Polskie Górnictwo Naftowe i Gazownictwo SA

CONSOLIDATED INTERIM REPORT FOR Q3 2012

(PLN '000)

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report QSr 3 / 2012

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 three quarters of the 2012 financial year covering the period **January 1st** to **September 30th 2012**, 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).

November 12th 2012
(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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(NIP – Tax Identification Number)	(REGON – Industry Identification Number)

Members of the Management Board:

President of the Management Board	Grażyna Piotrowska-Oliwa	....
Vice-President of the Management Board	Radosław Dudziński	....
Vice-President of the Management Board	Sławomir Hinc	....
Vice-President of the Management Board	Mirosław Szkałuba	....

Warsaw, November 6th 2012

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FINANCIAL HIGHLIGHTS

Condensed consolidated financial data	Q1−Q3 2012 YTD Jan 1−Sep 30 2012	Q1−Q3 2011 YTD Jan 1−Sep 30 2011	Q1−Q3 2012 YTD Jan 1−Sep 30 2012	Q1−Q3 2011 YTD Jan 1−Sep 30 2011
	PLN ‘000		**EUR ‘000**	
I. Sales revenue	20,064,221	16,031,140	4,783,117	3,966,828
II. Operating profit/loss	(77,149)	1,405,863	(18,392)	347,874
III. Profit/loss before tax	(88,494)	1,453,815	(21,096)	359,739
IV. Net profit/loss attributable to owners of the parent	52,769	1,322,591	12,580	327,269
V. Net profit/loss	48,158	1,324,195	11,480	327,666
VI. Comprehensive income attributable to owners of the parent	(148,180)	1,557,671	(35,325)	385,438
VII. Total comprehensive income	(152,791)	1,559,275	(36,424)	385,835
VIII. Net cash provided by/(used in) operating activities	354,783	1,841,273	84,577	455,614
IX. Net cash provided by/(used in) investing activities	(5,073,399)	(3,006,783)	(1,209,450)	(744,014)
X. Net cash provided by/used in financing activities	4,319,731	821,254	1,029,782	203,215
XI. Total net cash flow	(398,885)	(344,256)	(95,090)	(85,184)
XII. Net earnings/loss and diluted net earnings/loss per share attributable to owners of the Parent (PLN/EUR)	0.01	0.22	0.002	0.06
	As at Sep 30 2012	As at Dec 31 2011	As at Sep 30 2012	As at Dec 31 2011
XIII. Total assets	43,213,648	37,964,374	10,504,557	8,595,448
XIV. Liabilities and provisions for liabilities	18,867,837	13,467,714	4,586,474	3,049,202
XV. Non-current liabilities	10,753,422	5,621,501	2,613,988	1,272,754
XVI. Current liabilities	8,114,415	7,846,213	1,972,486	1,776,448
XVII. Equity	24,345,811	24,496,660	5,918,083	5,546,246
XVIII. Share capital	5,900,000	5,900,000	1,434,197	1,335,809
XIX. Weighted average number of shares ('000)	5,900,000	5,900,000	5,900,000	5,900,000
XX. Book value per share and diluted book value per share (PLN/EUR)	4.13	4.15	1.00	0.94
XXI. Dividend per share declared or paid (PLN/EUR)	-	0.12	-	0.03

Condensed separate financial data	Q1−Q3 2012 YTD Jan 1−Sep 30 2012	Q1−Q3 2011 YTD Jan 1−Sep 30 2011	Q1−Q3 2012 YTD Jan 1−Sep 30 2012	Q1−Q3 2011 YTD Jan 1−Sep 30 2011
I. Sales revenue	17,979,501	15,218,819	4,286,140	3,765,823
II. Operating profit/loss	(487,505)	977,361	(116,217)	241,843
III. Profit/loss before tax	(24,010)	1,703,164	(5,724)	421,440
IV. Net profit/loss	48,529	1,514,491	11,569	374,753
V. Comprehensive income	(158,326)	1,721,632	(37,743)	426,009
VI. Net cash provided by/(used in) operating activities	(869,480)	791,219	(207,276)	195,783
VII. Net cash provided by/(used in) investing activities	(3,958,893)	(1,522,075)	(943,762)	(376,630)
VIII. Net cash provided by/(used in) financing activities	4,392,302	611,747	1,047,083	151,374
IX. Total net cash flow	(436,071)	(119,109)	(103,955)	(29,473)
X. Net earnings/loss and diluted net earnings/loss per ordinary share (PLN/EUR)	0.008	0.26	0.002	0.06
	As at Sep 30 2012	As at Dec 31 2011	As at Sep 30 2012	As at Dec 31 2011
XI. Total assets	32,632,532	28,486,740	7,932,455	6,449,633
XII. Liabilities and provisions for liabilities	13,143,250	8,839,132	3,194,917	2,001,252
XIII. Non-current liabilities	6,781,997	2,019,362	1,648,597	457,200
XIV. Current liabilities	6,361,253	6,819,770	1,546,320	1,544,052
XV. Equity	19,489,282	19,647,608	4,737,538	4,448,381
XVI. Share capital	5,900,000	5,900,000	1,434,197	1,335,809
XVII. Weighted average number of shares ('000)	5,900,000	5,900,000	5,900,000	5,900,000
XVIII. Book value per share and diluted book value per share (PLN/EUR)	3.30	3.33	0.80	0.75
XIX. Dividend per share declared or paid (PLN/EUR)	-	0.12	-	0.03

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 calendar 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.

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

	Sep 30 2012	Dec 31 2011	Sep 30 2011
Average exchange rate for the period	4.1948	4.1401	4.0413
Exchange rate at end of the period	4.1138	4.4168	4.4112

I. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Q3 2012: Jul 1−Sep 30 2012	YTD 2012: Jan 1−Sep 30 2012	Q3 2011: Jul 1−Sep 30 2011	YTD 2011: Jan 1−Sep 30 2011
	unaudited	unaudited	unaudited	unaudited
	(PLN '000)			
Sales revenue	**5,299,849**	**20,064,221**	**4,507,778**	**16,031,140**
Raw and other materials used	(3,350,368)	(13,983,599)	(2,519,272)	(9,409,328)
Employee benefits	(652,442)	(2,017,800)	(621,672)	(2,001,894)
Depreciation and amortisation	(502,992)	(1,506,914)	(393,095)	(1,169,991)
Contracted services	(705,744)	(2,193,113)	(746,933)	(2,314,459)
Cost of products and services for own needs	198,241	560,632	235,495	716,905
Other operating expenses, net	(311,065)	(1,000,576)	(129,233)	(446,510)
Total operating expenses	**(5,324,370)**	**(20,141,370)**	**(4,174,710)**	**(14,625,277)**
Operating profit/loss	**(24,521)**	**(77,149)**	**333,068**	**1,405,863**
Finance income	75,103	143,952	(72,145)	120,544
Finance expenses	(45,279)	(241,676)	(46,612)	(72,090)
Share in net profit/loss of equity-accounted entities	(185)	86,379	(107)	(502)
Profit/loss before tax	**5,118**	**(88,494)**	**214,204**	**1,453,815**
Income tax	59,552	136,652	105,128	(129,620)
Net profit/loss	**64,670**	**48,158**	**319,332**	**1,324,195**
Attributable to:				
Owners of the Parent	66,059	52,769	319,117	1,322,591
Non-controlling interests	(1,389)	(4,611)	215	1,604
Net earnings/loss and diluted net earnings/loss per share attributable to owners of the Parent	0.01	0.01	0.05	0.22

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q3 2012: Jul 1−Sep 30 2012	YTD 2012: Jan 1−Sep 30 2012	Q3 2011: Jul 1−Sep 30 2011	YTD 2011: Jan 1−Sep 30 2011
	unaudited	unaudited	unaudited	unaudited
	(PLN '000)			
Net profit/loss	**64,670**	**48,158**	**319,332**	**1,324,195**
Currency translation differences on foreign operations	(14,392)	(642)	49,199	35,049
Valuation of hedging instruments	(125,125)	(247,293)	129,727	299,530
Valuation of financial instruments	-	-	84	(52,605)
Deferred tax related to other comprehensive income	23,774	46,986	(24,648)	(46,894)
Other	-	-	-	-
Other comprehensive income, net	**(115,743)**	**(200,949)**	**154,362**	**235,080**
Total comprehensive income	**(51,073)**	**(152,791)**	**473,694**	**1,559,275**
Attributable to:				
Owners of the Parent	(49,684)	(148,180)	473,479	1,557,671
Non-controlling interests	(1,389)	(4,611)	215	1,604

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at Sep 30 2012: end of Q3 2012	As at Dec 31 2011, end of previous year
	unaudited	audited
	(PLN '000)	
ASSETS		
Non-current assets		
Property, plant and equipment	32,356,887	28,427,026
Investment property	12,502	7,136
Intangible assets	1,038,758	275,437
Investments in equity-accounted associates	684,770	598,391
Financial assets available for sale	56,457	56,410
Other financial assets	69,630	9,339
Deferred tax assets	1,253,801	963,800
Other non-current assets	96,325	97,814
Total non-current assets	**35,569,130**	**30,435,353**
Current assets		
Inventories	3,434,289	2,082,386
Trade and other receivables	2,536,110	3,378,136
Current income tax receivable	177,653	164,462
Prepayments and accrued income	196,346	83,911
Financial assets available for sale	581	22,275
Derivative financial instrument assets	187,154	284,629
Cash and cash equivalents	1,104,852	1,504,792
Non-current assets held for sale	7,533	8,430
Total current assets	**7,644,518**	**7,529,021**
Total assets	**43,213,648**	**37,964,374**
EQUITY AND LIABILITIES		
Equity		
Share capital	5,900,000	5,900,000
Currency translation differences on foreign operations	(25,632)	(22,967)
Share premium account	1,740,093	1,740,093
Other capital reserves	15,983,801	14,149,226
Retained earnings/deficit	743,393	2,723,499
Equity attributable to owners of the parent	**24,341,655**	**24,489,851**
Equity attributable to non-controlling interests	4,156	6,809
Total equity	**24,345,811**	**24,496,660**
Non-current liabilities		
Borrowings and other debt instruments	5,679,237	1,382,344
Provisions	1,879,819	1,625,802
Deferred income	1,363,858	1,160,067
Deferred tax liabilities	1,789,933	1,433,410
Other non-current liabilities	40,575	19,878
Total non-current liabilities	**10,753,422**	**5,621,501**
Current liabilities		
Trade and other payables	2,605,883	3,354,903
Borrowings and other debt instruments	4,655,884	3,616,633
Derivative financial instrument liabilities	413,305	416,836
Current tax liabilities	16,352	57,729
Provisions	323,478	305,171
Deferred income	99,513	94,941
Total current liabilities	**8,114,415**	**7,846,213**
Total liabilities	**18,867,837**	**13,467,714**
Total equity and liabilities	**43,213,648**	**37,964,374**

CONSOLIDATED STATEMENT OF CASH FLOWS

	3 quarters of 2012 Period Jan 1– Sep 30 2012	3 quarters of 2011 Period from Jan 1– Sep 30 2011
	unaudited	unaudited
	(PLN '000)	
Cash flows from operating activities		
Net profit/loss	48,158	1,324,195
Adjustments:		
Share in net profit/loss of equity-accounted entities	(86,379)	502
Depreciation and amortisation	1,506,914	1,169,991
Net foreign exchange gains/losses	(155,945)	(226,378)
Net interest and dividend	177,303	(6,401)
Profit/loss from investing activities	(146,344)	54,139
Current income tax	(136,652)	129,620
Income tax paid	(177,159)	(481,638)
Other items, net	88,759	346,919
Net cash provided by/(used in) operating activities before changes in working capital	**1,118,655**	**2,310,949**
Change in working capital:		
Change in receivables, net	1,096,507	846,060
Change in inventories	(994,119)	(1,197,366)
Change in provisions	19,966	43,771
Change in current liabilities	(744,532)	(363,361)
Change in prepayments	(93,499)	(118,459)
Change in deferred income	(48,195)	319,679
Net cash provided by/(used in) operating activities	**354,783**	**1,841,273**
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	149,893	1,240
Sale of shares in non-consolidated entities	153	153,339
Sale of short-term securities	21,030	-
Acquisition of property, plant and equipment and intangible assets	(2,569,416)	(3,201,423)
Acquisition of shares in non-consolidated entities	(15,082)	(28,712)
Acquisition of short-term securities	-	(26,765)
Interest received	282	1,731
Dividends received	2,490	2,506
Proceeds from finance lease	4	1,842
Acquisition of shares in PGNiG Termika S.A.	(3,018,359)	-
Other items, net	355,606	89,459
Net cash provided by/(used in) investing activities	**(5,073,399)**	**(3,006,783)**
Cash flows from financing activities		
Net proceeds from issue of shares, other equity instruments and additional contributions to equity	-	-
Increase in borrowings and other debt instruments	166,856	313,663
Proceeds from issue of debt securities	8,632,857	1,742,153
Repayment of borrowings and other debt instruments	(869,492)	(52,117)
Redemption of debt securities	(3,283,988)	(1,090,517)
Decrease in finance lease liabilities	(38,344)	(19,649)
Inflows from forward and futures contracts	-	-
Outflows on forward and futures contracts	(73,149)	-
Dividends paid	(1,002)	-
Interest paid	(200,064)	(71,495)
Other items, net	(13,943)	(784)
Net cash provided by/(used in) financing activities	**4,319,731**	**821,254**
Net change in cash	**(398,885)**	**(344,256)**
Net foreign exchange gains/losses	(1,055)	2,234
Cash and cash equivalents at beginning of the period	**1,503,803**	**1,372,918**
Cash and cash equivalents at end of the period	**1,104,918**	**1,028,662**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to owners of the Parent						Equity attributable to non-controlling interests	Total equity
	Share capital	Currency translation differences on foreign operations	Share premium account	Other capital reserves	Retained earnings/deficit	**Total**		
	(PLN '000)							
As at Jan 1 2012 (audited)	**5,900,000**	**(22,967)**	**1,740,093**	**14,149,226**	**2,723,499**	**24,489,851**	**6,809**	**24,496,660**
Transfers	-	(2,023)	-	2,034,882	(2,032,875)	**(16)**	16	**-**
Payment of dividend to owners	-	-	-	-	-	**-**	(1,117)	**(1,117)**
Net profit/loss for Q1−Q3 2012	-	-	-	-	52,769	**52,769**	(4,611)	**48,158**
Other comprehensive income, net, for Q1−Q3 2012	-	(642)	-	(200,307)	-	**(200,949)**	-	**(200,949)**
Purchase of shares from non-controlling interests	-	-	-	-	-	**-**	(1,658)	**(1,658)**
Changes within the Group	-	-	-	-	-	**-**	4,717	**4,717**
As at Sep 30 2012 (unaudited)	**5,900,000**	**(25,632)**	**1,740,093**	**15,983,801**	**743,393**	**24,341,655**	**4,156**	**24,345,811**
As at Jan 1 2011 (audited)	**5,900,000**	**(57,320)**	**1,740,093**	**12,268,163**	**3,655,110**	**23,506,046**	**13,424**	**23,519,470**
Transfers	-	-	-	1,815,008	(1,814,971)	**37**	(37)	**-**
Payment of dividend to owners	-	-	-	-	(708,000)	**(708,000)**	-	**(708,000)**
Net profit/loss for Q1−Q3 2011	-	-	-	-	1,322,591	**1,322,591**	1,604	**1,324,195**
Other comprehensive income, net, for Q1−Q3 2011	-	35,049	-	200,031	-	**235,080**	-	**235,080**
Purchase of shares from non-controlling interests	-	-	-	-	-	**-**	(5,000)	**(5,000)**
Changes within the Group	-	-	-	-	-	**-**	-	**-**
As at Sep 30 2011 (unaudited)	**5,900,000**	**(22,271)**	**1,740,093**	**14,283,202**	**2,454,730**	**24,355,754**	**9,991**	**24,365,745**

(PLN '000)

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 2012	**963,800**	**1,433,410**
a) increase	307,040	417,595
b) decrease	(17,039)	(61,072)
As at Sep 30 2012	**1,253,801**	**1,789,933**
As at Jan 1 2011	**676,817**	**1,392,010**
a) increase	426,844	61,424
b) decrease	(139,861)	(20,024)
As at Dec 31 2011	**963,800**	**1,433,410**

2. Impairment losses

Impairment losses on assets	Property, plant and equipment and intangible assets	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 2012	**1,054,427**	**26**	**318**	**930,863**	**37,817**	**19,977**	**755,263**	**28,822**	**-**	**2,827,513**
a) increase	217,711	60	-	-	-	126,757	325,587	894	-	**671,009**
b) transfer	-	-	-	-	(82)	-	-	-	82	**-**
c) decrease	(337,470)	-	(14)	(16,375)	(2)	(4,482)	(203,868)	(741)	(10)	**(562,962)**
d) currency translation differences	(1,133)	-	-	-	-	(57)	(100)	-	-	**(1,290)**
e) changes within the Group	23 017	-	-	-	-	170	1,556	-	-	**24,743**
As at Sep 30 2012	**956,552**	**86**	**304**	**914,488**	**37,733**	**142,365**	**878,438**	**28,975**	**72**	**2,959,013**
As at Jan 1 2011	**1,196,698**	**4**	**239**	**956,555**	**52,760**	**14,244**	**1,061,042**	**22,372**	**-**	**3,303,914**
a) increase	157,264	22	95	-	575	8,209	101,516	5,046	-	**272,727**
b) transfer	-	-	(16)	-	(1,360)	-	16	-	1,360	**-**
c) decrease	(299,535)	-	-	(25,692)	(14,158)	(2,476)	(407,311)	1,404	(1,360)	**(749,128)**
As at Dec 31 2011	**1,054,427**	**26**	**318**	**930,863**	**37,817**	**19,977**	**755,263**	**28,822**	**-**	**2,827,513**

(PLN '000)

3. Provisions

	Provision for length-of-service awards and retirement severance pays	Provision for the employment streamlining and voluntary termination programme	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	Central Restructuring Fund	Provision for potential liabilities to PBG-led consortium	Other provisions	**Total**
As at Jan 1 2012	**320,192**	**37,486**	**1,237,584**	**-**	**117,915**	**61,651**	**19,590**	**21,773**	**114,782**	**1,930,973**
a) increase	21,884	21	146,547	60,016	7,173	21,828	-	-	42,833	**300,302**
b) transfer	(441)	388	-	-	-	-	-	-	53	**-**
c) decrease	(24,467)	(27,312)	(20,229)	-	(11,942)	(16,021)	(5,644)	(21,773)	(24,089)	**(151,477)**
d) currency translation differences	(16)	-	(1,819)	-	-	-	-	-	(106)	**(1,941)**
e) changes within the Group	44,142	-	-	-	-	-	-	-	81,298	**125,440**
As at Sep 30 2012	**361,294**	**10,583**	**1,362,083**	**60,016**	**113,146**	**67,458**	**13,946**	**-**	**214,771**	**2,203,297**
As at Jan 1 2011	**327,415**	**-**	**1,117,441**	**179**	**134,284**	**79,964**	**21,292**	**-**	**110,236**	**1,790,811**
a) increase	33,025	37,486	132,408	-	1,869	15,771	5,000	21,773	118,583	**365,915**
b) transfer	-	-	-	-	-	-	-	-	-	**-**
c) decrease	(40,248)	-	(12,265)	(179)	(18,238)	(34,084)	(6,702)	-	(114,037)	**(225,753)**
As at Dec 31 2011	**320,192**	**37,486**	**1,237,584**	**-**	**117,915**	**61,651**	**19,590**	**21,773**	**114,782**	**1,930,973**

4. Sales revenue

	Period Jan 1–Sep 30 2012	Period Jan 1–Sep 30 2011
High-methane gas	15,545,032	13,227,898
Nitrogen-rich gas	965,658	848,981
Crude oil	920,665	772,383
Helium	108,019	42,054
Propane-butane gas	46,793	40,404
Natural gasoline	4,743	3,210
LNG	37,513	24,591
Electricity	541,627	8,158
Heat	636,443	220
Certificates of origin for electricity	151,122	-
Geophysical and geological services	251,602	321,346
Drilling and well maintenance services	389,903	382,883
Materials and goods for resale	19,182	13,447
Other products and services	445,919	345,565
Total	**20,064,221**	**16,031,140**

(PLN '000)

5. Operating expenses

Raw and other materials used	Period Jan 1–Sep 30 2012	Period Jan 1–Sep 30 2011
Cost of gas sold	(12,760,498)	(8,908,777)
Fuels for electricity and heat generation	(661,881)	-
Other raw and other materials used	(561,220)	(500,551)
Total	**(13,983,599)**	**(9,409,328)**

Contracted services	Period Jan 1–Sep 30 2012	Period Jan 1–Sep 30 2011
Purchases of transmission services	(1,074,816)	(1,094,485)
Costs of dry wells	(61,914)	(176,373)
Other contracted services	(1,056,383)	(1,043,601)
Total	**(2,193,113)**	**(2,314,459)**

6. Income tax

	Period Jan 1–Sep 30 2012	Period Jan 1–Sep 30 2011
Profit/loss before tax (consolidated)	(88,494)	1,453,815
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	16,814	(276,225)
Permanent differences between pre-tax profit/loss and tax base	119,838	146,605
Corporate income tax disclosed in the consolidated income statement	**136,652**	**(129,620)**
Current income tax	(109,933)	(374,052)
Deferred income tax	246,585	244,432
Effective tax rate	-*	8.92%

**As the tax charge recognised at the end of Q3 2012 was positive, the effective tax rate was not computed to avoid incorrect interpretation.*

In Q1−Q3 2012, the PGNiG Group recognised a positive tax charge in the consolidated income statement. The largest contributor was a positive deferred corporate income tax recognised in the income statement, mainly attributable to the tax loss incurred by the Parent and to the increase in deferred tax assets recognised by PGNiG Norway AS, a subsidiary.

7. Property, plant and equipment

	As at Sep 30 2012, end of Q3 2012	As at Dec 31 2011, end of previous year
Land	73,512	57,506
Buildings and structures	15,898,590	14,662,532
Plant and equipment	4,441,855	2,480,291
Vehicles and other	1,170,998	1,020,759
Total tangible assets	**21,584,955**	**18,221,088**
Tangible assets under construction	10,771,932	10,205,938
Total property, plant and equipment	**32,356,887**	**28,427,026**

8. Derivative financial instruments

The table below presents the banks with which the Parent has signed 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
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
PBP S.A.	PMA/all (excluding commodity transactions)
Pekao S.A.	PMA/all (excluding commodity transactions)
PKO BP S.A.	PMA/all (excluding commodity transactions)
Societe Generale	ISDA/all transactions
SMBC Capital Markets, Inc.	ISDA/currency transactions

In the period January 1st–September 30th 2012, the following derivative transactions were executed:

- purchase of currency call options,
- purchase of currency forwards;
- sale of currency forwards;
- purchase of Cross Currency Interest Rate Swap;
- purchase of commodity call options,
- zero-cost risk reversal strategies based on symmetrical commodity options.
- zero-cost collar option strategies (purchased currency put options and sold currency call options).

The Group's derivative transactions are hedges of 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.

Additionally, in the case of the Parent, all eligible transactions executed in the period January 1st–September 30th 2012 are covered by hedge accounting. In that period the Parent was party to CCIRS transactions, entered into both in Q3 2012 and earlier, which 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 reflected in the income statement, which produces the same effect as if hedge accounting was applied.

(PLN '000)

The table below presents the Group's derivative transactions outstanding as at March 30th 2012.

Hedged item	Value of hedging instrument	Currency of hedging instrument	Maturity date	Exercise price (exercise price range)	Hedging instrument at fair value **(+) positive (-) negative**	Hedged risk
			Cross Currency Interest Rate Swap			
Loan	5,312,770	NOK	1−3 years	0.5213	(313,273)	Foreign exchange and interest-rate risk
					2,120	Foreign exchange and interest-rate risk
Euronotes	500,000	EUR	over 3 years	4.1580	65,826	Foreign exchange and interest-rate risk
					(245,327)	
			Forward transactions			
Loan	201,306	NOK	3 - 6 months	0.5913	5,645	Foreign exchange risk
Payments for gas	31,000	EUR	up to 1 month	4.3046	(5,680)	Foreign exchange risk
Payments for gas	62,000	EUR	1 - 3 months	4.1944	(3,396)	Foreign exchange risk
Payments for gas	20,000	EUR	3−6 months	4.1929	(576)	Foreign exchange risk
Payments for gas	160,000	USD	up to 1 month	3.3316	(23,837)	Foreign exchange risk
Payments for gas	250,000	USD	1 - 3 months	3.3264	(31,043)	Foreign exchange risk
Payments for gas	280,000	USD	3−6 months	3.3296	(30,297)	Foreign exchange risk
Payments for gas	40,000	USD	6−12 months	3.2203	(360)	Foreign exchange risk
Payments for gas	62,000	EUR	1−3 months	4.1944	309	Foreign exchange risk
Payments for gas	20,000	EUR	3−6 months	4.1929	205	Foreign exchange risk
Payments for gas	160,000	USD	up to 1 month	3.3316	209	Foreign exchange risk
Payments for gas	250,000	USD	1−3 months	3.3264	-	Foreign exchange risk
Payments for gas	280,000	USD	3−6 months	3.3296	1,354	Foreign exchange risk
Payments for gas	40,000	USD	6−12 months	3.2203	1,582	Foreign exchange risk
EUR/PLN	131	EUR	up to 1 month	4.4388	(42)	Foreign exchange risk
EUR/PLN	131	EUR	up to 1 month	4.1385	3	Foreign exchange risk
EUR/PLN	584	EUR	3−6 months	4.3501	106	Foreign exchange risk
EUR/PLN	99	EUR	3−6 months	4.3014	13	Foreign exchange risk
EUR/PLN	494	EUR	3−6 months	4.2984	65	Foreign exchange risk
EUR/PLN	400	EUR	3−6 months	4.3134	58	Foreign exchange risk
EUR/PLN	395	EUR	3−6 months	4.3235	61	Foreign exchange risk
EUR/PLN	395	EUR	3−6 months	4.2850	46	Foreign exchange risk
EUR/PLN	830	EUR	12−15 months	4.4530	(112)	Foreign exchange risk
EUR/PLN	780	EUR	12−15 months	4.4300	(88)	Foreign exchange risk
Proceeds from sale in foreign currency	500	USD	up to 1 month	3.2770	1,686	Foreign exchange risk
Proceeds from sale in foreign currency	500	USD	up to 1 month	3.2770	(1,638)	Foreign exchange risk
USD/PLN	131	USD	1−3 months	3.4320	607	Foreign exchange risk

(PLN '000)

continued

Hedged item	Value of hedging instrument	Currency of hedging instrument	Maturity date	Exercise price (exercise price range)	Hedging instrument at fair value **(+) positive (-) negative**	Hedged risk
USD/PLN	131	USD	1−3 months	3.4320	(643)	Foreign exchange risk
					(85,763)	
			Call options			
Payments for gas	5,000	EUR	up to 1 month	4.4360	1	Foreign exchange risk
Payments for gas	51,000	EUR	3−6 months	4.2895	2,940	Foreign exchange risk
Payments for gas	50,000	USD	up to 1 month	3.4194	125	Foreign exchange risk
Payments for gas	200,000	USD	1−3 months	3.4662	3,910	Foreign exchange risk
Payments for gas	290,000	USD	3−6 months	3.4966	15,875	Foreign exchange risk
Payments for gas	120,000	USD	6−12 months	3.4394	11,491	Foreign exchange risk
					34,342	
			Put options			
Proceeds from sale in foreign currency	959	EUR	1−3 months	strike price: PUT − 4.2950; strike price: CALL − 4.5000	157	Foreign exchange risk
Proceeds from sale in foreign currency	500	USD	up to 1 month	strike price: PUT − 3.2300; strike price: CALL − 3.3450	40	Foreign exchange risk
					197	
			Call commodity options			
Payments for gas	163	HFO	up to 1 month	809.0798	-	Gas price risk
Payments for gas	314	HFO	1−3 months	789.6815	-	Gas price risk
Payments for gas	517	HFO	3−6 months	798.2575	205	Gas price risk
Payments for gas	674	HFO	6−12 months	745.2561	30,249	Gas price risk
Payments for gas	23	HFO	over 12 months	730.0000	1,325	Gas price risk
Payments for gas	116	GO	up to 1 month	1160.0000	-	Gas price risk
Payments for gas	228	GO	1−3 months	1108.5965	-	Gas price risk
Payments for gas	377	GO	3−6 months	1112.3873	64	Gas price risk
Payments for gas	560	GO	6−12 months	1032.2143	39,204	Gas price risk
Payments for gas	24	GO	over 12 months	1040.0000	1,671	Gas price risk
					72,718	

(PLN '000)

continued

Hedged item	Value of hedging instrument	Currency of hedging instrument	Maturity date	Exercise price (exercise price range)	Hedging instrument at fair value **(+) positive** **(-) negative**	Hedged risk
			Put commodity options			
Payments for gas	141	HFO	up to 1 month	509.9574	-	Gas price risk
Payments for gas	216	HFO	1−3 months	547.3426	-	Gas price risk
Payments for gas	450	HFO	3−6 months	596.0911	(2)	Gas price risk
Payments for gas	364	HFO	6−12 months	559.9409	(258)	Gas price risk
Payments for gas	116	GO	up to 1 month	761.0086	-	Gas price risk
Payments for gas	172	GO	1−3 months	794.7442	-	Gas price risk
Payments for gas	355	GO	3−6 months	859.2662	(252)	Gas price risk
Payments for gas	334	GO	6−12 months	826.9491	(1,806)	Gas price risk
					(2,318)	
Total valuation					**(226,151)**	
		including:	**disclosed in:**	**assets**	**187,154**	
				liabilities	**(413,305)**	

HFO – Heavy Fuel Oil
GO – Gasoil

(PLN '000)

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

	Period from Jan 1–Sep 30 2012	Period from Jan 1–Sep 30 2011
Net gain/loss on valuation of derivative instruments – unrealised	141,271	(227,917)
Net gain/loss on derivative instruments – realised	(107,067)	166,136
Total net gain/loss on derivative instruments recognised in the income statement	**34,204**	**(61,781)**
including:		
recognised in raw and other materials used	122,516	194,627
recognised in net other operating expenses	(80,988)	(256,408)
recognised in finance income or expenses	(7,324)	-
Net gain/loss on valuation of derivative instruments recognised in other comprehensive income -– unrealised	**(247,293)**	**299,530**
Total net gain/loss on derivative instruments recognised in equity	**(213,089)**	**237,749**

(PLN ‘000)

9. Acquisition of shares in PGNiG Termika S.A. (formerly Vattenfall Heat Poland S.A.)

Business combination

On January 11th 2012, PGNiG SPV 1 Sp. z o. o., a subsidiary of PGNiG S.A., acquired control of Vattenfall Heat Poland S.A. (currently PGNiG Termika S.A.), whose core business is high-efficiency cogeneration of heat and electricity. PGNiG SPV 1 Sp. z o. o. acquired 99.84% of shares, conferring the right to 99.84 of the total vote in the company for the price paid for PGNiG Termika shares, which, pursuant to the preliminary share purchase agreement, was PLN 2,957,456 thousand. Under the final share purchase agreement, that price was increased to include interest at the rate of 5% for the period of four months starting from the agreement execution date, and 6% for the period starting with the fifth month after the agreement execution date and ending on the date on which control of the company was taken over. The final purchase price was PLN 3,016,700 thousand.

The acquisition of control over PGNiG Termika S.A. has enabled the PGNiG Group to diversify its revenue sources, in line with the PGNiG Group's updated strategy, which provides for power generation being one of the Group's three key growth areas.

With this transaction, the PGNiG Group has advanced on a path to becoming a multi-utility group, supplying heat, electricity and gas to its customers.

The table below presents the value of consideration transferred and the values of acquired assets and assumed liabilities estimated as at the date of these financial statements.

a. Consideration transferred

	Jan 11 2012
Cash	3,016,700
Total consideration transferred	**3,016,700**
Buy-back of minority interests in Q1–Q3 2012	1,659
Total consideration transferred, as shown in the statement of cash flows	**3,018,359**

b. Identifiable acquired assets and assumed liabilities

	Jan 11 2012
Property, plant and equipment	2,762,219
Investment property	6,330
Intangible assets	840,588
Inventories	357,784
Receivables	280,350
Derivative instrument assets	429
Cash and cash equivalents	188,495
Prepayments and accrued income	14,114
Deferred tax assets	29,630
Trade and other payables	(995,392)
Provisions	(125,440)
Accruals and deferred income	(71)
Deferred tax liabilities	(380,155)
Total net identifiable assets	**2,978,881**

The fair values of the above items of acquired assets and assumed liabilities may change, because the process of accounting for the acquisition cost has not been completed before the end of the reporting period.

In accordance with paragraph 45 of IFRS 3, if the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the acquirer should report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer should retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer should also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period may not exceed one year from the acquisition date.

(PLN ‘000)

Given the possible occurrence of the circumstances described above, the process of accounting for the acquisition of PGNiG Termika S.A. has not been completed, so the values presented above may be subject to change.

c. Goodwill

PGNiG SPV 1 Sp. z o. o. has provisionally estimated the goodwill as at the acquisition date as:

- the fair value of the consideration transferred, increased by:
- the fair value of non-controlling interests in the acquiree, less:
- the fair value of identifiable acquired assets and assumed liabilities.

The goodwill recognised in connection with the acquisition has been determined in the following manner:

	Jan 11 2012
Total acquisition cost	3,016,700
Fair value of identifiable net assets	(2,978,881)
Non-controlling interests at fair value	4,717
Goodwill	**42,536**

The goodwill as at the transaction date, provisionally estimated at PLN 42,536 thousand, represents the synergies and economies of scale expected from the acquisition of shares in PGNiG Termika S.A.

It will not be possible to account for the recognised goodwill for the purpose of corporate income tax.

d. Costs of the acquisition

In Q1–Q3 2012, in connection with the acquisition PGNiG SPV 1 Sp. z o.o. incurred costs of PLN 10,848 thousand. These included mainly costs of advisory services, transfer tax and brokerage fees. These costs were recognised in the PGNiG Group's profit or loss for the reporting period ended September 30th 2012.

e. Non-controlling interests

An 0.16% non-controlling interests in PGNiG Termika S.A. was measured at fair value as at the acquisition date.

The fair value of the shares was determined based on the provisions of the preliminary share purchase agreement, whereby the employees holding shares in PGNiG Termika S.A. have the right to sell these shares at a price equal to the price at which PGNiG SPV 1 Sp. z o.o. acquired the shares. The fair value of non-controlling interests thus estimated is PLN 4,717 thousand.

f. Acquired receivables

Main classes of receivables	**Gross value**	**Impairment loss**	**Fair value**
Trade receivables	276,082	(1,556)	274,526
Other receivables	5,824	-	5,824

Impairment loss on the receivables represents the value of cash flows with respect to which there are doubts as to whether they will be received in full.

(PLN '000)

g. Intangible assets

PGNiG SPV 1 Sp. z o.o. recognises identifiable intangible assets acquired as part of the acquisition separately from goodwill.

As a result of the acquisition, intangible assets of PLN 241,826 thousand were identified which had not previously been recognised in the financial statements of the acquired entity. These assets included chiefly carbon emission allowances, as well as coal supply contracts, electricity sale agreements, and contracts for sale of certificates of origin, all executed on favourable terms. These agreements have been executed for a period of at least one year, and provide for fixed sale/purchase prices. Identified intangible assets relating to the agreements are amortised throughout the term of the agreements, while identified carbon emission allowances are charged as amortisation expense upon the use thereof.

In Q1–Q3 2012, PLN 150,914 thousand was charged as amortisation expense upon the use of the identified assets.

Category	Value
Carbon emission allowances allocated for 2012	193,827
Coal purchase agreements	18,851
Electricity sales agreements	2,600
Agreements for sale of certificates of origin	26,548
Total	**241,826**

h. Property, plant and equipment

As part of the acquisition, some property, plant and equipment were identified which had not previously been recognised in the financial statements of the acquired entity. These included primarily land and land held in perpetual usufruct, which the acquired entity used although it did not hold a relevant ownership title. The fair value of the land and perpetual usufruct rights is PLN 54,721 thousand. The acquired items of property, plant and equipment have been measured at fair value by an independent appraiser and this valuation may be subject to further changes. Further, the value of the property, plant and equipment was increased by borrowing costs of PLN 10,117 thousand.

i. Effect of the acquisition on the financial performance of the acquirer

As the acquisition took place at the beginning of the reporting period, the entire profit or loss of the acquiree was accounted for in the profit of the PGNiG Group for the reporting period ended September 30th 2012.

(PLN '000)

10. Discussion of differences between the data disclosed in the financial statements and comparative financial data, and the data disclosed in previously published financial statements

In the financial statements for Q3 2012, the Group has not made any changes in the comparative financial data other than the changes in the comparative financial data for Q3 2011 in the section presenting information by operating segments (described below).

The table below presents the impact of the three changes made in the reported period on the segments' operating results and assets for the comparative period, i.e. Q3 2011.

The changes involved:

1. Transfers of entities between segments. Transfer of Investgas S.A. from the Trade and Storage segment to the Other Activities segment, with a concurrent transfer of PGNiG Energia S.A. from the Other Activities segment to the Trade and Storage segment;
2. Transfer of amounts relating to gas storage facilities, used previously for the purposes of the Exploration and Production segment, to the Trade and Storage segment;
3. Transfer of intersegment eliminations in assets from the particular segments to Eliminations.

Period ended September 30th 2011	**Exploration and Production**	**Trade and Storage**	**Distribution**	**Other Activities**	**Eliminations**	**Total**
Segment's operating profit/loss before the changes	**798,164**	**116,541**	**494,320**	**16,024**	**(19,186)**	**1,405,863**
Changes, including	**10,733**	**(19,694)**	**-**	**11,200**	**(2,239)**	**-**
1) Transfer of companies (PGNiG Energia and Investgas) between Trade and Storage and Other Activities		(8,961)		11,200	(2,239)	-
2) Transfer of amounts relating to gas storage facilities from the Exploration and Production segment to the Trade and Storage segment	10,733	(10,733)				-
Segment's operating profit/loss after the changes	**808,897**	**96,847**	**494,320**	**27,224**	**(21,425)**	**1,405,863**
Segment's assets before the changes	**14 358 523**	**11 474 874**	**11 888 858**	**514 236**	**(3 393 731)**	**34 842 760**
Changes, including	**89 323**	**65 641**	**140 390**	**43 879**	**(339 233)**	**-**
1) Transfer of companies (PGNiG Energia and Investgas) between Trade and Storage and Other Activities		(39,888)		43,640	(3,752)	-
2) Transfer of amounts relating to gas storage facilities from the Exploration and Production segment to the Trade and Storage segment	(27,219)	27,219				-
3) Transfer of intersegment eliminations to Eliminations.	116,542	78,310	140,390	239	(335,481)	-
Segment's assets after the changes	**14,447,846**	**11,540,515**	**12,029,248**	**558,115**	**(3,732,964)**	**34,842,760**

The above table presents only those changes which affected operating profits/losses of the segments and material changes in the segments' assets. In the section presenting information by operating segments (item 11 in Section III) all the figures for the comparative period have been restated to ensure comparability with the reported period.

II. CONDENSED SEPARATE FINANCIAL STATEMENTS

SEPARATE INCOME STATEMENT

	Q3 2012: Jul 1−Sep 30 2012	YTD 2012: Jan 1−Sep 30 2012	Q3 2011: Jul 1−Sep 30 2011	YTD 2011: Jan 1−Sep 30 2011
	unaudited	unaudited	unaudited	unaudited
	(PLN '000)			
Sales revenue	**4,811,437**	**17,979,501**	**4,195,357**	**15,218,819**
Raw and other materials used	(3,070,420)	(12,747,711)	(2,381,449)	(9,007,105)
Employee benefits	(174,842)	(576,100)	(187,801)	(644,985)
Depreciation and amortisation	(148,583)	(422,757)	(141,872)	(421,032)
Contracted services	(1,174,063)	(4,194,847)	(1,128,025)	(4,155,868)
Cost of products and services for own needs	2,903	8,405	6,108	11,868
Other operating expenses, net	(106,094)	(533,996)	(11,724)	(24,336)
Total operating expenses	**(4,671,099)**	**(18,467,006)**	**(3,844,763)**	**(14,241,458)**
Operating profit/loss	**140,338**	**(487,505)**	**350,594**	**977,361**
Finance income	159,518	651,723	267,182	1,001,906
Finance expenses	(27,087)	(188,228)	(236,486)	(276,103)
Profit/loss before tax	**272,769**	**(24,010)**	**381,290**	**1,703,164**
Income tax	(20,164)	72,539	(53,042)	(188,673)
Net profit/loss	**252,605**	**48,529**	**328,248**	**1,514,491**
Net earnings/loss and diluted net earnings/loss per share attributable to owners of the Parent	0.04	0.008	0.06	0.26

SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Q3 2012: Jul 1−Sep 30 2012	YTD 2012: Jan 1−Sep 30 2012	Q3 2011: Jul 1−Sep 30 2011	YTD 2011: Jan 1−Sep 30 2011
	unaudited	unaudited	unaudited	unaudited
	(PLN '000)			
Net profit/loss	**252,605**	**48,529**	**328,248**	**1,514,491**
Currency translation differences on foreign operations	(6,203)	(6,547)	9,373	7,226
Valuation of hedging instruments	(125,125)	(247,293)	129,726	299,529
Valuation of financial instruments	-	-	-	(52,720)
Deferred tax related to other comprehensive income	23,773	46,985	(24,648)	(46,894)
Other	-	-	-	-
Other comprehensive income, net	**(107,555)**	**(206,855)**	**114,451**	**207,141**
Total comprehensive income	**145,050**	**(158,326)**	**442,699**	**1,721,632**

SEPARATE STATEMENT OF FINANCIAL POSITION

	As at Sep 30 2012: end of Q3 2012	As at Dec 31 2011, end of previous year
	unaudited	audited
	(PLN '000)	
ASSETS		
Non-current assets		
Property, plant and equipment	12,963,596	12,281,120
Investment property	1,998	2,819
Intangible assets	113,615	91,641
Financial assets available for sale	7,285,683	6,460,328
Other financial assets	5,486,037	2,900,850
Deferred tax assets	464,906	347,462
Other non-current assets	77,452	76,339
Total non-current assets	**26,393,287**	**22,160,559**
Current assets		
Inventories	2,743,780	1,897,387
Trade and other receivables	2,763,512	3,170,305
Current income tax receivable	-	5,320
Prepayments and accrued income	48,325	33,291
Financial assets available for sale	63	-
Derivative financial instrument assets	184,311	284,531
Cash and cash equivalents	498,544	934,615
Non-current assets held for sale	**710**	**732**
Total current assets	**6,239,245**	**6,326,181**
Total assets	**32,632,532**	**28,486,740**
EQUITY AND LIABILITIES		
Equity		
Share capital	5,900,000	5,900,000
Currency translation differences on foreign operations	2,441	8,988
Share premium account	1,740,093	1,740,093
Other capital reserves	11,798,219	10,310,364
Retained earnings/deficit	48,529	1,688,163
Total equity	**19,489,282**	**19,647,608**
Non-current liabilities		
Borrowings and other debt instruments	4,408,158	-
Provisions	1,379,157	1,250,587
Deferred income	469,171	256,544
Deferred tax liabilities	493,579	495,665
Other non-current liabilities	31,932	16,566
Total non-current liabilities	**6,781,997**	**2,019,362**
Current liabilities		
Trade and other payables	1,847,329	2,674,902
Borrowings and other debt instruments	3,930,166	3,590,802
Derivative financial instrument liabilities	410,782	416,836
Current tax liabilities	-	-
Provisions	168,490	135,113
Deferred income	4,486	2,117
Total current liabilities	**6,361,253**	**6,819,770**
Total liabilities	**13,143,250**	**8,839,132**
Total equity and liabilities	**32,632,532**	**28,486,740**

SEPARATE CASH-FLOW STATEMENT

	3 quarters of 2012 Period Jan 1−Sep 30 2012	3 quarters of 2011 Period Jan 1−Sep 30 2011
	unaudited	unaudited
	(PLN '000)	
Cash flows from operating activities		
Net profit/loss	48,529	1,514,491
Adjustments:		
Depreciation and amortisation	422,757	421,032
Net foreign exchange gains/losses	699	(223,245)
Net interest and dividend	(356,030)	(640,461)
Profit/loss from investing activities	(142,836)	(58,078)
Current income tax	(72,539)	188,673
Income tax paid/received	5,314	(317,635)
Other items, net	(13,316)	290,932
Net cash provided by/(used in) operating activities before changes in working capital	**(107,422)**	**1,175,709**
Change in working capital:		
Change in receivables, net	738,421	1,043,237
Change in inventories	(846,393)	(1,173,926)
Change in provisions	34,647	19,036
Change in current liabilities	(668,412)	(605,079)
Change in prepayments	(25,143)	(46,541)
Change in deferred income	4,822	378,783
Net cash provided by/(used in) operating activities	**(869,480)**	**791,219**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment and intangible assets	140,960	22,697
Sale of shares in related entities	-	-
Sale of shares in other entities	153	153,339
Sale of short-term securities	81	596
Acquisition of property, plant and equipment and intangible assets	(1,043,630)	(1,959,597)
Acquisition of shares in related entities	(801,005)	(103,170)
Acquisition of short-term securities	-	-
Decrease in loans advanced	52,381	115,644
Increase in loans advanced	(2,813,038)	(418,104)
Inflows from forward and futures contracts	96,332	46,080
Outflows on forward and futures contracts	(115,087)	-
Interest received	16,342	11,953
Dividends received	300,853	520,570
Proceeds from finance lease	3,622	1,842
Other items, net	203,142	86,075
Net cash provided by/(used in) investing activities	**(3,958,893)**	**(1,522,075)**
Cash flows from financing activities		
Net proceeds from issue of shares, other equity instruments and additional contributions to equity	-	-
Increase in borrowings and other debt instruments	2,084,693	-
Proceeds from issue of debt securities	6,188,378	1,887,023
Repayment of borrowings and other debt instruments	-	
Redemption of debt securities	(3,580,181)	(1,210,229)
Decrease in finance lease liabilities	(267)	(2,000)
Inflows from forward and futures contracts	-	-
Outflows on forward and futures contracts	(73,149)	-
Dividends paid	-	-
Interest paid	(225,718)	(60,531)
Other items, net	(1,454)	(2,516)
Net cash provided by/(used in) financing activities	**4,392,302**	**611,747**
Net change in cash	(436,071)	(119,109)
Net foreign exchange gains/losses	-	-
Cash and cash equivalents at beginning of the period	934,615	565,854
Cash and cash equivalents at end of the period	**498,544**	**446,745**

SEPARATE STATEMENT OF CHANGES IN EQUITY

	Equity					
	Share capital	Currency translation differences on foreign operations	Share premium account	Other capital reserves	Retained earnings/deficit	**Total**
			(PLN '000)			
As at Jan 1 2012 (audited)	**5,900,000**	**8,988**	**1,740,093**	**10,310,364**	**1,688,163**	**19,647,608**
Transfers	-	-	-	1,688,163	(1,688,163)	**-**
Payment of dividend to owners	-	-	-	-	-	**-**
Net profit/loss for Q1−Q3 2012	-	-	-	-	48,529	**48,529**
Other comprehensive income, net, for Q1−Q3 2012	-	(6,547)	-	(200,308)	-	**(206,855)**
As at Sep 30 2012 (unaudited)	**5,900,000**	**2,441**	**1,740,093**	**11,798,219**	**48,529**	**19,489,282**
As at Jan 1 2011 (audited)	**5,900,000**	**(748)**	**1,740,093**	**9,245,707**	**1,778,661**	**18,663,713**
Transfers	-	-	-	998,189	(998,189)	**-**
Payment of dividend to owners	-	-	-	-	(708,000)	**(708,000)**
Net profit/loss for Q1−Q3 2011	-	-	-	-	1,514,491	**1,514,491**
Other comprehensive income, net, for Q1−Q3 2011	-	7,225	-	199,916	-	**207,141**
As at Sep 30 2011 (unaudited)	**5,900,000**	**6,477**	**1,740,093**	**10,443,812**	**1,586,963**	**19,677,345**

(PLN '000)

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 2012	**347,462**	**495,665**
a) increase	151,539	61,325
b) decrease	(34,094)	(63,411)
As at Sep 30 2012	**464,906**	**493,579**
As at Jan 1 2011	**291,447**	**491,539**
a) increase	72,769	57,682
b) decrease	(16,754)	(53,556)
As at Dec 31 2011	**347,462**	**495,665**

2. Impairment losses

Impairment losses on assets	Property, plant and equipment and intangible assets	Investment property	Other financial assets (non-current loans)	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 2012	**997,106**	**25**	**-**	**1,660,601**	**3,302**	**664,622**	**28,822**	**-**	**3,354,478**
a) increase	216,233	60	-	31,708	125,878	275,452	894	-	**650,225**
b) transfer	-	-	-	(82)	-	-	-	82	**-**
c) decrease	(329,569)	-	-	(30,950)	(381)	(172,481)	(741)	(10)	**(534,132)**
As at Sep 30 2012	**883,770**	**85**	**-**	**1,661,277**	**128,799**	**767,593**	**28,975**	**72**	**3,470,571**
As at Jan 1 2011	**1,080,712**	**3**	**6,600**	**1,675,674**	**3,231**	**994,208**	**24,022**	**-**	**3,784,450**
a) increase	51,211	22	-	459	71	42,443	5,046	-	**99,252**
b) transfer	-	-	(1,650)	(1,360)	-	-	1,650	1,360	**-**
c) decrease	(134,817)	-	(4,950)	(14,172)	-	(372,029)	(1,896)	(1,360)	**(529,224)**
As at Dec 31 2011	**997,106**	**25**	**-**	**1,660,601**	**3,302**	**664,622**	**28,822**	**-**	**3,354,478**

(PLN ‘000)

3. Provisions

	Provision for length-of-service awards and retirement severance pays	Provision for well decommissioning costs	Provision for environmental liabilities	Central Restructuring Fund	Provision for claims under extra-contractual use of land	Liabilities to the PBG S.A.-led consortium	Provision for the employment streamlining and voluntary termination programme	Provision for penalty imposed by the Office for Competition and Consumer Protection	Other provisions	**Total**
As at Jan 1 2012	**115,611**	**1,116,117**	**42,429**	**19,590**	**23,026**	**21,773**	**8,636**	**-**	**38,518**	**1,385,700**
a) increase	2,609	146,547	3,724	-	510	-	-	60,016	16,657	**230,063**
b) decrease	(3,964)	(19,846)	-	(5,644)	(7,800)	(21,773)	(8,636)		(453)	**(68,116)**
As at Sep 30 2012	**114,256**	**1,242,818**	**46,153**	**13,946**	**15,736**	**-**	**-**	**60,016**	**54,722**	**1,547,647**
As at Jan 1 2011	**114,245**	**1,049,996**	**58,734**	**21,292**	**50,685**	**-**	**-**	**-**	**36,796**	**1,331,748**
a) increase	10,849	78,386	-	5,000	-	21,773	8,636	-	60,509	**185,153**
b) decrease	(9,483)	(12,265)	(16,305)	(6,702)	(27,659)	-		-	(58,787)	**(131,201)**
As at Dec 31 2011	**115,611**	**1,116,117**	**42,429**	**19,590**	**23,026**	**21,773**	**8,636**	**-**	**38,518**	**1,385,700**

4. Sales revenue

	Period from Jan 1–Sep 30 2012	Period from Jan 1–Sep 30 2011
Gas	16,547,253	14,175,593
Crude oil	920,665	772,383
Helium	108,020	42,055
Propane-butane gas	47,667	40,752
Natural gasoline	4,743	3,210
LNG	37,513	24,591
Gas storage services	15,885	23,029
Materials and goods for resale	8,294	6,107
Other products and services	289,461	131,100
Total	**17,979,501**	**15,218,819**

(PLN '000)

5. Operating expenses

Raw and other materials used	Period from Jan 1–Sep 30 2012	Period from Jan 1–Sep 30 2011
Cost of gas sold	(12,648,324)	(8,908,659)
Other raw and other materials used	(99,387)	(98,446)
Total	**(12,747,711)**	**(9,007,105)**

Contracted services	Period from Jan 1–Sep 30 2012	Period from Jan 1–Sep 30 2011
Purchases of transmission and distribution services	(3,463,213)	(3,410,413)
Costs of dry wells written off	(31,319)	(176,500)
Other contracted services	(700,315)	(568,955)
Total	**(4,194,847)**	**(4,155,868)**

6. Income tax

	Period from Jan 1–Sep 30 2012	Period from Jan 1–Sep 30 2011
Profit/loss before tax	(24,010)	1,703,164
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	4,562	(323,601)
Permanent differences between pre-tax profit/loss and tax base	67,977	134,928
Corporate income tax disclosed in the income statement	**72,539**	**(188,673)**
Current income tax	(6)	(247,566)
Deferred income tax	72,545	58,893
Effective tax rate	-*	11%

**As the tax charge recognised at the end of Q3 2012 was positive, the effective tax rate was not computed to avoid incorrect interpretation.*

At the end of Q3 2012, no current income tax charge was recognised other than withheld tax on dividend. On the other hand, a change in deferred tax resulted in recognising PLN 72,539 thousand in profit/loss. The main item contributing to the credit is a deferred tax asset recognised in the reporting period on current tax loss, of PLN 89,875 thousand.

7. Property, plant and equipment by categories

	As at Sep 30 2012, end of Q3 2012	As at Dec 31 2011, end of previous year
Land	26,608	23,775
Buildings and structures	5,650,818	5,236,333
Plant and equipment	1,445,994	1,347,183
Vehicles and other	81,386	78,661
Total tangible assets	**7,204,806**	**6,685,952**
Tangible assets under construction	5,758,790	5,595,168
Total property, plant and equipment	**12,963,596**	**12,281,120**

8. Differences between the data disclosed in the financial statements and comparative financial data, and the data disclosed in previously published financial statements

In the financial statements for Q3 2012, the Company has not made any changes in the comparative financial data relative to the data disclosed in the previously published financial statements.

III. ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS FOR Q3 2012

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 September 30th 2012 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.U. No. 33, item 259, as amended) (the "Regulation"). The financial statements present data as at September 30th 2012 and for the period January 1st–September 30th 2012, along with comparative financial data for the relevant periods of 2011.

The data disclosed in these financial statements are stated in the Polish złoty (PLN), and all amounts, unless indicated otherwise, are stated in thousands 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 S.A. ("PGNiG S.A.", 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 Parent's Management Board on November 12th 2012.

2. Applied 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 semi-annual consolidated financial statements for the period ended June 30th 2012, published on August 23rd 2012.

First-time adoption of standards and interpretations

In the current year, the Group has adopted all the new and revised standards and interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee, and endorsed by the EU, which apply to the Group's business and are effective for annual reporting periods beginning on or after January 1st 2012. The newly adopted standards are presented below.

- Amendment to IFRS 7 Financial Instruments: Disclosures – Transfers of Financial Assets, endorsed by the EU on November 22nd 2011 (effective for annual periods beginning on or after July 1st 2011).

Application of the above amendment to standard 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

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:

- 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);
- Amendments to IAS 19 *Employee Benefits – Amendments to Post-Employment Benefit Accounting* (effective for annual periods beginning on or after January 1st 2013),

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

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, except to the extent of the following standards, amendments and interpretations, which as at September 30th 2012 have not yet been endorsed for application:

- IFRS 9 *Financial Instruments* (effective for annual periods beginning on or after January 1st 2015);
- IFRS 10 *Consolidated Financial Statements* (effective for annual periods beginning on or after January 1st 2013);
- IFRS 11 *Joint Arrangements* (effective for annual periods beginning on or after January 1st 2013);
- IFRS 12 *Disclosure of Interests in Other Entities* (effective for annual periods beginning on or after January 1st 2013);
- IFRS 13 *Fair Value Measurement* (effective for annual periods beginning on or after January 1st 2013);
- IAS 27 (revised 2011) *Separate Financial Statements* (effective for annual periods beginning on or after January 1st 2013);
- IAS 28 (revised 2011) *Investments in Associates and Joint Ventures* (effective for annual periods beginning on or after January 1st 2013);
- Amendments to IFRS 1 *First-Time Adoption of IFRS – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters* (effective for annual periods beginning on or after July 1st 2011);
- 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* (effective for annual periods beginning on or after January 1st 2013);
- Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* (effective for annual periods beginning on or after January 1st 2012);
- Amendments to IFRS 9 *Financial Instruments* and IFRS 7 *Financial Instruments: Disclosures* – where they refer to mandatory effective date and transitional provisions;
- Amendments to IAS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities* (effective for annual periods beginning on or after January 1st 2014);
- 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);
- IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine (effective for annual periods beginning on or after January 1st 2013).

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 as at the balance sheet date.

Hedge accounting for a portfolio of financial assets or liabilities is still not covered by EU regulations, as the EU has not endorsed the rules of hedge accounting for use.

The Group estimates that the application of hedge accounting with respect to its portfolio of financial assets or liabilities in accordance with IAS 39 *Financial Instruments*: Recognition and Measurement would not have had any material effect on its consolidated financial statements if these regulations had been adopted for use by the EU as at the balance-sheet date.

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

a. On July 4th 2012, the Parent entered into a framework agreement concerning shale hydrocarbon exploration and production (the "Agreement"). The Agreement was executed between PGNiG S.A., KGHM Polska Miedź S.A., PGE Polska Grupa Energetyczna S.A., TAURON Polska Energia S.A. and ENEA S.A. (hereinafter jointly referred to as the "Parties").

   Under the Agreement, the Parties are to cooperate in the area of exploration for, appraisal and production of hydrocarbons from geological formations covered by PGNiG S.A.'s licence for oil and gas exploration and appraisal in the Wejherowo area (the "Wejherowo Licence").

Close cooperation between the partners in the Wejherowo Licence area will cover about 160 km² (the “Cooperation Area”). In addition, the Agreement gives preference to the Parties as regards cooperation in the rest of the Wejherowo Licence area (except where PGNiG S.A. conducts hydrocarbon exploration, appraisal and production on its own, and excluding the vicinity of Opalino and Lubocino, where PGNiG S.A. already conducts exploration operations).

The Agreement provides that cooperation would ultimately take the form of a limited partnership which would carry out hydrocarbon production following a successful exploration phase. It is the Parties' intention that once obtained by PGNiG S.A., the hydrocarbon production licence would be transferred onto the partnership. Each Party would be guaranteed involvement in supervising the project, in particular through participation in an operating committee appointed for the purpose.

Estimated expenditure on gas exploration, appraisal and production at the first three Cooperation Area sites (the Kochanowo, Częstkowo and Tępcz pads) will amount to PLN 1,720,000 thousand. At present, the Parties are negotiating detailed terms of the cooperation, including details of the project's budget and schedule, the share of expenditure to be incurred by individual Parties under the agreed budget, distribution of profits generated by the project and provisions concerning liability (including contractual penalties) incurred in the case of non-performance of certain contractual obligations (especially by PGNiG S.A.). If the Parties fail to secure all the required corporate approvals within three months of the date when the detailed arrangements are made or if relevant concentration clearances are not obtained by December 30th 2012, the Agreement will expire.

b. On July 19th 2012, PGNiG Norway AS, a wholly-owned subsidiary of PGNiG S.A., and its licence partners made a new gas discovery in the Snadd Outer prospect, within the PL212E licence area. The discovery lies close to the Snadd North gas field and borders the Skarv oil and gas field, which is being prepared for production launch.

Recoverable reserves of the Snadd Outer field have been preliminarily estimated by the operator at 1.2–2.3bn m^3 of natural gas (between 7.5 and 15 million barrels of oil equivalent). PGNiG Norway AS's interest in the newly discovered field is 15%.

The drilling work was preceded by detailed geological and geophysical surveys performed by PGNiG Norway AS and its licence partners: BP Norge AS, E.ON E&P Norge AS and Statoil ASA. The surveys confirmed the presence of sandstones with good reservoir properties, saturated with high-methane natural gas.

Over the next several months, the licence partners will complete a comprehensive evaluation of the Snadd Outer reserves, which will enable them to estimate the probability of their future development. The close proximity of Snadd Outer to the Skarv field may facilitate its development together with the Snadd North and Snadd South reserves. Production tests on the Snadd North field are due to commence after the launch of production from the Skarv field. The test results will provide data enabling the development of and production from the Snadd fields.

c. On July 30th 2012, the notes issued by PGNiG S.A. in June were floated on the Catalyst market, on the multilateral trading facility operated by BondSpot.

The notes were issued under the five-year PLN 4,500,000 thousand Notes Issuance Programme of May 22nd 2012. The issue arrangers include ING Bank Śląski S.A. and Bank PEKAO S.A.

The notes have been acquired by pension funds (53.4%), insurance companies (32.0%), banks (10.0%) and investment funds (4.6%).

d. On September 5th 2012, Standard & Poor's Financial Services (“S&P“, the “Agency”) reduced the rating of PGNiG from BBB+ to BBB and placed the Company on the watchlist with negative implications.

It is S&P's opinion that PGNiG's 2012 performance will not stand up to the Agency's earlier expectations, because of the Company's reduced profitability brought about by the Polish system of gas fuel tariffs, preventing the Company from full and prompt covering of the cost of imported gas. In the Agency's opinion, unless a new gas fuel tariff provides for significantly higher prices, a risk exists that the Company will post an operating loss for 2012.

On the other hand, S&P assessed the Company's liquidity as adequate given PGNiG's investment programme, thus appreciating the available financing programmes of significant values.

The PGNiG Management Board views the Company's liquidity position as safe, and the Company's finance needs connected with the implementation of the investment programme in 2012 as satisfied. The Management Board emphasises the importance of maintaining a robust investment rating, especially in the light of the currently running investment projects enhancing Poland's energy security, as robust rating materially affects availability and cost of financing such projects. Accordingly, the Company's Management Board expects that appropriate decisions concerning the prices of gas fuel and the launching of production from new fields will help improve the Company's financial ratios, which in turn will favourably affect PGNiG's credit rating.

Concurrently, with a view to improving the Company's standing, the PGNiG Management Board embarked upon restructuring of the PGNiG Group, covering in particular Gas Trading Divisions and Production Branches. Since November 2011, the Company has been a party to arbitration proceedings initiated against OAO Gazprom and OOO Gazprom Export with a view to amending the pricing terms of the long-term gas supply contract.

e. On September 11th 2012, PGNiG Norway A/S (PGNiG Norway) and PGNiG Sales&Trading GmbH (PST), PGNiG's subsidiaries, executed a natural gas sale agreement (the "Agreement").

Under the Agreement, PGNiG Norway will sell to PST in share of the gas produced from the Skarv field. The Agreement was concluded for ten years and will take effect as of the date of launching the hydrocarbons production from the field.

The aggregate value of the Agreement, estimated based on the projected sales of natural gas, is approximately EUR 1.3bn (around PLN 5.3bn at the EUR/PLN mid exchange rate quoted by the National Bank of Poland for September 12th 2012).

The natural gas price will be determined by reference to gas prices on the European Energy Exchange, and payments for gas supplies will be settled in the euro.

f. On September 13th 2012, PGNiG received a decision of the President of Energy Regulatory Office (President of URE) refusing to approve changes to the Gas Fuel Tariff (Part A – Gas Fuel Supply Tariff No. 5/2012), requested by the Company in its request of June 14th 2012.

The Company's request to change gas prices was driven by factors out of the Company's direct control, including in particular:

a) increase in costs of acquisition of high-methane gas since Q2 2012, attributable to higher contract prices,

b) depreciation of the Polish złoty against the US dollar and the euro (PGNiG uses both currencies in settlements with its gas suppliers) as compared with the exchange rates assumed for the purposes of the previous tariff application, and

c) increase in the volume of mandatory stocks of natural gas which PGNiG is required to build and maintain (as of October 1st 2012, the required volume of mandatory stocks has increased from 20 to 30 days of the Company's average daily imports).

The refusal to approve the tariff was preceded by three inquiries by the President of URE with the Company, as a result of which the tariff review process was protracted to over 90 days. In the opinion of the PGNiG Management Board, the protracted review process and the refusal to approve the tariff will have an adverse effect on the Company's financial performance.

g. On September 24th 2012 PGNiG and Operator Systemu Magazynowania Sp. z o.o. of Warsaw ("OSM") executed a long-term agreement for the provision of gas storage services at the Mogilno Underground Gas Storage Facility.

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

In the third quarter of 2012, the PGNiG Group earned a net profit of PLN 64.7m, down PLN 254.7m on Q3 2011. The weakening of the Group's financial position was caused chiefly by the lower profitability of high-methane gas sales. The Group also posted a PLN 357.6m decline of its EBIT.

Trade and Storage

The Trade and Storage segment suffered the steepest profitability drop, having sustained an operating loss of PLN 348.7m, down PLN 321.9m year on year. This was brought about by a fall, to -9%, of the margin on high-methane gas sales, an effect of the gas fuel tariff failing to offset the higher costs of acquisition of gas. Following a 9% increase in crude prices on the global markets, and a 13% rise of the USD/PLN exchange rate in Q3 2011, the PGNiG Group reported an increase in the unit purchase price of imported gas. In response to changes in the market environment, on June 14th 2012, PGNiG formally requested the President of URE to change the gas fuel tariff. However, on September 13th 2012, the Company received the President's decision refusing to approve the requested change. As a result of the refusal, the Group was not able to offset higher costs of gas imports by passing the increase onto its customers. Consequently, the profitability of high-methane gas sales fell much below the break-even point.

Exploration and Production

The upstream business continued to secure stability of the Group's financial position. The Exploration and Production segment posted an operating profit of PLN 441.1m, up by PLN 85.4m on Q3 2011. This performance improvement was attributable to higher profitability of crude oil sales. Prices at which the Group sold crude oil increased by 6%, mainly owing to a 13% increase in the USD exchange rate. The increase in the segment's operating profit was also driven by a drop in contracted services brought about by the absence of dry wells in Q3 2012.

Distribution

The Distribution segment posted an operating loss of PLN 15.8m, down PLN 8.2m on Q3 2011. The decrease is attributable to a rise of employee benefits after the transfer of interim bonuses from Q2 to Q3. Cumulatively, employee benefits remained relatively flat. At the same time, in Q3 2012, the Distribution segment recorded slightly higher sales revenue on the back of a 4% increase in the volume of distributed gas.

Generation

Following completion of the take-over of assets of Vattenfall Heat Poland S.A. (currently: PGNiG Termika S.A.) in January 2012, the Group commenced generation of electricity and heat. In Q3 2012, the Gneration segment recorded a loss of PLN 86.2m, due to the seasonal nature of sales and other factors, including a PLN 38.8m write-off on intangible assets recognised upon the acquisition thereof.

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 adequate 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 subscribe for 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 7,000,000 thousand. 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 September 30th 2012, debt outstanding under the Agreement was PLN 3,000,000 thousand.

b. On December 1st 2010, the Parent concluded with Bank Handlowy w Warszawie S.A. a short-term note issue programme agreement with a total value of PLN 1,000,000 thousand. The agreement is valid until November 30th 2013. Under the programme, PGNiG S.A. issues short-term discount notes acquired by its subsidiaries. As at the end of Q3 2012, debt under notes placed with Group companies was PLN 245,000 thousand.

c. On August 25th 2011, the Parent and PGNiG Finance AB (a subsidiary of PGNiG S.A.) 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 1,200,000 thousand. 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 Q3 2012, debt outstanding under the Euronotes was PLN 2,056,900 thousand (translated at the mid exchange rate quoted by the NBP for September 28th 2012).

d. On May 22nd 2012 the Company executed an agreement for a PLN 4,500,000 thousand 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 2.5bn notes maturing on June 19th 2017. On July 30th 2012, the notes were floated on the Catalyst market, a multilateral trading facility operated by BondSpot. Additionally, on September 19th 2012, the Company issued Tranche 2, comprising PLN 5105m short-term notes maturing on September 19th 2013. As at September 30th 2012, debt outstanding under the Programme was PLN 3,010,500 thousand.

e. On July 4th 2012, PGNiG Termika S.A. executed a Note Issue 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. Underthe Programme, PGNiG Termika S.A. may issue coupon or discount notes up to a total of PLN 1,500,000 thousand. The Programme will expire on December 29th 2017. PGNiG Termika S.A.'s debt outstanding under the note issue amounted was PLN 578,669 thousand as at September 30th 2012. Given their maturities, 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, by virtue of Resolution No. 16/VI/2012, the Annual General Meeting of PGNiG S.A. decided to allocate the 2011 profit of PLN 1,615,691 thousand and retained earnings of PLN 72,472 thousand to the Company's statutory reserve funds. Therefore, no dividend will be paid to shareholders for 2011.

The dividend for 2010 was paid on October 6th 2011.

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

On October 17th 2012 PGNiG and VNG – Verbundnetz Gas Aktiengesellschaft of Leipzig ("VNG") executed Amendment No. 1 (the "Amendment") to the Gas Sales Agreement of August 17th 2006 (the "Agreement"), whose term runs until 2016.

The Amendment provides for a new gas pricing formula, which includes elements based on both the prices of petroleum products and market prices, as well as a new capacity charge rate.

The Amendment took effect as of October 1st 2012. The contracted annual volume of gas has remained unchanged at approximately 400m m^3.

The value of the Agreement throughout its remaining term, that is from October 1st 2012 to October 1st 2016, is estimated at approximately PLN 2.3bn.

On November 5th 2012, PGNiG and OOO Gazprom Export executed an Annex to the Contract for sales of natural gas to the Republic of Poland, dated September 25th 1996 (the Contract), amending the pricing terms of gas supplies, with retroactive effect. The new gas pricing formula includes elements based on the prices of petroleum products and market prices of natural gas, reflecting changes on the European gas market.

The financial effect of the negotiated agreement has not been recognised in the financial statements for the first three quarters of 2012. The settlement method agreed under the Annex (effective for 2011 and 2012) will have a positive impact on PGNiG's EBIT. Its contribution to EBIT, which will be reflected in the Group's 2012 financial statement, is estimated at approximately PLN 2.5bn–3bn.

The negotiated agreement will also allow the parties to close the arbitration proceedings discussed in Section IV item 9 of this interim report.

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

	As at Sep 30 2012, end of Q3 2012	As at Dec 31 2011, end of previous year
Contingent receivables	**859,009**	**684,697**
From related undertakings	152,770	3,532
- under guarantees and sureties received	411	425
- under promissory notes received	152,359	3,107
From other undertakings	706,239	681,165
- under guarantees and sureties received	346,765	428,021
- under promissory notes received	134,371	97,112
- other	225,103	156,032
Contingent liabilities	**10,615,191**	**11,428,731**
To related undertakings	-	-
To other entities	10,615,191	11,428,731
- under guarantees and sureties issued	10,060,575	10,571,035
- under promissory notes issued	536,878	857,696
- other	17,738	-

The increase in contingent receivables as at the end of Q3 2012 is primarily attributable to promissory notes issued by related parties to the Parent by way of security of loans advanced to those parties (increase by PLN 152,000 thousand) and increase in contingent receivables under the promissory notes issued to the Parent by other entities mainly by way of security of receivables under gas fuel supplies (increase by PLN 29,359 thousand). The decrease in contingent receivables under guarantees and sureties received is mainly due to the expiry of three significant guarantees (for a total amount of PLN 120,877 thousand). In addition, other receivables also grew on the back of a PLN 68,955 thousand increase in the value of EU subsidies granted to co-finance projects carried out by gas distribution companies (as at the end of 2011: PLN 156,032 thousand).

The decrease in contingent liabilities as at the end of Q3 2012 is primarily attributable to changes in exchange rates for currencies in which certain liabilities are denominated. The appreciation of the Polish złoty against the euro and the Norwegian krone in Q1–Q3 2012 contributed to the decrease in the following contingent liabilities under guarantees issued by the Parent: repayment of financial liabilities under the Euronotes issue and guarantee issued to the State of Norway (total decrease of PLN 644,649.4 thousand at the exchange rates quoted by the NBP for September 29th 2012). Also, contingent liabilities decreased mainly as a result of expiry of some of the promissory notes.

(PLN '000)

11. Financial information by operating segments

11.1. Reportable segments

The tables below present revenues, costs and profits/losses, as well as assets, equity and liabilities of the Group's reportable segments for the periods ended September 30th 2012 and September 30th 2011.

Period ended September 30th 2012	Exploration and Production	Trade and Storage	Distribution	Generation	Other Activities	Eliminations	Total
Income statement							
Sales to external customers	2,255,249	16,250,268	104,776	1,316,382	137,546	-	20,064,221
Intercompany sales	862,799	301,384	2,441,005	37,978	225,197	(3,868,363	-
Total segment revenue	3,118,048	16,551,652	2,545,781	1,354,360	362,743	(3,868,363	20,064,221
Depreciation and amortisation	(447,851)	(106,404)	(605,499)	(334,404)	(12,756)	-	(1,506,914)
Other costs	(1,459,268)	(18,229,831)	(1,389,704)	(1,052,373)	(381,525)	3,878,245	(18,634,456)
Total segment costs	(1,907,119)	(18,336,235)	(1,995,203)	(1,386,777)	(394,281)	3,878,245	(20,141,370)
Operating profit/loss	**1,210,929**	**(1,784,583)**	**550,578**	**(32,417)**	**(31,538)**	**9,882**	**(77,149)**
Net finance expenses							(97,724)
Share in net profit/loss of equity-accounted entities		86,379					86,379
Profit/loss before tax							**(88,494)**
Income tax							136,652
Net profit/loss							**48,158**
Statement of financial position							
Segment's assets	15,188,963	15,441,658	12,575,996	4,247,298	419,467	(6,841,916	41,031,466
Investments in equity-accounted entities		684,770					684,770
Unallocated assets							243,611
Deferred tax assets							1,253,801
Total assets							**43,213,648**
Total equity							24,345,811
Segment liabilities	5,256,069	2,655,178	2,032,198	2,723,047	145,046	(6,512,358	6,299,180
Unallocated liabilities							10,778,724
Deferred tax liabilities							1,789,933
Total equity and liabilities							**43,213,648**
Other information on the segment							
Capital expenditure on property, plant and equipment and intangible	(947,193)	(619,320)	(827,828)	(148,942)	(21,407)	(4,726)	**(2,569,416)**
Impairment losses on assets	(482,953)	(2,311,978)	(93,114)	(24,377)	(9,108)	322	**(2,921,208)**
Impairment losses on unallocated assets							(37,805)

(PLN '000)

Period ended September 30th 2011	Exploration and Production	Trade and Storage	Distribution	Generation	Other Activities	Eliminations	Total
Income statement							
Sales to external customers	2,006,842	13,796,841	91,156	-	136,301		16,031,140
Intercompany sales	869,815	122,586	2,348,531	-	322,715	(3,663,647	-
Total segment revenue	**2,876,657**	**13,919,427**	**2,439,687**	**-**	**459,016**	**(3,663,647**	**16,031,140**
Depreciation and amortisation	(449,053)	(95,014)	(614,532)	-	(11,392)	-	(1,169,991)
Other costs	(1,618,707)	(13,727,566)	(1,330,835)	-	(420,400)	3,642,222	(13,455,286)
Total segment costs	(2,067,760)	(13,822,580)	(1,945,367)	-	(431,792)	3,642,222	(14,625,277)
Operating profit/loss	**808,897**	**96,847**	**494,320**	**-**	**27,224**	**(21,425)**	**1,405,863**
Net finance expenses							48,454
Share in net profit/loss of equity-accounted entities		(502)					(502)
Profit/loss before tax							**1,453,815**
Income tax							(129,620)
Net profit/loss	-	-	-	-	-	-	**1,324,195**
Statement of financial position							
Segment's assets	14,447,846	11,540,515	12,029,248	-	558,115	(3,732,964	34,842,760
Investments in equity-accounted entities		555,325					555,325
Unallocated assets							578,559
Deferred tax assets							962,876
Total assets							**36,939,520**
Total equity							24,365,745
Segment liabilities	2,080,131	3,684,165	1,690,439	-	121,484	(3,397,483	4,178,736
Unallocated liabilities							6,950,354
Deferred tax liabilities							1,444,685
Total equity and liabilities							**36,939,520**
Other information on the segment							
Capital expenditure on property, plant and equipment and intangible	(1,894,447)	(595,338)	(747,259)	-	(10,256)	45,877	**(3,201,423)**
Impairment losses on assets	(1,175,135)	(1,840,103)	(82,962)	-	(11,427)	13,299	**(3,096,328)**
Impairment losses on unallocated assets							(37,701)

IV. SUPPLEMENTARY INFORMATION TO THE Q3 2012 REPORT

1. General information on the Company and its Group

Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna ("PGNiG S.A.", the "Company", the "Parent"), registered office at ul. Marcina Kasprzaka 25, Warsaw, Poland, is the Parent of the PGNiG Group (the "PGNiG Group", the "Group"). On September 23rd 2005, following an IPO of PGNiG S.A. shares, PGNiG S.A. 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 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 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 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.

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.

(PLN ‘000)

2. Organisation of the PGNiG Group and its consolidated entities

As at September 30th 2012, the Group comprised PGNiG S.A. (the Parent), and 41 production and service companies, including:

- 25 subsidiaries of PGNiG S.A.
- 16 indirect subsidiaries of PGNiG S.A.

The list of the PGNiG Group companies as at September 30th 2012 is presented in the table below.

Companies of the PGNiG Group

	Company name	Share capital (PLN)	Equity interest held by PGNiG S.A. (PLN)	Equity interest held by PGNiG S.A. (%)	% of total vote held by PGNiG S.A.
	PGNiG S.A.'s subsidiaries				
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	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.	20,000 (EUR)[1)]	20,000 (EUR)[1)]	100%	100%
6	INVESTGAS S.A.	502,250	502,250	100%	100%
7	Dolnośląska Spółka Gazownictwa Sp. z o.o.	658,384,000	658,384,000	100%	100%
8	Górnośląska Spółka Gazownictwa Sp. z o.o.	1,300,338,000	1,300,338,000	100%	100%
9	Karpacka Spółka Gazownictwa Sp. z o.o.	1,484,953,000	1,484,953,000	100%	100%
10	Mazowiecka Spółka Gazownictwa Sp. z o.o.	1,255,800,000	1,255,800,000	100%	100%
11	Pomorska Spółka Gazownictwa Sp. z o.o.	655,199,000	655,199,000	100%	100%
12	Wielkopolska Spółka Gazownictwa Sp. z o.o.	1,033,186,000	1,033,186,000	100%	100%
13	Geovita S.A.	86,139,000	86,139,000	100%	100%
14	PGNiG Technologie S.A.	166,914,000	166,914,000	100%	100%
15	PGNiG Energia S.A.	41,000,000	41,000,000	100%	100%
16	BUD-GAZ P.P.U.H. Sp. z o.o.	51,760	51,760	100%	100%
17	PGNiG Sales & Trading GmbH	10,000,000 (EUR)[1)]	10,000,000 (EUR)[1)]	100%	100%
18	PGNiG Finance AB (publ)	500,000 (SEK)[1)]	500,000 (SEK)[1)]	100%	100%
19	PGNiG SPV 1 Sp. z o.o.	770,020,000	770,020,000	100%	100%
20	Operator Systemu Magazynowania Sp. z o.o.	5,000,000	5,000,000	100%	100%
21	Polskie Elektrownie Gazowe Sp. z o.o.	1,212,000	1,212,000	100%	100%
22	PGNiG Serwis Sp. z o.o.	9,995,000	9,995,000	100%	100%
23	PGNiG SPV4 Sp. z o.o.	5,000	5,000	100%	100%
24	Biuro Studiów i Projektów Gazownictwa Gazoprojekt S.A.	4,000,000	3,000,000	75%	75%
25	NYSAGAZ Sp. z o.o.	9,881,000	6,549,000	66.28%	66.28%
	PGNiG S.A.'s indirect subsidiaries				
26	Poszukiwania Nafty i Gazu Jasło S.A.	100,000,000	100,000,000	100%	100%
27	Poszukiwania Nafty i Gazu Kraków S.A.	105,231,000	105,231,000	100%	100%
28	Poszukiwania Nafty i Gazu NAFTA S.A.	60,000,000	60,000,000	100%	100%
29	Poszukiwania Naftowe Diament Sp. z o.o.	62,000,000	62,000,000	100%	100%
30	Zakład Robót Górniczych ZRG Krosno Sp. z o.o.	26,903,000	26,903,000	100%	100%
31	Oil Tech International F.Z.E.	20,000 (USD)[1)]	20,000 (USD)[1)]	100%	100%
32	Zakład Gospodarki Mieszkaniowej Sp. z o.o.	1,806,500	1,806,500	100%	100%
33	Biogazownia Ostrowiec Sp. z o.o.	105,000	105,000	100%	100%
34	Powiśle Park Sp. z o.o.	81,131,000	81,131,000	100%	100%
35	PGNiG TERMIKA S.A.	246,300,000	246,050,640	99.89%	99.89%
36	Poltava Services LLC	20,000,(EUR)[2)]	19,800,(EUR)[2)]	99%	99%
37	CHEMKOP Sp. z o.o.	3,000,000	2,550,000	85%	85%
38	GAZ Sp. z o.o.	300,000	240,000	80%	80%
39	GAZ MEDIA Sp. z o.o.	300,000	153,000	51%	51%
40	PT Geofizyka Torun Indonesia LLC w likwidacji (in liquidation)	8,773,000,000 (IDR)[1)]	4,825,150,000 (IDR)[3)]	55%	55%
41	XOOL GmbH	500,000 (EUR)[1)]	500,000 (EUR)[1)]	100%	100%

[1)] In foreign currencies.
[2)] Share capital not paid up.
[3)] 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 September 30th 2012 Geofizyka Toruń S.A. paid USD 40.7 thousand.

(PLN '000)

Consolidated entities of the Group as at the end of Q3 2012

Company name	Based in	Equity interest held by PGNiG S.A. (%)	
PGNiG S.A. (Parent)	Poland		
Direct subsidiaries of PGNiGS.A.		**Sep 30 2012**	**Sep 30 2011**
GEOFIZYKA Kraków S.A.	Poland	100.00%	100.00%
GEOFIZYKA Toruń S.A.	Poland	100.00%	100.00%
PGNiG Poszukiwania S.A.	Poland	100.00%	-
PGNiG Norway AS	Norway	100.00%	100.00%
Polish Oil And Gas Company – Libya B.V.	The Netherlands	100.00%	100.00%
INVESTGAS S.A.	Poland	100.00%	100.00%
Dolnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Górnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Karpacka Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
GK Mazowiecka Spółka Gazownictwa [1)]	Poland	100.00%	100.00%
Pomorska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Wielkopolska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Geovita S.A.	Poland	100.00%	100.00%
PGNiG Technologie S.A.	Poland	100.00%	100.00%
PGNiG Energia S.A.	Poland	100.00%	100.00%
PGNiG Sales&Trading Group [2)]	Germany	100.00%	-
PGNiG Finance AB	Sweden	100.00%	-
PGNiG SPV1 Sp. z o.o.	Poland	100.00%	-
Operator Systemu Magazynowania Sp. z o.o.	Poland	100.00%	-
PGNiG Serwis Sp. z o.o.	Poland	100.00%	-
Biuro Studiów i Projektów Gazownictwa Gazoprojekt S.A.	Poland	75.00%	75.00%
PGNiG S.A.'s indirect subsidiaries			
Poszukiwania Nafty i Gazu NAFTA S.A. [3)]	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu Kraków Group [3), 4)]	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu NAFTA S.A. [3)]	Poland	100.00%	100.00%
Poszukiwania Naftowe Diament Sp. z o.o. [3)]	Poland	100.00%	100.00%
Zakład Robót Górniczych Krosno Sp. z o.o. [3)]	Poland	100.00%	100.00%
PGNiG Termika S.A. [5)]	Poland	99.89%	-
BUG Gazobudowa Sp. z o.o. Zabrze [6)]	Poland	-	100.00%
Zakład Urządzeń Naftowych Naftomet Sp. z o.o. [6)]	Poland	-	100.00%
ZRUG Sp. z o.o. (Pogórska Wola) [6)]	Poland	-	100.00%
Budownictwo Naftowe Naftomontaż Sp. z o.o. [6)]	Poland	-	88.83%
Equity-accounted jointly-controlled and associated entities			
SGT EUROPOL GAZ S.A. [7)]	Poland	49.74%	49.74%
GAS - TRADING S.A.	Poland	43.41%	43.41%

[1)] The Mazowiecka Spółka Gazownictwa Group comprises Mazowiecka Spółka Gazownictwa Sp. z o.o. and its subsidiary Powiśle Park Sp. z o.o.;
[2)] The PGNiG Sales &Trading Group comprises PGNiG Sales &Trading GmbH and its subsidiary XOOL GmbH.
[3)] A subsidiary of PGNiG Poszukiwania S.A. as of August 21st 2012
[4)] The Poszukiwania Nafty i Gazu Kraków Group comprises Poszukiwania Nafty i Gazu Kraków S.A. and its subsidiaries: Oil Tech International - F.Z.E. and Poltava Services LLC.
[5)] On January 11th 2012, PGNiG SPV 1 Sp. z o.o. acquired 99.84% of shares in Vattenfall Heat Poland S.A. (currently PGNiG Termika S.A.).
[6)] Since December 22nd 2011, it has operated as a branch of PGNiG Technologie Sp. z o.o.
[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 PGNiG Group's structure in Q3 2012 included:

- On July 2nd 2012, the transformation of GEOFIZYKA Toruń Sp. z o.o. into a joint-stock company was registered with the National Court Register;
- On July 2nd 2012, the transformation of GEOFIZYKA Kraków Sp. z o.o. into a joint-stock company was registered with the National Court Register;
- On July 2nd 2012, the transformation of Geovita Sp. z o.o. into a joint-stock company was registered with the National Court Register;

(PLN '000)

- On July 27th 2012, PGNiG Poszukiwania S.A., a company incorporated on July 3rd 2012, was registered with the National Court Register. The company's share capital amounts to PLN 10,000 thousand and is divided into 10,000 thousand shares with a par value of PLN 1 per share. All PGNiG Poszukiwania shares are held by PGNiG S.A..
- On August 11th 2012, the General Meeting of PT Geofizyka Torun Indonesia resolved to open liquidation proceedings as of August 15th 2012;
- On August 21st 2012, the Extraordinary General Meeting of PGNiG Poszukiwania S.A. resolved to increase the company's share capital by PLN 971,500,000, to PLN 981,500,000, through an issue of 971,500,000 new shares with a par value of PLN 1 per share and to cover the shares with a non-cash contribution in the form of shares in the following companies:
  - 100,000,000 shares in Poszukiwania Nafty i Gazu Jasło S.A.
  - 105,231,000 shares in Poszukiwania Nafty i Gazu Kraków S.A.
  - 60,000,000 shares in Poszukiwania Nafty i Gazu NAFTA S.A.
  - 62,000 shares in Poszukiwania Naftowe Diament Sp. z o.o.
  - 26,903 shares in Zakład Robót Górniczych Krosno Sp. z o.o.

  The increase was registered with the National Court Register on September 10th 2012;
- On September 28th 2012, PGNiG S.A. sold on the Warsaw Stock Exchange its entire holding of 13,674 shares in MIRACULUM S.A. for PLN 0.20 per share;
- On October 9th 2012, the District Court of Toruń declared the bankruptcy by liquidation of ZRUG Toruń S.A. PGNiG S.A. holds 130,000 shares in the company, with a par value of PLN 10.00 per share, representing 25.14% of the company's share capital and of the total vote at the company's General Meeting;
- On October 11th 2012, a share capital increase of ZRUG Zabrze S.A., from PLN 5,250,000 to PLN 11,950,000, was registered with the National Court Register. As PGNiG S.A. did not participate in the share capital increase, its shareholding in ZRUG Zabrze S.A. fell from 11.43% to 5.02%.

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 S.A. did not publish any performance forecasts for Q3 2012.

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 previous quarterly report*	Number of shares held as at the publication date of previous quarterly report*	% change in the period 2012-06-30 - 2012-09-30	% 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	72.41%	4,271,911,724	-0.01%	72.40%	4,271,852,253
Other	27.59%	1,628,088,276	0.01%	27.6%	1,628,147,747
Total:	**100.00%**	**5,900,000,000**	**0.00%**	**100.00%**	**5,900,000,000**

*As at June 30th 2012.

**As at September 30th 2012.

(PLN '000)

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 previous quarterly 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 June 30th 2012.

** According to confirmations received as at September 30th 2012.

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

Proceedings before the Court of Arbitration

On March 31st 2011, PGNiG S.A. requested OOO Gazprom Export to renegotiate the price of gas deliveries under the Contract dated September 25th 1996, providing for supplies of natural gas to the Republic of Poland, so as to reduce the price. As the parties failed to reach an agreement in the period of six months, on November 7th 2011, PGNiG S.A. filed a request to OAO Gazprom and OOO Gazprom Export to start arbitration proceedings before the Court of Arbitration. In accordance with the Court's procedure, on February 20th 2012, the Company filed a suit against OAO Gazprom and OOO Gazprom Export. The proceedings relate to trade commitments, whose value exceeds 10% of PGNiG S.A.'s equity.

Concurrently with the arbitration proceedings, PGNiG and OOO Gazprom Export entered into trade negotiations, which led to the execution, on November 5th 2012, of an Annex to the Contract, changing the pricing terms of gas supplies, with retroactive effect. Under the annex, the gas price is based on a formula which includes current market prices of natural gas and petroleum products, and thus reflects the changes on the European gas market.

Given that the parties reached an agreement and the proceedings before the Arbitration Court may now be closed, PGNiG withdrew its request for arbitration from the Court of Arbitration. On November 6th 2012, the Company received confirmation of receipt of the request.

Other proceedings concerning liabilities or claims

The value of other court, arbitration or administrative proceedings concerning liabilities or debt claims does not exceed 10% of PGNiG S.A.'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, PGNiG S.A. 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

In the period from January 1st to September 30th 2012, there were no significant transactions concerning purchase or sale of property, plant and equipment.

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

As at September 30th 2012, the Company did not carry any significant liabilities relating to purchase of property, plant and equipment.

11. Material settlements under court proceedings

In the first three quarters of 2012, 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–September 30th 2012, there were no related party transactions concluded by the Group entities which would be worth more than EUR 500 thousand and would not follow from 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

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

The key factors with a bearing on the PGNiG S.A.'s financial performance in Q4 2012 will include the level of exchange rates (USD/PLN and EUR/PLN) and the prices of crude oil and petroleum products. An important factor for the Company will be the dates of payment for imported gas. Due to the large volumes of purchased gas, a change in exchange rates by only a few percent may significantly affect the unit cost of gas imports and the profitability of gas sales. In the winter, when gas will not be injected into storage facilities, the value of inventories will remain unchanged. Thus, any costs of and gains on gas purchased in the winter will be reflected in operating profit/loss for the period. The USD/PLN exchange rate continues to be relatively high, and any further strengthening of the dollar without any change in the gas tariff would significantly weaken the financial position of PGNiG S.A.

Crude oil and petroleum product prices seen in the preceding nine months are used to calculate the price of imported gas for the remaining months of 2012. The nine-month average price of crude oil in Q4 2012 will reach USD 112.43. If crude prices continue to grow in the months to come, the Group's economic and trading position in 2013 may be adversely affected.
Another factor having a bearing on the financial performance of the Group relates to the price rates and charges provided for in gas fuel tariffs. The currently applicable tariff expires on December 31st 2012. Given the unfavourable developments on the currency and fuel markets, in July 2012 PGNiG S.A. filed an application with the Energy Regulatory Office requesting approval of a new tariff for Q4 2012. The administrative proceedings concerning the amended tariff were completed with the President of the Energy Regulatory Office's decision to reject the tariff. If the unfavourable USD/PLN exchange rate and high crude oil prices continue, the current selling price of gas will not cover the cost of gas purchase and the seasonal increase in gas sales volume in Q4 2012 may adversely affect the Company's financial performance in that quarter.

One of the key drivers of the PGNiG Group's performance in the distribution segment will be the new tariff for distribution of gas fuels charged by Gas Distribution Companies. Gas Distribution Companies requested the President of URE to change the tariff rates, which have been in effect since July 15th 2011. The granting of the companies' request may affect the level of regulated revenue from gas distribution services as well as the Distribution segment's performance.

As regards the companies providing drilling and geophysical services, a significant factor affecting their performance will be the intensity of exploration for and production of hydrocarbons from conventional and unconventional deposits. If work related to such activities in Poland considerably intensifies, the PGNiG Group's subsidiaries providing geophysical and drilling services may record higher sales and profits.

The PGNiG Group maintains its plans concerning launch of production from the Skarv field in Norway in Q4 2012, however, due to the fact that only a small volume of oil and gas is planned to be produced in the initial phase of the start-up process at the end of Q4 2012, the Group does not expect the related revenue in that period to be significant.

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