693	-	66 394	214 396	**283 483**
Accumulated depreciation and impairment loss	(1 234)	-	(15 260)	(115 268)	**(131 762)**
Net carrying amount as at 31 December 2008	**1 459**	**-**	**51 134**	**99 128**	**151 721**

13.1. Revaluation write-downs on intangible assets

	R&D expenses	Goodwill	Right of perpetual usufruct of land	Other intangible assets	Total
As at 1 January 2009	-	-	339	7 588	**7 927**
Increase	-	-	916	-	**916**
Decrease	-	-	-	-	**-**
As at 30 June 2009	**-**	**-**	**1 255**	**7 588**	**8 843**
As at 1 January 2008	-	-	444	7 588	**8 032**
Increase	-	-	15	-	**15**
Decrease	-	-	(120)	-	**(120)**
As at 31 December 2008	**-**	**-**	**339**	**7 588**	**7 927**

14. NON-CURRENT AVAILABLE FOR SALE FINANCIAL ASSETS

	30 June 2009	31 December 2008
Unlisted shares (gross value)	24 671	11 004
Listed shares available for sale (gross value)	78 000	78 000
Other financial assets available for sale (gross value)	56 365	56 316
Total gross value	**159 036**	**145 320**
Unlisted shares (net value)*	21 652	8 153
Listed shares available for sale (net value)**	63 800	27 680
Other financial assets available for sale (net value)*	7 102	7 102
Total net value	**92 554**	**42 935**

* Less revaluation write-down.

** Shares in Zakłady Azotowe in Tarnów

"Other financial assets available for sale" include financial assets available for sale, which do not meet the conditions allowing their classification as current financial assets or non-current financial assets held for sale, since the date of their potential disposal is unknown.

"Listed shares available for sale" include shares in Zakłady Azotowe Mościce S.A. in Tarnów. Negative valuation of shares in Zakłady Azotowe Tarnów was recognized in revaluation reserve. The Group recognized value decrease as revaluation, not impairment, bearing in mind a short period of holding the shares (since June 2008). Investment in the entity is treated as long-term one with an active market; therefore, changes in the value of investment resulting from changes in its current market value are recognized directly in equity until a decision is made to dispose of it.

15. OTHER FINANCIAL ASSETS

	30 June 2009	31 December 2008
Finance leases receivables (note 15.1.)	651 284	674 484
Receivables from licenses and mining usufruct	1 435	1 435
Long-term deposits	211	251
Receivables from guarantees and security	62	62
Other	924	444
Total gross value	**653 916**	**676 676**
Impairment loss	(48)	(42)
Total net value	**653 868**	**676 634**

15.1. Finance leases

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

Inflows from the lease of the transmission system:

	30 June 2009	30 June 2008
Interest installment	25 601	69 672
Principal installment	23 201	52 599
Total	**48 802**	**122 271**

The table below presents finance lease receivables by maturity:

	30 June 2009	31 December
- up to 1 year	51 543	52 385
- between 1 and 5 years	185 604	185 603
- over 5 years	465 680	488 881
Total	**702 827**	**726 869**
- current receivables	51 543	52 385
- non-current receivables	651 284	674 484

16. DEFERRED TAX ASSET

	30 June 2009	31 December 2008
Provisions due to payment of pension allowances	5 816	7 775
Provisions due to payment of severance and jubilee bonuses	64 844	60 723
Provision for unused paid vacation	2 156	6 546
Provision for liquidation of wells	101 139	95 531
Other provisions	41 968	38 384
Revaluation write-downs on fixed assets	81 981	74 265
Revaluation write-down on shares	9 635	9 594
Revaluation write-downs on interest on receivables	3 719	53
Costs related to sales where the tax liability is originated in the subsequent month	44 820	3 421
Exchange losses	228	25 870
Interest accrued on loans and liabilities	97	224
Connection fee	70 277	66 180
Unpaid remuneration with Social Security premiums	5 747	19 424
Tax loss of the current period	28 513	-
Hyperinflationary remeasurement of deferred income	10 274	10 788
Investment allowances (Norway)	117 576	65 418
Other	28 526	30 671
Total	**617 316**	**514 867**

17. OTHER NON-CURRENT ASSETS

	30 June 2009	31 December 2008
Geological information	26 891	28 244
Fees for establishing mining usufruct	5 602	3 618
Connection fee	5 931	-
Other prepayments	830	3 481
Total	**39 254**	**35 343**

18. INVENTORY

	30 June 2009	31 December 2008
Materials		
At acquisition price, including:	1 345 708	1 718 379
- gas fuel	1 023 075	1 378 648
At net realizable value including:	1 330 572	1 703 697
- gas fuel	1 023 075	1 378 648
Semi-finished products and work in progress	-	-
At acquisition price/manufacturing cost	21 728	11 007
At net realizable value	21 665	10 888
Finished products	-	-
At acquisition price/manufacturing cost	5 629	5 444
At net realizable value	5 569	5 384
Goods	-	-
At acquisition price	1 205	1 437
At net realizable value	985	1 290
Total inventories, at the lower of the following two values: at purchase price (manufacturing cost) and net realizable value	**1 358 791**	**1 721 259**

19. TRADE AND OTHER RECEIVABLES

	30 June 2009	31 December 2008
Trade receivables	2 816 760	3 888 697
Trade receivables from related parties	44 680	46 632
VAT receivables	152 290	363 433
Receivables from other taxes, customs duty and social security	22 702	9 192
Due portion of originated loans	97 194	136 869
Receivables from associates measured using the equity method	2 880	3 840
Finance lease receivables	51 543	52 385
Other receivables from related parties	90 470	83 638
Advances for fixed assets under construction	99 917	3 079
Receivables from breach of contract terms	87 273	-
Other receivables	148 825	162 759
Total gross receivables	**3 614 534**	**4 750 524**
Including gross receivables from related parties (note 39.1)	235 224	270 979
Revaluation write-downs on doubtful receivables (note 19.1.)	**(1 027 069)**	**(1 033 601)**
Total net receivables	**2 587 465**	**3 716 923**
including:		
Trade receivables	2 135 184	3 216 506
Trade receivables from related parties	1 032	2 822
VAT receivables	152 290	363 433
Receivables from other taxes, customs duty and social security	22 702	9 192
Due portion of originated loans	79 099	-
Receivables from associates measured using the equity method	2 880	3 840
Finance lease receivables	51 543	52 385
Other receivables from related parties	6 713	37
Advances for fixed assets under construction	99 916	3 079
Receivables from breach of contract terms	-	-
Other receivables	36 106	65 629
Including gross receivables from related parties (note 39.1)	89 724	6 699

Trade receivables arise mainly from the sale of gaseous fuel and distribution services.
Standard terms of payment for receivables related to regular sales in the Capital Group are equal to 14-30 days.

19.1. Revaluation write-downs on receivables

	30 June 2009	31 December 2008
Opening balance of revaluation write-down	(1 033 601)	(1 086 351)
Revaluation write-down created	(176 403)	(149 921)
Revaluation write-down released	166 798	186 600
Revaluation write-down applied	16 144	17 944
Reclassification between current and non-current portion	(7)	(1 873)
Closing balance of revaluation write-down	**(1 027 069)**	**(1 033 601)**

20. CURRENT TAX SETTLEMENTS

	30 June 2009	31 December 2008
Opening balance of current tax liabilities	47 552	281 399
Change in current tax receivables*	131 449	42 115
Opening balance of current tax receivables	59 614	17 499
Closing balance of current tax receivables	191 063	59 614
Income tax (cost of the period)	92 169	333 593
Income tax paid in the period	(229 030)	(609 555)
Closing balance of current tax liabilities	**42 140**	**47 552**

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

21. PREPAYMENTS AND ACCRUALS

	30 June 2009	31 December 2008
Real property tax	140 889	24
Deposit development costs	8 293	25 392
Property and casualty insurance	4 009	7 961
Measurement of long-term contracts	16 862	17 571
Geological information	3 049	3 020
Software support and update	4 249	1 413
Rent and fees	920	2 514
Financial expenses carried forward	231	116
Other expenses carried forward	33 710	12 251
Total	**212 212**	**70 262**

22. CURRENT FINANCIAL AVAILABLE FOR SALE ASSETS

	30 June 2009	31 December 2008
Unlisted shares (gross value)	-	-
Listed shares (gross value)	-	-
Short-term deposit (gross value)	103	113
Investment fund units (gross value)	8 181	7 662
Treasury bills (gross value)	-	-
Total gross value	**8 284**	**7 775**
Unlisted shares (net value)*	-	-
Listed shares (net value)*	-	-
Short-term deposit (net value)	103	113
Investment fund units (net value)	7 123	6 382
Treasury bills (net value)	-	-
Total net value	**7 226**	**6 495**

*Less revaluation write-down

23. CASH AND BANK BALANCES

	30 June 2009	31 December 2008
Cash in hand and at bank	401 283	155 600
Bank deposits	937 934	763 022
High liquidity short-term securities*	-	496 010
Other cash**	6 763	7 307
Total	**1 345 980**	**1 421 939**

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

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

24. NON-CURRENT ASSETS HELD FOR SALE

Assets with the carrying value of PLN 732 thousand (PLN 1,009 thousand at the end of 2008) have been classified by the Capital Group as held for sale. They include buildings and land perpetual usufruct titles which are likely to be sold in the second half of 2009.

25. CONTINGENT ASSETS

25.1. Contingent receivables from received sureties and guarantees

Provider of contingent receivables	Value of the received contingent receivables in the currency	Currency of the contingent receivables	Value of the received contingent receivables* in PLN	Expiry date of the contingent receivables	Type of granted contingent receivables
Contingent receivables received by PGNiG S.A.					
Zakłady Chemiczne Police SA	215 000	PLN	215 000	unlimited	Declaration*
ING Bank Śląski	108 900	PLN	108 900	7 January 2012	performance bond
Bank Pekao S.A.	85 217	PLN	85 217	30 April 2013	guarantee of good performance of the contract
PZU S.A.	66 429	PLN	66 429	18 January 2013	insurance guarantee, performance bond
Glas Trosch Holding AG EuroGlas Polska Sp. z o.o.	8 000	PLN	8 000	30 June 2011	letter of guarantee
Huta Szkła Wymiarki S.A.	7 000	PLN	7 000	31 December 2019	Declaration*
KDP Sp. z o.o.	7 000	PLN	7 000	31 December 2015	Declaration*
Stocznia Marynarki Wojennej S.A.	7 000	PLN	7 000	31 December 2015	declaration of voluntary submission to enforcement
STAR - DUST Sp. z o.o.	5 100	PLN	5 100	31 December 2013	Declaration*
KDP Sp. z o.o.	5 000	PLN	5 000	31 December 2015	Declaration*
HSBC Bank Polska S.A.	3 500	PLN	3 500	31 December 2009	bank guarantee
Bank PEKAO SA	3 307	PLN	3 307	31 December 2009	bank guarantee of payment
Gaslinia Sp. o.o.	3 056	PLN	3 056	21 December 2017	Declaration*
Ceramika Tubądzin Sp. z o.o. Ozorków	3 200	PLN	3 200	unlimited	Declaration*
Dresdner Bank AG S.A.	3 000	PLN	3 000	31 December 2009	bank guarantee
Warta	2 722	PLN	2 722	16 October 2009	insurance guarantee, performance bond and warranty for defects
Termisil Huta Szkła Wołomin	2 894	PLN	2 894	31 January 2014	Declaration*
KDP Sp. z o.o.	2 500	PLN	2 500	28 May 2018	Declaration*
Bank PEKAO S.A.	2 364	PLN	2 364	31 January 2010	bank guarantee
Fortis Bank Polska S.A.	2 250	PLN	2 250	31 March 2010	bank guarantee
ING Bank Śląski	2 000	PLN	2 000	31 December 2010	bank guarantee
Ceramika Końskie Sp.z o.o.	2 000	PLN	2 000	31 December 2013	Declaration*
Farmutil	2 000	PLN	2 000	max12 months from from the contract of sale of gas expiry date	Declaration*
KRI S.A.	2 000	PLN	2 000	31 December 2017	Declaration*
Warta	1 963	PLN	1 963	15 December 2009	insurance guarantee, performance bond and warranty for defects
Bank Handlowy w Warszawie S.A.	1 910	PLN	1 910	31 June 2009	bank guarantee
PZU S.A.	1 750	PLN	1 750	11 August 2009	insurance guarantee
Huta Szkła SŁAWA	1 600	PLN	1 600	unlimited	Declaration*
Trzuskawica	1 600	PLN	1 600	unlimited	Declaration*
Philip Morris Polska S.A. Kraków	1 450	PLN	1 450	31 December 2011	Declaration*

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

Provider of contingent receivables	Value of the received contingent receivables in the currency	Currency of the contingent receivables	Value of the received contingent receivables* in PLN	Expiry date of the contingent receivables	Type of granted contingent receivables
AGROS NOVA Sp. z o.o.	1 218	PLN	1 218	unlimited	Declaration*
INTERSPEED	1 200	PLN	1 200	31 March 2010	bank guarantee
SPZOZ Szpital Uniwersytecki w Krakowie	1 173	PLN	1 173	unlimited	Agreement on Transfer of claims unlimited
Ozorkowskie Przeds.Komunalne Sp.z o.o.	1 116	PLN	1 116	unlimited	Declaration*
Błonie Pass Leszek Mirkowicz	1 056	PLN	1 056	21 November 2018	Declaration*
Warta TUiR SA Poznań	1 035	PLN	1 035	30 August 2009	insurance guarantee, performance bond
INTERSPEED	1 000	PLN	1 000	31 March 2013	Declaration*
Zakłady Chemiczne "Alwernia" S.A.	1 000	PLN	1 000	18 April 2011	Declaration*
Other (each below PLN 1000 thousand)	53 412	PLN	53 412	2009-2025	bank guarantee, performance bond, insurance guarantee, tender guarantee etc.. Declaration*
Contingent liabilities received by Gas Companies					
Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A.	699	PLN	699	31 December 2011	guarantee of good performance of the contract
InterRisk Towarzystwo Ubezpieczeń S.A. Vienna Insurance Group	777	PLN	777	31 December 2011	guarantee of good performance of the contract
Sopockie Towarzystwo Ubezpieczeń Ergo Hestia S.A.	1 171	PLN	1 171	31 July 2010	guarantee of good performance of the contract
Polskie Towarzystwo Ubezpieczeń S.A.	854	PLN	854	30 November 2009	performance bond
PZU S.A.	1 339	PLN	1 339	12 February 2013	performance bond
Svenska Handelsbanken AB Spółka Akcyjna Oddział w Polsce	1 079	PLN	1 079	4 June 2010	bank guarantee
INTERRISK SA	735	PLN	735	30 April 2011	insurance guarantee
TU ALLIANZ POLSKA S.A.	673	PLN	673	10 June 2009	insurance guarantee
Other (each below PLN 500 thousand)	5 952	PLN	5 952	2009-2018	bank guarantee. performance bond itp.
Contingent receivables received by the remaining companies from PGNiG S.A. Capital Group					
PZU SA O/Poznań	717	PLN	717	5 November 2009	performance bond
Siemens Financial Service Gmbh	4 612	PLN	4 612	9 March 2010	performance bond
Sopockie Towarzystwo Ubezpieczeń Ergo Hestia SA	586	PLN	586	30 June 2009	warranty for defects
Other (each below PLN 500 thousand)	2 346	PLN	2 346	2009-2018	bank guarantee. performance bond etc.
Total			**645 462**		

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

25.2. Contingent receivables due to received bills of exchange

Entity for which the bill-of-exchange was issued	Value of the bill-of-exchange granted in currency	Currency of the bill of exchange	Value of the granted bill-of-exchange in PLN	Bill of exchange expiry date
Bills of exchange received by PGNiG S.A..				
ZRUG Sp. z o.o. w Pogórskiej Woli	13 530	PLN	13 530	30 January 2011
ZRUG Sp. z o.o. w Pogórskiej Woli	6 765	PLN	6 765	30 January 2011
K&K Sp. z o.o.	3 000	PLN	3 000	unlimited
Fabryka Porcelany Krzysztof S.A	2 500	PLN	2 500	30 April 2010
HUTA SZKŁA LUCYNA Zakład NYSA	800	PLN	800	unlimited
Porcelana Śląska Sp. z o.o. Katowice	4 018	PLN	4 018	unlimited
ZP Jopex Franciszek Jopek Zabrze	1 146	PLN	1 146	unlimited
Huta Będzin S.A. Będzin	940	PLN	940	unlimited
Jopex Sp. z o.o.	1 749	PLN	1 749	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
Spółdzielnia Mleczarska Ryki	532	PLN	532	4 April 2018
"POLMOS" Sp.z.o.o	680	PLN	680	2 January 2018
DEKORGLASS DZIAŁDOWO S.A.	790	PLN	790	unlimited
Stocznia Marynarki Wojennej S.A.	5 000	PLN	5 000	unlimited
Bioagra S.A.	8 000	PLN	8 000	unlimited
Other bills of exchange received (each below PLN 500 thousand)	10 517		10 517	2009-2012. unlimited
Contingent liabilities received by Gas Companies				
PBG Przeźmierowo	1 458	PLN	1 458	2009-2011
ZRUG Spółka z o.o. Poznań	1 473	PLN	1 473	2009-2011
TESGAS Sp.z o.o. Przeźmierowo	1 185	PLN	1 185	2009-2012
PHARMGAS Sp.z o.o.	1 109	PLN	1 109	2009-2011
PHARMAGAZ POZNAŃ	723	PLN	723	28 December 2009
PHARMGAS Sp.z o.o. Poznań	524	PLN	524	30 January 2012
Other bills of exchange received (each below PLN 500 thousand)	2 687	PLN	2 687	2009-2012
Bills of exchange received by other companies from PGNiG S.A. Capital Group				
IZOSTAL S.A. Zawadzkie	1 500	PLN	1 500	6 September 2012
ZDZ Toruń	400	EUR	1 788	30 September 2009
Other bills of exchange received (each below PLN 500 thousand)	1 958	PLN	2 149	2009-2012
Total			**78 563**	

26. SHARE CAPITAL

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

27. BORROWINGS AND DEBT SECURITIES

	Currency	30 June 2009	31 December 2008	Effective interest rate	Repayment/redemption date	30 June 2009	31 December 2008	Collateral
Non-current		Value in currency				Value in PLN		
Lease liabilities	PLN	24 093	17 880	6 - 9%	2008-2010	24 093	17 880	-
Lease liabilities	CHF	3 378	5 029	Average 8%	11 July 2010	9 903	14 087	-
Lease liabilities	USD	2 953	3 068	Libor 1M	20 September 2012	6 656	9 088	-
Overdraft at Pekao S.A.	PLN	2 300	-	Wibor1M+margin	27 July 2010	2 300	-	blank bill of exchange
Credit consortium (Bank Handlowy)	PLN	1 074 748	-	Wibor1M+margin	30 April 2014	1 074 749	-	Guarantees of gas companies
Total Non-current						**1 117 701**	**41 055**	

	Currency	30 June 2009	31 December 2008	Effective interest rate	Repayment/redemption date	30 June 2009	31 December 2008	Collateral
Current		Value in currency				Value in PLN		
Current portion of lease liabilities	PLN	13 000	11 356	6 - 9%	2009	13 000	11 356	-
Current portion of lease liabilities	CHF	3 516	4 418	Average 8%	2009	11 584	12 376	-
Current portion of lease liabilities	USD	1 018	1 359	Libor 1M	2009	3 507	4 027	-
Loan facility at Pekao S.A. Kraków branch	PLN	13 753	17 869	Wibor1M+margin	31 December 2010	13 753	17 869	capped mortgage
Loan facility at Societe Generale S.A.	PLN	903	341	Wibor1M+margin	31 December 2010	903	341	assignment of receivables, blank bill of exchange
Overdraft facility at Bank Handlowy S.A.	PLN	-	2 268	Wibor1M+margin	8 February 2009	-	2 268	assignment of receivables, blank bill of exchange
Overdraft facility at Millennium S.A.	PLN	-	7 560	Wibor1M+margin	23 December 2009	-	7 560	POA for the current account
Overdraft facility at Raiffeisen Bank Polska S.A.	PLN	-	3 291	Wibor1M+margin	29 May 2009	-	3 291	blank bill of exchange
Working capital loan at BRE S.A.	PLN	-	2 600	Wibor1M+margin	21 August 2009	-	2 600	blank bill of exchange
Overdraft facility at Bank Societe Generale S.A.	PLN	-	1 911	Wibor1M+margin	31 May 2010	-	1 911	POA for the current account
Working capital loan at Pekao S.A.	PLN	5 000	5 501	Wibor1M+margin	31 December 2009	5 000	5 501	bill of exchange and registered pledge
Overdraft facility at Pekao S.A.	PLN	6 249	4 041	Wibor1M+margin	31 December 2009	6 249	4 041	bill of exchange and registered pledge
Short-term credit at ING Bank Śląski S.A.	PLN	9 755	4 232	Wibor1M+margin	27 August 2009	9 755	4 232	bill of exchange and registered pledge
Overdraft facility at Pekao S.A.	PLN	-	19 878	Wibor1M+margin	31 December 2009	-	19 878	assignment of receivables
Overdraft facility at Pekao S.A.	PLN	5 430	23	Wibor1M+margin	30 September 2009	5 430	23	registered pledge, assignment of receivables
Overdraft facility at BGK S.A Piła	PLN	8 098	12 533	Wibor 3M+margin	31 May 2010	8 098	12 533	capped mortgage, registered pledge. assignment of receivables
Limit on Visa cards in Kredyt Bank	PLN	148	148	Limit on Visa cards	-	148	148	-
Loan facility at ING Bank Śląski	PLN	4 332	-	Wibor1M+margin	31 January 2010	4 332	-	blank bill of exchange, assignment of receivables
Loan facility at Deutsche Bank	PLN	4 883	-	Wibor1M+margin	31 December 2010	4 883	-	blank bill of exchange. hipoteka
Short-term credit at ING Bank Śląski S.A.	PLN	300	300	Wibor1M+margin	30 June 2010	300	300	assignment of receivables
Loan facility at Bank Zach.WBK S.A. Wrocław	PLN	-	908	Wibor1M+margin	29 September 2009	-	908	registered pledge on FI ARKA, POA for the current account.
Overdraft at Pekao S.A.	PLN	600	-	Wibor1M+margin	30 April 2014	600	-	blank bill of exchange
Credit consortium (Bank Handlowy)	PLN	283 233	760 592	Wibor1M+margin	27 July 2010	283 234	760 592	Guarantees of gas companies
Total current						**370 776**	**871 755**	

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

27.1. Amount of granted and unused loan facilities

Bank	30 June 2009		31 December 2008	
	Amount of granted loan facilities	Amount of unused loan facilities	Amount of granted loan facilities	Amount of unused loan facilities
Pekao S.A.	21 000	11 508	21 000	3 131
Societe Generale S.A.	3 000	2 097	3 000	2 659
Komercni Banka a.s.	1 700	1 700		
Bank Handlowy S.A.	-	-	5 000	2 732
Millennium S.A.	10 000	10 000	10 000	2 440
RAIFFEISEN BANK S.A.	-	-	6 000	2 709
BRE Bank S.A.	6 000	6 000	6 000	3 400
Societe Generale S.A.	6 000	6 000	6 000	4 089
Deutsche Bank Polska S.A.	6 000	6 000		
Pekao S.A.	12 000	751	15 000	959
ING Bank Śląski S.A.	12 000	2 245	12 000	7 768
Pekao S.A.	20 000	20 000	20 000	122
Societe Generale S.A.	4 760	4 760	3 615	3 615
Bank BGK	-	-	25 000	12 467
Pekao S.A.	3 000	2 400	6 000	5 977
HSBC	6 347	568		
Kredyt Bank S.A	1 500	1 500		
BRE Bank S.A.	-	-	11 000	8 985
Kredyt Bank S.A	-	-	3 000	2 814
ING Bank Śląski S.A.	6 000	1 668	5 000	5 000
Deutsche Bank Polska S.A.	5 000	117		
ING Bank Śląski S.A.	300	-		
BZ WBK S.A.	5 900	5 900	3 900	2 992
PKO BP S.A.	500	500	500	500
Pekao S.A.	5 000	2 100	-	-
Bank Handlowy S.A.	40 000	40 000	40 000	40 000
Millennium S.A.	40 000	40 000	40 000	40 000
PKO BP S.A.	-	-	30 000	30 000
Pekao S.A.	40 000	40 000	40 000	40 000
Societe Generale S.A.	40 000	40 000	40 000	40 000
BRE Bank S.A.	-	-	40 000	40 000
Consortium of banks (agent: Bank Handlowy w Warszawie)*	2 681 760	1 300 172	2 503 440	1 705 093
Razem	**2 977 767**	**1 545 986**	**2 895 455**	**2 007 452**

* A loan facility for EUR 600 million with maturity date 27 July 2010 from a syndicate of banks (Bank Handlowy w Warszawie S.A., Bank Polska Kasa Opieki S.A., Calyon S.A., Fortis Bank (Nederland) N.V., Powszechna Kasa Oszczędności BP, Societe Generale S.A. branch in Poland, ING Bank Śląski S.A., West LB AG, Pekao S.A., Bank Millennium S.A., Nordea Bank Polska S.A., Landesbank Sachsen Girozentrale, DnB NOR Bank ASA).

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

28. FINANCE LEASE LIABILITIES (DISCLOSED UNDER LIABILITIES)

	30 June 2009		
Maturity:	Value of (discounted) payments disclosed in the balance sheet)	Interest	Value of actual installments to be paid
up to 1 year	28 091	604	28 695
from 1 year to 5 years	40 652	368	41 020
over 5 years	-	-	-
Total	**68 743**	**972**	**69 715**

	31 December 2008		
Maturity:	Value of (discounted) payments disclosed in the balance sheet)	Interest	Value of actual installments to be paid
up to 1 year	27 759	2 368	30 127
from 1 year to 5 years	41 055	2 188	43 243
over 5 years	-	-	-
Total	**68 814**	**4 556**	**73 370**

29. PROVISIONS

	Jubilee bonuses and retirement severance	Provision for gas allowances	Provision for well reclamation costs	Provision for fines imposed by the Office for Competition and Consumer Protection	Provisions for environmental protection	Provision for potential transmission service liabilities	Central Restructuring Fund	Other	**Total**
As at 1 January 2009	317 089	40 923	1 041 431	-	133 853	44 300	6 760	90 965	**1 675 321**
Created during the year	32 758	-	57 570	179	918	-	5 000	65 309	**161 734**
Reclassifications	-	-	-	-	-	-	-	-	**-**
Applied	(10 431)	(10 314)	(14 589)	-	(469)	(26 109)	(1 310)	(13 196)	**(76 418)**
As at 30 June 2009	**339 416**	**30 609**	**1 084 412**	**179**	**134 302**	**18 191**	**10 450**	**143 078**	**1 760 637**
Non-current	329 099	9 701	1 060 553	-	128 581	-	-	33 419	**1 561 353**
Current	10 317	20 908	23 859	179	5 721	18 191	10 450	109 659	**199 284**
As at 30 June 2009	**339 416**	**30 609**	**1 084 412**	**179**	**134 302**	**18 191**	**10 450**	**143 078**	**1 760 637**
Non-current	301 710	19 516	1 017 468	-	129 015	-	-	34 230	**1 501 939**
Current	15 379	21 407	23 963	-	4 838	44 300	6 760	56 735	**173 382**
As at 31 December 2008	**317 089**	**40 923**	**1 041 431**	**-**	**133 853**	**44 300**	**6 760**	**90 965**	**1 675 321**

Provision for jubilee bonuses and retirement severance

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

The technical interest rate assumed for calculation of the discounted value of future payment due in relation to pension severance was established as 2.0% as a resultant of return on long-term treasury bonds with annual profitability of 6.5% and annual inflation rate of 4.4% (in 2008, the assumed rate was 2.0% as a resultant of 6.5% and 4.4%, respectively).

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

Unrecognized actuarial gains and losses as well as past employment costs are charged to the current income statement for 15 years.

	30 June 2009	31 December 2008
Jubilee bonuses		
Opening balance of liability disclosed in the balance sheet	216 894	263 096
Interest expense	9 543	11 576
Current employment costs	9 800	9 490
Past employment costs	-	1 303
Paid benefits	(16 018)	(43 485)
Actuarial gains/losses	6 067	(25 082)
Gains/losses due to limitations and settlements	-	-
Other (a subsidiary excluded from consolidation)	-	(4)
Closing balance of liability disclosed in the balance sheet	**226 286**	**216 894**
Retirement severance		
Opening balance of liability disclosed in the balance sheet	100 195	95 776
Current employment costs	6 359	6 219
Interest expense	7 318	5 152
Net actuarial profit/loss recognized during the year	3 105	954
Paid benefits	(4 330)	(10 220)
Past employment costs	483	2 314
Gains/losses due to limitations and settlements	-	-
Closing balance of liability disclosed in the balance sheet	**113 130**	**100 195**
Total closing balance of liability disclosed in the balance sheet	**339 416**	**317 089**

Key assumptions in revaluating the jubilee award and pension severance provisions :

- Probability of turnover and Retirement: based on information provided by the Group entities with regard to employees, whose job relationship terminated in the years 2005- first half of 2009, turnover and retirement probability tables were built divided into sex, total years in service, years in service with the Group and remuneration. The turnover probability table does not include cases related to implementing of the restructuring plans and organizational changes introduced over last years.
- Death rate assumptions: the calculations are based on standard life span tables,
- Payroll increase assumptions: the calculations are based on market trends,
- Discount ratio: 2% level has been assumed.

Provision for gas allowances to former employees

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

Provision for payment of termination benefits

The Capital Group constituent entities create a provision for termination benefits paid to employees laid off in connection with the employment restructuring program. The provision is estimated based on planned employment reduction and the amount of one-off severance payments.
The provision for costs of termination benefits is recognized only when the Group has presented the detailed and formal restructuring plan to all interested parties.
Following actual completion of the employment restructuring in 2008, the Group has released the provision. In first half of 2009 no provision was created by the Capital Group.

Other provisions for retirement and similar benefits

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

Provision for well reclamation costs

The Parent creates a provision for future costs of well reclamation and for contributions to the Mine Liquidation Fund.
The provision for well reclamation costs is calculated based on the average cost of well reclamation in particular mining facilities over the last three years, adjusted by forecasted CPI and changes in the time value of money. A three year time horizon was adopted in these calculations due to the varied number of reclaimed wells and their reclamation costs in individual years.
The gross value of the provision is charged to the relevant fixed asset. Subsequent adjustments of the provision resulting from changes of estimates are also treated as a fixed asset value adjustment.
The Mine Liquidation Fund is creased based on the Act of 27 July 2001 amending the Mining and Geological Law. Write-offs to the Mine Liquidation Fund are created at 3-10% of the value of the tax depreciation of mining assets in correspondence with other operating expenses.
The value of the provision for well reclamation cost is adjusted by unused write-offs to the Mine Liquidation Fund.

Provision for fines from the Office for Competition and Consumer Protection

The Capital Group creates provisions for potential fines imposed by the Office for Competition and Consumer Protection. In the first half of the 2009 the subsidiary DSG Sp. z o.o., created a provision for the fine imposed by Chairman of the Office for Competition and Consumer Protection for a competition restricting practice involving abuse of the Company's dominant position on the domestic gas market in the form of requesting prepayment of 100% when concluding the network connection agreement.

Provisions for environmental protection

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

Provision for potential transmission service liabilities

Following a court case of SGT EUROPOL GAZ S.A. against a decision of the President of the Energy Regulatory Office regarding gas transmission tariffs in 2007, the Parent calculated additional costs to be incurred by PGNiG S.A. if the 2007 tariff is revoked. Based on the last valid tariff from the second half of 2005, the additional payment for gas transmission in 2007 is estimated at PLN 22,500 thousand. Therefore, in 2007 PGNiG S.A. created a provision of PLN 22,500 thousand for the above payment. Since the above case was still pending at the end of 2008, PGNiG S.A. has maintained the provision in its accounting records, and at the end of 2008 increased it by the estimated additional payment for gas transmission services in 2008 in the amount of PLN 21,800 thousand. In connection with tariff approval for 2008 PGNiG S.A. has received the correction invoices increasing the transmission service costs, which resulted in the apply of provision in amount of PLN 26,109 thousand.

Central Restructuring Fund

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

Other provisions

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

30. DEFERRED INCOME

	30 June 2009	31 December 2008
Non-current		
Non-depreciated value of gas service lines financed by customers	615 819	646 792
Connection fee	512 242	487 461
Other	9 321	5 079
Total non-current	**1 137 382**	**1 139 332**
Current		
Non-depreciated value of gas service lines financed by customers	60 411	60 377
Connection fee	22 131	24 412
Gas sales forecast	510 719	540 029
Other	19 521	13 953
Total current	**612 782**	**638 771**

31. DEFERRED TAX PROVISION

	30 June 2009	31 December 2008
Exchange gains	1 047	5 170
Accrued interest	291	3 624
Positive valuation of hedging transactions for FX and interest rate risk	-	26 871
Revenue arising from tax obligation falling due in the following month	2	8 774
Difference between the tax and accounting value of non-current assets	1 259 773	1 300 010
Other	10 790	7 792
Total	**1 271 903**	**1 352 241**

32. OTHER NON-CURRENT LIABILITIES

	30 June 2009	31 December 2008
Liabilities due to licenses, rights to geological information and mining usufruct	20 199	21 741
Other non-current liabilities	1 809	2 321
Total	**22 008**	**24 062**

33. TRADE AND OTHER PAYABLES

	30 June 2009	31 December 2008
Trade liabilities	1 002 513	1 475 214
Trade liabilities to related parties	6 965	7 697
VAT liabilities	488 805	934 766
Liabilities due to other taxes, customs duty and social security	254 055	138 739
Liabilities due to dividend for the owner	531 205	-
Payroll liabilities	86 851	52 487
Liabilities due to unused paid vacation	19 472	28 744
Liabilities due to purchase of non-financial non-current assets	118 482	228 827
Liabilities due to purchase of non-financial non-current assets from related parties	31 897	37 253
Liability due to capital contribution adopted by resolution*	92 372	82 472
Liabilities to associates measured using the equity method	8 231	7 955
Other liabilities to related parties	1 617	7 148
Accruals and advances for deliveries	232 275	124 025
Other	96 401	97 213
Total	**2 971 141**	**3 222 540**
Including related parties (Note 39.1.)	141 082	142 525

*Disputed contribution to the capital of Gazotech Sp. z o.o., details provided in note 2.4.

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

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
1) Cash opening balance (balance sheet)	1 421 939	1 583 635
a) Opening balance of net exchange differences on cash*	1 076	(1 233)
Opening balance of cash and bank balances in the cash flow statement (1-a)	**1 420 863**	**1 584 868**
2) Cash closing balance (balance sheet)	1 345 980	2 456 015
b) Closing balance of net exchange differences on cash	234	(940)
Closing balance of cash and bank balances in the cash flow statement (2-b)	**1 345 746**	**2 456 955**
I. Change in the balance of cash in the balance sheet (2-1)	(75 959)	872 380
II. Change in net exchange differences on cash (b-a)	(842)	293
Change in the balance of cash in the cash flow statement (I. - II.)	**(75 117)**	**872 087**

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

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Balance sheet change in other financial assets	**22 766**	**763 743**
Balance-sheet change in net receivables	**1 129 458**	**851 840**
Change in lease receivables under financial assets - adjustment of investing activities	(23 200)	(763 723)
Change in the balance of lease liabilities – adjustment of investing activities	(842)	(42 277)
Change in investment receivables due to sale of intangible assets and property, plant and equipment	86 303	(7 188)
Change in borrowing from Subsidiary units	79 099	-
Other	-	(2 072)
Change in net receivables disclosed in the cash flow statement	**1 293 584**	**800 323**

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Balance-sheet change in inventory	**362 468**	**(148 704)**
Fixed assets under construction reclassified to inventories – adjustments to investing activities	-	-
Change in inventories disclosed in the cash flow statement	**362 468**	**(148 704)**

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Balance-sheet changes in accruals	**85 316**	**129 296**
Changes in accruals related to liquidation of bore-holes, correcting fixed assets value.	(36 560)	(70 694)
Change in accruals disclosed in the cash flow statement	**48 756**	**58 602**

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Balance sheet change in current liabilities	**(251 399)**	**686 420**
Change in investment liabilities due to acquisition of intangible assets and property, plant and equipment	115 701	201 193
Change in payables related to dividend paid to the owners	(531 000)	(1 121 000)
Other	(3 178)	(2 570)
Change in current liabilities disclosed in the cash flow statement	**(669 876)**	**(235 957)**

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Balance-sheet change in other assets	**(3 911)**	**14**
Balance sheet change in cost prepayments	**(141 950)**	**(144 269)**
Prepayments related to leased fixed assets - reclassification within operating activity	-	(18 183)
Change in cost prepayments in the cash flow statement	**(145 861)**	**(162 438)**

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Balance sheet change in deferred income	**(27 939)**	**40 726**
Deferred income related to leased fixed assets - reclassification within operating activity	5	-
Assets obtained free of charge	-	-
Change in deferred income disclosed in the cash flow statement	**(27 934)**	**40 726**

35. FINANCIAL INSTRUMENTS AND PRINCIPLES OF FINANCIAL RISK MANAGEMENT

35.1. Financial instruments – by category (carrying amount)

	30 June 2009	31 December 2008
Financial assets measured at fair value through profit or loss	-	-
Financial assets available for sale (unlisted shares)	28 754	15 255
Financial assets available for sale (listed shares)	63 800	27 680
Financial investments held to maturity	-	-
Loans and receivables	4 011 501	5 286 459
Positive value of derivatives	15 481	174 186
Cash (cash in hand and at bank as well as checks and cash in transit)	408 046	162 907
Financial liabilities measured at amortized cost	3 632 443	3 004 676
Negative value of derivatives*	232 459	16 723

*since first of April 2009 The parent unit applied hedge accounting Policy.

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

35.2. Zyski i straty netto dotyczące aktywów i zobowiązań finansowych

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Financial assets measured at fair value through profit or loss	-	-
Financial assets available for sale	(217)	129
Impairment recognized in profit or loss for the period	(217)	129
Financial investments held to maturity	-	-
Loans and receivables	56 292	151 713
Interest on time deposits, BSB and REPO	18 885	34 103
Interest on receivables*	51 255	90 637
Interest on originated loans	4 710	4 996
Net revenues from short-term securities	5 607	32 873
Revaluation write-downs on receivables	(124 937)	(25 069)
Revaluation write-downs on loans	94 139	31 909
Measurement of originated foreign currency loans	6 633	(17 736)
Positive value of derivatives	138 307	203 662
Financial liabilities measured at amortized cost	(32 905)	(5 708)
Negative value of derivatives	(371 500)	(119 881)
Total impact on profit/loss	**(210 023)**	**229 915**

* Including PLN 5,601 thousand of interest on finance lease receivables (PLN 69,672 thousand in first half of 2008).

	Period from 1 January 2009 to 30 June 2009	Period from 1 January 2008 to 30 June 2008
Financial assets available for sale (measurement recognized directly in capital)	36 120	(15 400)
Total impact on capitals	**36 120**	**(15 400)**

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

35.3. Objective and principles of financial risk management

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

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

Credit risk

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

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

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

Maximum credit risk exposure

	30 June 2009	31 December 2008
Originated loans	79 099	-
Deposits in other entities (bank deposits, BSB, REPO)	945 372	1 265 778
Trade receivables	2 987 030	4 020 681
Positive value of derivatives	15 481	174 186
Granted financial guarantees	8 857 768	8 276 643
Total	**12 884 750**	**13 737 288**

Exposure to credit risk due to originated loans results from loans granted by the Parent to subsidiaries and associates from the Capital Group. Loans are granted to these companies in line with 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 defines detailed process of concluding and monitoring loan agreements, thus minimizing exposure of the Parent Company to the related credit risk. Loans are granted only after the applying companies have met specified terms and provided collateral. In addition, these companies support the shared interest of the Company, which significantly reduces the related credit risk.

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

In order to minimize the risk of irrecoverability of receivables from sold gaseous fuel, uniform principles for gaseous fuel sales contracts are being introduced to secure 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 (in the Register of Debtors) in order to determine a client's financial reliability. PGNiG S.A. requests special collateral, upon disclosure of the client entry in the Register of Debtors.

Clients are analyzed on an ongoing basis as to the fulfillment of contractual obligations related to 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 used gaseous fuel within deadlines determined in the contract. The standard payment period is 14 days from the invoice issuance date. Other payment periods are also used.

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

PGNiG S.A. accepts the following instruments as performance bonds:

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

As regards new contracts, the form of collateral is agreed upon by PGNiG S.A. and the Client. Within the statutory process of harmonizing contracts with Energy Law requirements, negotiations will be undertaken with certain clients in order to establish or increase collateral.

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

As of June 30, 2009 the overdue unimpaired receivables recognized in the Group's balance sheet amounted to PLN 436,707 thousand (PLN 797,748 thousand as at end of 2008).

Age analysis of overdue unimpaired receivables as at 30 June 2009

Overdue period	30 June 2009	31 December 2008
up to 1 month	303 877	639 081
from 1 to 3 months	106 231	152 019
from 3 months to 1 year	16 122	5 970
from 1 year to 5 years	10 468	587
over 5 years	9	91
Total net overdue receivables	**436 707**	**797 748**

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

Credit risk resulting from granted guarantees, to which the Capital Group is exposed, is in principle limited to the risk that the bank in which the Group purchased the guarantees in question will default. However, the Group purchases guarantees in renowned banks with high ratings and therefore the probability of default and the related risk are insignificant.

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

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

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

Market risk

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

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

Currency risk

Currency risk is defined as the probability of the unfavorable effect of FX fluctuations on a company's profit/loss.
In first half of 2009, the Group had no significant loans denominated in foreign currencies.
Trade liabilities due to long-term gas fuel purchase contracts are denominated in USD and EUR.
The Group's exposure to currency risk is significant and is presented in the "Sensitivity analysis".
The key objective of the Parent's currency risk hedging activities is to protect it against exchange rate fluctuations inherent to foreign currency payments for gaseous fuel. The Company hedges its liabilities primarily using forwards and option-based strategies.

Interest rate risk

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

Interest rate risk resulting from originated loans and received loan facilities was insignificant and the Capital Group did not hedge this risk.
In the end of the second quarter of 2009 the Parent took a loan facility, and as at June 30, 2009, its applied amount was PLN 1,360 million. The loan is based on WIBOR 1M plus bank variable rate. The interest rate risk related to this loan is very small and as such, not collateralized. Interest rate risk resulting from originated loans and received loan facilities was insignificant and the Capital Group did not hedge this risk.
The Parent measures market (currency and interest rate) risk by monitoring VAR on a daily basis. VAR (Value At Risk) means that the maximum loss due to change of the market (fair) value of given probability (e.g. 99%) will not exceed the value in the period of n working days. VAR is estimated based on the variance – covariance method using the Mondrian application.

Commodity risk

Commodity risk is defined as the probability of the unfavorable effect of commodity price fluctuations on a company's profit/loss.
The Group's exposure to commodity risk associated mainly with gaseous fuel delivery contracts is substantial. Fluctuations in the prices of crude oil products on fuel markets are the main risk factor. In certain contracts the formula for calculating the purchase price of gas fuel limits the volatility of prices by using weighted average prices from previous months. Additionally the energy law enables entities to apply for the amendment of the tariff, if the gas purchase cost increases by more than 5% during one quarter.
In the first half of 2009, the Parent did not identify in detail and hedge this risk.
As at 30 June 2009 the Group held a financial instruments in the form of 4,000,001 shares of Zakłady Azotowe w Tarnowie-Mościcach S.A. listed on the Warsaw Stock Exchange, and exposed to price fluctuation risk. Since the Company treats the investment as a long-term one, and there is no appropriate instrument available on the market to hedge the company share prices, the Company did not hedge from the risk. The change of the instrument value, recognized directly in equity, is presented in Note 35.2.

Liquidity risk

The key objective of the liquidity risk management process is the ongoing control and planning of liquidity. The liquidity level is controlled through the preparation of cash flows projections that cover a period of at least 12 months and are regularly updated every month. The realization of planned cash flows is verified on a regular basis and includes among others an analysis of unrealized cash flows, their causes and effects. Liquidity risk related threats should not be associated only with the loss of the Company's liquidity. Structural excessive liquidity, which negatively impacts the profitability of a company, is another significant threat.
The Capital Group controls and plans its financial liquidity level on an ongoing basis. As at 30 June 2009, the Group had agreements for loan facilities totaling to PLN 2,977,767 thousand (PLN 2,895,455 thousand in 2008) in order to hedge liquidity risk. Relevant details have been presented in note 27.1.
As at 30 June 2008, the Parent applied the amount of EUR 309 million from the loan facility of EUR 600 million. Other Capital Group companies applied their loan facilities in first half of 2009 on substantially lower level than at end of 2008.

In order to avoid excessive liquidity, the Capital Group invests cash surpluses mostly in profitable securities issued by the State Treasury and deposits in renowned banks.
The liquidity risk was significantly mitigated by the Management Board of the Parent approving the "Liquidity Management Procedure for PGNiG S.A." on 4 July 2007. The procedure was implemented in all organizational units and regulated activities that ensure proper liquidity management through: payments, cash flow projections, optimized free cash management, obtaining and restructuring funds for current business activities and investments, hedging the risk of temporary liquidity loss due to unexpected disruptions and servicing of concluded loan agreements.

The liquidity risk is measured based on ongoing detailed cash flow control, which takes into account probable cash flow dates and the planned net cash position.
The tables below present the analysis of financial liabilities by maturity.

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

30 June 2009	Loan liabilities	Finance lease liabilities	Trade liabilities	**Total expenditure**
up to 1 year	342 685	28 695	2 971 141	3 342 521
from 1 year to 5 years	1 077 048	41 020	15 756	1 133 824
over 5 years	-	-	6 252	6 252
Total	**1 419 733**	**69 715**	**2 993 149**	**4 482 597**

31 December 2008	Loan liabilities	Finance lease liabilities	Trade liabilities	**Total expenditure**
up to 1 year	843 996	30 127	3 222 540	4 096 663
from 1 year to 5 years	-	43 243	17 810	61 053
over 5 years	-	-	6 252	6 252
Total	**843 996**	**73 370**	**3 246 602**	**4 163 968**

W bieżącym okresie oraz w okresie porównawczym Grupa terminowo spłacała zobowiązania z tytułu otrzymanych kredytów i pożyczek. Nie wystąpiły również żadne przypadki naruszeń umowy, które mogłyby skutkować przyspieszeniem terminu wymagalności zobowiązań.

Analysis of derivatives by maturity.

	carrying amount as at 30 June 2009	**contractual cash flows, including:**	**up to 1 year**	**from 1 year to 5 years**	**over 5 years**
- Interest Rate Swaps and forwards used for risk hedging purposes	(219 645)	127 250	14 875	112 375	-
- inflows	-	1 910 575	98 394	1 812 181	-
- outflows	-	(1 783 325)	(83 519)	(1 699 806)	-
*- FX options***	(15 193)	-	-	-	-
- inflows	-	-	-	-	-
- outflows	-	-	-	-	-
- option premiums paid	17 860	-	-	-	-
Total	**(216 978)**	**127 250**	**14 875**	**112 375**	**-**

	carrying amount as at 31 December 2008*	contractual cash flows, including:	up to 1 year	from 1 year to 5 years	over 5 years
- Interest Rate Swaps and forwards used for risk hedging purposes	2 527	68 633	9 961	58 672	-
- inflows	-	1 349 674	95 874	1 253 800	-
- outflows	-	(1 281 041)	(85 913)	(1 195 128)	-
*- FX options***	122 166	-	-	-	-
- inflows	-	-	-	-	-
- outflows	-	-	-	-	-
- option premiums paid	32 770	-	-	-	-
Total	**157 463**	**68 633**	**9 961**	**58 672**	**-**

* Carrying value (positive measurement of assets minus negative measurement of assets) shows the fair value, i.e. swap transaction payments are discounted, whereas cash flows are left undiscounted.

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

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

Risk Management Policy

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

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

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

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

Sensitivity analysis

In order to determine a rational scope of swaps on individual currency risk factors, the Company used the (implied) market volatility for the period of six months and assumed the average ratio of 20% for sensitivity analysis as at the end of first half of 2009 (for 2008 the assumed volatility ratio was 30%). The six-month period corresponds to frequency of disclosures regarding sensitivity of financial instruments in financial statements of the Company.

When conducting the analysis of sensitivity to currency risk as at 30 June 2009 one can observe that the net profit would have been lower by PLN 326.89 million had the exchange rate of EUR, USD, NOK, as well as other currencies increased by 20% w compared to PLN with all other variables remaining flat (profit decrease of PLN 312.51 million resulting from NOK appreciation, and PLN 5.65 million due to the appreciation of USD, as well as by PLN 4.91 million due to appreciation of EUR with a simultaneous increase of PLN 2.29 million due to appreciation of the other currencies).

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

Had the loan been recognized in the balance sheet (as in the individual financial statements), the cash flows resulting from the loan and the hedging transactions would have been netted off, hence the changes in the positive (negative) measurement of the loan would have been netted off with negative (positive) changes in CCIRS measurement. Together the items would not be sensitive to FX rate and interest rate fluctuations.
The lower profit would result primarily from an increase in the negative portion of the fair value of financial derivatives (negative fair value of swap transactions).
The negative impact on the result on financial instruments denominated in NOK would be partially reduced by an increase in the positive portion of the fair value of financial derivatives in USD and EUR as well as measurement of assets denominated in such currencies.
As a result of a 20% rate increase the positive portion of the fair value of financial derivatives in USD and EUR would increase, as well as exchange losses on trade liabilities denominated in these currencies.
The net profit as at 30 June 2009 would have been PLN 360.74 million higher had the exchange rate of EUR, USD, NOK dropped by 20% compared to PLN with all other variables remaining flat (PLN 312.51 million increase due to NOK depreciation and by PLN 45.54 million due to USD depreciation, with a simultaneous decrease of PLN 4.98 million due to EUR depreciation, and an increase of PLN 2.92 million due to the depreciation of the other currencies). The positive result would result primarily from an increase in the positive portion of the fair value of financial derivatives (positive fair value of swap transactions denominated in NOK). The positive result would be considerably reduced by a decrease in the positive portion of the fair value of financial derivatives in USD, hedging liabilities and expenditure arising from gas fuel purchases.

When conducting the analysis of sensitivity to currency risk as at 31 December 2008 one can observe that the net profit would have been lower by PLN 271.51 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 flat (profit decrease of PLN 296.53 m million resulting from NOK appreciation accompanied with an increase of PLN 5.65 million due to the appreciation of USD as well as by 0.28 million due to appreciation of other currencies, and of PLN 30.94 million due to appreciation of EUR).
Positive and negative measurement of CCIRS derivatives hedging a loan granted to PGNiG Norway AS (eliminated from the consolidated financial statements) has a key impact on the sensitivity analysis.
Had the loan been recognized in the balance sheet (as in the individual financial statements), the cash flows resulting from the loan and the hedging transactions would have been netted off, hence the changes in the positive (negative) measurement of the loan would have been netted off with negative (positive) changes in CCIRS measurement. Together the items would not be sensitive to FX rate and interest rate fluctuations.
The lower profit would result primarily from an increase in the negative portion of the fair value of financial derivatives (negative fair value of swap transactions).
The negative impact on the result on financial instruments denominated in NOK would be partially reduced by an increase in the positive portion of the fair value of financial derivatives in USD and EUR as well as measurement of assets denominated in such currencies. As a result of a 30% rate increase, the positive portion of the fair value of financial derivatives in USD and EUR would decrease, whereas exchange losses on trade liabilities denominated in these currencies would increase.
The net profit as at 31 December 2008 would have been PLN 419.73 million higher had the exchange rate of EUR, USD, NOK dropped by 30% compared to PLN with all other variables remaining flat (PLN 316.93 million increase due to NOK depreciation and by PLN 111.96 million due to USD depreciation, with a simultaneous decrease of PLN 9.43 million due to EUR depreciation, and an increase of PLN 0.28 due to the depreciation of the other currencies). The positive result would result primarily from an increase in the positive portion of the fair value of financial derivatives (positive fair value of swap transactions denominated in NOK). The positive result would be considerably reduced by a decrease in the positive portion of the fair value of financial derivatives in USD, hedging liabilities and expenditure arising from gas fuel purchases.

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

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

	Carrying amount as at 30 June 2009	**Currency risk**							
	Zmian kursu o:	*20%*				*-20%*			
		for EUR	*for USD*	*for NOK*	*for the other currencies*	*for EUR*	*for USD*	*for NOK*	*for the other currencies*
Financial assets									
Financial assets available for sale	13 856	2 771	-	-	-	(2 771)	-	-	-
Other financial assets	19	-	4	-	-	-	(4)	-	-
Trade and other receivables	341 967	2 875	58 071	643	6 805	(2 875)	(58 071)	(643)	(6 805)
Financial assets held for trading	-	-	-	-	-	-	-	-	-
Derivative assets	15 481	2 837	48 804	-	-	(2 757)	(7 102)	398 974	-
Cash and bank balances	342 676	11 240	9 001	46 208	2 181	(11 240)	(9 001)	(46 208)	(2 181)
Impact on financial assets before tax		**19 723**	**115 880**	**46 851**	**8 986**	**(19 643)**	**(74 178)**	**352 123**	**(8 986)**
19% tax		(3 747)	(22 017)	(8 902)	(1 707)	3 732	14 094	(66 903)	1 707
Impact on financial assets after tax		**15 976**	**93 863**	**37 949**	**7 279**	**(15 911)**	**(60 084)**	**285 220**	**(7 279)**
total currencies		*155 067*				*201 946*			
Financial liabilities									
Loans, borrowings and debt securities (including finance leases)	31 650	-	2 033	-	4 297	-	(2 033)	-	(4 297)
Trade and other payables	948 547	25 789	128 370	33 691	1 860	(25 789)	(128 370)	(33 691)	(1 860)
Liabilities due to derivative financial instruments	232 459	-	-	398 974	-	-	-	-	-
Impact on financial liabilities before tax		**25 789**	**130 403**	**432 665**	**6 157**	**(25 789)**	**(130 403)**	**(33 691)**	**(6 157)**
19% tax	-	(4 900)	(24 776)	(82 206)	(1 170)	4 900	24 776	6 401	1 170
Impact on financial liabilities after tax		**20 889**	**105 627**	**350 459**	**4 987**	**(20 889)**	**(105 627)**	**(27 290)**	**(4 987)**
total currencies		*481 962*				*(158 793)*			
Total increase/decrease		(4 913)	(11 764)	(312 510)	2 292	4 978	45 543	312 510	(2 292)
total currencies		**(326 895)**				**360 739**			
Exchange rates as at the balance sheet date and their changes:									
EUR/PLN exchange rate	4,4696	5,3635	4,4696	4,4696	4,4696	3,5757	4,4696	4,4696	4,4696
USD/PLN exchange rate	3,1733	3,1733	3,8080	3,1733	3,1733	3,1733	2,5386	3,1733	3,1733
NOK/PLN exchange rate	0,4936	0,4936	0,4936	0,5923	0,4936	0,4936	0,4936	0,3949	0,4936

*In case of financial instruments (derivatives) impact presented in table above relates only to income statement. Due to applied hedge accounting Policy in parent unit (since 1 of April 2009), part of changed related to financial instruments will affect directly on capital. In case of change in interest rate by +20%, capital will increased by 61,398 thousand PLN (49,733 thousand PLN including tax value). While change in interest rate by -20% will decrease capital by 166,422 thousand PLN (134,802 thousand PLN including tax value).

	Carrying amount as at 31 December 2008	**Currency risk**							
	FX rate change by:	*30%*				*-30%*			
		for EUR	*for USD*	*for NOK*	*for the other currencies*	*for EUR*	*for USD*	*for NOK*	*for the other currencies*
Financial assets									
Financial assets available for sale	435	125	5	-	-	(125)	(5)	-	-
Other financial assets	-	-	-	-	-	-	-	-	-
Trade and other receivables	123 757	5 465	25 013	438	6 210	(5 465)	(25 013)	(438)	(6 210)
Financial assets held for trading	-	-	-	-	-	-	-	-	-
Derivative assets	174 186	63 474	251 441	(7 489)	-	(36 921)	(113 871)	368 753	-
Cash and bank balances	92 830	10 826	4 602	7 302	5 119	(10 826)	(4 602)	(7 302)	(5 119)
Impact on financial assets before tax		**79 890**	**281 061**	**251**	**11 329**	**(53 337)**	**(143 491)**	**361 013**	**(11 329)**
19% tax		(15 179)	(53 402)	(48)	(2 152)	10 134	27 263	(68 592)	2 152
Impact on financial assets after tax		**64 711**	**227 659**	**203**	**9 177**	**(43 203)**	**(116 228)**	**292 421**	**(9 177)**
total currencies		*301 750*				*123 813*			
Financial liabilities									
Loans, borrowings and debt securities (including finance leases)	39 578	-	3 934	-	7 939	-	(3 934)	-	(7 939)
Trade and other payables	1 182 740	41 692	284 097	25 301	3 732	(41 692)	(284 097)	(25 301)	(3 732)
Liabilities due to derivative financial instruments	16 723	-	-	341 033	-	-	6 322	(4 962)	-
Impact on financial liabilities before tax		**41 692**	**288 031**	**366 334**	**11 671**	**(41 692)**	**(281 709)**	**(30 263)**	**(11 671)**
19% tax	-	(7 922)	(54 726)	(69 603)	(2 218)	7 922	53 525	5 750	2 218
Impact on financial liabilities after tax		**33 770**	**233 305**	**296 731**	**9 453**	**(33 770)**	**(228 184)**	**(24 513)**	**(9 453)**
total currencies		*573 259*				(295 920)			
Total increase/decrease		30 941	(5 646)	(296 528)	(276)	(9 433)	111 956	316 934	276
total currencies		**(271 509)**				**419 733**			
Exchange rates as at the balance sheet date and their changes:									
EUR/PLN exchange rate	4,1724	5,4241	4,1724	4,1724	4,1724	2,9207	4,1724	4,1724	4,1724
USD/PLN exchange rate	2,9618	2,9618	3,8503	2,9618	2,9618	2,9618	2,0733	2,9618	2,9618
NOK/PLN exchange rate	0,4238	0,4238	0,4238	0,5509	0,4238	0,4238	0,4238	0,2967	0,4238

The Company tested sensitivity of financial instruments due to originated loans, borrowings taken and variable lease liabilities to interest rate. For rational determination of variances range which can occur in the respective interest rate risk factors, Company adopts average values of changes in the interest rates in the six months period (excluding the interest rates which did not change). The average interest rate variance range adopted for sensitivity analysis was set at +/- 150 base points for the first half of 2009 (in 2008 the variances were set +/- 300 base points).

As at 30 June 2009, the sensitivity of floating rate loan and lease liabilities to an interest rate change by +/-150 base points amounted to +/- PLN 22.33 million.

As at 31 December, the sensitivity of floating rate loan and lease liabilities to an interest rate change by +/- 300 base points amounted to +/- PLN 27.38 million.

Analysis of sensitivity of financial instruments to interest rate changes

	carrying amount	*change by*	
	Balance as of 30.06.2009	**+150 bp**	**-150 bp**
Loans received	1 419 734	21 296	(21 296)
Lease liabilities	68 743	1 031	(1 031)
Total	**1 488 477**	**22 327**	**(22 327)**

	carrying amount	*change by*	
	Balance as of 31.12.2008	**+300 bp**	**-300 bp**
Loans received	843 996	25 320	(25 320)
Lease liabilities	68 814	2 064	(2 064)
Total	**912 810**	**27 384**	**(27 384)**

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

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

Derivative valuation methods

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

As at 30 June 2009, the Parent 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). Measurement to fair value was conducted with the Risk Hedging application, whereas swap measurement was provided by banks being parties to the transactions.

The measurement of Call and Put options to fair value was conducted in line with the Garman-Kohlhagen model based on the following market data: interest rates, FX rates and volatility as at 30 June 2009.

Hedge accounting

In the first half of 2009, as at 1 April 2009, the Parent Company started to apply hedge accounting of cash flows from foreign currency transactions. Details have been presented in Note 2.1. As at 30 June 2009 the entity did not recognize the portion constituting effective hedging of fair value of derivatives designated to hedge cash flows, hence all changes in the fair value of open derivatives were presented in the income statement for the current period. Hedge accounting was not applied in previous periods, therefore all fair value changes were charged to the income statement of a given reporting period.

Derivatives

Hedged instrument	Face value in foreign currency	Hedge start date	Maturity date	Instrument realization price or price range	Measurement at the instrument fair value	
					30 June 2009	31 December 2008
			Call option*			
payment for gas	USD 10 million	25 July 2008	9 January 2009	2,1900	-	7 738
payment for gas	EUR 5 million	25 July 2008	9 January 2009	3,3200	-	4 270
payment for gas	USD 20 million	28 July 2008	9 January 2009	2,3000	-	13 279
payment for gas	USD 20 million	28 July 2008	9 January 2009	1,9100	-	-
payment for gas	USD 15 million	28 July 2008	9 January 2009	2,2000	-	11 457
payment for gas	USD 15 million	29 July 2008	9 January 2009	2,2200	-	11 158
payment for gas	USD 15 million	29 July 2008	20 January 2009	2,2200	-	11 197
payment for gas	EUR 5 million	29 July 2008	20 January 2009	3,3200	-	4 279
payment for gas	USD 20 million	31 July 2008	20 January 2009	2,3100	-	13 134
payment for gas	USD 20 million	31 July 2008	20 January 2009	2,2300	-	14 729
payment for gas	USD 20 million	1 August 2008	9 January 2009	2,3350	-	12 579
payment for gas	EUR 6 million	17 September 2008	9 January 2009	3,4500	-	4 345
payment for gas	EUR 7 million	17 September 2008	10 February 2009	3,4900	-	4 852
payment for gas	EUR 8 million	18 September 2008	20 February 2009	3,5050	-	5 463
payment for gas	EUR 8 million	19 September 2008	10 March 2009	3,4600	-	5 848
payment for gas	EUR 9 million	22 September 2008	20 March 2009	3,4400	-	6 785
payment for gas	EUR 3 million	23 September 2008	20 February 2009	3,4300	-	2 265
payment for gas	USD 20 million	15 October 2008	10 February 2009	2,8000	-	4 819
payment for gas	USD 10 million	5 November 2008	10 February 2009	3,0000	-	1 392
payment for gas	USD 15 million	5 November 2008	9 January 2009	3,3000	-	114
payment for gas	USD 10 million	13 November 2008	10 February 2009	3,4000	-	506
payment for gas	USD 10 million	13 November 2008	20 January 2009	3,3800	-	193
payment for gas	USD 10 million	14 November 2008	10 February 2009	3,3000	-	639
payment for gas	USD 10 million	14 November 2008	10 February 2009	3,3000	-	639
payment for gas	USD 10 million	17 November 2008	20 January 2009	3,3000	-	264
payment for gas	USD 10 million	17 November 2008	10 February 2009	3,3800	-	530
payment for gas	USD 10 million	24 November 2008	20 February 2009	3,4500	-	597
payment for gas	USD 10 million	24 November 2008	20 February 2009	3,4500	-	597
payment for gas	USD 10 million	25 November 2008	10 March 2009	3,4500	-	762
payment for gas	USD 10 million	25 November 2008	10 March 2009	3,4500	-	762
payment for gas	USD 10 million	25 November 2008	20 February 2009	3,4200	-	633
payment for gas	USD 10 million	26 November 2008	10 March 2009	3,4000	-	832

payment for gas	USD 10 million	27 November 2008	10 March 2009	3,3300	-	944
payment for gas	USD 10 million	28 November 2008	20 March 2009	3,4000	-	945
payment for gas	USD 10 million	8 December 2008	10 March 2009	3,4000	-	832
payment for gas	USD 10 million	8 December 2008	10 March 2009	3,4000	-	832
payment for gas	USD 10 million	8 December 2008	20 February 2009	3,3800	-	686
payment for gas	USD 10 million	9 December 2008	20 February 2009	3,4000	-	659
payment for gas	USD 10 million	9 December 2008	20 February 2009	3,4000	-	659
payment for gas	USD 10 million	12 December 2008	10 March 2009	3,4000	-	832
payment for gas	USD 10 million	15 December 2008	20 March 2009	3,4000	-	945
payment for gas	USD 10 million	15 December 2008	20 March 2009	3,4000	-	945
payment for gas	USD 10 million	19 March 2009	10 July 2009	3,9900	-	-
payment for gas	USD 10 million	5 May 2009	20 August 2009	3,6000	173	-
payment for gas	USD 10 million	20 May 2009	18 September	3,6000	345	-
payment for gas	USD 10 million	1 June 2009	20 October 2009	3,6000	515	-
payment for gas	USD 10 million	9 June 2009	20 October 2009	3,6000	515	-
payment for gas	USD 10 million	30 June 2009	20 August 2009	3,6920	-	-
payment for gas	USD 15 million	19 March 2009	10 July 2009	3,9900	-	-
payment for gas	USD 15 million	23 March 2009	10 July 2009	3,9900	-	-
payment for gas	USD 15 million	24 March 2009	10 July 2009	3,9900	-	-
payment for gas	USD 15 million	2 April 2009	10 July 2009	4,0500	-	-
payment for gas	USD 15 million	2 April 2009	20 July 2009	4,0500	-	-
payment for gas	USD 15 million	3 April 2009	20 July 2009	3,9900	-	-
payment for gas	USD 15 million	3 April 2009	20 July 2009	3,9900	-	-
payment for gas	USD 15 million	6 April 2009	10 August 2009	4,0000	11	-
payment for gas	USD 15 million	6 April 2009	10 August 2009	4,0000	11	-
payment for gas	USD 15 million	15 April 2009	20 August 2009	4,0000	35	-
payment for gas	USD 15 million	15 April 2009	10 September	4,0000	109	-
payment for gas	USD 15 million	30 April 2009	10 September	3,9900	114	-
payment for gas	USD 15 million	5 May 2009	9 October 2009	4,0000	249	-
payment for gas	USD 15 million	5 May 2009	20 August 2009	3,6500	209	-
payment for gas	USD 15 million	5 May 2009	10 August 2009	3,6500	118	-
payment for gas	USD 15 million	5 May 2009	10 September	3,7000	324	-
payment for gas	USD 15 million	7 May 2009	18 September	3,7000	386	-
payment for gas	USD 15 million	12 May 2009	9 October 2009	3,8000	425	-
payment for gas	USD 15 million	13 May 2009	10 November 2009	3,8000	617	-
payment for gas	USD 15 million	13 May 2009	10 September	3,8000	231	-
payment for gas	USD 15 million	19 May 2009	9 October 2009	3,8200	404	-
payment for gas	USD 15 million	19 May 2009	10 November 2009	3,8500	556	-
payment for gas	USD 15 million	20 May 2009	20 November 2009	3,8000	689	-
payment for gas	USD 15 million	22 May 2009	10 December 2009	3,8000	806	-
payment for gas	USD 15 million	3 June 2009	20 November 2009	3,7700	731	-
payment for gas	USD 15 million	10 June 2009	10 November 2009	3,6000	936	-
payment for gas	USD 15 million	10 June 2009	20 November 2009	3,6500	927	-
payment for gas	USD 15 million	10 June 2009	20 October 2009	3,8800	399	-
payment for gas	USD 15 million	10 June 2009	18 December 2009	3,8800	740	-
payment for gas	USD 15 million	24 June 2009	10 December 2009	3,8500	736	-
payment for gas	USD 15 million	24 June 2009	10 November 2009	3,8500	556	-
payment for gas	USD 15 million	24 June 2009	18 December 2009	3,8500	780	-
payment for gas	EUR 5 million	7 May 2009	10 September	4,7000	290	-
payment for gas	EUR 5 million	7 May 2009	18 September	4,7000	321	-
payment for gas	EUR 5 million	20 May 2009	9 October 2009	4,6000	528	-
payment for gas	EUR 5 million	22 May 2009	20 October 2009	4,6000	564	-
payment for gas	EUR 5 million	1 June 2009	10 November 2009	4,7500	448	-
payment for gas	EUR 5 million	30 June 2009	10 December 2009	4,9000	-	-
payment for gas	EUR 5 million	13 March 2009	10 July 2009	4,8000	2	-
payment for gas	EUR 5 million	15 April 2009	20 July 2009	4,5500	189	-
payment for gas	EUR 5 million	15 April 2009	10 August 2009	4,6000	290	-
payment for gas	EUR 5 million	30 April 2009	20 August 2009	4,7500	202	-
					15 481	**154 936**

			Collar			
payment for gas	USD 20 million	31 July 2008	20 January 2009	1,9230	-	-
payment for gas	USD 20 million	1 August 2008	9 January 2009	1,9300	-	-
payment for gas	USD 15 million	5 October 2008	9 January 2009	2,4705	-	-
payment for gas	USD 5 million	30 June 2009	10 December 2009	4,2940	-	-
payment for gas	USD 15 million	19 March 2009	10 July 2009	3,0505	(43)	-
payment for gas	USD 15 million	30 June 2009	20 August 2009	2,9000	-	-
payment for gas	USD 15 million	19 March 2009	10 July 2009	3,0760	(105)	-
payment for gas	USD 15 million	23 March 2009	10 July 2009	3,0650	(85)	-
payment for gas	USD 15 million	24 March 2009	10 July 2009	2,9450	(4)	-
payment for gas	USD 15 million	2 April 2009	10 July 2009	3,0988	(156)	-
payment for gas	USD 15 million	2 April 2009	20 July 2009	3,0600	(198)	-
payment for gas	USD 15 million	3 April 2009	20 July 2009	3,0050	(94)	-
payment for gas	USD 15 million	3 April 2009	20 July 2009	3,0130	(106)	-
payment for gas	USD 15 million	6 April 2009	10 August 2009	2,9740	(230)	-
payment for gas	USD 15 million	6 April 2009	10 August 2009	3,0065	(307)	-
payment for gas	USD 15 million	15 April 2009	20 August 2009	2,9025	(181)	-
payment for gas	USD 15 million	15 April 2009	10 September 2009	2,9430	(402)	-
payment for gas	USD 15 million	30 April 2009	10 September 2009	2,9950	(561)	-
payment for gas	USD 15 million	5 May 2009	9 October 2009	2,9250	(529)	-
payment for gas	USD 15 million	12 May 2009	9 October 2009	2,9620	(650)	-
payment for gas	USD 15 million	13 May 2009	10 November 2009	2,9720	(862)	-
payment for gas	USD 15 million	13 May 2009	10 September 2009	2,9530	(429)	-
payment for gas	USD 15 million	19 May 2009	9 October 2009	2,9825	(726)	-
payment for gas	USD 15 million	19 May 2009	10 November 2009	2,9620	(822)	-
payment for gas	USD 15 million	20 May 2009	20 November 2009	2,9140	(706)	-
payment for gas	USD 15 million	22 May 2009	10 December 2009	2,8850	(698)	-
payment for gas	USD 15 million	3 June 2009	20 November 2009	2,9155	(711)	-
payment for gas	USD 15 million	10 June 2009	20 October 2009	2,9110	(536)	-
payment for gas	USD 15 million	10 June 2009	18 December 2009	2,9095	(814)	-
payment for gas	USD 15 million	24 June 2009	10 December 2009	2,9600	(971)	-
payment for gas	USD 15 million	24 June 2009	10 November 2009	2,9660	(838)	-
payment for gas	USD 15 million	24 June 2009	18 December 2009	2,9700	(1 051)	-
					(12 815)	**-**
			Cross Currency Interest Rate Swap			
PGNiG Norway loan	NOK 300 million	8 November 2007	17 January 2011	0,4686	(10 134)	3 430
PGNiG Norway loan	NOK 300 million	12 November 2007	17 January 2011	0,4627	(12 011)	(1)
PGNiG Norway loan	NOK 300 million	15 November 2007	17 January 2011	0,4596	(12 980)	1 645
PGNiG Norway loan	NOK 300 million	19 November 2007	17 January 2011	0,4534	(14 918)	(2 954)
PGNiG Norway loan	NOK 300 million	22 November 2007	17 January 2011	0,4588	(13 230)	1 388
PGNiG Norway loan	NOK 300 million	30 November 2007	17 January 2011	0,4461	(17 169)	(1 682)
PGNiG Norway loan	NOK 300 million	18 January 2008	17 January 2011	0,4530	(17 136)	1 026
PGNiG Norway loan	NOK 300 million	18 January 2008	17 January 2011	0,4530	(17 157)	(325)
PGNiG Norway loan	NOK 300 million	12 January 2009	16 January 2012	0,4300	(28 249)	-
PGNiG Norway loan	NOK 300 million	12 January 2009	16 January 2012	0,4300	(28 028)	-
PGNiG Norway loan	NOK 300 million	13 January 2009	16 January 2012	0,4400	(23 679)	-
PGNiG Norway loan	NOK 300 million	13 January 2009	16 January 2012	0,4380	(24 953)	-
					(219 644)	**2 527**
Total					**(216 978)**	**157 463**
	including:	premiums on options*	assets		**17 860**	**32 770**
		positive measurement	assets		**(2 379)**	**141 416**
		negative measurement*	liabilities		**(232 459)**	**(16 723)**

* The portion of the premium related to derivatives with negative measurement is presented in assets.

Positive measurement of derivatives as at the period end is presented in the balance sheet in a separate current assets item. Negative measurement of derivatives is presented in the balance sheet in a separate current liabilities item. Effects of measurement of open items are recognized in profit/loss

of the period or directly in the equity when the portion of the gain or loss on the hedging instrument is determined to be an effective cash flow hedge. In the event of derivative and its hedge realization, Company's equity are increased/decreased, and effective value is recognized to profit and loss account to the place where costs of hedge arises. Ineffective part and fair value of transactions which are not characterized as hedge transactions are recognized in other lines of profit/loss.

	Period from 1 January 2009 do 30 June 2009	Period from 1 January 2008 do 30 June 2008
Profit/loss on measurement of derivatives - unrealized	(237 365)	54 499
Profit/loss on derivatives - realized	4 172	(26 975)
Total profit/loss on derivatives recognized in the income statement	**(233 193)**	**27 524**
including:		
in other operating expenses (net value)	(231 567)	27 524
in raw material costs*	(1 626)	-

*since first of April 2009 The parent unit applied hedge accounting Policy.

37. CONTINGENT LIABILITIES

37.1. Contingent liabilities arising from granted sureties and guarantees

Borrower	Contingent liability granted in foreign currency	Currency of the contingent liability	Contingent liability * granted in PLN	Contingent liability expiry date	Type of contingent liability granted
Contingent liabilities granted by PGNiG S.A.					
EUROPOL GAZ S.A.	56 000	PLN	56 000	30 August 2012	loan surety
Polish Oil and Gas Company LIBYA B.V.	108 000	USD	342 716	1 June 2013	guarantee
PGNiG Norway AS	627 556	EUR	2 804 923	1 January 2050	guarantee
Contingent liabilities granted by Gas Companies					
Contingent liabilities granted by Gas Companies	1 250 000	EUR	5 587 000	27 January 2012	repayment guarantee
Contingent liabilities granted by Geofizyka Kraków Sp. z o.o.					
Oil Gas Development Company Pakistan	800	USD	2 539	31 December 2009	customs guarantee
Oil India Company LTD	2 363	USD	4 154	31 August 2009	performance bond
Oil India Limited Libya	837	EUR	3 742	23 March 2010	performance bond
Komercni Banka a.s.	5 000	CZK	864	27 January 2009	tender bond
Oil Gas Development Company Pakistan	1 470	USD	4 664	28 April 2009	performance bond
Contingent liabilities granted by Geofizyka Toruń Sp. z o.o.					
Oil India	408	USD	1 295	25 December 2009	bank guarantee
Oil India	558	USD	1 769	15 October 2010	bank guarantee
Cairn	1 240	USD	3 935	8 February 2010	bank guarantee
Cairn	1 194	USD	3 789	11 November 2010	bank guarantee
Oil India	1 801	USD	5 715	15 September 2009	bank guarantee
RIL	640	USD	2 031	30 December 2009	bank guarantee
ADANI	1 259	USD	3 997	25 July 2010	bank guarantee
Jubilant	354	USD	1 123	5 October 2009	bank guarantee
Comissioner	2 223	INR	148	10 February 2009	bank guarantee
ADANI	20 000	USD	1 864	11 February 2010	bank guarantee
GSPC	3 130	USD	9 931	18 December 2009	bank guarantee
Oil India	333	USD	1 057	15 November 2009	bank guarantee
Oil India	658	USD	2 087	17 December 2010	bank guarantee
Other (each below 500 k PLN)	1 017	USD	1 017	2009-2010	bank guarantee
Contingent liabilities granted by BUG Gazobudowa Zabrze Sp. z o.o.					
GAZ-SYSTEM S.A. Warszawa	388	PLN	388	30 May 2012	performance bond
IMP Promont Montaza Lubljana	128	EUR	571	8 March 2013	performance bond
Hydrobudowa Polska S.A.Przeźmierowo	2 298	PLN	2 298	31 December 2010	performance bond
GAZ-SYSTEM Oddz.w Gdańsku	655	PLN	655	30 December 2012	performance bond
Contingent liabilities granted by Naftomontaż Krosno Sp. z o.o.					
MICROTECH Ltd SA Wrocław	112	PLN	112	18 December 2009	bill-of-exchange endorsement
Contingent liabilities granted by Diament Sp. z o.o.					
GS Engineering&Construction Poland Sp. z o.o.	535	PLN	535	14 February 2010	performance bond
GS Engineering&Construction Poland Sp. z o.o.	658	PLN	658	30 July 2009	performance bond
Other (each below 500 k PLN)	2 891	PLN	2 891	2009-2011	performance bond
Contingent liabilities granted by Geovitę Sp. z o.o.					
PKO BP	1 300	PLN	1 300	31 March 2010	real estate mortgage
PKO BP	2 000	PLN	2 000	31 March 2010	transfer of ownership (receivables related to insurance agreement)
Total			**8 857 768**		

*Contingent liabilities in foreign currency are translated at the NBP exchange rate as at 30 June 2009.

As at 30 June 2009 the agreement concluded by PGNiG S.A and Gas Companies on 22 September 2005, which concerned a guarantee in connection with the Loan Agreement concluded between PGNiG S.A. and a consortium of banks on 27 July 2005, was binding. The aforementioned agreement concerned a joint and several, irrevocable and unconditional guarantee granted by the Companies to Bank Handlowy w Warszawie S.A. (the Loan Agent) of the timely repayment of a loan up to the amount of EUR 1,250,000 thousand within 18 months after the termination date of the agreement for Loan Tranche A, i.e. by 27 January 2012. The Company repaid EUR 600,000 thousand of the term loan and simultaneously secured access to the same amount as part of a revolving loan. The loan is collateralized with guarantees granted by Gas Companies.

The above table does not present bank guarantees issued per Parent's order to beneficiaries whom the Parent owed material liabilities arising from contracts on supplies of goods and services. As of 30 June 2009, such bank guarantees amounted to PLN 1.229.546, and PLN 754.714 as at 31 December 2008.

37.2. Contingent bill of exchange liabilities

Entity for which the bill-of-exchange was issued	Value of the bill-of-exchange granted in currency	Currency of the bill of exchange	Value of the granted bill-of-exchange in PLN	Bill of exchange expiry date
Bills of exchange issued by Geofizyka Kraków Sp. z o.o.				
ECS,BPH Leasing,Sogelege	906	PLN	906	30 September 2012
Bills of exchange issued by Geofizyka Toruń Sp. z o.o.				
BRE BANK S.A.	6 000	PLN	6 000	24 August 2009
Bills of exchange issued by PNiG Jasło Sp. z o.o.				
Bank PEKAO S.A.	5 000	PLN	5 000	31 December 2009
Bank PEKAO S.A.	7 000	PLN	7 000	31 December 2009
Bank PEKAO S.A.	987	PLN	987	4 December 2009
ING BANK ŚLĄSKI S.A.	12 000	PLN	12 000	27 August 2009
Bills of exchange issued by Diament Sp. z o.o.				
BRE BANK S.A.	4 000	PLN	4 000	unlimited
Bills of exchange issued by Gazobudowa Zabrze Sp. z o.o.				
PKN Orlen	20	PLN	20	unlimited
TU ALLIANZ Polska S.A. Warsaw	8 000	PLN	8 000	14 March 2009
ERGO HESTIA Katowice	1 000	PLN	1 000	unlimited
PKN Orlen	10	PLN	10	unlimited
ING BANK ŚLĄSKI S.A.	6 000	PLN	6 000	30 January 2010
DEUTSCHE BANK POLSKA S.A.	5 000	PLN	5 000	31 December 2009
Bills of exchange issued by Naftomontaż Krosno Sp. z o.o.				
TU InterRisk SA Kielce Branch	608	PLN	608	5 August 2009
TU InterRisk SA Kielce Branch	600	PLN	600	24 August 2009
Other (each below 500 k PLN)	632	PLN	632	2009-2011
Bills of exchange issued by Geovita Sp. z o.o.				
PKO BP S.A.	1 000	PLN	1 000	31 March 2010
Total			**58 763**	

37.3. Other contingent liabilities

Real property tax

Based on a decision of the Supreme Administrative Court in Warsaw of 2 July 2001 undertaken by 7 judges, excavations were not subject to real property tax. Since in the case of oil and gas production wells are excavations, local authorities from the Zielona Góra Branch's area of operation withdrew from the enforcement of real property tax; however some authorities have decided that well supporting infrastructure is subject to taxation.
Pipeline tax was introduced in 2001. In the previous years, the Zielona Góra Branch created provisions for the claims of the local authorities due to real estate tax in the amount of PLN 821.3 thousand. Following favorable outcome of court cases regarding the claim up to date, PGNiG S.A. re-assessed the risk of related claims and, having considered it low, released the provision in 2007. On the other hand, the local authorities in Podkarpacie have not filed any related claims so far. Therefore, mines located in Podkarpacie did not declare or account for a property tax on excavations for the years 2001-first half of 2009. The related current liability with interest, not recognized in the

balance sheet, amounted to PLN 150.443,6 thousand as at 30 June 2009 (as at the end of 2008, it amounted to PLN 123.145,6 thousand).

Real property related claims

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

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

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

38. OFF-BALANCE SHEET LIABILITIES

38.1. Operating lease liabilities

	30 June 2009	31 December 2008
up to one year	-	18
from 1 to 5 years	-	30
over 5 years	-	-
Total	**-**	**48**

38.2. Investment liabilities

	30 June 2009	31 December 2008
Contractual liabilities	3 077 985	3 071 099
Stage of contract completion as at the balance sheet date	355 734	302 909
Contractual liabilities after the balance sheet date	**2 722 251**	**2 768 190**

39. RELATED PARTIES

39.1. Related party transactions

Related party	Period from 1 January to	Sales to related parties	Purchase from related parties	Gross receivables from related parties	Net receivables from related parties	Gross loans granted to related parties	Net loans granted to related parties	Liabilities to related parties	Sales to related parties
Associates consolidated using the equity method	30 June 2009	14 833	62 680	30 June 2009	2 880	2 880	79 099	79 099	8 231
	30 June 2008	17 798	39 260	31 December 2008	3 840	3 840	120 526	-	7 955
Subsidiaries and associates not included in consolidation	30 June 2009	2 642	105 539	30 June 2009	135 150	7 745	18 095	-	132 851
	30 June 2008	12 391	90 762	31 December 2008	130 270	2 859	16 343	-	134 570
Total related parties	**30 June 2009**	**17 475**	**168 219**	**30 June 2009**	**138 030**	**10 625**	**97 194**	**79 099**	**141 082**
	30 June 2008	**30 189**	**130 022**	**31 December 2008**	**134 110**	**6 699**	**136 869**	**-**	**142 525**

In the first half of 2009, the Parent did not conclude any material transactions with related parties on non-arms-length terms.
Documentation of related party transactions developed by the Group complies with Article 9a of the CIT Act. The procedure is applied each time entities of PGNiG Capital Group conclude agreements (including framework agreements), annexes to agreements, place orders (conclude detailed agreements) or make orders based on framework agreements with related parties if the total amount payable/receivable (arising on a single contract with a single contractor) 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 providing access to intangible assets. The Group calculates profit and the price of transaction subjects indicated in Article 11 of the CIT Act. i.e. comparable uncontrolled price, re-selling price, cost plus margin and additional transactional profit methods (profit distribution, transactional net margin).

39.2. Transactions with entities for which the State Treasury is a shareholder

In 2008 the Parent Entity entered into transactions involving the largest turnover with the following entities for which the State Treasury is a shareholder: Operator Gazociągów Przesyłowych „GAZ-SYSTEM" Sp. z o.o., Polski Koncern Naftowy ORLEN S.A., Rafineria Trzebinia S.A., Zakłady Azotowe ANWIL S.A., Zakłady Azotowe POLICE S.A., Zakłady Azotowe PUŁAWY S.A. Sales to the aforementioned entities in the first half of 2009 amounted to PLN 1,389 million, which accounted for 13,5 % of the sales revenue (in the first half of 2008 PLN 1.517million and 16,4%). Purchases from the aforementioned entities in the first half of 2009 amounted to PLN 698million, which accounted for 6,4% of the operating expense (in the first half of 2008 PLN 745million and 9.5% 9,4%).. As at 30 June 2009 the carrying amount of receivables was PLN 1.007 million (in 2008 PLN 1.119 million), whereas liabilities amounted to PLN 66 million (in 2008 PLN 84 million).

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

	Period from 1 January 2009 do 30 June 2009	Period from 1 January 2008 do 30 June 2008
Remuneration paid to the management	**18 187**	**9 744**
Parent	1 416	2 318
Subsidiaries	6 882	5 988
Co-subsidiary	9 459	1 085
Associates	430	353
Remuneration paid to the supervisory bodies	**5 165**	**2 737**
Parent	178	144
Subsidiaries	1 898	1 865
Co-subsidiary	2 723	521
Associates	366	207
Total	**23 352**	**12 481**

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

	30 June 2009	31 December 2008
Members of the Management Boards		
Interest rate (%)	1%-5%	1%-5%
Repayment terms (period)	3-10 lat	3-10 lat
Value of loans remaining to be repaid	64	128
Members of the Supervisory Boards		
Interest rate (%)	0%-4%	0%-5%
Repayment terms (period)	1,5-5 lat	1,25-5 lat
Value of loans remaining to be repaid	10	8
Total value of loans remaining to be repaid	**74**	**136**

39.5. Joint ventures not included in consolidation

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

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

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

- "Płotki" (Joint Operations Agreement of 12 May 2000 with subsequent amendments); Shares: PGNiG S.A. – 51%, FX Energy – 49%
- "Płotki – PTZ" (the so called Extended Area of Zaniemyśl, Operating Agreement of Mine Users of 26 October 2005); Shares PGNiG S.A. – 51%, FX Energy – 24,5%, CalEnergy – 24,5%
-
- "Poznań" (Joint Operations Agreement of 1 June 2005); Shares: PGNiG S.A. – 51%, FX Energy – 49%
  And in consessions belonging to FX Energy Poland Sp. z o.o.:

- Block 255 (Joint Operations Agreement of 29 October 1999); Shares: FX Energy – 81,82%, PGNiG S.A. – 18,18%.
- Ostrowiec (Joint Operations Agreement of 27 February 2009); Shares: FX Energy – 51%, PGNiG S.A. – 49%.
-

Based on the "Agreement on settlements of natural gas produced from the "Klęka 11 well", the Klęka deposit was exploited. Additionally, reprocessing and reinterpretation of seismic data were continued within the "Płotki" area.In the first half of 2009 drilling was continued in "Poznań" area in Kromolice-2 exploration well. Also, reprocessing and interpretation of seismic photographs of 2D (Lutynia-

Taczanów) i 3D (Żerków-Pleszew) were started. Moreover, in the first half of 2009 exploration of the Zaniemyśl natural gas deposit within the "Płotki" – "PTZ" area was continued.

In the first half of 2009 production of natural gas from the Wilga (Block 255) deposit was continued and drilling of exploration well in Ostrowiec-1 (area „Ostrowiec").

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 the first half of 2009 based on Joint Operations Agreement, dated 1 June 2007, PGNiG S.A., Eurogas Polska Sp. z o.o. and Energia Bieszczady Sp. z o.o. continued seismic work in 2D Kostarowce-Zahutyń in the Carpathian Mountains area. The concession in this area belongs to PGNIG SA..

PKN Orlen S.A., registered office: Płock 09-411, ul. Chemików 7
On 22 June 2009 the Entity signed an agreement with PKN Orlen S.A. concerning management of oil deposits in Sieraków, the concession belonging to PGNiG SA. Shares: PGNiG S.A. – 51%, PKN Orlen S.A. – 49%

None the aforementioned joint ventures were included in consolidation in the first half of 2009 and in the first half of 2008, as all the related assets, liabilities, revenues and expenses were recognized in the balance sheet and income statement of PGNiG S.A. proportionally to its share in the respective joint ventures.

39.6. Foreign operations

<u>PGNiG S.A.'s shares in foreign companies</u>

Ukraine

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

The share capital of the Company amounts to UAH 11,146.8 thousand, i.e. PLN 4.619,2 thousand (based on the NBP's exchange rate of 30 June 2009) and is divided into 120.0 thousand shares with a face value of UAH 92.89 each. Capital commitment in the company amounts to UAH 4,055.2 thousand, i.e. PLN 1.680,5thousand (based on the NBP's exchange rate of 30 June 2009).

The shareholder structure is as follows:

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

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

Exploitation of the Sachalinskoje deposit is included into the joint venture operations based on an agreement concluded between "Dewon" Z.S.A. and NAK "Nadra Ukrainy" (a hydrocarbon production license holder) and PoltavaNaftoGasGeologia. The license held by NAK "Nadra Ukrainy" expired on 24 April 2009. A decision by the Ukrainian authorities on who is to be the concession beneficiary is now awaited.

Oman

The share capital of Sahara Petroleum Technology Llc amounts to RO 150.0 thousand (Omani rial), i.e. PLN 1.255,7 thousand (based on the NBP's exchange rate of 30 June 2009) and is divided into 150.0 thousand shares with a face value of RO 1 each. The capital commitment of PGNiG S.A. in the company amounts to RO 73.5 thousand, i.e. PLN 615,3 thousand (based on the NBP's exchange rate of 30 June 2009). The shareholder structure is as follows:

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

The Company was founded by Zakład Robót Górniczych in Krosno (PGNiG S.A. branch until 30 June 2005, presently fully owned by PGNiG S.A.) in 2000. The company's main objective is to provide technical services related to reconditioning and reconstruction of wells, linear technique operations, maintenance of heads of exploration machines as well as light and medium drilling jobs using the technical potential of PGNiG S.A.
The Company has never started the activities for which it was established. On 7 June 2009 the shareholders voted in favour of the resolution to dissolve the partnership and appointing a liquidator.

Germany

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

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

Both partners assumed 50% of shares in each of the companies. The share capital of each of the incorporated companies amounts to EUR 200 thousand (i.e. PLN 893,9 thousand at the average exchange rate of the National Bank of Poland as at 30 June 2009). Their registered offices are located in Potsdam (InterGasTrade GmbH (IGT)) i Lipsku(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 the construction, operation and sale of transmission capacity.

InterTransGas GmbH was incorporated to build an interconnector between the Polish and European gas transmission system, which would constitute one of the elements of the diversification of gas supplies to Poland. At present, based on the Shareholders' decision, InterTransGas GmbH operates at minimum cost. When circumstances will enable the construction of a pipeline connecting the Polish and German transmission system, the company will be able to start its core activity defined in its Articles of Association.
In 2007, pursuant to the resolution of the Shareholders Meeting, the registered office of InterTransGas GmbH was moved from Potsdam to Leipzig.
On 29 January 2009 the Shareholders Meeting of InterTransGas GmbH adopted a resolution approving construction of a transmission pipeline Bornicke – Hintersee – Police, business plan for 2009 and capital injection by the shareholders of EUR 3 million each. The capital injection will be in the form of payment to revaluation reserve, without the issue of new shares. The first portion of EUR 750 thousand was paid by each of the two shareholders in June 2009. The remaining portion will be paid in December 2009. The decision concerning construction of the interconnector can be expected in 2011.
As at 30 June 2009 the value of shares in InterTransGas GmbH recognized in the accounting records of PGNiG S.A. was EUR 3,100 thousand, i.e. the equivalent of PLN 13,855.8 thousand, based on the average NBP rate of 30 June 2009.

Norway

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

As at 30 June 2009, capital exposure of PGNiG S.A. to the company amounted to NOK 497,327 thousand, i.e. PLN 245.480,6 thousand (at the NBP exchange rate of 30 June 2009).

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

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

PGNiG Norway AS was incorporated in particular to execute an agreement signed on 28 February 2007 between PGNiG S.A., Mobil Development Norway A/S and ExxonMobil Produktion Norway Inc. for the purchase of 15% shares in three concessions for Skarv, Snadd and Idun deposits in Norwegian Continental Shelf (license PL 212, PL 212B, PL 262). In line with the joint venture agreement, PGNiG Norway AS holds the title to 11.9175% (following uniting Skarv and Snadd deposits with Idun deposit on 14 September 2007) of the Skarv/Snadd/Idun production.
In the first half of 2009, PGNiG Norway AS continued development work on the deposits. For the purpose of purchasing shares in the fields and further investment, the Parent granted the company with a loan of NOK 3,800,000 thousand. The loan is extended in tranches, with the repayment deadline set for December 2022. In the first half of 2009, the Company received a subsequent loan tranche of NOK 1.312.000 thousand. The balance of loan received by PGNiG Norway AS as at 30 June 2009 reached its goal and amounted toNOK 3.800.000 thousand, i.e. PLN 1.875.680 thousand (at the NBP exchange rate of 30 June 2009). Interests charged equal 3M NIBOR plus margin.
In January 2009 as a consequence of an agreement with StatoilHydro Petroleum AS, PGNiG Norway assumed a 30% share in licence PL350 in NCS. It also acquired a 25% share in consession PL 419 in NCS for a symbolic price of 1NOK as a result of an agreement with Nexen Exploration Norge AS.
The only owner of
Polskie Górnictwo Naftowe i Gazownictwo S.A. with registered office in Warsaw is the sole shareholder of PGNiG Norway. The scope of PGNiG Norway's business operations includes in particular crude oil and natural gas production as well as other similar and related operations. PGNiG Norway AS can also take part in infrastructural projects such as the construction and operation of pipelines.

Netherlands - Libya

PGNiG Finance B.V. was incorporated on 14 September 2001 for PGNiG S.A. bond issue management (bonds denominated in EUR). PGNiG S.A. is the Company's sole shareholder. Its share capital amounts to EUR 20 thousand, i.e. PLN 89,4 thousand (at the NBP exchange rate of 30 June 2009).

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

The Management Board of Polish Oil and Gas Company – Libya B.V. undertook measures resulting in the conclusion of the Exploration and Production Sharing Agreement (EPSA) in February 2008 with a Libyan company operating under the name National Oil Corporation. The Agreement defined the terms and condition for the execution of an exploration and production project in Libya due to winning a tender for a license in area 113 of 5,494 square kilometers, located at the border of theMurzuq and Gadamesh basins near the Algerian border. In line with the tender submitted, the company undertook to carry out prospecting work for the total amount of USD 108,000 thousand including: 3000 square kilometers of ^{2}D seismics, 1500 square kilometers of 3D seismics and drilling of 8 wells.

In February 2008, PGNiG S.A. issued a guarantee for National Oil Corporation in relation to the fulfillment of POGC – Libya B.V. concession related obligations in the amount of USD 108,000 thousand, i.e. PLN 342.716,4 thousand (at the NBP exchange rate of 30 December 2009).

In January 2009 an environment archeological audit plan was accepted by the Libyan party, which enables commencement of seismic work 2D and 3D roku which is going to be performed by Geofizyka Kraków Sp. z o.o. (PGNiG capital group subsidiary), which won the tender.
In March 2009 roku the Board of PGNiG S.A. passed a resolution on POGC Libya BV recapitalization amoounting to 47,5 milion euros. The amount is generally to cover exploration expenses in Libya. Recapitalization was made with no new shares issuance. At the date of the resolution a part of payment to reserve capital was compensated with PGNIG SA receivables (loan) to the amount of 25 million USD. The remaining amount together with interests will be paid in three tranches. The first

tranche (11.603,3 thousand EURO was paid to the account of Libya B.V. on 19 March 2009. The second tranche of 10 million EUROwas paid on 1 July 2009. The third tranche amounting to 10 million EURO will be paid on 1 October 2009.
As at 30 June 2009 PGNiG S.A. involvement in POGC Libya BV amounted to 47.520,0 thoousand EURO which is 212.395,4 thousand PLN (as at the NBP exchange rate of 30 June 2009).

The Group's share in exploration licenses:

Norwegian Continental Shelf project

PGNiG S.A. established a subsidiary in Norway – PGNiG Norway AS for the purpose of implementing the Norwegian Continental Shelf (NCS) project. On 30 October 2007, PGNiG Norway AS purchased from Mobil Development Norway A/S and Exxon Mobil Produktion Norway Inc 15% share in three license areas including Skarv and Snadd fields (marked PL 212, PL212B and PL 262). The remaining shares are held by: British Petroleum (Operator) – 30%, StatoilHydro – 30%, E.ON Ruhrgas Norge – 25%. The subsidiary's key business activity involves with exploration and production of oil and natural gas resources in NCS and participation in infrastructure projects related to maritime transmission.

The fields are developed by British Petroleum in cooperation with PGNiG Norway AS, StatoilHydro and E.ON Ruhrgas. Following utilization of Skarv and Snadd deposits with Idun at NCS, shares of each company in the production and prospecting area are as follows:

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

As at 1 January 2009 roku PGNiG Norway AS acquired on Norwegian Continental Shelf:

- Free-of-charge a 30% share in consession PL 350, as a result of an agreement with StatoilHydro Petroleum AS
- For a symbolic price of 1 NOK a 25% share in concession PL 419, as a result of an agreement with

In the first half of 2009 Skara deposit management project was continued. Commencement of production is planned for 2011. The field development project includes 16 wells including seven for oil production, five for gas production and four injection wells (for pumping). In a later stage, the injection wells will be converted to gas exploitation ones for the purpose of full exploitation of the field. The drilling equipment mobilization is planned for 2009.

According to estimates, capital expenditure related to deposit development will amount to approx. USD 5 billion, of which approx. USD 600 million will be incurred by the Group. Capital expenditure incurred by the Group (through a subsidiary of PGNiG S.A.) and disclosed in the Group's balance sheet as at 30 June 2009 amounted to NOK 3.774.919 thousand, i.e. PLN 1.863.300 thousand (according to the NBP's exchange rate applicable on 30 June 2009), whereas the related direct costs recognized in the 2009 midyear income statement amounted to NOK 37.086 thousand, i.e. PLN 18.847 thousand (translated at the average NOK exchange rate constituting the arithmetic mean of average exchange rates defined by the NBP for the last day of each month in the financial year).

Other foreign exploration

PGNiG S.A. is conducting exploration work in Pakistan based on the Agreement concluded between PGNiG S.A. and the Pakistani Government on 18 May 2005 as regards hydrocarbon exploration within the Kirthar concession regulated region. Exploration work within the Kirthar block is conducted together with Pakistan Petroleum Ltd., in accordance with the following distribution of shares and expenses: PGNiG S.A. 70% and PPL – 30%. Due to lack of equipment, drilling of the first Rahman -1 exploration well was done in Q1 2009.

On 6 December 2007, PGNiG S.A. concluded a share assignment agreement as regards the exploration license 1/05 on the territory of Denmark and became the operator. In March 2009 PGNiG SA bought from Odin Energi A/S a 40% share in concession 1/05 w Denmark. At present, the shares are as follows: PGNiG S.A.– 80%, Nordsofonden – a Danish government company – 20%.

In 2007, PGNiG S.A. won a tender for the Bahariya exploration and production license (Block 3) in Egypt. On 17 May 2009 Egyptian government signed Exploration and Production Sharing Agreement.
Polish Oil and Gas Company-Libya B.V. conducts exploration work in concession no.113 located in the Murzuq oil basin (west Libya). EPSA (Exploration and Production Sharing Agreement) dated 25 February 2008 signed with the Libyan government. In the first half of 2009 seismic works 2D and 3D were started. Their value amounted to 9.578 thousand euro which is 40.524 thousand PLN (translated at the average EUR exchange rate constituting the arithmetic mean of average exchange rates defined by the NBP for the last day of each month in the financial year).

The Group's foreign branches:

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

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

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

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

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

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

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

POGC Libya BV
Branch in Libya.

40. EMPLOYMENT (NUMBER OF EMPLOYEES)

Number of employees as at the end of the period, by segments	30 June 2009	31 December 2008
PGNiG S.A. Head Office*	829	837
Prospecting and production	10 946	10 725
Trade and storage	4 135	4 088
including companies consolidated using the equity method	295	295
Distribution	13 757	13 746
Other	2 042	2 044
Total	**31 709**	**31 440**

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

41. INFORMATION ON THE CAPITAL GROUP'S RESTRUCTURING PROCESS

"Employment rationalization and termination packages for employees of PGNiG Capital Group for the years 2009-2011 (stage 3)" was approved by the Extraordinary Shareholders Meeting on 11 December 2008 and was implemented in January 2009. Unlike "Employment restructuring and termination packages for employees of Branches and subsidiaries" of the preceding years, the Program follows a "stand by" formula, for special cases that require an employer to apply a unified procedure defined in the Program for all Capital Group companies.

The Program may be implemented in the given calendar year only following a relevant resolution of a competent body, in line with the company's articles of association/by-laws, and for branches of PGNiG S.A., following a resolution passed by the Management Board of PGNiG S.A. Decisions to implement the Program can be made only in cases justified with the scale of projected restructuring measures related to headcount reduction and/or liquidation of jobs. Only when corporate procedures are fulfilled including competencies of the trade unions, title to the so-called termination benefits is obtained.

By the end of the reporting period, i.e. by 30 June 2009 there was no decision to initiate the Program in PGNiG S.A. and the Capital Group entities. Like in the previous years, entities in a difficult financial condition can use revaluation reserve funds of PGNiG S.A., i.e. Central Restructuring Fund. Two Capital Group entities applied for such aid. The request will be analyzed and respective decision is expected in the second half of 2009.

In the first half of 2009 in line with directions as defined in Strategy of PGNiG S.A. analytical and project work on organizing Capital Group structures through consolidation of companies with similar profiles was continued. One of project objectives is to establish operationally and financially sustainable companies that in future may carry put key investment and prospecting work of key importance for Polish gas and oil industry, both in Poland and abroad.

42. EQUITY MANAGEMENT

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

	30 June 2009	31 December 2008
Loans, borrowings and finance lease liabilities	1 488 477	912 810
Trade and other liabilities	3 035 289	3 294 154
Cash and bank balances (-)	(1 345 980)	(1 421 939)
Net debt	**3 177 786**	**2 785 025**
Equity (attributed to equity holders of the parent)	**19 743 142**	**20 706 895**
Equity and net debt	**22 920 928**	**23 491 920**
Leverage ratio	13.9%	11.9%

43. INFORMATION REGARDING FREE-OF-CHARGE ACQUISITION OF SHARES IN PGNIG S.A. BY ENTITLED EMPLOYEES

Pursuant to the Act on commercialization and privatization of 30 August 1996 ("the Act") , Company employees are entitled to acquire 15% of its shares free of charge. The above title is vested with so called "entitled employees", i.e. those referred to in Article 2 point 5 of the Act. The title to acquire company shares free of charge is vested after three months from the date of the State Treasury disposing of first shares on general terms.

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

Therefore, pursuant to Article 38 point 2 of the Act, the entitled employee's title to acquire the Company shares free of charge is vested on 1 October 2008 and expires on 1 October 2009. Since on 12 February 2009, an amendment to the Act on commercialization and privatization of 19 December 2008 came into effect, pursuant to amended Article 38 clause 2, the termination of the title to acquire the Company shares free of charge was postponed until 1 October 2010.

Pursuant to Article 36 clause 1 of the Act, entitled employees can free of charge acquire 15% of shares assumed by the State Treasury as at the date of the Company being entered to the register, i.e. up to 750,000,000 shares with face value of PLN 1 each. The list of entitled employees was put together in December 1997 and includes 61,516 individuals. As at 30 June 2009, the market value of the package of 750 000 000 shares amounted to PLN 3.045.000 thousand. Whilist at the report date (12 August 2009), the market value of the above package amounted to PLN 3.075.000 thousand.

In line with the adopted schedule, the process of releasing shares was initiated on 6 April 2009. As at 30 June 2009, 598,830,048 shares were assumed (recognized in the securities accounts) by eligible employees and their heirs.

Pursuant to Article 38 clause 3 of the Act, shares acquired free of charge by entitled employees cannot be traded prior to 1 July 2010, whereas shares acquired free of charge by Management Board members cannot be traded prior to 1 January 2011.

The key principle of IFRS 2 "Share-based Payment" is recognizing the cost of employee benefits in the period they are actually received. The title to acquire company's shares free of charge established by the Act was originally intended to compensate entitled employees for the period prior to its coming into effect, in particular for the period prior to 1989, when the political and economic system in Poland was transformed. In line with IFRS 2, the value of the scheme should be defined as at the date of determining the number of shares per employee based on the fair value of the shares. For PGNiG S.A., the shares will be released from the pool held by the State Treasury. Therefore,

the Company incurs only administrative costs related to the operation of releasing the shares to entitled employees.

Direct costs included in profit and loss account related to providing shares incurred in first half of 2009 amounted on 1.197,5 thousand PLN, out of which newspaper advertisement costs were 101,7 thousand PLN and cost of signing free of charge shares disposal agreements by CDM PEkao S.A was 1.089,8 thousand PLN

44. POST-BALANCE SHEET DATE EVENTS

a. On 28 July 2009 a Framework Agreement concerning purchases and sales of natural gas ("Framework Agreement") was signed by PGNiG S.A. and VNG Verbundnetz Gas Aktiengesellschaft with registered office in Leipzig, Germany. Framework Agreement defines general cooperation rules in terms of purchases and sales of natural gas. Details concerning particular supplies i.e quantity and price will be clarified each time in Individual Agreements concluded in the future. Signing Framework Agreement does not result in assuming financial obligations by PGNIG and does not impose an obligation to sign individual agreements. Framework Agreement was concluded for an indefinite time.