Polskie Górnictwo Naftowe i Gazownictwo SA

CONSOLIDATED INTERIM REPORT FOR Q1 2013

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report QSr 1 / 2013

quarter / year

(pursuant to Par. 82.2 and Par. 83.1 of the Regulation of the Minister of Finance of February 19th 2009 – Dz. U. No. 33, item 259, as amended)

for issuers of securities in the manufacturing, construction, trade, and services sectors

for the first quarter of the 2013 financial year, covering the period from **January 1st** to **March 31st 2013**, containing condensed consolidated financial statements prepared in accordance with the International Financial Reporting Standards in the Polish złoty (PLN), and condensed separate financial statements prepared in accordance with the International Financial Reporting Standards in the Polish złoty (PLN).

May 14th 2013
(date of release)

POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A.
(name)

PGNIG S.A.	**Fuels industry (pal)**
(abbreviated name)	(sector according to the WSE's classification)
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PGNiG Management Board:

Vice-President of the Management Board	Jacek Murawski	....
Vice-President of the Management Board	Mirosław Szkałuba	....

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FINANCIAL HIGHLIGHTS

Condensed consolidated financial data	Q1 2013 YTD Jan 1−Mar 31 2013	Q1 2012 YTD Jan 1−Mar 31 2012	Q1 2013 YTD Jan 1−Mar 31 2013	Q1 2012 YTD Jan 1−Mar 31 2012
	(PLNm)		(EURm)	
I. Revenue	10,255	8,947	2,457	2,143
II. Operating profit/(loss)	1,427	344	342	82
III. Profit/(loss) before tax	1,280	373	307	89
IV. Net profit/(loss) attributable to owners of the Parent	1,073	332	257	80
V. Net profit/(loss)	1,074	333	257	80
VI. Comprehensive income attributable to owners of the Parent	1,214	138	291	33
VII. Total comprehensive income	1,215	139	291	33
VIII. Net cash flows from operating activities	3,578	1,961	857	470
IX. Net cash flows from investing activities	(739)	(3,726)	(177)	(892)
X. Net cash flows from financing activities	(1,708)	2,426	(409)	581
XI. Change in cash	1,131	661	271	158
XII. Earnings/(loss) and diluted earnings/(loss) per share attributable to owners of the Parent (PLN/EUR)	0.18	0.06	0.04	0.01
	As at Mar 31 2013	As at Dec 31 2012	As at Mar 31 2013	As at Dec 31 2012
XIII. Total assets	48,639	47,929	11,643	11,723
XIV. Liabilities and provisions	20,228	20,733	4,842	5,071
XV. Non-current liabilities	11,306	11,120	2,706	2,720
XVI. Current liabilities	8,922	9,613	2,136	2,351
XVII. Equity	28,411	27,196	6,801	6,652
XVIII. Share capital	5,900	5,900	1,412	1,443
XIX. Weighted average number of shares (million)	5,900	5,900	5,900	5,900
XX. Book value per share and diluted book value per share (PLN/EUR)	4.82	4.61	1.15	1.13
XXI. Dividend per share declared or paid (PLN/EUR)	-	-	-	-

Condensed separate financial data	Q1 2013 YTD Jan 1−Mar 31 2013	Q1 2012 YTD Jan 1−Mar 31 2012	Q1 2013 YTD Jan 1−Mar 31 2013	Q1 2012 YTD Jan 1−Mar 31 2012
I. Revenue	8,750	7,944	2,096	1,903
II. Operating profit/(loss)	660	(256)	158	(61)
III. Profit/(loss) before tax	666	(247)	160	(59)
IV. Net profit/(loss)	548	(206)	131	(49)
V. Comprehensive income	666	(389)	160	(93)
VI. Net cash flows from operating activities	2,693	871	645	209
VII. Net cash flows from investing activities	(517)	(3,516)	(124)	(842)
VIII. Net cash flows from financing activities	(1,195)	2,845	(286)	681
IX. Change in cash	981	200	235	48
X. Earnings/(loss) and diluted earnings/(loss) per ordinary share (PLN/EUR)	0.09	(0,03)	0,02	(0,01)
	As at Mar 31 2013	As at Dec 31 2012	As at Mar 31 2013	As at Dec 31 2012
XI. Total assets	37,102	36,643	8,882	8,963
XII. Liabilities and provisions	14,462	14,669	3,462	3,588
XIII. Non-current liabilities	7,259	7,287	1,738	1,782
XIV. Current liabilities	7,203	7,382	1,724	1,806
XV. Equity	22,640	21,974	5,420	5,375
XVI. Share capital	5,900	5,900	1,412	1,443
XVII. Weighted average number of shares (million)	5,900	5,900	5,900	5,900
XVIII. Book value per share and diluted book value per share (PLN/EUR)	3.84	3.72	0.92	0.91
XIX. Dividend per share declared or paid (PLN/EUR)	-	-	-	-

Items of the income statement, statement of comprehensive income and statement of cash flows have been translated using the EUR/PLN exchange rate computed as the arithmetic mean of mid-exchange rates quoted by the National Bank of Poland (NBP) for the last day of each month in the reporting period.

Items of the statement of financial position have been translated using the EUR/PLN mid-exchange rate quoted by the NBP for the end of the reporting period.

EUR/PLN MID-EXCHANGE RATES QUOTED BY THE NATIONAL BANK OF POLAND

	Mar 31 2013	Dec 31 2012	Mar 31 2012
Average exchange rate for the period	4.1738	4.1736	4.1750
Exchange rate at end of the period	4.1774	4.0882	4.1616

I. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Q1 2013: Jan 1-Mar 31 2013	Q1 2012: Jan 1-Mar 31 2012
	unaudited	restated
	(PLNm)	
Revenue	**10,255**	**8,947**
Raw material and consumables used	(6,845)	(6,490)
Employee benefit expense	(671)	(691)
Depreciation and amortisation expenses	(549)	(455)
Contracted services	(738)	(801)
Work performed by the entity and capitalised	197	195
Other income and expenses	(222)	(361)
Total operating expenses	**(8,828)**	**(8,603)**
Operating profit/(loss)	**1,427**	**344**
Finance income	61	93
Finance costs	(208)	(64)
Share in net profit/(loss) of equity-accounted entities	-	-
Profit/(loss) before tax	**1,280**	**373**
Income tax expense	(206)	(40)
Net profit/(loss)	**1,074**	**333**
Attributable to:		
Owners of the Parent	1,073	332
Non-controlling interests	1	1
Earnings/(loss) and diluted earnings/(loss) per share attributable to owners of the Parent (PLN/EUR)	0.18	0.06

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q1 2013: Jan 1-Mar 31 2013	Q1 2012: Jan 1-Mar 31 2012
	unaudited	restated
	(PLNm)	
Net profit/(loss)	**1,074**	**333**
Other comprehensive income that will be reclassified to profit or loss once specific conditions are met, relating to:	**141**	**(194)**
Exchange differences on translating foreign operations	29	(18)
Hedge accounting	138	(217)
Remeasurement of financial assets available for sale	-	-
Deferred tax	(26)	41
Other comprehensive income that will not be reclassified to profit or loss, relating to:	**-**	**-**
Actuarial gains/(losses) on employee benefits	**-**	**-**
Deferred tax	**-**	**-**
Other comprehensive income, net	**141**	**(194)**
Total comprehensive income	**1,215**	**139**
Attributable to:		
Owners of the Parent	1,214	138
Non-controlling interests	1	1

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at Mar 31 2013, end of Q1 2013	As at Dec 31 2012, end of previous year: 2012
	unaudited	restated
ASSETS		
Non-current assets		
Property, plant and equipment	33,965	33,784
Investment property	11	11
Intangible assets	1,135	1,146
Investments in equity-accounted associates	771	771
Financial assets available for sale	49	48
Other financial assets	158	124
Deferred tax assets	1,253	1,136
Other non-current assets	75	76
Total non-current assets	**37,417**	**37,096**
Current assets		
Inventories	2,222	3,064
Trade and other receivables	5,066	5,374
Current tax assets	127	150
Other assets	440	84
Financial assets available for sale	-	-
Derivative financial instrument assets	179	105
Cash and cash equivalents	3,079	1,948
Non-current assets held for sale	109	108
Total current assets	**11,222**	**10,833**
Total assets	**48,639**	**47,929**
LIABILITIES AND EQUITY		
Equity		
Share capital	5,900	5,900
Share premium	1,740	1,740
Accumulated other comprehensive income	(8)	(149)
Retained earnings/(deficit)	20,774	19,701
Equity attributable to owners of the Parent	**28,406**	**27,192**
Equity attributable to non-controlling interests	5	4
Total equity	**28,411**	**27,196**
Non-current liabilities		
Borrowings and other debt instruments	5,621	5,509
Employee benefit obligations	381	382
Provisions	1,810	1,792
Deferred income	1,462	1,448
Deferred tax liabilities	1,985	1,936
Other non-current liabilities	47	53
Total non-current liabilities	**11,306**	**11,120**
Current liabilities		
Trade and other payables	4,744	3,667
Borrowings and other debt instruments	2,915	4,702
Derivative financial instrument liabilities	241	393
Current tax liabilities	167	24
Employee benefit obligations	302	356
Provisions	403	350
Deferred income	127	101
Liabilities associated with non-current assets held for sale	23	20
Total current liabilities	**8,922**	**9,613**
Total liabilities	**20,228**	**20,733**
Total liabilities and equity	**48,639**	**47,929**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Q1 2013: Jan 1-Mar 31 2013	Q1 2012: Jan 1-Mar 31 2012
	unaudited	restated
	(PLNm)	
Cash flows from operating activities		
Net profit/(loss)	1,074	333
Adjustments:		
Share in net profit/loss of equity-accounted entities	-	-
Depreciation and amortisation expenses	549	455
Net foreign exchange gains/(losses)	(9)	(66)
Net interest and dividend	50	41
Gain/(loss) on investing activities	(1)	(18)
Current tax expense	206	40
Other items, net	(142)	85
Income tax expense	(130)	(50)
Cash flows from operating activities before changes in working capital	**1,597**	**820**
Change in working capital:		
Change in receivables	301	(268)
Change in inventories	843	1,098
Change in employee benefit obligations	(54)	11
Change in provisions	64	23
Change in current liabilities	1,184	619
Change in other assets	(357)	(312)
Change in deferred income	-	(30)
Net cash flows from operating activities	**3,578**	**1,961**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment and intangible assets	14	6
Proceeds from disposals of shares in non-consolidated entities	-	-
Proceeds from disposals of short-term securities	-	17
Purchase of property, plant and equipment and intangible assets	(761)	(950)
Purchase of shares in non-consolidated entities	(1)	-
Purchase of short-term securities	-	-
Interest received	-	-
Dividend received	-	-
Proceeds from finance lease	-	-
Purchase of shares in PGNiG TERMIKA S.A.	-	(3,017)
Other items, net	9	218
Net cash flows from investing activities	**(739)**	**(3,726)**
Cash flows from financing activities		
Net proceeds from issue of shares, other equity instruments and additional contributions to equity	-	-
Proceeds from borrowings	145	25
Proceeds from issue of debt securities	960	6,037
Repayment of borrowings	(63)	(263)
Repayment of debt securities	(2,751)	(3,284)
Payment of finance lease liabilities	(14)	(17)
Cash inflow from derivative financial instruments	83	-
Cash outflow on derivative financial instruments	(35)	-
Dividend paid	-	-
Interest paid	(31)	(69)
Other items, net	(2)	(3)
Net cash flows from financing activities	**(1,708)**	**2,426**
Net change in cash	**1,131**	**661**
Exchange differences on cash and cash equivalents	-	(2)
Cash and cash equivalents at beginning of the period	**1,947**	**1,504**
Cash and cash equivalents at end of the period	**3,078**	**2,165**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity (attributable to owners of the Parent)								Equity (attributable to non-controlling interests)	Total equity
			Accumulated other comprehensive income, including							
	Share capital	Share premium	Exchange differences on translating foreign operations	Hedge accounting	Remeasurement of financial assets available for sale	Actuarial gain/(loss) on employee benefits	Retained earnings/ (deficit)	**Total**		
	(PLNm)									
As at Jan 1 2011 (restated)	**5,900**	**1,740**	**(31)**	**(59)**	**-**	**(59)**	**19,701**	**27,192**	**4**	**27,196**
Transfers	-	-	-	-	-	-	-	**-**	-	**-**
Payment of dividend to owners	-	-	-	-	-	-	-	**-**	-	**-**
Changes in the Group	-	-	-	-	-	-	-	**-**	-	**-**
Total comprehensive income	**-**	**-**	**30**	**111**	**-**	**-**	**1,073**	**1,214**	**1**	**1,215**
Net profit/loss for Q1 2013	-	-	-	-	-	-	1,073	**1,073**	1	**1,074**
Other comprehensive income, net, for Q1 2013	-	-	30	111	-	-	-	**141**	-	**141**
As at Mar 31 2013 (unaudited)	**5,900**	**1,740**	**(1)**	**52**	**-**	**(59)**	**20,774**	**28,406**	**5**	**28,411**
As at Jan 1 2013 (restated)	**5,900**	**1,740**	**(29)**	**143**	**-**	**(73)**	**17,463**	**25,144**	**7**	**25,151**
Transfers	-	-	-	-	-	-	-	**-**	-	**-**
Payment of dividend to owners	-	-	-	-	-	-	-	**-**	-	**-**
Changes in the Group	-	-	-	-	-	-	-	**-**	5	**5**
Total comprehensive income	**-**	**-**	**(18)**	**(176)**	**-**		**332**	**138**	**1**	**139**
Net profit/loss for Q1 2012	-	-	-	-	-	-	332	**332**	1	**333**
Other comprehensive income, net, for Q1 2012	-	-	(18)	(176)	-	-	-	**(194)**	-	**(194)**
As at Mar 31 2012 (unaudited)	**5,900**	**1,740**	**(47)**	**(33)**	**-**	**(73)**	**17,795**	**25,282**	**13**	**25,295**

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Deferred tax

Deferred tax assets and liabilities	Deferred tax assets	Deferred tax liabilities
As at Jan 1 2013	**1,136**	**1,936**
a) increase	149	88
b) decrease	(35)	(39)
c) exchange differences on translating deferred tax attributable to foreign operations	3	-
d) deferred tax charged to non-current assets (Norway)	-	-
e) deferred tax charged to current tax assets (Norway)	-	-
f) changes in the Group	-	-
g) reclassification into assets held for sale	-	-
As at Mar 31 2013	**1,253**	**1,985**
As at Jan 1 2012	**936**	**1,572**
a) increase	267	36
b) decrease	(15)	(53)
c) exchange differences on translating deferred tax attributable to foreign operations	(5)	-
d) deferred tax charged to non-current assets (Norway)	13	-
e) deferred tax charged to current tax assets (Norway)	(89)	-
f) changes in the Group	30	384
g) reclassification to assets held for sale	(1)	(3)
As at Dec 31 2012	**1,136**	**1,936**

2. Impairment losses

Impairment losses on assets	Property, plant and equipment and intangible assets (including assets held for sale)	Investment property	Other financial assets	Investments in equity-accounted associates	Non-current financial assets available for sale	Inventories	Current receivables	Current portion of non-current loans	Current financial assets available for sale	Total
As at Jan 1 2013	**1,220**	**-**	**-**	**811**	**42**	**29**	**866**	**29**	**-**	**2,997**
a) increase	1	-	-	-	-	45	121	2	-	**169**
b) transfer	-	-	-	-	-	-	-	-	-	**-**
c) decrease	(3)	-	-	(22)	-	(7)	(161)	-	-	**(193)**
d) currency translation differences	-	-	-	-	-	-	-	-	-	**-**
e) changes in the Group	-	-	-	-	-	-	-	-	-	**-**
As at Mar 31 2013	**1,218**	**-**	**-**	**789**	**42**	**67**	**826**	**31**	**-**	**2,973**
As at Jan 1 2012	**1,056**	**-**	**-**	**931**	**38**	**20**	**755**	**29**	**-**	**2,829**
a) increase	**608**	**-**	**-**	**-**	**4**	**55**	**379**	**1**	**-**	**1,047**
b) transfer	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
c) decrease	**(466)**	**-**	**-**	**(120)**	**-**	**(46)**	**(270)**	**(1)**	**-**	**(903)**
d) currency translation differences	**(1)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1)**
e) changes in the Group	**23**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**-**	**25**
As at Dec 31 2012	**1,220**	**-**	**-**	**811**	**42**	**29**	**866**	**29**	**-**	**2,997**

3. Provisions

	Provision for well decommissioning costs	Provision for penalty imposed by the Office for Competition and Consumer Protection	Provision for environmental liabilities	Provision for claims under extra-contractual use of land	Provision for dispute with the PBG Consortium	Other provisions	**Total**
As at Jan 1 2013	**1,661**	**60**	**94**	**77**	**-**	**250**	**2,142**
a) increase	15	-	-	9	-	143	**167**
b) transfer	-	-	-	-	-	-	**-**
c) decrease	(9)	-	(2)	(10)	-	(77)	**(98)**
d) currency translation differences	1	-	-	-	-	1	**2**
e) changes in the Group	-	-	-	-	-	-	**-**
As at Mar 31 2013	**1,668**	**60**	**92**	**76**	**-**	**317**	**2,213**
As at Jan 1 2012	**1,237**	**-**	**118**	**62**	**22**	**104**	**1,543**
a) increase	463	60	8	42	-	145	**718**
b) transfer	-	-	-	-	-	-	**-**
c) decrease	(36)	-	(32)	(27)	(22)	(33)	**(150)**
d) currency translation differences	(3)	-	-	-	-	-	**(3)**
e) changes in the Group	-	-	-	-	-	34	**34**
As at Dec 31 2012	**1,661**	**60**	**94**	**77**	**-**	**250**	**2,142**

4. Revenue

	From Jan 1 to Mar 31 2013	From Jan 1 to Mar 31 2012
High-methane gas	8,008	6,990
Nitrogen-rich gas	480	435
Crude oil	508	341
Helium	59	33
Propane-butane gas	16	18
Natural gasoline	2	2
LNG	16	13
CNG	8	8
NGL	20	-
Electricity	308	311
Heat	430	376
Certificates of origin for electricity	26	65
Gas storage services	10	10
Geophysical and geological services	68	109
Drilling and well servicing services	157	129
Materials and goods	18	4
Other products and services	121	103
Total	**10,255**	**8,947**

5. Operating expenses

Raw material and consumables used	From Jan 1 to Mar 31 2013	From Jan 1 to Mar 31 2012
Cost of gas sold	(6,297)	(5,886)
Fuels for electricity and heat generation	(397)	(412)
Other raw material and consumables used	(151)	(192)
Total	**(6,845)**	**(6,490)**

Contracted services	From Jan 1 to Mar 31 2013	From Jan 1 to Mar 31 2012
Transmission services	(383)	(418)
Costs of dry wells written off	(23)	(59)
Other contracted services	(332)	(324)
Total	**(738)**	**(801)**

6. Income tax expense

	From Jan 1 to Mar 31 2013	From Jan 1 to Mar 31 2012
Profit/(loss) before tax	1,280	373
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	(243)	(71)
Difference in tax rates	(3)	(1)
Investment tax credit (Norway)	94	50
Permanent differences between pre-tax profit/(loss) and tax base	(54)	(18)
Tax expense in the consolidated income statement	**(206)**	**(40)**
Current tax expense	(298)	(125)
Deferred tax expense	92	85
Effective tax rate	16.09%	10.72%

The significant year-on-year increase in the Group's "Profit/(loss) before tax" in Q1 2013 resulted in a year-on-year increase in "Tax expense in the consolidated income statement" and in a higher effective interest rate.

7. Property, plant and equipment by categories

	As at Mar 31 2013, end of Q1 2013	As at Dec 31 2012, end of previous year: 2012
Land	74	70
Buildings and structures	16,808	16,522
Plant and equipment	8,559	4,530
Vehicles and other	1,245	1,244
Total tangible assets	**26,686**	**22,366**
Tangible assets under construction - exploration for and evaluation of mineral resources	2,490	2,371
Other tangible assets under construction	4,789	9,047
Total property, plant and equipment	**33,965**	**33,784**

8. Derivative financial instruments

The table below presents the list of banks with which the Parent executed ISDA (International Swaps and Derivatives Association) agreements or Polish Master Agreements prepared in accordance with the guidelines of the Polish Banks Association (PMA).

Bank	Agreement/ transaction types
Bank Handlowy S.A.	PMA/all
Barclays Bank plc	ISDA/all transactions
BNP Paribas	ISDA/all transactions
BRE BANK S.A.	PMA/all (excluding commodity transactions)
BZ WBK S.A.	PMA/all
CA-CIB	ISDA/all transactions
Credit Suisse	ISDA/all transactions
DB Polska S.A.	PMA/currency transactions
DB AG	ISDA/all transactions
GDF Suez Trading	ISDA/all transactions
Goldman Sachs	ISDA/all transactions
HSBC Bank Polska S.A.	PMA/all (excluding commodity transactions)
ING Bank NV.	ISDA/all transactions
Mitsubishi UFJ Securities Int. plc	ISDA/all transactions
Morgan Stanley	ISDA/currency transactions
Millennium Bank S.A.	PMA/currency transactions
Natixis	ISDA/all transactions
Nordea Bank Finland plc	ISDA/all transactions
Pekao SA	PMA/all (excluding commodity transactions)
PKO BP SA	PMA/all (excluding commodity transactions)
Societe Generale	ISDA/all transactions
SMBC Capital Markets, Inc.	ISDA/currency transactions

In the period January 1st–March 31st 2013, the following derivative transactions were executed:

- purchase of European currency call options,
- purchase of Asian currency call options.
- purchase of currency forwards;
- sale of currency forwards;
- purchase of Asian commodity call options;
- zero-cost risk reversal strategies based on symmetrical commodity options;
- purchase of commodity swap;
- cross currency basis swap.

The Group's derivative transactions are used to hedge commodity, currency and interest rate risk exposures. The volume of hedging transactions does not exceed the value of the hedged items in any of the periods.

Further, in the case of the Parent, all eligible transactions executed in the period January 1st–March 31st 2013 are covered by hedge accounting. In that period the Parent was party to CCIRS transactions, entered into in Q1 2013 and in prior periods; these transactions are not covered by hedge accounting. This is due to the fact that the valuation of both the hedged item and the hedge (the derivative transaction) is recognised in profit or loss, which produces the same effect as if hedge accounting was applied.

The table below presents the Group companies' open derivative transactions as at March 31st 2013.

Hedged item	Par value in currency	Currency/asset	Maturity date	Exercise price (exercise price range)	As at Mar 31 2013	Hedged risk
Cross Currency Interest Rate Swap						
Loan	1,031	NOK	1-3 years	0.5716	9	Foreign exchange and interest-rate risk
Loan	4,749	NOK	1-3 years	0.5139	(240)	Foreign exchange and interest-rate risk
Eurobonds	500	EUR	over 3 years	4.1580	74	Foreign exchange and interest-rate risk
					(157)	
Forward transactions						
Loan	283	NOK	3-6 months	0.5648	1	Foreign exchange risk
Loan	50	NOK	3-6 months	0.5558	-	Foreign exchange risk
Payments for gas	14	EUR	up to 1 month	4.1464	-	Foreign exchange risk
Payments for gas	5	EUR	1-3 months	4.2425	-	Foreign exchange risk
Payments for gas	60	USD	up to 1 month	3.1905	4	Foreign exchange risk
Payments for gas	20	USD	1-3 months	3.2740	-	Foreign exchange risk
Payments for gas	65	USD	1-3 months	3.1853	6	Foreign exchange risk
Payments for gas	25	USD	3-6 months	3.1852	3	Foreign exchange risk
Payments for gas	40	EUR	1-3 months	4.1988	-	Foreign exchange risk
Payments for gas	16	EUR	1-3 months	4.1796	-	Foreign exchange risk
Payments for gas	10	EUR	3-6 months	4.1871	-	Foreign exchange risk
					14	
Call options						
Payments for gas	21	EUR	up to 1 month	4.2463	-	Foreign exchange risk
Payments for gas	30	EUR	1-3 months	4.2651	1	Foreign exchange risk
Payments for gas	25	EUR	3-6 months	4.3825	1	Foreign exchange risk
Payments for gas	45	EUR	6-12 months	4.4056	2	Foreign exchange risk
Payments for gas	131	EUR	1-3 months	4.2466	1	Foreign exchange risk
Payments for gas	53	EUR	3-6 months	4.2459	2	Foreign exchange risk
Payments for gas	90	USD	up to 1 month	3.4331	-	Foreign exchange risk
Payments for gas	90	USD	1-3 months	3.3364	4	Foreign exchange risk
Payments for gas	130	USD	3-6 months	3.3102	11	Foreign exchange risk
Payments for gas	30	USD	6-12 months	3.3907	3	Foreign exchange risk
					25	

continued

Hedged item	Par value in currency	Currency/asset	Maturity date	Exercise price (exercise price range)	As at Mar 31 2013	Hedged risk
			Call commodity options			
Payments for gas	0.163	FO	up to 1 month	772.68	-	commodity price risk
Payments for gas	0.316	FO	1-3 months	729.94	1	commodity price risk
Payments for gas	0.275	FO	3-6 months	729.21	2	commodity price risk
Payments for gas	0.362	FO	6-12 months	703.46	1	commodity price risk
Payments for gas	0.022	FO	1-3 years	720.00	-	commodity price risk
Payments for gas	0.123	GO	up to 1 month	1,063.17	-	commodity price risk
Payments for gas	0.250	GO	1-3 months	1,008.70	11	commodity price risk
Payments for gas	0.187	GO	3-6 months	1,043.29	5	commodity price risk
Payments for gas	0.190	GO	6-12 months	1,038.43	-	commodity price risk
Payments for gas	0.013	GO	1-3 years	1,060.00	-	commodity price risk
Payments for gas	1.350	TTF	up to 1 month	26.80	2	commodity price risk
Payments for gas	5.270	TTF	1-3 months	26.49	20	commodity price risk
Payments for gas	1.170	TTF	3-6 months	27.42	3	commodity price risk
					45	
			Put commodity options			
Payments for gas	0.142	FO	up to 1 month	583.13	-	commodity price risk
Payments for gas	0.178	FO	1-3 months	544.63	-	commodity price risk
Payments for gas	0.044	FO	3-6 months	547.05	-	commodity price risk
Payments for gas	0.123	GO	up to 1 month	841.07	-	commodity price risk
Payments for gas	0.170	GO	1-3 months	818.06	-	commodity price risk
Payments for gas	0.041	GO	3-6 months	821.44	-	commodity price risk
					-	
			Swap commodity options			
Payments for gas	0.430	TTF	up to 1 month	25.59	3	commodity price risk
Payments for gas	1.330	TTF	1-3 months	25.57	8	commodity price risk
					11	
Total valuation					**(62)**	
			disclosed in:	**assets**	**179**	
				liabilities	**(241)**	

HFO – Heavy Fuel Oil
GO – Gasoil
TTF – Natural Gas at the Title Transfer Facility

The effect on the result on derivative instruments is presented in the table below.

	From Jan 1 to Mar 31 2013	From Jan 1 to Mar 31 2012
Net gain/loss on valuation of derivative instruments – unrealised	28	125
Net gain/loss on derivative instruments – realised	(106)	(51)
Total net gain/loss on derivative instruments recognised in profit or loss	**(78)**	**74**
including:		
recognised in raw material and consumables used	(63)	83
recognised in other income and expenses	(55)	(9)
recognised in finance income or costs	40	-
Net gain/loss on valuation of derivative instruments recognised in other comprehensive income -– unrealised	**138**	**(217)**
Total net gain/loss on derivative instruments recognised in equity	**60**	**(143)**

9. Differences between the data disclosed in the financial statements and comparative financial data, and the data disclosed in the published financial statements for prior periods

In the financial statements for Q1 2013, the Group made changes to comparative financial data relating to the presentation of expenses on:

- seismic surveys,
- licences,
- rights to geological information,
- mining rights.

Previously, seismic survey and licence expenses were charged directly to profit or loss under costs for the period in which they had been incurred, in line with the Accounting Policies, while rights to geological information and mining rights were recognised as other assets.

Given the intensified exploration for unconventional gas, leading to potential development of unconventional gas fields, as well as the need to improve comparability of the Group's financial results with results published by peer companies, as of 2012 the Group presents these expenses in the following manner:

- expenses on seismic work are capitalised as exploration and appraisal assets,
- expenses on licences, rights to geological information and mining rights are capitalised and presented under intangible assets.

The changes are presented retrospectively, in correspondence with retained earnings.

The Group also made presentation changes with respect to employee benefit expense. Until 2012, employee benefit expense provisions had been recognised in the income statement as other expenses/income. In 2012, the Group presented those expenses/income in the income statement under employee benefit expense, while the obligations were carried under employee benefit obligations in the statement of financial position.

The purpose of the above changes was to increase the transparency and usefulness of data shown in the financial statements.

The Group also made changes in the comparative data following the first-time adoption of the revised IAS 1 Presentation of Financial Statements and IAS 19 Employee Benefits. The effect of the application of the revised standards are further discussed in Note III.3.1. *First-time adoption of standards and interpretations*

As a result of the changes, several adjustments were made to comparative data for the year ended December 31st 2012; these are presented in the financial statements below.

Earnings and diluted earnings per share attributable to owners of the Parent (in PLN)

	Jan 1–Mar 31 2012 before the change	Jan 1–Mar 31 2012 after the change
Earnings and diluted earnings per share attributable to owners of the Parent (in PLN)	0.05	0.06

CONSOLIDATED INCOME STATEMENT

	Jan 1–Mar 31 2012 before the change	Adjustments ensuring comparability - presentation change - employee benefit obligations	Adjustments ensuring comparability - seismic surveys	Jan 1–Mar 31 2012 after the change
Revenue	8,947	-	-	8,947
Raw material and consumables used	(6,490)	-	-	(6,490)
Employee benefit expense	(695)	4	-	(691)
Depreciation and amortisation expenses	(455)	-	-	(455)
Contracted services	(801)	-	-	(801)
Work performed by the entity and capitalised	151	-	44	195
Other income and expenses	(357)	(4)	-	(361)
Total operating expenses	**(8,647)**	**-**	**44**	**(8,603)**
Operating profit/(loss)	**300**	**-**	**44**	**344**
Finance income	93	-	-	93
Finance costs	(64)	-	-	(64)
Share in net profit/loss of equity-accounted entities	-	-	-	-
Profit/(loss) before tax	**329**	**-**	**44**	**373**
Income tax expense	(32)	-	(8)	(40)
Net profit/(loss)	**297**	**-**	**36**	**333**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Jan 1–Mar 31 2012 before the change	Adjustments ensuring comparability - presentation change - employee benefit obligations	Adjustments ensuring comparability - seismic surveys, licences	Jan 1–Mar 31 2012 after the change
Net profit/(loss)	**297**	**-**	**36**	**333**
Other comprehensive income, net	**(194)**	**-**	**-**	(194)
including:				
Exchange differences on translating foreign operations	(18)	-	-	(18)
Total comprehensive income	**103**	**-**	**36**	**139**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at Dec 31 2011 before the change	Adjustments ensuring comparability - change of IAS 19	As at Dec 31 2012 - after the change
ASSETS			
Total non-current assets	**37,084**	**12**	**37,096**
including:			
Deferred tax assets	1,124	12	1,136
Total current assets	**10,833**	**-**	**10,833**
Total assets	**47,917**	**12**	**47,929**
LIABILITIES AND EQUITY			
Total equity	**27,247**	**(51)**	**27,196**
including:			
Accumulated other comprehensive income	(90)	(59)	(149)
Retained earnings	19,693	8	19,701
Total non-current liabilities	**11,057**	**63**	**11,120**
including:			
Employee benefit obligations	319	63	382
Total current liabilities	**9,613**	**-**	**9,613**
including:			
Employee benefit obligations	356	-	356
Total liabilities	**20,670**	**63**	**20,733**
Total liabilities and equity	**47,917**	**12**	**47,929**

CONSOLIDATED STATEMENT OF CASH FLOWS

	Jan 1–Mar 31 2012 before the change	Adjustments ensuring comparability - seismic surveys and licences	Jan 1–Mar 31 2012 after the change
Cash flows from operating activities including:	**1,917**	**44**	**1,961**
Net profit/(loss)	297	36	333
Current tax expense	32	8	40
Other items, net	88	(3)	85
Change in working capital	1,138	3	1,141
Cash flows from investing activities	**(3,682)**	**(44)**	**(3,726)**
including:			
Purchase of property, plant and equipment and intangible assets	(906)	(44)	(950)
Cash flows from financing activities	2,426	-	2,426
Net change in cash	**661**	**-**	**661**
Cash and cash equivalents at beginning of the period	1,504	-	1,504
Cash and cash equivalents at end of the period	**2,165**	**-**	**2,165**

Reportable segments

Period ended March 31st 2012	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Eliminations	Total
Segment's operating profit/(loss) before the changes	**430**	**(778)**	**528**	**126**	**(6)**	**1**	**301**
Changes, including	**43**	**-**	**-**	**-**	**-**	**-**	**43**
Adjustments ensuring comparability - seismic surveys	43	-	-		-	-	**43**
Segment's operating profit/(loss) after the changes	**473**	**(778)**	**528**	**126**	**(6)**	**1**	**344**
Segment's assets before the changes	**14,669**	**14,442**	**13,061**	**4,418**	**439**	**(6,575)**	**40,454**
Changes, including	**935**	**12**	**-**	**-**	**-**	**-**	**947**
Adjustments ensuring comparability - seismic surveys and licences	935	12	-	-	-	-	**947**
Segment's assets after the changes	**15,604**	**14,454**	**13,061**	**4,418**	**439**	**(6,575)**	**41,401**
Segment's liabilities before the changes	**4,699**	**3,746**	**2,222**	**2,698**	**152**	**(6,237)**	**7,280**
Changes, including	**25**	**10**	**48**	**-**	**1**	**-**	**84**
Adjustments ensuring comparability - change of IAS 19	25	10	48	-	1	-	**84**
Segment's liabilities after the changes	**4,724**	**3,756**	**2,270**	**2,698**	**153**	**(6,237)**	**7,364**

II. CONDENSED SEPARATE FINANCIAL STATEMENTS

SEPARATE INCOME STATEMENT

	Q1 2013: Jan 1-Mar 31 2013	Q1 2012: Jan 1-Mar 31 2012
	unaudited	restated
	(PLNm)	
Revenue	**8,750**	**7,944**
Raw material and consumables used	(5,825)	(5,871)
Employee benefit expense	(189)	(210)
Depreciation and amortisation expenses	(158)	(136)
Contracted services	(1,848)	(1,784)
Work performed by the entity and capitalised	1	3
Other income and expenses	(71)	(202)
Total operating expenses	**(8,090)**	**(8,200)**
Operating profit/(loss)	**660**	**(256)**
Finance income	110	157
Finance costs	(104)	(148)
Profit/(loss) before tax	**666**	**(247)**
Income tax expense	(118)	41
Net profit/(loss)	**548**	**(206)**
Earnings/(loss) and diluted earnings/(loss) per share (PLN)	0.09	(0.03)

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Q1 2013: Jan 1-Mar 31 2013	Q1 2012: Jan 1-Mar 31 2012
	unaudited	restated
	(PLNm)	
Net profit/(loss)	**548**	**(206)**
Other comprehensive income that will be reclassified to profit or loss once specific conditions are met		
Exchange differences on translating foreign operations	7	(7)
Cash flow hedge accounting	137	(217)
Deferred tax	(26)	41
Other comprehensive income, net	**118**	**(183)**
Total comprehensive income	**666**	**(389)**

SEPARATE STATEMENT OF FINANCIAL POSITION

	As at Mar 31 2013, end of Q1 2013	Dec 31 2012, end of previous year: 2012
	unaudited	restated
	(PLNm)	
ASSETS		
Non-current assets		
Property, plant and equipment	14,103	14,098
Investment property	2	2
Intangible assets	215	204
Financial assets available for sale	8,172	7,263
Other financial assets	5,233	5,780
Deferred tax assets	364	397
Other non-current assets	46	47
Total non-current assets	**28,135**	**27,791**
Current assets		
Inventories	1,731	2,427
Trade and other receivables	4,864	5,172
Current tax assets	-	24
Other assets	105	17
Derivative financial instrument assets	179	105
Cash and cash equivalents	2,015	1,034
Non-current assets held for sale	73	73
Total current assets	**8,967**	**8,852**
Total assets	**37,102**	**36,643**
LIABILITIES AND EQUITY		
Equity		
Share capital	5,900	5,900
Share premium	1,740	1,740
Accumulated other comprehensive income	52	(66)
Retained earnings	14,948	14,400
Total equity	**22,640**	**21,974**
Non-current liabilities		
Borrowings and other debt instruments	4,405	4,390
Employee benefit obligations	89	89
Provisions	1,586	1,576
Deferred income	568	559
Deferred tax liabilities	576	632
Other non-current liabilities	35	41
Total non-current liabilities	**7,259**	**7,287**
Current liabilities		
Trade and other payables	3,800	2,763
Borrowings and other debt instruments	2,754	3,879
Derivative financial instrument liabilities	241	393
Current tax liabilities	79	-
Employee benefit obligations	113	190
Provisions	203	152
Deferred income	13	5
Total current liabilities	**7,203**	**7,382**
Total liabilities	**14,462**	**14,669**
Total liabilities and equity	**37,102**	**36,643**

SEPARATE STATEMENT OF CASH FLOWS

	Q1 2013: Jan 1-Mar 31 2013	Q1 2012: Jan 1-Mar 31 2012
	unaudited	restated
	(PLNm)	
Cash flows from operating activities		
Net profit/(loss)	548	(206)
Adjustments:		
Depreciation and amortisation expenses	158	136
Net foreign exchange gains/(losses)	26	74
Net interest and dividend paid	(18)	(15)
Gain/(loss) on investing activities	1	(17)
Current tax expense	118	(41)
Other items, net	(12)	(17)
Income tax expense	(66)	-
Cash flows from operating activities before changes in working capital	**755**	**(86)**
Change in working capital:		
Change in receivables	355	(471)
Change in inventories	697	1 063
Change in employee benefit obligations	(77)	(7)
Change in provisions	54	11
Change in current liabilities	993	425
Change in other assets	(90)	(80)
Change in deferred income	6	16
Net cash flows from operating activities	**2,693**	**871**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment and intangible assets	6	6
Purchase of property, plant and equipment and intangible assets	(16)	(288)
Payments for tangible assets under construction - exploration for and evaluation of mineral resources	(298)	(86)
Purchase of shares in related entities	(908)	(781)
Proceeds from loans advanced	1,055	16
Loans advanced	(283)	(2,336)
Cash inflow from derivative financial instruments	41	28
Cash outflow on derivative financial instruments	(131)	(115)
Interest received	4	3
Proceeds from finance lease	1	1
Other items, net	12	36
Net cash flows from investing activities	**(517)**	**(3,516)**
Cash flows from financing activities		
Proceeds from borrowings	-	2,085
Proceeds from issue of debt securities	1,745	4,409
Repayment of borrowings	(72)	-
Repayment of debt securities	(2,877)	(3,580)
Cash inflow from derivative financial instruments	83	-
Cash outflow on derivative financial instruments	(35)	-
Interest paid	(41)	(68)
Other items, net	2	(1)
Net cash flows from financing activities	**(1,195)**	**2,845**
Net change in cash	**981**	**200**
Exchange differences on cash and cash equivalents	-	
Cash and cash equivalents at beginning of the period	**1,034**	**935**
Cash and cash equivalents at end of the period	**2,015**	**1,135**

SEPARATE STATEMENT OF CHANGES IN EQUITY

			Accumulated other comprehensive income, including				
	Share capital	Share premium	Exchange differences on translating foreign operations	Hedge accounting	Actuarial gains/(losses)	Retained earnings/(deficit)	**Total equity**
				(PLNm)			
As at Jan 1 2013 (restated)	**5,900**	**1,740**	**-**	**(59)**	**(7)**	**14,400**	**21,974**
Total comprehensive income	-	-	**7**	**111**	**-**	**548**	**666**
Net profit for Q1 2013	-	-	-	-	-	548	**548**
Other comprehensive income, net, for Q1 2013	-	-	7	111	-	-	**118**
As at Mar 31 2013 (unaudited)	**5,900**	**1,740**	**7**	**52**	**(7)**	**14,948**	**22,640**
As at Jan 1 2012 (restated)	**5,900**	**1,740**	**9**	**143**	**(17)**	**12,481**	**20,256**
Total comprehensive income	-	-	**(8)**	**(175)**	-	**(206)**	**(389)**
Net loss for Q1 2012	-	-	-	-	-	(206)	**(206)**
Other comprehensive income, net, for Q1 2012	-	-	(8)	(175)	-	-	**(183)**
As at Mar 31 2012 (restated)	**5,900**	**1,740**	**1**	**(32)**	**(17)**	**12,275**	**19,867**

NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS

1. Deferred tax

Deferred tax assets and liabilities	Deferred tax assets	Deferred tax liabilities
As at Jan 1 2013	**397**	**632**
a) increase	7	28
b) decrease	(40)	(84)
As at Mar 31 2013	**364**	**576**
As at Jan 1 2012	**347**	**496**
a) increase	76	198
b) decrease	(26)	(62)
As at Dec 31 2012	**397**	**632**

2. Impairment losses

Impairment losses on assets	Property, plant and equipment and intangible assets	Non-current assets held for sale	Non-current financial assets available for sale	Inventories	Current receivables	Current portion of non-current loans	Total
As at Jan 1 2013	**1,143**	**19**	**1,637**	**4**	**757**	**29**	**3,589**
a) increase	-	**-**	-	36	110	2	**148**
b) decrease	(2)	**-**	-	-	(150)	-	**(152)**
As at Mar 31 2013	**1,141**	**19**	**1,637**	**40**	**717**	**31**	**3,585**
As at Jan 1 2012	**997**	**-**	**1,661**	**4**	**665**	**29**	**3,356**
a) increase	593	-	45	38	318	1	**995**
b) transfer	-	19	(19)	-	-	-	**-**
c) decrease	(447)	-	(50)	(38)	(226)	(1)	**(762)**
As at Dec 31 2012	**1,143**	**19**	**1,637**	**4**	**757**	**29**	**3,589**

3. Provisions

	Provision for well decommissioning costs	Provision for penalty imposed by the Office for Competition and Consumer Protection	Provision for environmental liabilities	Provision for claims under extra-contractual use of land	Provision for dispute with the PBG Consortium	Provision for energy performance certificates	Other	**Total**
As at Jan 1 2013	**1,538**	**60**	**46**	**16**	**-**	**-**	**68**	**1,728**
a) increase	15	-	-	**-**	**-**	**45**	13	**73**
b) decrease	(9)	-	-	**-**	**-**	**-**	(3)	**(12)**
As at Mar 31 2013	**1,544**	**60**	**46**	**16**	**-**	**45**	**78**	**1,789**
As at Jan 1 2012	**1,116**	**-**	**42**	**23**	**22**	**-**	**39**	**1,242**
a) increase	459	**60**	**4**	**1**	-	-	**37**	**561**
b) decrease	(37)	**-**	**-**	**(8)**	(22)	-	**(8)**	**(75)**
As at Dec 31 2012	**1,538**	**60**	**46**	**16**	**-**	**-**	**68**	**1,728**

4. Revenue

	From Jan 1 to Mar 31 2013	From Jan 1 to Mar 31 2012
High-methane gas	7,483	7,058
Nitrogen-rich gas	481	436
Crude oil	508	351
Helium	59	32
Propane-butane gas	17	16
Natural gasoline	2	2
LNG	17	13
Electricity	1	-
Materials and goods	2	2
Other sales of products and services	180	34
Total	**8,750**	**7,944**

5. Operating expenses

Raw and other materials used	From Jan 1 to Mar 31 2013	From Jan 1 to Mar 31 2012
Cost of gas sold	(5,791)	(5,842)
Other raw material and consumables used	(34)	(29)
Total	**(5,825)**	**(5,871)**

Contracted services	From Jan 1 to Mar 31 2013	From Jan 1 to Mar 31 2012
Transmission and distribution services	(1,541)	(1,605)
Costs of dry wells written off	(23)	(31)
Other contracted services	(284)	(148)
Total	**(1,848)**	**(1,784)**

6. Income tax expense

	From Jan 1 to Mar 31 2013	From Jan 1 to Mar 31 2012
Profit/(loss) before tax	666	(247)
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	(127)	47
Permanent differences between pre-tax profit (loss) and tax base	8	(6)
Tax expense in the income statement	**(118)**	**41**
Current tax expense	(168)	-
Deferred tax expense	50	41
Effective tax rate	18%	-*

*As the tax charge recognised at the end of Q1 2012 was positive, the Company does not present the effective tax rate to avoid incorrect interpretation.

7. Property, plant and equipment by categories

	As at Mar 31 2013, end of Q1 2013	As at Dec 31 2012, end of previous year: 2012
Land	29	26
Buildings and structures	6,194	6,076
Plant and equipment	1,407	1,414
Vehicles and other	120	121
Total tangible assets	**7,750**	**7,637**
Tangible assets under construction - exploration for and evaluation of mineral resources	2,249	2,151
Other tangible assets under construction	4,104	4,310
Total property, plant and equipment	**14,103**	**14,098**

8. Listing and explanation of differences between the data disclosed in the financial statements and comparative financial data, and the data disclosed in previously published financial statements

Following the change in the Accounting Policies in 2012 (and described in detail in Note 2.5 to the Separate Financial Statements for the financial year ended December 31st 2012), comparative data for Q1 2012 was restated in accordance with the currently applied Accounting Policies. As a result of these changes, the following adjustments were made in the comparative data disclosed in the income statement for Q1 2012.

Separate income statement	Period prior to the change	Adjustments ensuring comparability - seismic surveys	Period following the change
Revenue	**7,944**		**7,944**
Raw material and consumables used	(5,871)	-	(5,871)
Employee benefit expense	(210)	-	(210)
Depreciation and amortisation expenses	(136)	-	(136)
Contracted services	(1,826)	42	(1,784)
Work performed by the entity and capitalised	3	-	3
Other income and expenses, net	(202)	-	(202)
Total operating expenses	**(8,242)**	**42**	**(8,200)**
Operating profit/(loss)	**(298)**	**42**	**(256)**
Finance income	157	-	157
Finance costs	(148)	-	(148)
Profit/(loss) before tax	**(289)**	**42**	**(247)**
Income tax expense	49	(8)	41
Net profit/(loss)	**(240)**	**34**	**(206)**
Net loss and diluted net loss per share (PLN)	(0.04)		(0.03)

As of Since January 1st 2013, the Company applies IAS 19; therefore, the comparative data disclosed in the statement of financial position as at December 31st 2012 was adjusted accordingly.

As a result of the change, the following adjustments were made in the comparative data for the year ended December 31st 2011:

Separate statement of financial position	Period prior to the change	Adjustments ensuring comparability – change of IAS 19	Period following the change
ASSETS			
Total non-current assets	**27,789**	**2**	**27,791**
Deferred tax assets	395	2	397
Total current assets	**8,852**	**-**	**8,852**
Total assets	**36,641**	**2**	**36,643**
LIABILITIES AND EQUITY			
Total equity	**21,981**	**(7)**	**21,974**
Accumulated other comprehensive income	(59)	(7)	(66)
Retained earnings	14,400	-	14,400
Total non-current liabilities	**7,278**	**9**	**7,287**
Employee benefit obligations	**81**	**9**	89
Total current liabilities	**7,382**	**-**	**7,382**
Total liabilities	**14,660**	**9**	**14,669**
Total liabilities and equity	**36,641**	**2**	**36,643**

III. ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS

1. Basis of preparation and format of the financial statements contained in this report

These condensed consolidated financial statements and condensed separate financial statements as at March 31st 2013 have been prepared in accordance with IAS 34 Interim Financial Reporting and the Regulation of the Minister of Finance on current and periodic information to be published by issuers of securities and conditions for recognition as equivalent of information whose disclosure is required under the laws of a non-member state, dated February 19th 2009 (Dz. No. 33, item 259, as amended) (the "Regulation"). The financial statements present data as at March 31st 2013 and for the period January 1st–March 31st 2013, along with comparative financial data for the relevant periods of 2012.
The data disclosed in these financial statements are stated in the Polish złoty (PLN), and all amounts, unless indicated otherwise, are stated in millions of the złoty. Differences, if any, between the totals and the sum of particular items are due to rounding off.

These financial statements of the PGNiG Group (the "PGNiG Group", the "Group") have been prepared based on the assumption that PGNiG SA ("PGNiG SA", the "Company", the "Parent") and the subsidiaries will continue as going concerns for at least 12 months subsequent to the balance-sheet date.

As at the date of signing these financial statements, the Management Board of the Parent is not aware of any facts or circumstances which would imply a threat to the Parent continuing as a going concern for 12 months after the balance-sheet date due to an intended or forced discontinuance or material limitation of its activity.

These quarterly financial statements have been approved for publication by the Management Board of the Parent on May 14th 2013.

2. Adopted accounting policies

The policies applied to prepare these condensed consolidated financial statements and condensed separate financial statements are consistent with the general policies applied to draw up the annual consolidated financial statements for the year ended December 31st 2012, published on March 19th 2013, except to the extent of application of the following amendments to financial reporting standards and their new interpretations, which are effective for annual periods beginning on or after January 1st 2013:

- Amendment to IFRS 1 First-Time Adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters endorsed by the EU on December 11th 2012 (effective for annual periods beginning on or after July 1st 2013),
- Amendments to IFRS 1 First-Time Adoption of IFRS – Government Loans (effective for annual periods beginning on or after January 1st 2013),
- Amendments to IFRS 7 Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities endorsed by the EU on December 13th 2012 (effective for annual periods beginning on or after January 1st 2013),
- Amendments to IAS 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (effective for annual periods beginning on or after July 1st 2012),
- Amendment to IAS 12 Income Tax – Deferred Tax: Realisation of Assets endorsed by the EU on December 11th 2012 (effective for annual periods beginning on or after January 1st 2013),
- Amendments to IAS 19 Employee Benefits – Amendments to Post-Employment Benefit Accounting (effective for annual periods beginning on or after January 1st 2013),
- IFRS 13 Fair Value Measurement endorsed by the EU on December 11th 2012 (effective for annual periods beginning on or after January 1st 2013),
- Amendments to various standards Improvements to International Financial Reporting Standards (2012) – amendments made as part of the process of making annual improvements to the Standards, published on May 17th 2012 (IFRS1, IAS 1, IAS 16, IAS 32 and IAS 34) aimed chiefly at eliminating inconsistencies and clarification of wording (effective for annual periods beginning on or after January 1st 2013).

With the exception of revised IAS 1 and IAS 19, application of the above amendments to standards has not caused any material changes in the accounting policies of the Group or in the presentation of data in its financial statements.

3. Effect of new standards and interpretations on the Group's financial statements

3.1. First-time adoption of standards and interpretations

3.1.1. Application of the revised IAS 1

Revised IAS 1 requires separate presentation of the effect of other comprehensive income on future financial performance of a company, as it requires separate subtotals for those elements which may be reclassified to profit or loss and those elements that will not, in accordance with the requirements of individual IFRS standards.

Application of this amendment in these financial statements has had no effect on the values of items previously disclosed in the statement of comprehensive income.

3.1.2. Application of the revised IAS 19

Revised IAS 19 introduces material changes in accounting for defined employee benefits plans. In particular, the corridor method, that allows deferred recognition of actuarial gains/losses, has been eliminated. This means that actuarial gains/losses should be recognised immediately upon their origination.
The amendments to the standard also refer to the manner of presentation of changes in assets and liabilities of defined benefits plans. The amendments, in particular, require permanent recognition of impacts of remeasurement of assets and liabilities of a benefits plan in the statement of comprehensive income, with respect to post-employment benefits. The impacts of remeasurement of assets and liabilities of a benefits plan with respect to benefits paid during the employment period, as well as employment costs and interest are to be recognised in profit or loss, as under the previous regime.

Having applied the revised IAS 19, the Group changed the presentation of actuarial gains/losses and recognises them in other comprehensive income and not in profit/loss for current period. Actuarial gains/losses on remeasurement of long-term employee benefits paid during the employment period (length-of-service awards) are, as earlier, carried as profit/loss for current reporting period. The Group made a one-off recognition of past service cost in profit/loss. Formerly, the cost was recognised on a straight-line basis. The impact of the amendments introduced in the consolidated financial statements is presented in Note I.10 Differences between the data disclosed in the financial statements and comparative financial data, and the data disclosed in the published financial statements for prior periods.

3.2. Standards and interpretations published and endorsed for use in the EU but not yet effective

As at the date of these financial statements, the Group did not apply the following standards, amendments and interpretations which have been published and endorsed for application in the EU but have not yet become effective:

- IFRS 10 Consolidated Financial Statements endorsed by the EU on December 11th 2012 (effective for annual periods beginning on or after January 1st 2014),
- IFRS 11 Joint Arrangements endorsed by the EU on December 11th 2012 (effective for annual periods beginning on or after January 1st 2014),
- IFRS 12 Disclosure of Interests in Other Entities endorsed by the EU on December 11th 2012 (effective for annual periods beginning on or after January 1st 2014),
- IAS 27 (revised 2011) Separate Financial Statements endorsed by the EU on December 11th 2012 (effective for annual periods beginning on or after January 1st 2014),
- IAS 28 (revised 2011) Investments in Associates and Joint Ventures endorsed by the EU on December 11th 2012 (effective for annual periods beginning on or after January 1st 2014),
- Amendments to IAS 32 Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (effective for annual periods beginning on or after January 1st 2014).

The Group decided not to use the option of early adoption of the above standard.

The Group estimates that the above standards, interpretations and amendments to standards would not have had a material effect on the financial statements if they had been applied by the Group as at the end of the reporting period.

3.3. Standards and interpretations adopted by the IASB but not yet approved for use by the EU

The IFRSs endorsed by the EU do not significantly differ from the regulations adopted by the International Accounting Standards Board (IASB), except to the extent of the following standards, amendments and interpretations, which as at March 31st 2013 had not yet been endorsed for use:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1st 2015),
- Amendments to IFRS 7 Financial Instruments: Disclosures – disclosures relating to the effects of initial application of IFRS 9 where the entity does not restate its comparative data as required under the amended IFRS 9 (effective for annual periods beginning on or after January 1st 2015),
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Agreements, and IFRS 12 Disclosure of Interests in Other Entities – transition guidance (effective for annual periods beginning on or after January 1st 2013),
- Amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities, and IAS 27 Separate Financial Statements – Investment Entities (effective for annual periods beginning on or after January 1st 2014).

The Group estimates that the above standards, interpretations and amendments to standards would not have had a material bearing on the financial statements if they had been applied by the Group as at the end of the reporting period.

4. Brief description of significant achievements or failures of the Company in the reporting period, including identification of the key related events

a. On January 22nd 2013, Mr Sławomir Hinc, Vice-President, Finance, of the PGNiG Management Board resigned as a Member of the Company Management Board as of March 31st 2013. The reason for the resignation was his appointment as President (CEO) of PGNiG Norway AS (currently, PGNiG Upstream International AS) with effect from April 1st 2013.

   The appointment of Mr Sławomir Hinc as President (CEO) of PGNiG Norway AS should ensure a streamlined consolidation of the operations on international markets (Norway, Egypt, Libya and Pakistan) and intensification of steps taken with to increase natural gas and crude oil production – a prioritised objective of the growth strategy for the PGNiG Group.

b. At its meeting held on February 27th 2013, the PGNiG Supervisory Board appointed, with effect as of April 1st 2013, Mr Jacek Murawski as Vice-President of the Management Board for Finance and Mr Krzysztof Bocian as Vice-President of the Management Board for Exploration & Production for a joint term of office to expire on March 13th 2014.

   Following submission by Mr Krzysztof Bocian of a declaration on avoidance of the legal effects of acceptance of the position of Vice-President of PGNiG Management Board for Exploration & Production, dated March 30th 2013, on February 2nd 2013 the PGNiG Supervisory Board resolved to cancel the resolution to appoint Mr Krzysztof Bocian to the position of Vice-President of the PGNiG Management Board for Exploration & Production and to close the recruitment process for the position of Vice-President of the PGNiG Management Board for Exploration & Production with the position left vacant.

c. On March 19th 2013, the PGNiG Management Board resolved to recommend that the General Meeting of PGNiG allocate the 2012 net profit of PLN 1,918,481,599.73 to the Company's statutory reserve funds. The PGNiG Management Board also proposed to allocate retained earnings of PLN 625,926,472.51 to the Company's statutory reserve funds. On April 24th 2013, the PGNiG Supervisory Board issued a negative opinion on the Management Board's recommendation concerning the allocation of the 2012 net profit.

d. On March 22nd 2013, PGNiG SA signed the Final Acceptance Certificate for the Oil and Gas Mining Facility Lubiatów-Międzychód-Grotów (LMG). The LMG fields are among the largest hydrocarbon deposits in Poland; their recoverable reserves amount to 7.25m tonnes of crude oil and 7.3bn cubic metres of natural gas. The LMG is one of PGNiG's largest and most technologically advanced investment projects undertaken in recent years, expected to produce over 300 thousand tonnes of crude oil and 100m cubic metres of natural gas per year during the initial years of operation.

5. Factors and events, in particular of non-recurring nature, with a material effect on financial performance

In Q1 2013, the PGNiG Group generated a net profit of PLN 1,074m, up by PLN 741m year on year. The strong growth was driven primarily by higher sales of crude oil, higher – compared with Q1 2012 – gas fuel tariffs, coupled with the renegotiated pricing formula under the Yamal contract, as well as high volumes of the gas distributed and heat sold.
The Group delivered a threefold increase in EBIT, to PLN 1.4bn, and an increase in EBITDA to PLN 1.98bn.

Trade and Storage

In the first quarter of 2013, revenue of the Trade and Storage segment rose by 15%, and its operating costs net of amortisation and depreciation only by 5% year on year. That allowed the Group to reduce EBITDA loss by PLN 733m, to PLN -45m. Factors which contributed to the improved efficiency of the segment included maintaining the cost of gas sold at PGNiG SA at practically unchanged levels, a higher – on average by 8% compared with Q1 2012 – gas fuel tariff, a 7% increase in the volume of gas sales volumes. The euro and US dollar exchange rates, affecting the gas purchase costs, were down 2%, while the nine-month average of oil prices was PLN 345 per barrel, down 5%. At the same time, the effective gas fuel tariff was not sufficient to fully cover the gas purchase costs, which resulted in a -3% negative margin of high-methane gas sales and recognition of a PLN 35m impairment loss on reserves of high methane gas.

Exploration and Production

In Q1 2013, operating profit of the Exploration and Production segment was PLN 723m, up 53% year on year. The segment's EBITDA came in at PLN 912m, PLN 294m more than in Q1 2012. The increase was attributable to a 25% rise of revenue (PLN 1.4bn), coupled with a 3% reduction of operating expenses net of amortisation and depreciation, which were down to PLN 472m.
This strong performance was an effect of completion of two major long-term projects by the Group, i.e. construction of the LMG oil and gas production facility and the Skarv project (production of oil and gas in Norway). They contributed to a rise of crude oil sales in the first quarter by 63%, or 80 thousand tonnes. Coupled with a 5% decline of the average Brent price in the period, the sales growth resulted in revenue from crude sales of PLN 508m, up by 51%. Such a considerable growth of the segment's business involved only a 5% increase in operating expenses (mainly higher amortisation and depreciation).

Distribution

In the Distribution segment, the operating profit for Q1 2013, typically the best quarter during the year, was PLN 604m, up 14% on Q1 2012. Operating profit before amortisation and depreciation was 815m, PLN 84m more than the year before. Revenue improved by PLN 189m, to PLN 1.42bn, and operating expenses were up PLN 113m. This strong performance was driven by an 8% increase in volume of distributed gas, attributable to new connections, including customers purchasing coke gas, as well as higher gas consumption by households, mainly on the back of low air temperatures in March 2013, which has been the coldest in ten years.

Generation

In Q1 2013, the Generation segment reported revenue of PLN 759m, which remained relatively flat year on year. After the operating expenses (net of amortisation and depreciation) had been brought down 10%, the segment's operating result came in at PLN 157m, up 25% year on year. The cost items which decreased the most were fuels for heat and electricity generation other than coal, which dropped by PLN 24.5m, also due to lower biomass co-burning. The segment's amortisation and depreciation was PLN 100m, including PLN 32m under the effect of amortisation of CO_2 emission allowances recognised by the Group upon acquisition of PGNiG TERMIKA S.A.'s assets.

6. Seasonality or cyclicality in the Company's operations during the reporting period

Sale, distribution and storage of gas fuels, as well as cogeneration of heat and electricity, which next to hydrocarbon exploration and production constitute the core business of the Group, are subject to significant seasonal fluctuations.

The revenue from sale of natural gas and heat in the winter season (Q1 and Q4) is substantially higher than in the summer (Q2 and Q3). This is due to the seasonal changes in weather conditions in Poland, and the extent of the fluctuations is determined by the temperatures – low in the winter and higher in the summer. Gas and heat sales are to a much greater extent subject to seasonal changes

in the case of households, where gas and heat are used for heating, than in the case of industrial customers.
In order to ensure uninterrupted gas supplies in periods of peak demand and to maintain the security of gas supplies, it is necessary to replenish gas stocks in the underground gas storage facilities in the summer and to reserve higher transmission and distribution system capacities in the winter.

7. Issuance, redemption and repayment of debt and equity securities

In order to secure the Group's financial liquidity, the following debt issues are currently under way:

a. Under the Note Issue Programme Agreement executed by the Parent on June 10th 2010, the Parent may issue discount or coupon notes maturing in one to twelve months, with a total amount of PLN 7bn. The Agreement was originally concluded with six banks (Bank Pekao S.A., ING Bank Śląski S.A., PKOBP S.A., Bank Handlowy w Warszawie S.A., Societe Generale S.A. and BNP Paribas S.A., Polish Branch). Under an annex of November 25th 2011, by BRE Bank S.A., Bank Zachodni WBK S.A. and Nordea Bank Polska S.A. acceded to the Agreement. As at March 31st 2013, no debt was outstanding under the Agreement.

b. On August 25th 2011, the Parent and PGNiG Finance AB (a subsidiary of PGNiG SA) executed documentation for a Euro Medium Term Notes Programme with Societe Generale S.A., BNP Paribas S.A. and Unicredit Bank AG, pursuant to which PGNiG Finance AB may issue notes with maturities of up to ten years, up to the aggregate amount of EUR 1,200m. The first tranche of PGNiG Finance AB securities under the Programme, comprising PLN 500m 5-year Euronotes, was issued on February 10th 2012. As at the end of March 2013, debt outstanding under the Euronotes was PLN 2,089m (translated at the mid exchange rate quoted by the NBP for March 31st 2013).

c. On May 22nd 2012, the Parent executed an agreement for a PLN 4,500m notes programme with Bank Pekao S.A. and ING Bank Śląski S.A. Under the programme, on June 19th 2012 the Company issued Tranche 1, comprising PLN 2,500m 5-year notes maturing on June 19th 2017. On July 30th 2012, the issued notes were floated on the Catalyst market, a multilateral trading facility operated by BondSpot. Subsequent issues were carried out on September 19th 2012 (PLN 510.5m), December 19th 2012 (PLN 728m) and March 20th 2013 (PLN 1,066.2m). Notes issued in or after September 2012 had maturities ranging from three months to one year. As at March 31st 2013, debt outstanding under the Programme was PLN 4.378.2m.

d. On July 4th 2012, PGNiG Termika S.A. executed a Note Issuance Programme with the following banks: ING Bank Śląski S.A., PKO Bank Polski S.A., Nordea Bank Polska S.A. and Bank Zachodni WBK S.A. Under the Programme, PGNiG Termika S.A. may issue coupon or discount notes up to a total of PLN 1,500m. The Programme will expire on December 29th 2017. As at March 31st 2013, PGNiG Termika S.A.'s debt outstanding under the notes was PLN 303.3m. Given the debt's maturity date, the notes were disclosed under current liabilities.

8. Total and per share dividend paid (or declared) on ordinary and preference shares

On June 6th 2012, the Annual General Meeting of PGNiG SA resolved to allocate the 2011 profit of PLN 1,615.7m and retained earnings of PLN 72.5m to the Company's statutory reserve funds. Therefore, no dividend was paid to shareholders for 2011.

Until the date of preparation of these financial statements, the General Meeting of PGNiG SA had not passed a resolution concerning payment of dividend for 2012.

9. Events subsequent to the date of the condensed quarterly financial statements, not disclosed in the financial statements but potentially significant for future financial performance

There have been no events subsequent to the date of these financial statements which could be potentially significant for the Group's future financial performance.

10. Changes in contingent liabilities or assets subsequent to the end of the previous financial year

	As at Mar 31 2013, end of Q1 2013	As at Dec 31 2012, end of previous year: 2012
Contingent receivables	**844**	**957**
From related entities	*178*	*153*
- under guarantees and sureties received	1	1
- under promissory notes received	177	152
From other entities	*666*	*804*
- under guarantees and sureties received	278	420
- under promissory notes received	162	158
- other	226	226
Contingent liabilities	**12,636**	**11,559**
To related entities	*2*	-
- under guarantees and sureties issued	2	-
To other entities	*12,634*	*11,559*
- under guarantees and sureties issued	10,673	9,732
- under promissory notes issued	761	698
- other	1,200	1,129

The decrease in contingent receivables as at the end of Q1 2013 is chiefly attributable to expiry of a bank guarantee and a performance bond for an aggregate amount of PLN 133m. Contingent receivables from related entities increased by PLN 25m on the back of promissory notes issued by related entities to the Parent as security for loans advanced to these entities.

The increase in contingent liabilities as at the end of Q1 2013 was driven by the issuance of 26 new performance bonds for the aggregate amount of EUR 158.6m (PLN 712.6m) by the Parent to third-party trading partners. Further, higher contingent liabilities to other related entities under guarantees and sureties issued followed from depreciation of the złoty against the euro, causing a PLN 190m change in the value of EUR-denominated contingent liabilities (guarantee for the Norwegian state and guarantee issued to Euronote holders). The PLN 63m increase in contingent liabilities to other entities under promissory notes issued was attributable chiefly to new promissory notes issued, whereas contingent liabilities to other entities rose by PLN 71m after the USD-denominated liabilities increased following the appreciation of the dollar against the złoty.

11. Financial information by operating segments

11.1. Reportable segments

The tables below present income, expenses and profits/losses, as well as assets, equity and liabilities of the Group's reportable segments for the periods ended March 31st 2013 and March 31st 2012.

Period ended March 31st 2013	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Eliminations	Total
Income statement							
Sales to third-party customers	1,054	8,500	28	626	47	-	10,255
Intercompany sales	330	78	1,392	133	43	(1,976)	-
Total segment revenue	1,384	8,578	1,420	759	90	(1,976)	10,255
Depreciation and amortisation expenses	(189)	(44)	(211)	(100)	(5)	-	(549)
Other costs	(472)	(8,579)	(605)	(502)	(99)	1,978	(8,279)
Total segment costs	(661)	(8,623)	(816)	(602)	(104)	1,978	(8,828)
Operating profit/(loss)	**723**	**(45)**	**604**	**157**	**(14)**	**2**	**1,427**
Net finance costs							(147)
Share in net profit/(loss) of equity-accounted entities		-					-
Profit/(loss) before tax							**1,280**
Income tax							(206)
Net profit/(loss)							**1,074**
Statement of financial position							
Segment's assets	16,741	18,330	14,031	4,214	453	(7,382)	46,387
Investments in equity-accounted entities		771					771
Unallocated assets							228
Deferred tax assets							1,253
Total assets							**48,639**
Total equity							28,411
Segment liabilities	6,068	5,451	2,648	1,941	150	(6,971)	9,287
Unallocated liabilities							8,956
Deferred tax liabilities							1,985
Total liabilities and equity							**48,639**
Other information on the segment							
Capital expenditure on property, plant and equipment and intangible assets	(347)	(65)	(350)	(35)	(5)	41	**(761)**
Impairment losses on assets	(1,130)	(1,660)	(97)	(36)	(10)	1	**(2,932)**
Impairment losses on unallocated assets							(41)

Period ended March 31st 2012	Exploration and Production	Trade and Storage	Distribution	Generation	Other segments	Eliminations	Total
Income statement							
Sales to third-party customers	828	7,299	29	752	39	-	8,947
Intercompany sales	277	136	1,202	-	56	(1,671)	-
Total segment revenue	**1,105**	**7,435**	**1,231**	**752**	**95**	**(1,671)**	**8,947**
Depreciation and amortisation expenses	(145)	(33)	(203)	(70)	(4)	-	(455)
Other costs	(487)	(8,180)	(500)	(556)	(97)	1,672	(8,148)
Total segment costs	(632)	(8,213)	(703)	(626)	(101)	1,672	(8,603)
Operating profit/(loss)	**473**	**(778)**	**528**	**126**	**(6)**	**1**	**344**
Net finance costs							29
Share in net profit/(loss) of equity-accounted entities							-
Profit/(loss) before tax							**373**
Income tax							(40)
Net profit/(loss)							**333**
Statement of financial position							
Segment's assets	15,604	14,454	13,061	4,418	439	(6,575)	41,401
Investments in equity-accounted entities		598					598
Unallocated assets							132
Deferred tax assets							1,080
Total assets							**43,211**
Total equity							25,294
Segment liabilities	4,724	3,756	2,270	2,698	153	(6,237)	7,364
Unallocated liabilities							8,630
Deferred tax liabilities							1,923
Total liabilities and equity							**43,211**
Other information on the segment							
Capital expenditure on property, plant and equipment and intangible	(472)	(100)	(363)	(37)	(3)	25	**(950)**
Impairment losses on assets	(545)	(2,113)	(92)	(25)	(12)	-	**(2,787)**
Impairment losses on unallocated assets							(38)

IV. SUPPLEMENTARY INFORMATION TO THE INTERIM REPORT

1. General information on the Company and its Group

Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna, registered office at ul. Marcina Kasprzaka 25, Warsaw, Poland, is the Parent of the PGNiG Group. On September 23rd 2005, following an IPO of PGNiG SA shares, PGNiG SA ceased to be a state-owned stock company and became a public company.

The Parent was established as a result of transformation of the state-owned enterprise Polskie Górnictwo Naftowe i Gazownictwo into a state-owned stock company. The Deed of Transformation, together with the Company's Articles of Association, were executed in the form of a notarial deed on October 21st 1996. The Minister of the State Treasury executed the Deed of Transformation in performance of the Prime Minister's Regulation of September 30th 1996 on the transformation of state-owned enterprise Polskie Górnictwo Naftowe i Gazownictwo of Warsaw into a state-owned stock company(Dz. U. No. 116 of 1996, item 553).

On October 30th 1996, the Company was entered in the commercial register maintained by the District Court for the Capital City of Warsaw, XVI Commercial Division, under No. RHB 48382. On November 14th 2001, the Company was entered into the register of entrepreneurs maintained by the District Court for the Capital City of Warsaw, XII Commercial Division of the National Court Register, under No. KRS 0000059492. The Company's Industry Identification Number REGON is 012216736 and its Tax Identification Number NIP is 525-000-80-28.

The joint-stock company is the legal successor of the former state-owned enterprise. The assets, equity and liabilities of the state-owned enterprise were contributed to the joint-stock company and disclosed in its accounting books at their respective values in the closing balance of the state-owned enterprise.

Polskie Górnictwo Naftowe i Gazownictwo S.A. is the Parent company of the Group. The Company's core business includes exploration for and production of crude oil and natural gas, as well as import, storage and sale of gas fuels. The scope of the PGNiG Group's business comprises oil and gas exploration, oil and gas production from fields in Poland, import, storage and distribution of and trade in gas fuels, as well as production of electricity and heat. The PGNiG Group remains the only vertically integrated company in the Polish gas sector, holding the leading position in all segments of the country's gas industry. It is also a major producer of heat and electricity in the country.

The PGNiG Group is both the main importer of gas fuel from Russia, Central Asia, Germany and the Czech Republic and the main producer of natural gas in Poland. The Company's upstream operations are one of the key factors building PGNiG's competitive position on the liberalised gas market in Poland.

The trade in and distribution of natural gas and heat, which together with natural gas and crude oil production constitute the core business of the PGNiG Group, are regulated by the Polish Energy Law. For this reason, the Group's operations require a license and its revenue depends on the tariff rates for gas fuels approved by the President of the Energy Regulatory Office. Exploration and production activities are conducted on a license basis, subject to the provisions of the Polish Geological and Mining Law.

2. Organisation of the PGNiG Group and its consolidated entities

As at March 31st 2013, the Group comprised PGNiG SA (the Parent), and 34 production and service companies, including:

- 25 direct subsidiaries of PGNiG SA;
- 9 indirect subsidiaries of PGNiG SA.

The following table presents a list of the PGNiG Group companies as at March 31st 2013:

Companies of the PGNiG Group

	Company name	Share capital (PLN)	Equity interest held by PGNiG SA (PLN)	% of total vote held by PGNiG SA (%)	% of total vote held by PGNiG SA
Direct subsidiaries of PGNiG SA					
1.	GEOFIZYKA Kraków S.A.	64,400,000	64,400,000	100%	100%
2.	GEOFIZYKA Toruń S.A.	66,000,000	66,000,000	100%	100%
3.	Exalo Drilling S.A. (formerly PGNiG Poszukiwania S.A.)	981,500,000	981,500,000	100%	100%
4.	PGNiG Norway AS	1,092,000,000 (NOK)[1]	1,092,000,000 (NOK)[1]	100%	100%
5.	Polish Oil and Gas Company - Libya B.V.	26 724 (USD)[1]	26 724 (USD)[1]	100%	100%
6.	PGNiG Sales & Trading GmbH	10,000,000 (EUR)[1]	10,000,000 (EUR)[1]	100%	100%
7.	Operator Systemu Magazynowania Sp. z o.o.	5,000,000	5,000,000	100%	100%
8.	Dolnośląska Spółka Gazownictwa Sp. z o.o.	658,384,000	658,384,000	100%	100%
9.	Górnośląska Spółka Gazownictwa Sp. z o.o.	1,300,338,000	1,300,338,000	100%	100%
10.	Karpacka Spółka Gazownictwa Sp. z o.o.	1,484,953,000	1,484,953,000	100%	100%
11.	Mazowiecka Spółka Gazownictwa Sp. z o.o.	1,255,800,000	1,255,800,000	100%	100%
12.	Pomorska Spółka Gazownictwa Sp. z o.o.	655,199,000	655,199,000	100%	100%
13.	Wielkopolska Spółka Gazownictwa Sp. z o.o.	1,033,186,000	1,033,186,000	100%	100%
14.	PGNiG TERMIKA S.A.[2]	896,300,000	896,300,00[3]	100%	100%
15.	PGNiG Energia S.A.	41,000,000	41,000,000	100%	100%
16.	INVESTGAS S.A.	502,250	502,250	100%	100%
17.	PGNiG Technologie S.A.	166,914,000	166,914,000	100%	100%
18.	Biuro Studiów i Projektów Gazownictwa Gazoprojekt S.A.	4,000,000	3,000,000	75%	75%
19.	PGNiG Finance AB (publ)	500,000 (SEK)[1]	500,000 (SEK)[1]	100%	100%
20.	PGNiG Serwis Sp. z o.o.	9,995,000	9,995,000	100%	100%
21.	Geovita S.A.	86,139,000	86,139,000	100%	100%
22.	NYSAGAZ Sp. z o.o.	9,881,000	6,549,000	66.28%	66.28%
23.	BUD-GAZ P.P.U.H. Sp. z o.o. w likwidacji (in liquidation)	51,760	51,760	100%	100%
24.	Polskie Elektrownie Gazowe Sp. z o.o.	1,212,000	1,212,000	100%	100%
25.	PGNiG SPV4 Sp. z o.o.	995,000	995,000	100%	100%
	PGNiG SA's indirect subsidiaries				
26.	Oil Tech International F.Z.E.	20,000 (USD)[1]	20,000 (USD)[1]	100%	100%
27.	Zakład Gospodarki Mieszkaniowej Sp. z o.o.	1,806,500	1,806,500	100%	100%
28.	Biogazownia Ostrowiec Sp. z o.o.	165,000	165,000	100%	100%
29.	Powiśle Park Sp. z o.o.	81,131,000	81,131,000	100%	100%
30.	Poltava Services LLC	20,000 (EUR)[1]	19,800 (EUR)[1]	99%	99%
31.	CHEMKOP Sp. z o.o.	3,000,000	2,550,000	85%	85%
32.	GAZ Sp. z o.o.	300,000	240,000	80%	80%
33.	PT Geofizyka Torun Indonesia LLC w likwidacji (in liquidation)	8,773,000,000 (IDR)[1]	4,825,150,000 (IDR)[4]	55%	55%
34.	XOOL GmbH	500,000 (EUR)[1]	500,000 (EUR)[1]	100%	100%

[1] In foreign currencies.

[2] PGNiG SA's ownership interest in PGNiG TERMIKA S.A. is 100%, including a 72.52% direct interest and 27.48% interest held indirectly through PGNiG TERMIKA S.A. (treasury shares).

[3] On April 10th 2013, the proceedings concerning the compulsory purchase of shares in PGNiG TERMIKA S.A. were formally concluded.

[4] The company's share capital, which following translation into USD amounts to USD 1,000 thousand, has been partly paid up by Geofizyka Toruń S.A.: by March 31st 2013 Geofizyka Toruń S.A. paid USD 40.7 thousand.

Consolidated entities of the Group as at the end of Q1 2013

	Company name	Based in	Ownership interest held by PGNiG SA (%)	
1	PGNiG SA (Parent)	Poland		
	Direct subsidiaries of PGNiG SA		**Mar 31 2013**	**Mar 31 2012**
2	GEOFIZYKA Kraków S.A.	Poland	100.00%	100.00%
3	GEOFIZYKA Toruń S.A.	Poland	100.00%	100.00%
4	Exalo Drilling Group [1] (formerly PGNiG Poszukiwania S.A.)	Poland	100.00%	-
5	PGNiG Norway AS	Norway	100.00%	100.00%
6	Polish Oil And Gas Company – Libya B.V.	The Netherlands	100.00%	100.00%
7	INVESTGAS S.A.	Poland	100.00%	100.00%
8	Dolnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
9	Górnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
10	Karpacka Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
11	Mazowiecka Spółka Gazownictwa Group[2]	Poland	100.00%	100.00%
12	Pomorska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
13	Wielkopolska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
14	Geovita S.A.	Poland	100.00%	100.00%
15	PGNiG Technologie S.A.	Poland	100.00%	100.00%
16	PGNiG Energia S.A.	Poland	100.00%	100.00%
17	PGNiG Sales&Trading Group [3]	Germany	100.00%	100.00%
18	PGNiG Finance AB	Sweden	100.00%	100.00%
19	PGNiG Termika S.A. [4]	Poland	100.00%	99.84%
20	PGNiG SPV1 Sp. z o.o. [4]	Poland	-	100.00%
21	Operator Systemu Magazynowania Sp. z o.o.	Poland	100.00%	100.00%
22	PGNiG Serwis Sp. z o.o.	Poland	100.00%	-
23	Biuro Studiów i Projektów Gazownictwa Gazoprojekt S.A.	Poland	75.00%	75.00%
	PGNiG SA's indirect subsidiaries			
24	Poszukiwania Nafty i Gazu Jasło S.A. [5]	Poland	-	100.00%
25	Poszukiwania Nafty i Gazu Kraków Group [5, 6]	Poland	-	100.00%
26	Poszukiwania Nafty i Gazu NAFTA S.A. [5]	Poland	-	100.00%
27	Poszukiwania Naftowe Diament Sp. z o.o. [5]	Poland	-	100.00%
28	Zakład Robót Górniczych Krosno Sp. z o.o. [5]	Poland	-	100.00%
	Equity-accounted jointly-controlled and associated entities			
29	SGT EUROPOL GAZ S.A. [7]	Poland	49.74%	49.74%
30	GAS - TRADING S.A.	Poland	43.41%	43.41%

[1] The Exalo Drilling Group comprises Exalo Drilling S.A. and its subsidiaries: Oil Tech International - F.Z.E. and Poltava Services LLC.

[2] The Mazowiecka Spółka Gazownictwa Group comprises Mazowiecka Spółka Gazownictwa Sp. z o.o. and its subsidiary Powiśle Park Sp. z o.o.

[3] The PGNiG Sales &Trading Group comprises PGNiG Sales &Trading GmbH and its subsidiary XOOL GmbH.

[4] On December 31st 2012, PGNiG TERMIKA S.A. and PGNiG SPV1 Sp. z o.o. merged. PGNiG TERMIKA S.A. was the surviving company and became a subsidiary of PGNiG SA;

[5] Since February 1st 2013, these have operated as branches of Exalo Drilling S.A.;

[6] Prior to February 1st 2013, the Poszukiwania Nafty i Gazu Kraków Group comprised Poszukiwania Nafty i Gazu Kraków S.A. and its subsidiaries: Oil Tech International - F.Z.E. and Poltava Services LLC.

[7] Including a 48.00% direct interest and a 1.74% interest held indirectly through GAS-TRADING S.A.

3. Changes in the Company's structure, including changes resulting from mergers, acquisitions or disposals of the Group entities, as well as long-term investments, demergers, restructurings or discontinuation of operations

The most important changes in the structure of the PGNiG Group in Q1 2013 included:

- On January 2nd 2013, the Extraordinary General Meeting of BUD-GAZ PPUH Sp. z o.o. resolved to wind up the company and commence the liquidation process;
- On February 1st 2013, the merger of PGNiG Poszukiwania S.A. with five drilling and servicing companies from the PGNiG Group (PNiG Kraków S.A., PNiG NAFTA S.A., PNiG Jasło S.A., PN Diament Sp. z o.o. and ZRG Krosno Sp. z o.o.) was registered with the National Court Register.
- On January 25th 2013, the Extraordinary General Meeting of PGNiG Poszukiwania S.A. resolved to amend the company's Articles of Association by changing the company name to Exalo Drilling S.A. The amendment was registered with the National Court Register on February 6th 2013.

- On February 15th 2013, the Extraordinary General Meeting of PGNiG SPV 4 Sp. z o.o. resolved to increase the company's share capital by PLN 990,000, to PLN 995,000, by way of an issue of 19,800 new shares with a par value of PLN 50 per share, which were subscribed for by PGNiG SA and fully paid for with cash. The share capital increase was registered with the National Court Register on March 6th 2013.
- On February 28th 2013, the Extraordinary General Meeting of PGNiG TERMIKA S.A. resolved to increase the company's share capital by PLN 33,984,000, to PLN 896,300,000 by way of an issue of 3,398,400 Series D shares. All new issue shares were acquired by PGNiG SA. The increase was registered with the National Court Register on March 22nd 2013. 24,630,000 PGNiG TERMIKA shares are treasury shares from which the voting rights are not exercised.
- On March 27th 2013, the General Meeting of PGNiG Norway AS resolved to amend the company's Articles of Association by changing the company name to PGNiG Upstream International AS. The amendment has not yet been registered with the Norwegian register of entrepreneurs.

4. Management Board's position on the feasibility of meeting forecasts published earlier for a given year in the light of the results presented in the quarterly report as compared with the forecast

PGNiG SA did not publish any performance forecasts for Q1 2013.

5. Shareholders holding, directly or indirectly through subsidiaries, 5% or more of the total vote at the General Meeting of the Company as at the date of publication of the quarterly report, including information on the number of shares held by those shareholders, their interests in the Company's share capital, the resulting number of votes at the General Meeting and their share in the total vote at the General Meeting, and any changes in the ownership structure of major holdings of the Company shares after the publication of the previous quarterly report

Shareholder	% share of total vote as at the publication date of the previous interim report*	Number of shares held as at the publication date of the previous interim report*	% change in the period Dec 31 2012 - Mar 31 2013	% share of total vote at GM as at the publication date of this report**	Number of shares held as at this report publication date**
State Treasury	72.404%	4,271,810,954	-0.001%	72.403%	4,271,803,539
Other	27.596%	1,628,189,046	0.001%	27.597%	1,628,196,461
Total:	**100.00%**	**5,900,000,000**	**0.00%**	**100.00%**	**5,900,000,000**

* As at December 31st 2012.

** As at March 31st 2013.

In Q3 2013, the State Treasury's interest in the Company decreased slightly in connection with the continued process of distributing shares to eligible employees.

6. Number of Company shares and options for Company shares held by the management and supervisory staff as at the quarterly report date and changes in the number of Company shares and options for Company shares held by the management and supervisory staff after publication of the previous quarterly report (data for individual persons)

	Number of shares and options held as at the publication date of the previous interim report*	Acquisition	Disposal	Increase due to change of composition	Decrease due to change of composition	Number of shares and options held as at this report publication date**
Management staff	**9,425**	**-**	**(9,425)**	**-**		
Mirosław Szkałuba	9,425	-	(9,425)	-	-	-
Supervisory staff	**28,925**	**-**	**-**	**-**	**-**	**28,925**
Mieczysław Kawecki	19,500	-	-	-	-	19,500
Jolanta Siergiej	9,425	-	-	-	-	9,425

* According to confirmations received as at December 31st 2012.

** According to confirmations received as at March 31st 2013.

7. Court, arbitration or administrative proceedings concerning liabilities or debt claims of the Company or its subsidiary

The value of court, arbitration or administrative proceedings concerning liabilities or debt claims does not exceed 10% of PGNiG SA's equity.

8. Changes in economic environment and trading conditions, with a significant bearing on the fair value of financial assets and liabilities of the Parent

In the period covered by these financial statements, apart from general deterioration of the economic climate in Poland and across the world, the PGNiG Group has not recorded any changes in the economic environment and in trading conditions which would have a significant bearing on the fair value of its financial assets and liabilities.

9. Significant purchase and sale transactions on property, plant and equipment

Material transactions related to purchase and sale of property, plant and equipment executed in the period January 1st–March 31st 2013 included the purchase of assets for the construction of the Lubiatów-Międzychód-Grotów (LMG) crude oil and natural gas production facility. In Q1 2013, PLN 130.7m was spent on purchase of property, plant and equipment related to this investment.

10. Significant liabilities relating to purchase of property, plant and equipment

As at March 31st 2013, significant liabilities relating to purchase of property, plant and equipment included PLN 160.7m (VAT-inclusive) under construction of the crude oil and natural gas production facilities.

11. Material settlements under court proceedings

In Q1 2013, none of the Group companies was a party to any material settlements under court proceedings.

12. Conclusion by PGNiG S.A. or its subsidiary of a transaction or a series of transactions with related parties, where the transaction value (total value of all transactions concluded from the beginning of the financial year) exceeds the PLN equivalent of EUR 500 thousand, and the transactions are not typical or routine transactions concluded at arms' length between related entities, and their nature, as well as their terms and conditions, do not follow from the Company's or its subsidiary's ordinary course of business

In the period January 1st–March 31st 2013, there were no related-party transactions concluded by the Group entities whose value would exceed EUR 500 thousand and which would fall outside the ordinary course of business.

13. Loan sureties or guarantees issued by the Company or its subsidiary to one entity or its subsidiary where the total amount of outstanding sureties or guarantees issued to such an entity or its subsidiary represents 10% or more of the Company's equity

In the period covered by these financial statements, the Parent and its subsidiaries did not issue sureties with respect to any borrowings or other debt instruments, or guarantees, whose total amount would represent 10% or more of the Parent's or either subsidiary's equity.

14. Other information which in the Company's opinion is material for assessing its staffing levels, assets, financial standing and performance, or changes in any of the foregoing, and information which is material for assessing the Company's ability to fulfil its obligations

On April 25th 2013, the process of securing financing for construction, start-up and launch of the CCGT unit in Stalowa Wola was completed.

The project, estimated at PLN 1.6bn, is being financed by own resources of the partners (PGNiG SA and Tauron Polska Energia S.A.) and with funding from the European Investment Bank (EIB) and the European Bank for Reconstruction and Development (EBRD). Another institution to have acceded to the project's financing is Bank Pekao S.A., which has taken over 50% of the facility amount from the EBRD. The total facility amount is PLN 1.13bn, of which the EIB will advance PLN 566m, and the EBRD and Pekao SA PLN 283m each.

On April 25th 2013, the first tranche of the facility, in the amount of PLN 56m, was disbursed to Elektrociepłownia Stalowa Wola, the plant's operator. Disbursement of the next tranche of PLN 250m is due in the third quarter of 2013.

On April 29th 2013, the PGNiG Supervisory Board removed Ms Grażyna Piotrowska-Oliwa from the PGNiG Management Board and the position of the President of the PGNiG Management Board. On the same day, Mr Radosław Dudziński was removed from the PGNiG Management Board and the position of Vice-President of the PGNiG Management Board for Trade.

The PGNiG Supervisory Board also delegated Mr Mirosław Szkałuba, Member of the PGNiG Management Board, to coordinate the Management Board's operations until the appointment of new president and immediately took steps to initiate the recruitment process.

On April 29th 2013, the Management Boards of PGNiG SA and PGNiG Energia S.A., acting in accordance with Art. 498 of the Commercial Companies Code, agreed in writing a plan of merger between the two companies by way of transfer of all the assets of PGNiG Energia S.A. to PGNiG SA (merger through acquisition).
Accordingly, the PGNiG Management Board – in fulfilment of the requirement stipulated in Art. 504.1 of the Commercial Companies Code – published the first announcement of the intended merger between PGNiG (as the Acquiring Company) and PGNiG Energia S.A. (as the Target Company) for the PGNiG shareholders.

The merger of PGNiG SA and PGNiG Energia S.A. will be effected in accordance with Art. 492.1.1 of the Commercial Companies Code, through transfer, by way of universal succession, of all the assets of the Target Company to the Acquiring Company, as the sole shareholder of the Target Company, and dissolution of the Target Company without a liquidation procedure (merger through acquisition), pursuant to Art. 515.1 of the Commercial Companies Code, i.e. without increasing the share capital of the Acquiring Company. The merger will be effected under the simplified procedure provided for in Art. 516.5 in conjunction with Art. 516.6 of the Commercial Companies Code, i.e. the Management Boards of the merging companies will not prepare merger reports, and the Plan of Merger will not be audited by an auditor appointed by the registry court. As the Acquiring Company is a public company, the first sentence of Art. 516.1 of the Commercial Companies Code does not apply, and therefore the merger requires adoption of relevant resolutions by the General Meetings of PGNiG SA and PGNiG Energia S.A., as provided for in Art. 506 of the Commercial Companies Code.

Accordingly, no shares in the Acquiring Company will be issued to the shareholders of the Target Company in connection with the merger, no share exchange ratio for the exchange of Target Company shares for Acquiring Company shares will be set forth in the Plan of Merger, no rules for the allotment of Acquiring Company shares will be defined, and no date as of which Acquiring Company shares issued to the shareholders in the Target Company will confer the right to distributions from profit of the Acquiring Company will be determined.

Apart from the information disclosed in this report, the Company is not aware of any information which could be material for assessing its staffing levels, assets, financial standing and performance, or changes in any of the foregoing, or information which could be material for assessing the Company's ability to fulfil its obligations.

15. Factors which in the Company's opinion will affect its performance in the next quarter or beyond

In subsequent quarters of 2013, the financial performance of the Group will be driven by the purchase price of natural gas, which will depend on the prices of petroleum products and the current market prices of gas. Other factors with a significant bearing on the PGNiG Group's profitability will include conditions prevailing on the currency markets, and the position taken by the President of the Energy Regulatory Office with regard to gas fuel and heat tariffs.

Also, the potential increase in shale gas production in the US and the construction of new LNG terminals worldwide may drive down the purchase prices of gas, and affect the outcome of renegotiations of purchase contracts.

The Group's performance will also be considerably affected by regulations governing support mechanisms for electricity from high-efficiency co-generation and renewable sources. Legislative changes in this area and fluctuations in prices of certificates of origin (red and green certificates) will have a bearing on the Group's financial position in the coming quarters.

It should be expected that if investors operating on the domestic conventional and unconventional gas exploration market intensify their efforts, the demand for services provided by Group companies, such as drilling, well servicing and geophysical services, might increase and translate into stronger financial performances.

The Group's financial result in subsequent quarters will also be materially affected by production from the Skarv field in the Norwegian Continental Shelf, launched late in 2012, and production from the LMG project, which was cleared after final acceptance in March 2013.

In the coming quarters, the PGNiG Group intends to maintain the high level of capital expenditure. The spending will focus on projects involving extension of underground gas storage facilities, maintenance of hydrocarbon production capacities, and diversification of gas supply sources, as well as on projects related to the exploration for and appraisal of crude oil and natural gas deposits and development of the Company's power generation segment.