



**CONSOLIDATED  
INTERIM REPORT  
FOR THE FIRST QUARTER  
OF 2011**

# POLISH FINANCIAL SUPERVISION AUTHORITY

## Consolidated Quarterly Report QSr I / 2011

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)

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

for the first quarter of the 2011 financial year covering the period from **January 1st** to **March 31st 2011**, containing condensed consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs) in the złoty (PLN), and condensed separate financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs) in the złoty (PLN).

May 12th 2011  
(date of release)

**POLSKIE GÓRNICTWO NAFTOWE I GAZOWNICTWO S.A.**

(full name of the issuer)

**PGNIG S.A.**

(abbreviated name)

**Fuels (pal)**

(sector according to the Warsaw Stock Exchange's classification)

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## FINANCIAL HIGHLIGHTS

Consolidated Financial Data	Q1 2011 (Jan 1–Mar 31 2011)	Q1 2010 (Jan 1–Mar 31 2010)	Q1 2011 (Jan 1–Mar 31 2011)	Q1 2010 (Jan 1–Mar 31 2010)
	PLN '000		EUR '000	
	As at Mar 31 2011	As at Dec 31 2010	As at Mar 31 2011	As at Dec 31 2010
I. Sales revenue	7,045,008	6,632,831	1,772,686	1,672,044
II. Operating profit/(loss)	1,178,947	1,226,889	296,650	309,282
III. Pre-tax profit/(loss)	1,242,409	1,235,956	312,619	311,567
IV. Net profit/(loss) attributable to owners of the parent	1,023,200	995,568	257,461	250,969
V. Net profit/(loss)	1,024,612	996,253	257,816	251,141
VI. Comprehensive income attributable to owners of the parent	1,230,896	990,841	309,722	249,777
VII. Total comprehensive income	1,232,308	991,526	310,077	249,950
VIII. Net cash provided by/(used in) operating activities	2,021,061	2,329,343	508,545	587,195
IX. Net cash provided by/(used in) investing activities	(1,080,687)	(737,521)	(271,926)	(185,919)
X. Net cash provided by/(used in) financing activities	(814,011)	(895,754)	(204,824)	(225,807)
XI. Total net cash flow	126,363	696,068	31,796	175,469
XII. Net earnings/(loss) and diluted net earnings/(loss) per share attributable to owners of the parent (PLN / EUR)	0.17	0.17	0.04	0.04
XIII. Total assets	34,926,582	34,316,239	8,705,746	8,665,060
XIV. Liabilities and provisions for liabilities	10,174,804	10,796,769	2,536,156	2,726,250
XV. Non-current liabilities	5,107,267	4,973,340	1,273,030	1,255,799
XVI. Current liabilities	5,067,537	5,823,429	1,263,126	1,470,451
XVII. Equity	24,751,778	23,519,470	6,169,590	5,938,810
XVIII. Share capital	5,900,000	5,900,000	1,470,625	1,489,786
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)	4.20	3.99	1.05	1.01
XXI. Dividend per share declared or paid (PLN / EUR)	-	0.08	-	0.02

  

Condensed Separate Financial Data	Q1 2011 (Jan 1–Mar 31 2011)	Q1 2010 (Jan 1–Mar 31 2010)	Q1 2011 (Jan 1–Mar 31 2011)	Q1 2010 (Jan 1–Mar 31 2010)
	PLN '000		EUR '000	
	As at Mar 31 2010	As at Dec 31 2010	As at Mar 31 2010	As at Dec 31 2010
I. Sales revenue	6,835,394	6,483,017	1,719,942	1,634,278
II. Operating profit/(loss)	603,915	727,537	151,959	183,402
III. Pre-tax profit/(loss)	642,589	768,370	161,690	193,695
IV. Net profit/(loss)	535,025	609,491	134,625	153,644
V. Comprehensive income	746,441	619,188	187,822	156,089
VI. Net cash provided by/(used in) operating activities	1,212,058	1,730,376	304,982	436,204
VII. Net cash provided by/(used in) investing activities	(663,803)	(573,745)	(167,028)	(144,633)
VIII. Net cash provided by/(used in) financing activities	(630,580)	(920,308)	(158,668)	(231,997)
IX. Total net cash flow	(82,325)	236,323	(20,715)	59,574
X. Net earnings/(loss) and diluted net earnings/(loss) per ordinary share (PLN / EUR)	0.09	0.10	0.02	0.03
XI. Total assets	25,633,651	25,550,931	6,389,404	6,451,767
XII. Total liabilities	6,223,497	6,887,218	1,551,259	1,739,065
XIII. Non-current liabilities	1,794,575	1,758,351	447,313	443,994
XIV. Current liabilities	4,428,922	5,128,867	1,103,946	1,295,070
XV. Equity	19,410,154	18,663,713	4,838,145	4,712,702
XVI. Share capital	5,900,000	5,900,000	1,470,625	1,489,786
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)	3.29	3.16	0.82	0.80
XIX. Dividend per share declared or paid (PLN / EUR)	0.00	0.08	0.00	0.02

Items of the income statement, statement of comprehensive income and statement of cash flows were translated using the EUR 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 given reporting period.

Items of the statement of financial position were translated using the EUR mid-exchange rate quoted by the NBP for the end of the given reporting period.

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

	Mar 31 2011	Dec 31 2010	Mar 31 2010
Average exchange rate for the period	3.9742	4.0044	3.9669
Exchange rate at end of the period	4.0119	3.9603	3.8622

## I. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT

	Q1 2011 (Jan 1–Mar 31 2011) unaudited	Q1 2010 (Jan 1–Mar 31 2010) unaudited
	(PLN '000)	
<b>Sales revenue</b>	<b>7,045,008</b>	<b>6,632,831</b>
Raw and other materials used	(4,312,093)	(3,647,221)
Employee benefits	(597,593)	(569,569)
Depreciation and amortisation	(389,689)	(365,899)
Contracted services	(818,910)	(788,657)
Cost of products and services for own needs	264,832	166,479
Net other operating expenses	(12,608)	(201,075)
<b>Total operating expenses</b>	<b>(5,866,061)</b>	<b>(5,405,942)</b>
<b>Operating profit/(loss)</b>	<b>1,178,947</b>	<b>1,226,889</b>
Finance income	75,334	16,340
Finance expenses	(11,683)	(7,084)
Share in profit/(loss) of equity-accounted undertakings	(189)	(189)
<b>Pre-tax profit/(loss)</b>	<b>1,242,409</b>	<b>1,235,956</b>
Corporate income tax	(217,797)	(239,703)
<b>Net profit/(loss)</b>	<b>1,024,612</b>	<b>996,253</b>
Attributable to:		
Owners of the parent	1,023,200	995,568
Non-controlling interests	1,412	685
Net earnings/(loss) and diluted net earnings/(loss) per share attributable to owners of the parent	0.17	0.17

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q1 2011 (Jan 1–Mar 31 2011) unaudited	Q1 2010 (Jan 1–Mar 31 2010) unaudited
	(PLN '000)	
<b>Net profit/(loss)</b>	<b>1,024,612</b>	<b>996,253</b>
Currency translation differences on foreign operations	(5,624)	(14,091)
Valuation of hedging instruments	246,710	-
Valuation of financial instruments	16,648	11,560
Deferred tax related to other comprehensive income	(50,038)	(2,196)
Other	-	-
<b>Other comprehensive net income</b>	<b>207,696</b>	<b>(4,727)</b>
<b>Total comprehensive income</b>	<b>1,232,308</b>	<b>991,526</b>
Attributable to:		
Owners of the parent	1,230,896	990,841
Non-controlling interests	1,412	685

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at Mar 31 2011 (end of Q1 2011) unaudited	As at Dec 31 2010 (end of previous year) audited
	(PLN '000)	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	26,116,269	25,662,220
Investment property	9,658	9,915
Intangible assets	238,010	246,710
Investments in equity-accounted associated undertakings	555,639	555,828
Financial assets available for sale	53,236	170,442
Other financial assets	42,259	39,868
Deferred tax assets	686,129	676,817
Other non-current assets	73,071	71,075
<b>Total non-current assets</b>	<b>27,774,271</b>	<b>27,432,875</b>
<b>Current assets</b>		
Inventories	566,822	1,049,567
Trade and other receivables	3,960,919	4,061,187
Current income tax receivable	226,044	229,666
Prepayments and accrued income	370,867	78,801
Financial assets available for sale	148,416	8,833
Derivative financial instruments	374,608	77,873
Cash and cash equivalents	1,499,888	1,373,292
Non-current assets held for sale	4,747	4,145
<b>Total current assets</b>	<b>7,152,311</b>	<b>6,883,364</b>
<b>Total assets</b>	<b>34,926,582</b>	<b>34,316,239</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	5,900,000	5,900,000
Currency translation differences on foreign operations	(62,944)	(57,320)
Share premium account	1,740,093	1,740,093
Other capital reserves	12,481,483	12,268,163
Retained earnings (deficit)	4,678,310	3,655,110
<b>Equity attributable to owners of the parent</b>	<b>24,736,942</b>	<b>23,506,046</b>
Equity attributable to non-controlling interests	14,836	13,424
<b>Total equity</b>	<b>24,751,778</b>	<b>23,519,470</b>
<b>Non-current liabilities</b>		
Loans, borrowings and debt securities	1,089,285	969,864
Provisions	1,502,877	1,501,164
Deferred income	1,057,766	1,089,192
Deferred tax liabilities	1,436,550	1,392,010
Other non-current liabilities	20,789	21,110
<b>Total non-current liabilities</b>	<b>5,107,267</b>	<b>4,973,340</b>
<b>Current liabilities</b>		
Trade and other payables	3,451,898	3,291,472
Loans, borrowings and debt securities	321,004	1,229,237
Liabilities under derivative financial instruments	110,646	104,443
Current tax payable	168,780	225,972
Provisions	301,457	289,647
Deferred income	713,752	682,658
<b>Total current liabilities</b>	<b>5,067,537</b>	<b>5,823,429</b>
<b>Total liabilities</b>	<b>10,174,804</b>	<b>10,796,769</b>
<b>Total equity and liabilities</b>	<b>34,926,582</b>	<b>34,316,239</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Q1 2011 (Jan 1–Mar 31 2011) unaudited	Q1 2010 (Jan 1–Mar 31 2010) unaudited
	(PLN '000)	
<b>Cash flows from operating activities</b>		
Net profit/(loss)	1,024,612	996,253
Adjustments:		
Share in net profit/(loss) of equity-accounted undertakings	189	189
Depreciation and amortisation	389,689	365,899
Net foreign exchange gains/(losses)	(15,282)	53,867
Net interest and dividend	(3,974)	(2,970)
Gain/(loss) from investing activities	(4,870)	(13,879)
Current income tax	217,797	239,703
Income tax paid	(283,177)	(85,494)
Other items, net	32,373	(118,363)
<b>Net cash provided by/(used in) operating activities before changes in working capital</b>	<b>1,357,357</b>	<b>1,435,205</b>
Change in working capital:		
Change in receivables, net	85,213	50,104
Change in inventories	482,745	554,370
Change in provisions	10,484	2,881
Change in current liabilities	381,930	632,130
Change in prepayments	(296,158)	(309,811)
Change in deferred income	(510)	(35,536)
<b>Net cash provided by/(used in) operating activities</b>	<b>2,021,061</b>	<b>2,329,343</b>
<b>Cash flows from investing activities</b>		
Sale of property, plant and equipment and intangible assets	6,689	5,129
Sale of shares in non-consolidated undertakings	9	-
Sale of short-term securities	8,044	-
Acquisition of property, plant and equipment and intangible assets	(1,081,200)	(749,959)
Acquisition of shares in non-consolidated undertakings	(13,000)	-
Acquisition of short-term securities	-	(3,474)
Interest received	575	4,862
Dividend received	-	-
Proceeds from finance lease	615	5,008
Other items, net	(2,419)	913
<b>Net cash provided by/(used in) investing activities</b>	<b>(1,080,687)</b>	<b>(737,521)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of shares, other equity instruments and additional contributions to equity	-	-
Increase in loans and borrowings	165,145	44,055
Issue of debt securities	199,144	-
Decrease in loans and borrowings	(61,657)	(913,366)
Redemption of debt securities	(1,090,517)	-
Decrease in finance lease liabilities	(6,818)	(8,370)
Cash provided by financial futures and forwards	-	-
Cash used on financial futures and forwards	-	-
Dividend paid	-	-
Interest paid	(18,984)	(17,967)
Other items, net	(324)	(106)
<b>Net cash provided by/(used in) financing activities</b>	<b>(814,011)</b>	<b>(895,754)</b>
<b>Net change in cash</b>	<b>126,363</b>	<b>696,068</b>
Net foreign exchange gains/(losses)	233	(115)
<b>Cash and cash equivalents at beginning of period</b>	<b>1,372,918</b>	<b>1,196,316</b>
<b>Cash and cash equivalents at end of period</b>	<b>1,499,281</b>	<b>1,892,384</b>



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to equity holders of the parent					Equity attributable to non-controlling interests	Total equity
	Share capital	Currency translation differences on foreign operations	Share premium account		Share capital	Currency translation differences on foreign operations	Share premium account
	(PLN '000)						
	5,900,000	(57,320)	1,740,093	12,268,163	3,655,110	23,506,046	13,424
As at Jan 1 2011							23,519,470
	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
First-time consolidation of a subsidiary undertaking	-	-	-	-	-	-	-
Payment of dividend to owners	-	-	-	-	1,023,200	1,023,200	1,412
Net profit/loss for Q1 2011	-	(5,624)	-	213,320	-	207,696	-
Net other comprehensive income for Q1 2011							
	5,900,000	(62,944)	1,740,093	12,481,483	4,678,310	24,736,942	14,836
As at Mar 31 2011 (unaudited)							24,751,778
	5,900,000	(51,162)	1,740,093	11,455,447	2,380,473	21,424,851	10,477
As at Jan 1 2010							21,435,328
	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-
Payment of dividend to owners	-	-	-	-	995,568	995,568	685
Net profit/loss for Q1 2010	-	(14,091)	-	9,364	-	(4,727)	-
Net other comprehensive income for Q1 2010							
	5,900,000	(65,253)	1,740,093	11,464,811	3,376,041	22,415,692	11,162
As at Mar 31 2010 (unaudited)							22,426,854

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 1. Deferred tax

Deferred tax assets and liabilities	Deferred tax assets	Deferred tax liabilities
<b>As at Jan 1 2011</b>	<b>676,817</b>	<b>1,392,010</b>
a) increase	25,607	55,993
b) decrease	(16,295)	(11,453)
<b>As at Mar 31 2011</b>	<b>686,129</b>	<b>1,436,550</b>
<b>As at Jan 1 2010</b>	<b>592,087</b>	<b>1,268,432</b>
a) increase	346,575	148,543
b) decrease	(261,845)	(24,965)
<b>As at Dec 31 2010</b>	<b>676,817</b>	<b>1,392,010</b>

### 2. Impairment losses

Impairment losses on assets	Property, plant and equipment and intangible assets	Investment property	Other financial assets	Investments in equity-accounted associated undertakings	Non-current financial assets available for sale	Inventories	Current receivables	Current portion of non-current loans	Current financial assets available for sale	Total
<b>As at Jan 1 2011</b>	<b>1,196,698</b>	<b>4</b>	<b>239</b>	<b>956,555</b>	<b>52,760</b>	<b>14,244</b>	<b>1,061,042</b>	<b>22,372</b>	<b>-</b>	<b>3,303,914</b>
a) increase	674	-	33	-	-	318	20,711	(12)	-	21,724
b) transfer	-	-	(5)	-	-	-	5	-	-	-
c) decrease	(10,519)	-	-	(38,975)	(1,381)	(102)	(69,955)	(437)	1,360	(120,009)
<b>As at Mar 31 2011</b>	<b>1,186,853</b>	<b>4</b>	<b>267</b>	<b>917,580</b>	<b>51,379</b>	<b>14,460</b>	<b>1,011,803</b>	<b>21,923</b>	<b>1,360</b>	<b>3,205,629</b>
<b>As at Jan 1 2010</b>	<b>1,679,303</b>	<b>2</b>	<b>18</b>	<b>936,080</b>	<b>53,269</b>	<b>17,359</b>	<b>1,083,647</b>	<b>19,071</b>	<b>675</b>	<b>3,789,424</b>
a) increase	310,161	-	233	20,475	88	3,472	127,768	3,301	-	465,498
b) transfer	(86)	86	(12)	-	-	-	(992)	-	-	(1,004)
c) decrease	(792,680)	(84)	-	-	(597)	(6,587)	(149,381)	-	(675)	(950,004)
<b>As at Dec 31 2010</b>	<b>1,196,698</b>	<b>4</b>	<b>239</b>	<b>956,555</b>	<b>52,760</b>	<b>14,244</b>	<b>1,061,042</b>	<b>22,372</b>	<b>-</b>	<b>3,303,914</b>

### 3. Provisions

	Provision for length-of- service awards and retirement severance pays	Provision for gas allowances	Provision for well decommission ing costs	Provision for penalty imposed by the Office for Competition and Consumer Protection	Provision for environmental protection liabilities	Provision for claims under extra- contractual use of land	Provision for potential liability under transmission services	Central Restructuring Fund	Other	Total
<b>As at Jan 1 2011</b>	<b>327,415</b>	-	<b>1,117,441</b>	<b>179</b>	<b>134,284</b>	<b>79,964</b>	-	<b>21,292</b>	<b>110,236</b>	<b>1,790,811</b>
a) increase	43	-	5,024	-	-	2,778	-	-	20,136	27,981
b) transfer	(9,721)	-	-	-	-	-	-	-	9,721	-
c) decrease	(880)	-	(4,053)	-	(26)	(1,831)	-	-	(7,668)	(14,458)
<b>As at Mar 31 2011</b>	<b>316,857</b>	-	<b>1,118,412</b>	<b>179</b>	<b>134,258</b>	<b>80,911</b>	-	<b>21,292</b>	<b>132,425</b>	<b>1,804,334</b>
<b>As at Jan 1 2010</b>	<b>321,043</b>	<b>20,410</b>	<b>916,231</b>	<b>179</b>	<b>126,100</b>	-	<b>34,391</b>	<b>10,450</b>	<b>127,195</b>	<b>1,555,999</b>
a) increase	32,458	-	201,210	-	26,396	79,858	-	13,000	119,130	472,052
b) transfer	-	-	-	-	749	1,795	-	-	(2,544)	-
c) decrease	(26,086)	(20,410)	-	-	(18,961)	(1,689)	(34,391)	(2,158)	(133,545)	(237,240)
<b>As at Dec 31 2010</b>	<b>327,415</b>	-	<b>1,117,441</b>	<b>179</b>	<b>134,284</b>	<b>79,964</b>	-	<b>21,292</b>	<b>110,236</b>	<b>1,790,811</b>

### 4. Sales revenue

	Jan 1–Mar 31 2011	Jan 1–Mar 31 2010
High-methane gas	6,013,916	5,743,859
Nitrogen-rich gas	402,192	375,748
Crude oil	270,585	206,720
Helium	13,503	10,159
Propane-butane gas	15,588	13,616
Natural gasoline	944	1,351
LNG	8,661	7,948
Geophysical and geological services	100,467	63,812
Exploration services	105,508	96,918
Materials and goods for resale	4,292	3,302
Other sales of products and services	109,352	109,398
<b>Total</b>	<b>7,045,008</b>	<b>6,632,831</b>

## 5. Proceeds under Transmission System Lease Agreement

	Jan 1–Mar 31 2011	Jan 1–Mar 31 2010
Interest payment	543	4,780
Principal payment	615	5,008
<b>Total</b>	<b>1,158</b>	<b>9,788</b>

## 6. Operating expenses

Raw and other materials used	Jan 1–Mar 31 2011	Jan 1–Mar 31 2010
Cost of gas sold	(4,154,611)	(3,515,591)
Other raw and other materials used	(157,482)	(131,630)
<b>Total</b>	<b>(4,312,093)</b>	<b>(3,647,221)</b>

Contracted services	Jan 1–Mar 31 2011	Jan 1–Mar 31 2010
Purchase of transmission services from OGP Gaz-System S.A.	(414,951)	(454,736)
Cost of negative wells written off	(86,161)	(36,265)
Other contracted services	(317,798)	(297,656)
<b>Total</b>	<b>(818,910)</b>	<b>(788,657)</b>

## 7. Corporate income tax

	Jan 1–Mar 31 2011	Jan 1–Mar 31 2010
Profit/(loss) before tax (consolidated)	1,242,409	1,235,956
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	(236,058)	(234,832)
Permanent differences between pre-tax profit/(loss) and tax base	18,261	(4,871)
<b>Tax expense in the consolidated income statement</b>	<b>(217,797)</b>	<b>(239,703)</b>
Current income tax	(231,077)	(263,820)
Deferred income tax	13,280	24,117
Effective tax rate	17,53%	19,39%

Lower effective tax rate in Q1 2011 was attributable mainly due an increase in permanent differences between pre-tax profit/loss and tax base. This increase was mainly due to the income from release in Q1 2011 of impairment losses on receivables (in Q1 2010 impairment losses on receivables were increased). Income from release of impairment losses affects pre-tax profit disclosed in the income statement but is not taxable income and, therefore, no deferred tax liabilities were recognised in respect of this income. In Q1 2011, the effective tax rate went down as a result of higher pre-tax profit, which is the basis for the calculation of tax at the applicable tax rate, with no changes in the tax expense.

## 8. Property, plant and equipment by categories

	As at Mar 31 2011 (end of Q1 2011)	As at Dec 31 2010 (end of previous year)
Land	50,718	50,617
Buildings and structures	14,376,392	14,506,236
Plant and equipment	2,419,461	2,449,873
Vehicles and other	977,908	979,530
<b>Total tangible assets</b>	<b>17,824,479</b>	<b>17,986,256</b>
Tangible assets under construction	8,291,790	7,675,964
<b>Total property, plant and equipment</b>	<b>26,116,269</b>	<b>25,662,220</b>

## 9. Derivative financial instruments

The table below presents the banks with which the Parent Undertaking 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 type
ABN Amro	ISDA/all
BH	PMA/all
Barclays Bank plc	ISDA/all
BNP Paribas Polska	ISDA/all
CA-CIB	ISDA/all
Credit Suisse	ISDA/all
DB Polska S.A.	PMA/all
DB AG	ISDA/all
Dresdner Bank AG	ISDA/all
Fortis Bank N.V.	ISDA/all
Goldman Sachs	ISDA/all
HSBC Bank Polska S.A.	PMA/all
ING Bank Śląski SA	PMA/all
Mitsubishi UFJ Securities Int. plc	ISDA/all
Morgan Stanley	ISDA/all
Millennium Bank Polska S.A.	PMA/all
Pekao S.A.	PMA/all
PKO BP S.A.	PMA/all
SG Bank	ISDA/all
SMBC Capital Markets, Inc.	ISDA/all
WestLB Bank Polska S.A.	PMA/all

In the period from January 1st to March 31st 2011, the following derivative transactions were concluded:

- purchase of currency call options,
- zero-cost risk reversal strategy based on symmetrical currency options,
- purchase of commodity call options,
- zero-cost risk reversal strategy based on symmetrical commodity options.

All derivative transactions executed by the Parent Undertaking 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.

All eligible transactions concluded from January 1st to December 31st 2011 are covered by hedge accounting.

Furthermore, in that period the Parent Undertaking was party to CCIRS transactions executed in previous periods, 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.

The table below presents the Company's unsettled derivative transactions as at March 31st 2011.

Hedged item	Value of hedging instrument	Currency of hedging instrument	Hedge type	Date of hedging transaction	Exercise date of hedging instrument	Exercise price (exercise price range) of the instrument	Hedged risk	Measurement of hedge's fair value (+) positive (-) negative
loan	930,000	NOK	CCIRS	9 December 2010	15 January 2014	0.5056	currency risk; interest rate risk	(25,962)
loan	1,596,000	NOK	CCIRS	13 December 2010	15 January 2014	0.5052	currency risk; interest rate risk	(42,062)
loan	674,000	NOK	CCIRS	14 December 2010	15 January 2014	0.5040	currency risk; interest rate risk	(19,070)
loan	700,000	NOK	CCIRS	15 December 2010	15 January 2014	0.5054	currency risk; interest rate risk	(18,106)
payments for gas	8,000	EUR	CALL	4 November 2010	8 April 2011	4.0700	currency risk	31
payments for gas	10,000	USD	CALL	4 November 2010	8 April 2011	3.0000	currency risk	-
payments for gas	10,000	USD	CALL	16 November 2010	8 April 2011	3.2500	currency risk	-
payments for gas	10,000	USD	PUT	16 November 2010	8 April 2011	2.7500	currency risk	(12)
payments for gas	9,000	EUR	CALL	18 November 2010	10 May 2011	4.1000	currency risk	151
payments for gas	10,000	USD	CALL	2 December 2010	8 April 2011	3.2500	currency risk	-
payments for gas	10,000	USD	CALL	3 December 2010	20 April 2011	3.2200	currency risk	-
payments for gas	10,000	USD	CALL	3 December 2010	20 April 2011	3.2000	currency risk	-
payments for gas	10,000	USD	CALL	7 December 2010	8 April 2011	3.2000	currency risk	-
payments for gas	10,000	USD	CALL	14 December 2010	10 May 2011	3.2500	currency risk	2
payments for gas	10,000	USD	CALL	14 December 2010	8 April 2011	3.1800	currency risk	-
payments for gas	10,000	USD	CALL	14 December 2010	20 April 2011	3.1400	currency risk	1
payments for gas	8,000	EUR	CALL	15 December 2010	10 June 2011	4.2000	currency risk	150
payments for gas	10,000	USD	CALL	16 December 2010	20 April 2011	3.2300	currency risk	-
payments for gas	10,000	USD	CALL	16 December 2010	8 April 2011	3.2000	currency risk	-
payments for gas	10,000	USD	CALL	16 December 2010	10 May 2011	3.4600	currency risk	-
payments for gas	10,000	USD	PUT	16 December 2010	10 May 2011	2.8200	currency risk	(380)
payments for gas	10,000	USD	CALL	27 December 2010	20 April 2011	3.2260	currency risk	-
payments for gas	10,000	USD	CALL	28 December 2010	20 April 2011	3.1950	currency risk	-
payments for gas	10,000	USD	CALL	4 January 2011	20 May 2011	3.1500	currency risk	32
payments for gas	10,000	USD	CALL	4 January 2011	20 April 2011	3.1450	currency risk	1
payments for gas	10,000	USD	CALL	4 January 2011	20 April 2011	3.1340	currency risk	1
payments for gas	10,000	USD	CALL	4 January 2011	20 May 2011	3.1430	currency risk	35
payments for gas	10,000	USD	CALL	5 January 2011	10 June 2011	3.2200	currency risk	54
payments for gas	10,000	USD	CALL	5 January 2011	20 May 2011	3.1500	currency risk	32
payments for gas	10,000	USD	CALL	5 January 2011	8 April 2011	3.1350	currency risk	-
payments for gas	10,000	USD	CALL	12 January 2011	10 May 2011	3.1500	currency risk	12
payments for gas	10,000	USD	CALL	12 January 2011	8 April 2011	3.3500	currency risk	-
payments for gas	10,000	USD	CALL	12 January 2011	20 April 2011	3.2900	currency risk	-
payments for gas	10,000	USD	PUT	12 January 2011	20 April 2011	2.8050	currency risk	(202)
payments for gas	10,000	USD	CALL	12 January 2011	10 May 2011	3.2880	currency risk	1

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Hedged item	Value of hedging instrument	Currency of hedging instrument	Hedge type	Date of hedging transaction	Exercise date of hedging instrument	Exercise price (exercise price range) of the instrument	Hedged risk	Measurement of hedge's fair value (+) positive (-) negative
payments for gas	10,000	USD	PUT	12 January 2011	10 May 2011	2.8010	currency risk	(295)
payments for gas	10,000	USD	CALL	13 January 2011	20 April 2011	3.3200	currency risk	-
payments for gas	10,000	USD	PUT	13 January 2011	20 April 2011	2.7680	currency risk	(97)
payments for gas	10,000	USD	PUT	13 January 2011	20 May 2011	2.7650	currency risk	(232)
payments for gas	10,000	USD	CALL	13 January 2011	10 June 2011	3.3500	currency risk	18
payments for gas	10,000	USD	PUT	13 January 2011	10 June 2011	2.7550	currency risk	(295)
payments for gas	10,000	USD	CALL	13 January 2011	8 April 2011	3.2790	currency risk	-
payments for gas	10,000	USD	PUT	13 January 2011	8 April 2011	2.7490	currency risk	(12)
payments for gas	10,000	USD	CALL	14 January 2011	20 April 2011	3.2800	currency risk	-
payments for gas	10,000	USD	PUT	14 January 2011	20 April 2011	2.7470	currency risk	(62)
payments for gas	10,000	USD	CALL	13 January 2011	20 May 2011	3.3300	currency risk	3
payments for gas	10,000	USD	PUT	12 January 2011	8 April 2011	2.7970	currency risk	(73)
payments for gas	10,000	USD	CALL	20 January 2011	8 April 2011	3.0300	currency risk	-
payments for gas	10,000	USD	CALL	21 January 2011	20 May 2011	3.0500	currency risk	88
payments for gas	10,000	USD	CALL	21 January 2011	10 June 2011	3.0750	currency risk	152
payments for gas	10,000	USD	CALL	21 January 2011	20 June 2011	3.0900	currency risk	172
payments for gas	8,000	EUR	CALL	21 January 2011	20 April 2011	4.0000	currency risk	299
payments for gas	10,000	USD	CALL	24 January 2011	20 May 2011	3.0500	currency risk	88
payments for gas	10,000	USD	CALL	24 January 2011	20 June 2011	3.0800	currency risk	182
payments for gas	10,000	USD	CALL	24 January 2011	20 June 2011	3.0500	currency risk	217
payments for gas	10,000	USD	CALL	25 January 2011	8 July 2011	3.2700	currency risk	104
payments for gas	10,000	USD	PUT	25 January 2011	8 July 2011	2.6845	currency risk	(218)
payments for gas	10,000	USD	CALL	25 January 2011	20 June 2011	3.2500	currency risk	61
payments for gas	10,000	USD	PUT	25 January 2011	20 June 2011	2.6900	currency risk	(171)
payments for gas	10,000	USD	CALL	25 January 2011	10 June 2011	3.0300	currency risk	203
payments for gas	7,000	EUR	CALL	26 January 2011	8 July 2011	4.0500	currency risk	502
payments for gas	10,000	USD	CALL	26 January 2011	10 May 2011	3.2000	currency risk	6
payments for gas	10,000	USD	PUT	26 January 2011	10 May 2011	2.6748	currency risk	(39)
payments for gas	10,000	USD	CALL	26 January 2011	8 July 2011	3.0500	currency risk	312
payments for gas	10,000	USD	CALL	26 January 2011	10 May 2011	3.0000	currency risk	83
payments for gas	10,000	USD	CALL	27 January 2011	20 June 2011	3.2300	currency risk	70
payments for gas	10,000	USD	PUT	27 January 2011	20 June 2011	2.7000	currency risk	(190)
payments for gas	10,000	USD	CALL	27 January 2011	8 July 2011	3.0500	currency risk	312
payments for gas	10,000	USD	CALL	1 February 2011	20 July 2011	3.0500	currency risk	367
payments for gas	10,000	USD	CALL	2 February 2011	10 June 2011	3.0000	currency risk	244

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Hedged item	Value of hedging instrument	Currency of hedging instrument	Hedge type	Date of hedging transaction	Exercise date of hedging instrument	Exercise price (exercise price range) of the instrument	Hedged risk	Measurement of hedge's fair value (+) positive (-) negative
payments for gas	10,000	USD	CALL	2 February 2011	20 July 2011	3.2300	currency risk	167
payments for gas	10,000	USD	PUT	2 February 2011	20 July 2011	2.6850	currency risk	(255)
payments for gas	10,000	USD	CALL	2 February 2011	10 August 2011	3.0750	currency risk	418
payments for gas	10,000	USD	CALL	3 February 2011	10 August 2011	3.0800	currency risk	410
payments for gas	8,000	EUR	CALL	7 February 2011	10 August 2011	4.0000	currency risk	924
payments for gas	10,000	USD	CALL	8 February 2011	10 May 2011	2.9800	currency risk	103
payments for gas	10,000	USD	CALL	9 February 2011	20 May 2011	3.0000	currency risk	137
payments for gas	10,000	USD	CALL	17 February 2011	20 May 2011	3.0000	currency risk	137
payments for gas	10,000	USD	CALL	18 February 2011	20 May 2011	3.0000	currency risk	137
payments for gas	10,000	USD	CALL	23 February 2011	10 June 2011	3.0500	currency risk	179
payments for gas	10,000	USD	CALL	23 February 2011	20 June 2011	3.0500	currency risk	217
payments for gas	10,000	USD	CALL	23 February 2011	20 July 2011	3.0800	currency risk	323
payments for gas	10,000	USD	CALL	24 February 2011	10 May 2011	3.0000	currency risk	83
payments for gas	10,000	USD	CALL	24 February 2011	20 June 2011	3.0500	currency risk	217
payments for gas	10,000	USD	CALL	24 February 2011	8 July 2011	3.0700	currency risk	284
payments for gas	10,000	USD	CALL	25 February 2011	20 July 2011	3.0700	currency risk	337
payments for gas	10,000	USD	CALL	25 February 2011	19 August 2011	3.0800	currency risk	447
payments for gas	10,000	USD	CALL	28 February 2011	8 July 2011	3.1000	currency risk	247
payments for gas	10,000	USD	CALL	28 February 2011	19 August 2011	3.3500	currency risk	164
payments for gas	10,000	USD	PUT	28 February 2011	19 August 2011	2.6725	currency risk	(311)
payments for gas	10,000	USD	CALL	28 February 2011	20 June 2011	3.0500	currency risk	217
payments for gas	10,000	USD	CALL	1 March 2011	20 September 2011	3.3500	currency risk	242
payments for gas	10,000	USD	PUT	1 March 2011	20 September 2011	2.6865	currency risk	(417)
payments for gas	10,000	USD	CALL	2 March 2011	10 May 2011	2.9900	currency risk	93
payments for gas	10,000	USD	CALL	3 March 2011	10 August 2011	3.0500	currency risk	460
payments for gas	10,000	USD	CALL	3 March 2011	10 June 2011	3.0000	currency risk	244
payments for gas	10,000	USD	CALL	3 March 2011	9 September 2011	3.0800	currency risk	532
payments for gas	10,000	USD	CALL	3 March 2011	10 June 2011	3.0000	currency risk	244
payments for gas	10,000	USD	CALL	4 March 2011	9 September 2011	3.0700	currency risk	550
payments for gas	10,000	USD	CALL	4 March 2011	19 August 2011	3.0400	currency risk	518
payments for gas	10,000	USD	CALL	4 March 2011	10 May 2011	3.1500	currency risk	12
payments for gas	10,000	USD	PUT	4 March 2011	10 May 2011	2.7300	currency risk	(103)
payments for gas	10,000	USD	CALL	7 March 2011	20 September 2011	3.0500	currency risk	627
payments for gas	8,000	EUR	CALL	7 March 2011	20 May 2011	4.0500	currency risk	305
payments for gas	10,000	USD	CALL	7 March 2011	10 June 2011	2.9800	currency risk	276



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Hedged item	Value of hedging instrument	Currency of hedging instrument	Hedge type	Date of hedging transaction	Exercise date of hedging instrument	Exercise price (exercise price range) of the instrument	Hedged risk	Measurement of hedge's fair value (+) positive (-) negative
payments for gas	10,000	USD	CALL	7 March 2011	20 June 2011	2.9700	currency risk	341
payments for gas	8,000	EUR	CALL	7 March 2011	9 September 2011	4.1000	currency risk	695
payments for gas	10,000	USD	CALL	18 March 2011	9 September 2011	3.3000	currency risk	258
payments for gas	10,000	USD	PUT	18 March 2011	9 September 2011	2.7380	currency risk	(548)
payments for gas	10,000	USD	CALL	21 March 2011	10 August 2011	3.0600	currency risk	443
payments for gas	10,000	USD	PUT	21 March 2011	10 August 2011	2.7765	currency risk	(598)
payments for gas	10,000	USD	CALL	23 March 2011	10 May 2011	2.9350	currency risk	162
payments for gas	10,000	USD	CALL	24 March 2011	20 May 2011	2.9300	currency risk	243
payments for gas	10,000	USD	CALL	24 March 2011	10 May 2011	2.9300	currency risk	170
payments for gas	10,000	USD	CALL	24 March 2011	9 September 2011	3.1500	currency risk	423
payments for gas	10,000	USD	PUT	24 March 2011	9 September 2011	2.7185	currency risk	(486)
payments for gas	10,000	USD	CALL	24 March 2011	20 June 2011	2.9350	currency risk	417
payments for gas	10,000	USD	CALL	25 March 2011	10 August 2011	3.1270	currency risk	344
payments for gas	10,000	USD	PUT	25 March 2011	10 August 2011	2.7195	currency risk	(405)
payments for gas	10,000	USD	CALL	25 March 2011	19 August 2011	2.9750	currency risk	662
payments for gas	10,000	USD	CALL	29 March 2011	20 July 2011	2.9800	currency risk	499
payments for gas	10,000	USD	CALL	31 March 2011	20 May 2011	2.8940	currency risk	-
payments for gas	33.0	GO	swap commodity	28 July 2010	10 May 2011	660.5	gas price risk	9,839
payments for gas	33.0	FO	swap commodity	28 July 2010	10 May 2011	473.0	gas price risk	3,710
payments for gas	31.0	GO	swap commodity	28 July 2010	10 June 2011	658.0	gas price risk	9,428
payments for gas	31.0	FO	swap commodity	28 July 2010	10 June 2011	471.5	gas price risk	3,603
payments for gas	16.0	GO	swap commodity	28 July 2010	8 July 2011	658.5	gas price risk	4,827
payments for gas	16.0	FO	swap commodity	28 July 2010	8 July 2011	471.5	gas price risk	1,853
payments for gas	20.0	GO	CALL commodity	21 July 2010	8 April 2011	707.0	gas price risk	-
payments for gas	20.0	FO	CALL commodity	21 July 2010	8 April 2011	507.0	gas price risk	-
payments for gas	21.0	GO	CALL commodity	26 July 2010	8 April 2011	705.0	gas price risk	-
payments for gas	21.0	FO	CALL commodity	26 July 2010	8 April 2011	505.0	gas price risk	-
payments for gas	33.0	FO	CALL commodity	27 July 2010	20 April 2011	545.0	gas price risk	-
payments for gas	33.0	FO	PUT commodity	27 July 2010	20 April 2011	430.0	gas price risk	-
payments for gas	33.0	GO	CALL commodity	27 July 2010	20 April 2011	750.0	gas price risk	1,543
payments for gas	33.0	GO	PUT commodity	27 July 2010	20 April 2011	606.0	gas price risk	-
payments for gas	32.0	FO	CALL commodity	27 July 2010	20 May 2011	545.0	gas price risk	-
payments for gas	32.0	FO	PUT commodity	27 July 2010	20 May 2011	425.0	gas price risk	-
payments for gas	32.0	GO	CALL commodity	27 July 2010	20 May 2011	750.0	gas price risk	1,496
payments for gas	32.0	GO	PUT commodity	27 July 2010	20 May 2011	594.0	gas price risk	-

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Hedged item	Value of hedging instrument	Currency of hedging instrument	Hedge type	Date of hedging transaction	Exercise date of hedging instrument	Exercise price (exercise price range) of the instrument	Hedged risk	Measurement of hedge's fair value (+) positive (-) negative
payments for gas	16.0	FO	CALL commodity	27 July 2010	20 June 2011	545.0	gas price risk	-
payments for gas	16.0	FO	PUT commodity	27 July 2010	20 June 2011	420.0	gas price risk	-
payments for gas	16.0	GO	CALL commodity	27 July 2010	20 June 2011	750.0	gas price risk	748
payments for gas	16.0	GO	PUT commodity	27 July 2010	20 June 2011	593.0	gas price risk	-
payments for gas	23.0	FO	CALL commodity	20 October 2010	7 October 2011	570.0	gas price risk	1,275
payments for gas	23.0	FO	PUT commodity	20 October 2010	7 October 2011	412.0	gas price risk	-
payments for gas	23.0	FO	CALL commodity	20 October 2010	20 September 2011	570.0	gas price risk	1,275
payments for gas	23.0	FO	PUT commodity	20 October 2010	20 September 2011	412.0	gas price risk	-
payments for gas	23.0	GO	CALL commodity	20 October 2010	20 September 2011	780.0	gas price risk	6,771
payments for gas	23.0	GO	PUT commodity	20 October 2010	20 September 2011	640.5	gas price risk	-
payments for gas	23.0	GO	CALL commodity	20 October 2010	7 October 2011	780.0	gas price risk	6,771
payments for gas	23.0	GO	PUT commodity	20 October 2010	7 October 2011	640.5	gas price risk	-
payments for gas	13.0	GO	CALL commodity	21 October 2010	20 April 2011	780.0	gas price risk	1,547
payments for gas	13.0	GO	PUT commodity	21 October 2010	20 April 2011	647.0	gas price risk	-
payments for gas	13.0	GO	CALL commodity	21 October 2010	10 May 2011	780.0	gas price risk	1,547
payments for gas	13.0	GO	PUT commodity	21 October 2010	10 May 2011	647.0	gas price risk	-
payments for gas	24.0	GO	CALL commodity	21 October 2010	20 June 2011	780.0	gas price risk	2,856
payments for gas	24.0	GO	PUT commodity	21 October 2010	20 June 2011	645.0	gas price risk	-
payments for gas	24.0	GO	CALL commodity	21 October 2010	8 July 2011	780.0	gas price risk	2,856
payments for gas	24.0	GO	PUT commodity	21 October 2010	8 July 2011	645.0	gas price risk	-
payments for gas	13.0	FO	CALL commodity	22 October 2010	20 April 2011	540.0	gas price risk	135
payments for gas	13.0	FO	PUT commodity	22 October 2010	20 April 2011	435.0	gas price risk	-
payments for gas	13.0	FO	CALL commodity	22 October 2010	10 May 2011	540.0	gas price risk	135
payments for gas	13.0	FO	PUT commodity	22 October 2010	10 May 2011	435.0	gas price risk	-
payments for gas	23.0	FO	CALL commodity	22 October 2010	20 June 2011	540.0	gas price risk	239
payments for gas	23.0	FO	PUT commodity	22 October 2010	20 June 2011	426.0	gas price risk	-
payments for gas	23.0	FO	CALL commodity	22 October 2010	8 July 2011	540.0	gas price risk	239
payments for gas	23.0	FO	PUT commodity	22 October 2010	8 July 2011	426.0	gas price risk	-
payments for gas	30.0	GO	CALL commodity	26 October 2010	20 July 2011	790.0	gas price risk	7,986
payments for gas	30.0	GO	PUT commodity	26 October 2010	20 July 2011	640.7	gas price risk	-
payments for gas	30.0	GO	CALL commodity	26 October 2010	10 August 2011	790.0	gas price risk	7,986
payments for gas	30.0	GO	PUT commodity	26 October 2010	10 August 2011	640.7	gas price risk	-
payments for gas	30.0	FO	CALL commodity	26 October 2010	20 July 2011	560.0	gas price risk	2,395
payments for gas	30.0	FO	PUT commodity	26 October 2010	20 July 2011	432.0	gas price risk	-
payments for gas	30.0	FO	CALL commodity	26 October 2010	10 August 2011	560.0	gas price risk	2,395

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Hedged item	Value of hedging instrument	Currency of hedging instrument	Hedge type	Date of hedging transaction	Exercise date of hedging instrument	Exercise price (exercise price range) of the instrument	Hedged risk	Measurement of hedge's fair value (+) positive (-) negative
payments for gas	30.0	FO	PUT commodity	26 October 2010	10 August 2011	432.0	gas price risk	-
payments for gas	25.0	GO	CALL commodity	27 October 2010	19 August 2011	790.0	gas price risk	6,655
payments for gas	25.0	GO	PUT commodity	27 October 2010	19 August 2011	632.0	gas price risk	-
payments for gas	25.0	FO	CALL commodity	29 October 2010	19 August 2011	555.0	gas price risk	2,326
payments for gas	25.0	FO	PUT commodity	29 October 2010	19 August 2011	428.5	gas price risk	-
payments for gas	25.0	FO	CALL commodity	29 October 2010	9 September 2011	555.0	gas price risk	2,326
payments for gas	25.0	FO	PUT commodity	29 October 2010	9 September 2011	428.5	gas price risk	-
payments for gas	10.0	GO	CALL commodity	8 November 2010	20 May 2011	780.0	gas price risk	1,190
payments for gas	10.0	GO	CALL commodity	8 November 2010	10 June 2011	780.0	gas price risk	1,190
payments for gas	26.0	GO	CALL commodity	8 November 2010	9 September 2011	800.0	gas price risk	6,188
payments for gas	9.0	FO	CALL commodity	9 November 2010	20 May 2011	530.0	gas price risk	348
payments for gas	10.0	FO	CALL commodity	9 November 2010	10 June 2011	530.0	gas price risk	386
payments for gas	3.0	GO	CALL commodity	21 January 2011	20 April 2011	835.0	gas price risk	-
payments for gas	3.0	GO	CALL commodity	21 January 2011	10 May 2011	835.0	gas price risk	-
payments for gas	5.0	GO	CALL commodity	21 January 2011	20 May 2011	840.0	gas price risk	1,131
payments for gas	5.0	GO	CALL commodity	21 January 2011	10 June 2011	840.0	gas price risk	1,131
payments for gas	4.3	GO	CALL commodity	21 January 2011	20 June 2011	845.0	gas price risk	1,187
payments for gas	4.3	GO	CALL commodity	21 January 2011	8 July 2011	845.0	gas price risk	1,187
payments for gas	10.8	FO	CALL commodity	21 January 2011	20 May 2011	535.0	gas price risk	2,564
payments for gas	10.8	FO	CALL commodity	21 January 2011	10 June 2011	535.0	gas price risk	2,564
payments for gas	10.0	FO	CALL commodity	21 January 2011	20 April 2011	535.0	gas price risk	2,375
payments for gas	10.0	FO	CALL commodity	21 January 2011	10 May 2011	535.0	gas price risk	2,375
payments for gas	8.2	FO	CALL commodity	21 January 2011	20 June 2011	535.0	gas price risk	1,947
payments for gas	8.2	FO	CALL commodity	21 January 2011	8 July 2011	535.0	gas price risk	1,947
payments for gas	13.5	GO	CALL commodity	24 January 2011	20 July 2011	880.0	gas price risk	3,161
payments for gas	13.5	GO	PUT commodity	24 January 2011	20 July 2011	759.5	gas price risk	-
payments for gas	13.5	GO	CALL commodity	24 January 2011	10 August 2011	880.0	gas price risk	3,161
payments for gas	13.5	GO	PUT commodity	24 January 2011	10 August 2011	759.5	gas price risk	-
payments for gas	24.5	FO	CALL commodity	24 January 2011	20 July 2011	560.0	gas price risk	5,892
payments for gas	24.5	FO	PUT commodity	24 January 2011	20 July 2011	488.5	gas price risk	-
payments for gas	24.5	FO	CALL commodity	24 January 2011	10 August 2011	560.0	gas price risk	5,892
payments for gas	24.5	FO	PUT commodity	24 January 2011	10 August 2011	488.5	gas price risk	-
payments for gas	19.0	GO	CALL commodity	24 January 2011	19 August 2011	880.0	gas price risk	4,448
payments for gas	19.0	GO	PUT commodity	24 January 2011	19 August 2011	769.8	gas price risk	-
payments for gas	19.0	GO	CALL commodity	24 January 2011	9 September 2011	880.0	gas price risk	4,448

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Hedged item	Value of hedging instrument	Currency of hedging instrument	Hedge type	Date of hedging transaction	Exercise date of hedging instrument	Exercise price (exercise price range) of the instrument	Hedged risk	Measurement of hedge's fair value (+) positive (-) negative
payments for gas	19.0	GO	PUT commodity	24 January 2011	9 September 2011	769.8	gas price risk	-
payments for gas	24.0	FO	CALL commodity	24 January 2011	19 August 2011	560.0	gas price risk	5,771
payments for gas	24.0	FO	PUT commodity	24 January 2011	19 August 2011	495.0	gas price risk	-
payments for gas	24.0	FO	CALL commodity	24 January 2011	9 September 2011	560.0	gas price risk	5,771
payments for gas	24.0	FO	PUT commodity	24 January 2011	9 September 2011	495.0	gas price risk	-
payments for gas	21.5	FO	CALL commodity	24 January 2011	20 September 2011	560.0	gas price risk	5,170
payments for gas	21.5	FO	PUT commodity	24 January 2011	20 September 2011	488.0	gas price risk	-
payments for gas	21.5	FO	CALL commodity	24 January 2011	7 October 2011	560.0	gas price risk	5,170
payments for gas	21.5	FO	PUT commodity	24 January 2011	7 October 2011	488.0	gas price risk	-
payments for gas	20.0	GO	CALL commodity	24 January 2011	20 September 2011	880.0	gas price risk	4,682
payments for gas	20.0	GO	PUT commodity	24 January 2011	20 September 2011	766.0	gas price risk	-
payments for gas	20.0	GO	CALL commodity	24 January 2011	7 October 2011	880.0	gas price risk	4,682
payments for gas	20.0	GO	PUT commodity	24 January 2011	7 October 2011	766.0	gas price risk	-
payments for gas	30.4	GO	CALL commodity	25 January 2011	20 October 2011	880.0	gas price risk	8,634
payments for gas	30.4	GO	PUT commodity	25 January 2011	20 October 2011	743.0	gas price risk	(6)
payments for gas	24.0	FO	CALL commodity	25 January 2011	20 October 2011	575.0	gas price risk	5,318
payments for gas	24.0	FO	PUT commodity	25 January 2011	20 October 2011	477.5	gas price risk	(1)
payments for gas	24.0	FO	CALL commodity	25 January 2011	10 November 2011	575.0	gas price risk	5,318
payments for gas	24.0	FO	PUT commodity	25 January 2011	10 November 2011	477.5	gas price risk	(1)
payments for gas	30.4	GO	CALL commodity	25 January 2011	10 November 2011	880.0	gas price risk	8,633
payments for gas	30.4	GO	PUT commodity	25 January 2011	10 November 2011	743.0	gas price risk	(6)
payments for gas	31.2	GO	CALL commodity	25 January 2011	18 November 2011	880.0	gas price risk	8,861
payments for gas	31.2	GO	PUT commodity	25 January 2011	18 November 2011	742.0	gas price risk	(5)
payments for gas	31.2	GO	CALL commodity	25 January 2011	9 December 2011	880.0	gas price risk	8,861
payments for gas	31.2	GO	PUT commodity	25 January 2011	9 December 2011	742.0	gas price risk	(5)
payments for gas	29.6	FO	CALL commodity	26 January 2011	20 December 2011	585.0	gas price risk	5,841
payments for gas	29.6	FO	PUT commodity	26 January 2011	20 December 2011	484.0	gas price risk	(1)
payments for gas	29.6	FO	CALL commodity	26 January 2011	10 January 2012	585.0	gas price risk	5,841
payments for gas	29.6	FO	PUT commodity	26 January 2011	10 January 2012	484.0	gas price risk	(1)
payments for gas	29.6	FO	CALL commodity	26 January 2011	18 November 2011	585.0	gas price risk	5,841
payments for gas	29.6	FO	PUT commodity	26 January 2011	18 November 2011	484.0	gas price risk	(1)
payments for gas	29.6	FO	CALL commodity	26 January 2011	9 December 2011	585.0	gas price risk	5,841
payments for gas	29.6	FO	PUT commodity	26 January 2011	9 December 2011	484.0	gas price risk	(1)
payments for gas	31.2	GO	CALL commodity	26 January 2011	20 December 2011	890.0	gas price risk	8,148
payments for gas	31.2	GO	PUT commodity	26 January 2011	20 December 2011	752.0	gas price risk	(9)

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Hedged item	Value of hedging instrument	Currency of hedging instrument	Hedge type	Date of hedging transaction	Exercise date of hedging instrument	Exercise price (exercise price range) of the instrument	Hedged risk	Measurement of hedge's fair value (+) positive (-) negative
payments for gas	31.2	GO	CALL commodity	26 January 2011	10 January 2012	890.0	gas price risk	8,148
payments for gas	31.2	GO	PUT commodity	26 January 2011	10 January 2012	752.0	gas price risk	(9)
payments for gas	6.0	FO	CALL commodity	26 January 2011	20 July 2011	555.0	gas price risk	1,452
payments for gas	6.0	FO	CALL commodity	26 January 2011	10 August 2011	555.0	gas price risk	1,452
payments for gas	4.5	FO	CALL commodity	26 January 2011	19 August 2011	555.0	gas price risk	1,089
payments for gas	4.5	FO	CALL commodity	26 January 2011	9 September 2011	555.0	gas price risk	1,089
payments for gas	4.5	FO	CALL commodity	26 January 2011	20 September 2011	555.0	gas price risk	1,089
payments for gas	4.5	FO	CALL commodity	26 January 2011	7 October 2011	555.0	gas price risk	1,089
payments for gas	19.5	GO	CALL commodity	27 January 2011	20 October 2011	890.0	gas price risk	5,093
payments for gas	19.5	GO	CALL commodity	27 January 2011	10 November 2011	890.0	gas price risk	5,093
payments for gas	5.3	GO	CALL commodity	27 January 2011	20 July 2011	860.0	gas price risk	1,409
payments for gas	5.3	GO	CALL commodity	27 January 2011	10 August 2011	860.0	gas price risk	1,409
payments for gas	19.5	GO	CALL commodity	27 January 2011	18 November 2011	870.0	gas price risk	5,098
payments for gas	19.5	GO	CALL commodity	27 January 2011	9 December 2011	870.0	gas price risk	5,098
payments for gas	35.5	FO	CALL commodity	27 January 2011	18 November 2011	560.0	gas price risk	8,537
payments for gas	35.5	FO	CALL commodity	27 January 2011	20 December 2011	560.0	gas price risk	8,537
payments for gas	32.0	FO	CALL commodity	27 January 2011	20 October 2011	560.0	gas price risk	7,695
payments for gas	32.0	FO	CALL commodity	27 January 2011	10 November 2011	560.0	gas price risk	7,695
payments for gas	6.8	GO	CALL commodity	28 January 2011	20 October 2011	880.0	gas price risk	1,592
payments for gas	6.8	GO	PUT commodity	28 January 2011	20 October 2011	776.0	gas price risk	-
payments for gas	6.8	GO	CALL commodity	28 January 2011	10 November 2011	880.0	gas price risk	1,592
payments for gas	6.8	GO	PUT commodity	28 January 2011	10 November 2011	776.0	gas price risk	-
payments for gas	35.0	FO	CALL commodity	28 January 2011	10 January 2012	560.0	gas price risk	8,417
payments for gas	35.5	FO	CALL commodity	28 January 2011	9 December 2011	575.0	gas price risk	7,043
payments for gas	35.5	FO	PUT commodity	28 January 2011	9 December 2011	488.5	gas price risk	-
payments for gas	19.4	GO	CALL commodity	28 January 2011	20 December 2011	880.0	gas price risk	4,542
payments for gas	19.4	GO	PUT commodity	28 January 2011	20 December 2011	771.5	gas price risk	-
payments for gas	19.4	GO	CALL commodity	28 January 2011	10 January 2012	880.0	gas price risk	4,542
payments for gas	19.4	GO	PUT commodity	28 January 2011	10 January 2012	771.50	gas price risk	-
sales proceeds	399.0	EUR	currency option	10 December 2010	15 April 2011	3.9548	currency risk	16
sales proceeds	357.0	EUR	currency option	10 December 2010	16 May 2011	3.9549	currency risk	13
sales proceeds	415.0	EUR	currency option	10 December 2010	15 June 2011	3.9579	currency risk	17
sales proceeds	308.0	EUR	currency option	10 December 2010	15 July 2011	3.9472	currency risk	12
<b>Total measurement</b>								<b>263,962</b>
					<b>including</b>	<b>recognised in:</b>	<b>assets</b>	<b>374,608</b>
							<b>liabilities</b>	<b>(110,646)</b>

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

	Jan 1–Mar 31 2011	Jan 1–Mar 31 2010
Net gain/(loss) on derivative instruments – unrealised	21,985	(89,799)
Net gain /(loss) on derivative instruments – realised	(19,750)	119,099
<b>Total net gain/(loss) on derivative instruments recognised in the income statement</b>	<b>2,235</b>	<b>29,300</b>
including:		
recognised under net other operating expenses	5,184	29,696
recognised under raw and other materials used	(2,949)	(396)
<b>Net gain /(loss) on valuation of derivative instruments recognised in other comprehensive income - unrealised</b>	<b>246,710</b>	<b>-</b>
<b>Total net gain/(loss) on derivative instruments recognised in equity</b>	<b>248,945</b>	<b>29,300</b>

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

##### Presentation changes following application of the revised IFRIC 18

In accordance with the new IFRIC 18, with effect from July 1st 2009 new connection charges received by the gas distribution sector companies are recognised directly in income.

The Group has applied the new IFRIC 18 starting from the financial statements for H1 2010. Therefore, in order ensure comparability with the current reporting period, the Group has restated the comparative data disclosed in the income statement for Q1 2010. As a result of the restatement, revenue and net operating result increased by PLN 10,585 thousand. Also, deferred tax was adjusted by PLN 2,011 thousand. Following these changes, net earnings rose by PLN 8,574 thousand. The entire change in revenue and operating result related to the Distribution segment.

## II. CONDENSED SEPARATE FINANCIAL STATEMENTS

### SEPARATE INCOME STATEMENT

	Q1 2011 (Jan 1–Mar 31 2011) unaudited	Q1 2010 (Jan 1–Mar 31 2010) unaudited
	(PLN '000)	
<b>Sales revenue</b>	<b>6,835,394</b>	<b>6,483,017</b>
Raw and other materials used	(4,185,259)	(3,548,155)
Employee benefits	(189,813)	(188,940)
Depreciation and amortisation	(140,659)	(137,352)
Contracted services	(1,797,171)	(1,756,206)
Cost of products and services for own needs	2,837	2,334
Net other operating expenses	78,586	(127,161)
<b>Total operating expenses</b>	<b>(6,231,479)</b>	<b>(5,755,480)</b>
<b>Operating profit/(loss)</b>	<b>603,915</b>	<b>727,537</b>
Finance income	49,716	166,438
Finance expenses	(11,042)	(125,605)
<b>Pre-tax profit/(loss)</b>	<b>642,589</b>	<b>768,370</b>
Corporate income tax	(107,564)	(158,879)
<b>Net profit/(loss)</b>	<b>535,025</b>	<b>609,491</b>
Net earnings/(loss) and diluted net earnings/(loss) per share attributable to owners of the parent	0.09	0.10

### SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Q1 2011 (Jan 1–Mar 31 2011) unaudited	Q1 2010 (Jan 1–Mar 31 2010) unaudited
	(PLN '000)	
<b>Net profit/(loss)</b>	<b>535,025</b>	<b>609,491</b>
Currency translation differences on foreign operations	(1,904)	333
Valuation of hedging instruments	246,710	-
Valuation of financial instruments	16,648	11,560
Deferred tax related to other comprehensive income	(50,038)	(2,196)
Other	-	-
<b>Other comprehensive net income</b>	<b>211,416</b>	<b>9,697</b>
<b>Total comprehensive income</b>	<b>746,441</b>	<b>619,188</b>

## SEPARATE STATEMENT OF FINANCIAL POSITION

	As at Mar 31 2011 (end of Q1 2011)	As at Dec 31 2010 (end of previous year)
	unaudited	audited
	(PLN '000)	
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	11,347,110	10,940,921
Investment property	3,247	3,441
Intangible assets	79,347	81,941
Financial assets available for sale	6,292,483	6,408,689
Other financial assets	2,191,754	2,260,801
Deferred tax assets	283,307	291,447
Other non-current assets	54,362	51,557
<b>Total non-current assets</b>	<b>20,251,610</b>	<b>20,038,797</b>
<b>Current assets</b>		
Inventories	401,201	879,349
Trade and other receivables	3,874,782	3,968,880
Current income tax receivable	-	-
Prepayments and accrued income	98,902	18,803
Financial assets available for sale	147,368	-
Derivative financial instruments	374,551	77,635
Cash and cash equivalents	483,529	565,854
Non-current assets held for sale	<b>1,708</b>	<b>1,613</b>
<b>Total current assets</b>	<b>5,382,041</b>	<b>5,512,134</b>
<b>Total assets</b>	<b>25,633,651</b>	<b>25,550,931</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	5,900,000	5,900,000
Currency translation differences on foreign operations	(2,653)	(748)
Share premium account	1,740,093	1,740,093
Other capital reserves	9,459,028	9,245,707
Retained earnings/(deficit)	2,313,686	1,778,661
<b>Total equity</b>	<b>19,410,154</b>	<b>18,663,713</b>
<b>Non-current liabilities</b>		
Loans, borrowings and debt securities	94	279
Provisions	1,175,814	1,175,485
Deferred income	75,088	76,193
Deferred tax liabilities	528,649	491,539
Other non-current liabilities	14,930	14,855
<b>Total non-current liabilities</b>	<b>1,794,575</b>	<b>1,758,351</b>
<b>Current liabilities</b>		
Trade and other payables	2,877,989	2,921,635
Loans, borrowings and debt securities	597,372	1,218,692
Derivative financial instruments	110,646	104,443
Current tax payable	66,906	135,705
Provisions	165,620	156,263
Deferred income	610,389	592,129
<b>Total current liabilities</b>	<b>4,428,922</b>	<b>5,128,867</b>
<b>Total liabilities</b>	<b>6,223,497</b>	<b>6,887,218</b>
<b>Total equity and liabilities</b>	<b>25,633,651</b>	<b>25,550,931</b>



## SEPARATE STATEMENT OF CASH FLOWS

	Q1 2011 (Jan 1–Mar 31 2011) unaudited	Q1 2010 (Jan 1–Mar 31 2010) unaudited
	(PLN '000)	
<b>Cash flows from operating activities</b>		
Net profit/(loss)	535,025	609,491
Adjustments:		
Depreciation and amortisation	140,659	137,352
Net foreign exchange gains/(losses)	(14,040)	52,335
Net interest and dividend	(35,469)	(36,899)
Gain/(loss) from investing activities	(9,805)	(14,530)
Current income tax	107,564	158,879
Income tax paid	(181,151)	(40,541)
Other items, net	35,101	(54,852)
<b>Net cash provided by/(used in) operating activities before changes in working capital</b>	<b>577,884</b>	<b>811,235</b>
Change in working capital:		
Change in receivables, net	137,766	72,371
Change in inventories	478,148	560,731
Change in provisions	7,124	16,631
Change in current liabilities	78,956	351,032
Change in prepayments	(84,977)	(75,033)
Change in deferred income	17,157	(6,591)
<b>Net cash provided by/(used in) operating activities</b>	<b>1,212,058</b>	<b>1,730,376</b>
<b>Cash flows from investing activities</b>		
Sale of property, plant and equipment and intangible assets	8,137	2,978
Sale of shares in related undertakings	-	-
Sale of shares in other undertakings	9	-
Sale of short-term securities	268	756
Acquisition of property, plant and equipment and intangible assets	(709,374)	(422,401)
Acquisition of shares in related undertakings	(14,000)	(32,028)
Acquisition of short-term securities	-	-
Decrease in loans advanced	70,605	116,121
Increase in loans advanced	(20,300)	(183,586)
Cash provided by financial futures and forwards	-	25,516
Cash used on financial futures and forwards	-	(92,390)
Interest received	1,530	7,778
Dividend received	-	-
Proceeds from finance lease	615	5,008
Other items, net	(1,293)	(1,497)
<b>Net cash provided by/(used in) investing activities</b>	<b>(663,803)</b>	<b>(573,745)</b>
<b>Cash flows from financing activities</b>		
Net proceeds from issue of shares, other equity instruments and additional contributions to equity	-	-
Increase in loans and borrowings	-	-
Issue of debt securities	-	(900,895)
Repayment of loans and borrowings	594,857	-
Redemption of debt securities	(1,210,229)	-
Decrease in finance lease liabilities	(750)	(876)
Cash provided by financial futures and forwards	-	-
Cash used on financial futures and forwards	-	-
Dividend paid	-	-
Interest paid	(13,291)	(16,254)
Other items, net	(1,167)	(2,283)
<b>Net cash provided by/(used in) financing activities</b>	<b>(630,580)</b>	<b>(920,308)</b>
<b>Net change in cash</b>	<b>(82,325)</b>	<b>236,323</b>
Net foreign exchange gains/(losses)	-	-
<b>Cash and cash equivalents at beginning of period</b>	<b>565,854</b>	<b>425,243</b>
<b>Cash and cash equivalents at end of period</b>	<b>483,529</b>	<b>661,566</b>

## 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)					
<b>As at Jan 1 2011</b>	<b>5,900,000</b>	<b>(748)</b>	<b>1,740,093</b>	<b>9,245,707</b>	<b>1,778,661</b>	<b>18,663,713</b>
Transfers	-	-	-	-	-	-
Payment of dividend to owners	-	-	-	-	-	-
Net profit/loss for Q1 2011	-	-	-	-	535,025	<b>535,025</b>
Net other comprehensive income for Q1 2011	-	(1,905)	-	213,321	-	<b>211,416</b>
<b>As at Mar 31 2011 (unaudited)</b>	<b>5,900,000</b>	<b>(2,653)</b>	<b>1,740,093</b>	<b>9,459,028</b>	<b>2,313,686</b>	<b>19,410,154</b>
<b>As at Jan 1 2010</b>	<b>5,900,000</b>	<b>(2,948)</b>	<b>1,740,093</b>	<b>8,983,114</b>	<b>719,444</b>	<b>17,339,703</b>
Transfers	-	-	-	-	-	-
Payment of dividend to owners	-	-	-	-	-	-
Net profit/loss for Q1 2010	-	-	-	-	609,491	<b>609,491</b>
Net other comprehensive income for Q1 2010	-	333	-	9,364	-	<b>9,697</b>
<b>As at Mar 31 2010 (unaudited)</b>	<b>5,900,000</b>	<b>(2,615)</b>	<b>1,740,093</b>	<b>8,992,478</b>	<b>1,328,935</b>	<b>17,958,891</b>

## NOTES TO THE CONDENSED SEPARATE FINANCIAL STATEMENTS

### 1. Deferred tax

Deferred tax assets and liabilities	Deferred tax assets	Deferred tax liabilities
<b>As at Jan 1 2011</b>	<b>291,447</b>	<b>491,539</b>
a) increase	3,577	54,684
b) decrease	(11,717)	(17,574)
<b>As at Mar 31 2011</b>	<b>283,307</b>	<b>528,649</b>
<b>As at Jan 1 2010</b>	<b>299,660</b>	<b>531,260</b>
a) increase	44,702	22,897
b) decrease	(52,915)	(62,618)
<b>As at Dec 31 2010</b>	<b>291,447</b>	<b>491,539</b>

### 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
<b>As at Jan 1 2011</b>	<b>1,080,712</b>	<b>3</b>	<b>6,600</b>	<b>1,675,674</b>	<b>3,231</b>	<b>994,208</b>	<b>24,022</b>	<b>-</b>	<b>3,784,451</b>
a) increase	41	-	-	-	-	3,047	(12)	-	3,076
b) transfer	-	-	(550)	-	-	-	550	-	-
c) decrease	(10,323)	-	-	(1,381)	(21)	(58,741)	(437)	1,360	(69,543)
<b>As at Mar 31 2011</b>	<b>1,070,430</b>	<b>3</b>	<b>6,050</b>	<b>1,674,293</b>	<b>3,210</b>	<b>938,514</b>	<b>24,123</b>	<b>1,360</b>	<b>3,717,984</b>
<b>As at Jan 1 2010</b>	<b>882,931</b>	<b>2</b>	<b>8,800</b>	<b>1,671,724</b>	<b>4,081</b>	<b>1,004,701</b>	<b>20,722</b>	<b>-</b>	<b>3,592,960</b>
a) increase	212,198	-	-	4,972	-	87,562	3,300	-	308,032
b) transfer	(86)	86	(2,200)	-	-	-	2,200	-	-
c) decrease	(14,331)	(84)	-	(1,022)	(849)	(98,055)	(2,200)	-	(116,541)
<b>As at Dec 31 2010</b>	<b>1,080,712</b>	<b>3</b>	<b>6,600</b>	<b>1,675,674</b>	<b>3,231</b>	<b>994,208</b>	<b>24,022</b>	<b>-</b>	<b>3,784,451</b>

### 3. Provisions

	Provision for length-of- service awards and retirement severance pays	Provision for gas allowances	Provision for well decommission- ing costs	Provision for environmenta l protection liabilities (gas pitch)	Provision for potential liability under transmission services	Central Restructuring Fund	Provision for claims under extra- contractual use of land	Other	Total
<b>As at Jan 1 2011</b>	<b>114,245</b>	-	<b>1,049,996</b>	<b>58,734</b>	-	<b>21,292</b>	<b>50,685</b>	<b>36,796</b>	<b>1,331,748</b>
a) increase	-	-	4,546	-	-	-	-	9,359	13,905
b) decrease	-	-	(4,053)	-	-	-	(3)	(163)	(4,219)
<b>As at Mar 31 2011</b>	<b>114,245</b>	-	<b>1,050,489</b>	<b>58,734</b>	-	<b>21,292</b>	<b>50,682</b>	<b>45,992</b>	<b>1,341,434</b>
<b>As at Jan 1 2010</b>	<b>111,765</b>	<b>20,410</b>	<b>916,231</b>	<b>75,993,</b>	<b>34,391</b>	<b>10,450</b>	-	<b>49,779</b>	<b>1,219,019</b>
a) increase	8,624	-	133,765	-	-	13,000	50,685	59,627	265,701
b) decrease	(6,144)	(20,410)	-	17,259)	(34,391)	(2,158)	-	(72,610)	(152,972)
<b>As at Dec 31 2010</b>	<b>114,245</b>	-	<b>1,049,996</b>	<b>58,734</b>	-	<b>21,292</b>	<b>50,685</b>	<b>36,796</b>	<b>1,331,748</b>

### 4. Sales revenue

	Jan 1–Mar 31 2011	Jan 1–Mar 31 2010
Natural gas	6,472,030	6,211,803
Crude oil	270,585	206,720
Helium	13,503	10,159
Propane-butane gas	15,769	13,811
Natural gasoline	944	1,351
LNG	8,661	7,948
Geophysical and geological services	16,064	,97
Materials and goods for resale	1,640	1,729
Other sales of products and services	36,198	29,399
<b>Total</b>	<b>6,835,394</b>	<b>6,483,017</b>

## 5. Proceeds under Transmission System Lease Agreement

	Jan 1–Mar 31 2011	Jan 1–Mar 31 2010
Interest payment	543	4,780
Principal payment	615	5,008
<b>Total</b>	<b>1,158</b>	<b>9,788</b>

## 6. Operating expenses

Raw and other materials used	Jan 1–Mar 31 2011	Jan 1–Mar 31 2010
Cost of gas sold	(4,154,520)	(3,515,537)
Other raw and other materials used	(30,739)	(32,618)
<b>Total</b>	<b>(4,185,259)</b>	<b>(3,548,155)</b>

Contracted services	Jan 1–Mar 31 2011	Jan 1–Mar 31 2010
Purchases of transmission and distribution services	(1,547,899)	(1,591,431)
Other contracted services	(249,272)	(164,775)
<b>Total</b>	<b>(1,797,171)</b>	<b>(1,756,206)</b>

## 7. Corporate income tax

	Jan 1–Mar 31 2011	Jan 1–Mar 31 2010
Pre-tax profit/(loss)	642,589	768,370
Tax rate applicable in the period	19%	19%
Tax calculated at the applicable tax rate	(122,092)	(145,990)
Permanent differences between pre-tax profit/(loss) and tax base	14,528	(12,888)
<b>Tax expense in the income statement</b>	<b>(107,564)</b>	<b>(158,879)</b>
Current income tax	(112,352)	(151,282)
Deferred income tax	4,788	(7,597)
Effective tax rate	17%	21%

Lower effective tax rate in Q1 2011 was attributable mainly due an increase in permanent differences between pre-tax profit/loss and tax base. This increase was mainly due to the income from release in Q1 2011 of impairment losses on receivables (in Q1 2010 impairment losses on receivables were increased). Income from release of impairment losses affects pre-tax profit disclosed in the income statement but is not taxable income and, therefore, no deferred tax liabilities were recognised in respect of this income. In Q1 2011, the effective tax rate went down as a result of higher pre-tax profit, which is the basis for the calculation of tax at the applicable tax rate, with no changes in the tax expense.

## 8. Property, plant and equipment by categories

	As at Mar 31 2011 (end of Q1 2011)	As at Dec 31 2010 (end of previous year)
Land	23,490	23,597
Buildings and structures	5,084,166	5,171,059
Plant and equipment	1,328,393	1,354,023
Vehicles and other	82,760	85,226
<b>Total tangible assets</b>	<b>6,518,809</b>	<b>6,633,905</b>
Tangible assets under construction	4,828,301	4,307,016
<b>Total property, plant and equipment</b>	<b>11,347,110</b>	<b>10,940,921</b>

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

In the financial statements for Q1 2011, the Company has not introduced any changes in the comparative financial data relative to the data disclosed in previously published financial statements.

### III. ADDITIONAL INFORMATION TO THE FINANCIAL STATEMENTS FOR Q1 2011

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

These condensed consolidated financial statements and condensed separate financial statements as at March 31st 2011 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, "the Regulation"). The financial statements present data as at March 31st 2011 and for the period January 1st–March 31st 2011, along with comparative financial data for the relevant periods of 2010.

The data disclosed in these financial statements are stated in the złoty (PLN), and all amounts, unless indicated otherwise, are stated in thousands of 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 Undertaking") and the subsidiary undertakings 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 Undertaking is not aware of any facts or circumstances which would imply a threat to the Parent Undertaking 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 by the Management Board of the Parent Undertaking for publication on May 12th 2011.

#### 2. Adopted accounting policies

The policies applied to prepare these condensed consolidated financial statements and condensed separate financial statements are consistent with the general policies applied to draw up the annual consolidated financial statements for the period ended December 31st 2010, published on March 21st 2011, except to the extent of application of the following amendments and new interpretations, which are effective for annual periods beginning on or after January 1st 2011:

- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues – endorsed by the EU on December 23rd 2009 (effective for annual periods beginning on or after February 1st 2010);
- Amendments to IFRS 1 First-Time Adoption of International Financial Reporting Standards – Limited Exemptions from Comparative IFRS 7 Disclosures for First-time Adopters – endorsed by the EU on June 30th 2010 (effective for annual periods beginning on or after July 1st 2010);
- Amendments to IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction – Prepayments of a Minimum Funding Requirement – endorsed by the EU on July 19th 2010 (effective for annual periods beginning on or after January 1st 2011);
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments – endorsed by the EU on July 23rd 2010 (effective for annual periods beginning on or after July 1st 2010);
- Amendments to various standards and interpretations Amendments to International Financial Reporting Standards (2010) – amendments made as part of the process of making annual improvements to the Standards, published on May 6th 2010 (IFRS1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, and IFRIC 13) aimed chiefly at eliminating any inconsistencies and clarification of wording, endorsed by the EU on February 18th 2011 (effective for annual periods beginning on or after January 1st 2011).

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

#### Application of the revised IAS 1

The revised IAS 1 requires profit or loss and other comprehensive income, so far presented as one item in the statement of changes in equity, to be disclosed as separate items. Application of this amendment to these financial statements has not affected previously disclosed figures, as the only change introduced involved singling out two items, "Net profit/loss" and "Net other comprehensive income" from the item "Comprehensive income" in the statement of changes in equity. This separation facilitates reconciliation of changes in equity with the income statement and the statement of comprehensive income.

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

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 March 31st 2011 had not yet been endorsed for application:

- IFRS 9 Financial Instruments (effective for annual periods beginning on or after January 1st 2013);
- Amendment to IFRS 7 Financial Instruments: Disclosures - Transfers of Financial Assets (effective for annual periods beginning on or after July 1st 2011);
- Amendment 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);
- Amendment to IAS 12 Income Tax – Deferred Tax: Realisation of Assets (effective for annual periods beginning on or after January 1st 2012).

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.

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

1. On January 3rd 2011, the Management Board of PGNiG S.A. ("PGNiG") received a notification of instigation of anti-trust proceedings by the President of the Office of Competition and Consumer Protection ("UOKiK") concerning abuse of dominant position on the domestic natural gas wholesale market by PGNiG.

According to the President of UOKiK, the abuse of dominant position on the domestic natural gas wholesale market by PGNiG consisted in:

- inhibiting sale of gas against the interest of other business players or consumers by refusing to sell gaseous fuel under a framework agreement to an entrepreneur that intended to further resell the gas, i.e. NowyGaz Sp. z o.o. of Warsaw, which may be regarded as an anti-competitive practice defined in Art. 9.2.2 of the Competition and Consumer Protection Act of February 16th 2007 ("the Act");
- impeding the development of market conditions favourable to the emergence– or growth of competition by refusing to sell gaseous fuel under a framework agreement to an entrepreneur that intended to further resell the gas, i.e. NowyGaz Sp. z o.o. of Warsaw, which may be regarded as an anti-competitive practice defined in Art. 9.2.5 of the Act.

Pursuant to Art. 106 of the Act, the President of UOKiK may, by way of a decision, impose a fine on an entrepreneur abusing its dominant position of not more than 10% of the revenue earned in the financial year preceding the date of the decision. The amount of the fine is determined taking into account the duration, extent and circumstances of the breach of statutory provisions, as well as any previous violations of these provisions.

On January 4th 2011, PGNiG S.A. filed an appeal with the Regional Court of Warsaw, the Competition and Consumer Protection Division, against a decision issued by the President of URE to impose a penalty on the Company for breach of the cross-border gas trading licence.

2. On January 12th 2011, annex 1 ("the Annex") was signed to the trilateral Memorandum of Understanding of January 27th 2010 between PGNiG, OOO Gazprom Export of Moscow ("Gazprom Export") and System Gazociągów Tranzytowych EuRoPol GAZ S.A. of Warsaw ("EuRoPol GAZ") (the "Memorandum of Understanding") was executed. PGNiG S.A. ("PGNiG") reported on execution of the Memorandum of Understanding in Current Report No. 7/2010 of January 28th 2010.

The Annex was executed in order to align the provisions of the Memorandum of Understanding with the provisions of:

- the Protocol of October 29th 2010 on amendments to the "Memorandum of Understanding between the Governments of the Russian Federation and the Republic of Poland concerning construction of a gas pipeline system for transmission of Russian gas across the territory of Poland, dated August 25th 1993";
- the Protocol of October 29th 2010 on amendments to the Additional Protocol to the "Memorandum of Understanding between the Governments of the Russian Federation and the Republic of Poland concerning construction of a gas pipeline system for transmission of Russian gas across the territory of Poland, dated August 25th 1993", executed on February 12th 2003 ("the Protocol to the Memorandum of Understanding");

- the Annex of October 29th 2010 to the Yamal Contract of September 25th 1996 between PGNiG and Gazprom Export ("the Annex to the Yamal Contract"), concerning increased volume of natural gas supplies.

Under the Annex:

- the Agreement between EuRoPol GAZ and Gaz-System SA of Warsaw on assigning the role of the operator of the Polish section of the Yamal-Europe Transit Gas Pipeline System, dated October 25th 2010, will come into force;
- in the case of a change in the operator's role or any change in EuRoPol GAZ's shareholder structure or ownership title to assets which would conflict with the Protocol to the Memorandum of Understanding, the Annex to the Yamal Contract will become null and void, subject to prior notification that the Annex to the Yamal Contract has become null and void, made in writing and delivered to PGNiG on behalf of Gazprom Export by a messenger or recognised international company providing courier services;
- PGNiG and EuRoPol GAZ will settle the payments for the gas transmission services rendered to PGNiG by EuRoPol GAZ in the period from January 1st 2006 to December 31st 2009 on the same terms and conditions as those applicable to the gas transmission services rendered to Gazprom Export,

Gazprom Export undertook to take all reasonable efforts to conclude a new contract for the transmission of natural gas across the territory of Poland in the period from 2020 to 2045 in the amount of approx. 26 billion cubic metres according to the Polish standard (i.e. 28 billion cubic metres according to GOST). If Gazprom Export fails to conclude such contract or terminates such contract prior to its expiry, EuRoPol GAZ shall have the right to file claims and/or bring actions in connection with payments for the gas transmission services in the period from 2006 to 2009, and Gazprom shall not raise a plea that the claims have become time-barred.

3. On January 26th 2011, PGNiG Energia S.A. of Warsaw ("PGNiG Energia"), as the last of the parties to the Annex ("the Annex") to the Execution Agreement of the Project "Construction of a CCGT Unit in Stalowa Wola" ("CCGT"), obtained the corporate approvals for the Annex, which was signed on December 29th 2010. The other parties to the Annex, i.e. PGNiG S.A., TAURON Polska Energia S.A. of Katowice and Elektrownia Stalowa Wola S.A. of Stalowa Wola, had earlier obtained all required corporate approvals. Therefore, the condition subsequent stipulated in the Annex, that the Annex shall expire if the parties thereto fail to obtain the required approvals from their relevant corporate bodies, has not been fulfilled.

In view of the foregoing, and in line with the provisions of the Annex, the Execution Agreement of the CCGT Project will remain effective until March 31st 2011 with an option to extend it - under special circumstances - until June 30th 2011 by way of appropriate annexes to the Execution Agreement.

4. On March 2nd 2011, given the low air temperatures and increased demand for natural gas, PGNiG S.A. reduced supplies of gas to PKN Orlen S.A. The decision was made under the existing agreements between the companies, whereby the supplies may be reduced. Regular supplies under the contract were resumed on March 7th 2011.
5. On March 3rd 2011, an annex ("the Annex") was signed to the high-methane gas purchase agreement No. 4/S/98 concluded on January 14th 1999 between PGNiG S.A. ("PGNiG") and Zakłady Azotowe Puławy S.A. ("ZA Puławy") for an indefinite term ("the Agreement").

The Annex adds new definitions, including: contracted capacity, intermittent contracted capacity, continuous contracted capacity, declaration (*nominacja*), annual and weekly declaration, re-declaration, tariff, IRIESP (*Instrukcja Ruchu i Eksploatacji Sieci Przesyłowej* - Transmission Network Operation Instruction), and emergency. Moreover, the Annex establishes a procedure for submitting annual and weekly declarations, redeclarations and ordering intermittent contracted capacity and continuous contracted capacity. The amendments to the Agreement also specify the rules governing the provision of intermittent contracted capacity to ZA Puławy and ZA Puławy's obligations relating to the supply of gaseous fuel on an intermittent basis.

The Annex to the Agreement stipulates that ZA Puławy would be obliged to pay to PGNiG a contractual penalty for failure to collect the minimum annual volume. The penalty amount would depend on the volume of gas fuel not collected by ZA Puławy in a given contractual year. Pursuant to the Agreement, payment of the contractual penalty excludes the injured Party's right to seek compensation in excess of the penalty amount.

Furthermore, the Annex imposes on ZA Puławy an obligation to pay a contractual penalty to PGNiG if ZA Puławy fails to comply with any introduced intermittent contracted capacity limitations. The penalty amount would depend on how much the contractual capacity is actually exceeded in the period when such limitations are effective. In the event that the damage incurred due to ZA Puławy's failure to comply with



any intermittent contracted capacity limitations exceeds the contractual penalty amount, ZA Puławy will be required to reimburse any sums paid by PGNiG to Operator Gazociągów Przesyłowych Gaz-System S.A. in connection with such non-compliance.

The amendments introduced under the Annex are effective from January 1st 2011.

Other provisions of the Agreement remain unchanged. The estimated value of the Agreement over a period of five years amounts to approximately PLN 4.94bn.

6. On March 11th 2011, PGNiG S.A., PGNiG Energia S.A., TAURON, ESW and Elektrociepłownia Stalowa Wola S.A. of Stalowa Wola (hereinafter jointly referred to as "the Parties") executed an Agreement on the Operation of Elektrociepłownia Stalowa Wola S.A. ("the Agreement") as part of the "Construction of a CCGT Unit in Stalowa Wola" ("CCGT") project.

Earlier, an SPV under the name of Elektrociepłownia Stalowa Wola S.A. ("ECSW") had been established for the purpose of construction and operation of the CCGT, in which PGNiG Energia (a PGNiG Group member, wholly-owned by PGNiG S.A.) and ESW (a TAURON Group member) each currently hold 50% of shares. The Parties defined the following assumptions for the ECSW business model:

- PGNiG S.A. will guarantee long-term gas supplies to ECSW;
- PGNiG Energia and TAURON will receive electricity generated by the CCGT in volumes proportional to their interests in ECSW;
- PGNiG Energia and TAURON will execute with ECSW long-term agreements for the purchase of proprietary rights - certificates of origin of electricity generated in high efficiency cogeneration, in quantities corresponding to the purchased volumes of electricity;
- ECSW will take over the heat supplies to local customers so far provided by ESW. As a result, ESW will become a reserve source of heat, which will additionally enhance the security of supplies;
- It is the Parties' intention that TAURON should provide to ECSW the Commercial and Technical Operator services and the emission allowance trading services;
- ECSW will be responsible for the CCGT operation or will entrust CCGT operation to an entity it selects on arms' length terms.

The upper limit of the Agreement's value was set by the parties at PLN 1,950,000 thousand (VAT exclusive). The project will be executed on a "project finance" basis. The Parties will take all reasonable steps to obtain third-party financing for the project in an amount equal to at least 70% of the total actual costs of the CCGT. In order to finance the project, ECSW will take out a loan, which will be repaid using free cash flow generated by ECSW.

The Agreement was concluded for the period of 25 years starting with the launch of operation of the CCGT and comes into force as of its date. It takes effect upon the fulfilment of a condition precedent that all Parties to the project have obtained their required corporate approvals.

If any of ECSW's shareholders does not exercise its pre-emptive rights, such a shareholder will pay the other shareholder a contractual penalty in the amount equal to the total issue price of the new ECSW shares offered to that shareholder. The Agreement contains no provisions under which a Party could seek compensation in excess of the penalties referred to above. The Agreement does not contain any terms or conditions which would differ from standard terms and conditions used in similar agreements.

The Agreement supersedes the Project Execution Agreement Concerning "Construction of a CCGT Unit in Stalowa Wola" along with its annex, on which the Company reported respectively in Current Report No. 22/2010 of May 7th 2010 and Current Report No. 96/2010 of December 29th 2010.

7. On March 11th 2011, PGNiG S.A. and ECSW executed a Master Agreement for Supply of Gaseous Fuel ("the Agreement").

The Agreement provides for the supply of gaseous fuel for a definite term, i.e. for 14 years starting from the supplies launch date. It may be extended for a force majeure period, if any, but any such extension may not in aggregate exceed 360 days. Supplies of gaseous fuel must start within 48 months from the date on which ECSW submits a representation to the effect that it has obtained financing for the "Construction of a CCGT Unit in Stalowa Wola" project and a gas network connection agreement. Furthermore, ECSW is required to submit to PGNiG a representation ("the Representation") concerning the final start date of gaseous fuel supplies at least one calendar year before the connection of the CCGT unit to the transmission system operator's network. The Representation must additionally be repeated by ECSW 45 days before the expected supplies start date. Under the Agreement, gaseous fuel supplies to the CCGT unit in Stalowa Wola will amount to ca. 540 million cubic meters.

The estimated value of the Agreement over its entire term amounts to ca. PLN 9,660,000 thousand. It was estimated as at the date of the planned launch of operations of the CCGT unit on the basis of project assumptions and discount rate adopted by PGNiG.

The estimated maximum value of contractual penalties may exceed the PLN equivalent of EUR 200 thousand, as translated using the mid-exchange rate quoted by the National Bank of Poland. The limit may be exceeded on the grounds of ECSW's obligation to pay a contractual penalty to PGNiG for the failure to collect a minimum annual volume of gaseous fuel. The penalty amount would depend on the actual quantity uncollected in a given contractual year. Furthermore, if ECSW fails to notify PGNiG of the final start date of gaseous fuel supplies as declared in the Representation, or if such a day falls after October 31st 2015, PGNiG will be entitled to charge a contractual penalty as from October 31st 2015. The Agreement contains no provisions under which a party could seek compensation in excess of the penalties referred to above. The Agreement does not contain any terms or conditions which would differ from standard terms and conditions used in similar agreements.

The Agreement comes into force on the date of entry into force of the Agreement on the Operation of ECSW., on which the Company reported in Current Report No. 33/2011 of March 11th 2011.

The Agreement provides for the following conditions precedent:

- delivery by ECSW to PGNiG by December 31st 2012 of the agreement on connection of the CCGT unit in Stalowa Wola to the transmission system operator's network;
- delivery by ECSW to PGNiG by December 31st 2012 of a representation confirming the sources of financing of construction of the CCGT unit in Stalowa Wola.

8. On March 11th 2011, an Agreement for Sale of Electricity ("the Agreement") was executed by subsidiary PGNiG Energia, TAURON and ECSW" (hereinafter jointly referred to as "the Parties").

The Agreement provides for long-term sale of electricity by ECSW to PGNiG Energia and TAURON. The Agreement was concluded for a definite period, i.e. it comes into effect on the date of the first receipt of electricity from ECSW and expires after 14 years on December 31st. ECSW will advise PGNiG Energia and TAURON of the start date of electricity supplies with a 90 days' notice.

PGNiG Energia and TAURON will receive electricity generated as part of the "Construction of a CCGT Unit in Stalowa Wola" project in volumes proportional to their interests in ECSW. PGNiG Energia (a PGNiG Group member, wholly-owned by PGNiG) and Elektrownia Stalowa Wola (a TAURON Group member) each hold 50% of the ECSW shares.

The estimated value of the Agreement over its entire term amounts to ca. PLN 6,790,000 thousand. It was estimated as at the date of the planned launch of operations of the CCGT unit in Stalowa Wola on the basis of project assumptions and discount rate adopted by PGNiG.

The estimated maximum value of contractual penalties may exceed the PLN equivalent of EUR 200 thousand, as translated using the mid-exchange rate quoted by the National Bank of Poland. The limit may be exceeded due to ECSW's obligation to pay to PGNiG Energia and TAURON a contractual penalty for failure to deliver, in whole or in part, electricity in a contractually agreed settlement period as provided in the Agreement. Furthermore, in the event of non-performance or improper performance of this Agreement, a Party who fails to perform or improperly performs its obligations will be required to pay to the other Party (Parties) compensation for the damage incurred by that Party (Parties) whose value is limited to actual value of the damage. The Agreement contains no provisions under which a Party could seek compensation in excess of the penalties described above. The Agreement does not contain any terms or conditions which would differ from standard terms and conditions used in similar agreements.

The Agreement comes into force on the date of entry into force of the Agreement on the Operation of ECSW, on which the Company reported in Current Report No. 33/2011 of March 11th 2011.

The obligation to supply and receive electricity is subject to a condition precedent that an agreement is (agreements are) executed providing for financing of the construction, start-up and launch of the CCGT unit in Stalowa Wola. If the condition precedent is not fulfilled by December 31st 2012, each Party will be entitled to terminate the Agreement by submitting a relevant written representation to the other Parties.

9. On March 17th 2011, the Management Board of PGNiG S.A. was notified that PGNiG Norway AS ("PGNiG Norway"), a subsidiary of PGNiG S.A., had received through the agency of Nexen Exploration Norge AS a letter from the Norwegian Ministry of Energy and Petroleum wherein the ministry granted its approval for all the interest holders to discontinue work in the PL419 licence area on the Norwegian Continental Shelf.

The PL419 licence was originally awarded as part of the APA2006 licensing round. From February 2007 to February 2009, 3D seismic was acquired and analysed. In Q1 2010, an exploration well was drilled with

negative results. Therefore, in consultation with and upon approval by the other holders of interests in the PL419 licence, the operator decided to discontinue work on the licence, after having fulfilled all the licence obligations imposed by the Norwegian authorities.

The following companies held interests in the PL419 licence: Nexen Exploration Norge AS (45% interest – the operator), OMV Norge AS (30% interest), and PGNiG Norway (25% interest).

The PL419 licence was acquired by PGNiG Norway on February 16th 2009, as reported by PGNiG in Current Reports No. 25/2009 of February 16th 2009 and No. 46/2009 of April 30th 2009. The licence was acquired for the price of NOK 1.00 (the equivalent of PLN 0.5277, as translated using the mid-exchange rate quoted by the National Bank of Poland in Table No. 31/A/NBP/2009 of February 13th 2009).

10. On March 17th 2011, due to current events in Libya, the Management Board of POGC Libya BV, a subsidiary undertaking of PGNiG S.A., adopted a resolution to notify the occurrence of a force majeure event under the Exploration and Production Sharing Agreement ("EPSA") with Libya's National Oil Corporation, and notified the National Oil Corporation accordingly on March 21st 2011. As a result, performance of the EPSA has been suspended until the force majeure event ceases to exist. If the force majeure event does not cease to exist within two years after it was reported, the EPSA will be terminated. (For detailed information on the EPSA, see the annual consolidated financial statements for the year ended December 31st 2010).

Because of the events taking place in Libya since mid-February 2011, the Management Board of POGC Libya BV decided to evacuate all international personnel from the country and set up a temporary office in Warsaw. The company's Tripoli branch office remains under the care of the local personnel and continues to operate. As at the date of these financial statements, work was under way as part of the Libyan project to complete the evaluation of the 2D seismic data, conducted mainly by PGNiG S.A. under a cooperation agreement.

As it is difficult to predict future developments in Libya, the Management Board of POGC Libya BV is monitoring the situation in Libya and in the entire region and will be taking appropriate decisions and steps as the situation evolves.

11. On March 21st 2011, with the approval of the Polish State Treasury Minister, an annex ("the Annex") was signed to the Yamal Contract of September 25th 1996 between PGNiG S.A. and OAO Gazprom/OOO Gazprom Export of Moscow, Russia (respectively "Gazprom" and "Gazprom Export").

The Annex increases the maximum daily contractual amount of natural gas at the Vysokoye cross-border point on the Polish-Belarusian border to 13.96 million cubic metres per day according to the Polish standard (or 15.0 million cubic metres according to GOST), with the Annual Contractual Amount of natural gas to be collected by PGNiG S.A. in 2011 remaining unchanged at 9.77 billion cubic metres according to the Polish standard (or 10.5 billion cubic metres according to GOST), as reported in Current Report No. 72/2010 of October 29th 2010. PGNiG S.A. will be able to collect the increased daily contractual amounts until December 31st 2011.

Furthermore, PGNiG S.A. and Gazprom/Gazprom Export agreed that the quantities of natural gas collected at the Vysokoye cross-border point on particular days in excess of 9.36 million cubic metres according to the Polish standard (or 10.06 million cubic metres according to GOST) will be paid for by PGNiG S.A. at a price calculated in accordance with the terms of the Yamal Contract in effect at the time of execution of the Annex and increased by 3.5%.

12. On March 24th 2011, the Management Board of PGNiG S.A. reported that all the required corporate approvals for the Agreement on the Operation of ECSW ("the Agreement") as part of the "Construction of a CCGT Unit in Stalowa Wola" project had been obtained. Thus, the only condition precedent for the Agreement, on which the Company reported in Current Report No. 33/2011 of March 11th 2011, had been fulfilled.

Along with the entry into force of the Agreement, the following agreements became effective:

- Master Agreement for Supply of Gaseous Fuel between PGNiG S.A. and ECSW, on which the Company reported in Current Report No. 34/2011 of March 11th 2011;
- Agreement for Sale of Electricity between PGNiG Energia, TAURON and ECSW, on which the Company reported in Current Report No. 35/2011 of March 11th 2011.

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

In Q1 2011, the PGNiG Group's net profit was PLN 1,024.6m, up by PLN 28.4m (or 3%) year-on-year. The increase in net profit was driven mainly by improved margins on sales of crude oil, lower net other operating

expenses and higher finance income from foreign exchange gains. Net profit rose despite lower margins on high-methane gas sales, reflected in a drop of operating profit (EBIT) by PLN 47.9m, or 4%.

#### Exploration and Production

Operating profit posted by the Exploration and Production segment was PLN 374.8m, up by PLN 133.3m (55%) relative to Q1 2010. This increase was primarily attributable to higher profitability of crude oil sales. As a result of higher prices of crude oil on the global markets, the PGNiG Group sold it at prices which were by 36% higher than in Q1 2010.

#### Trade and Storage

The PGNiG Group's financial performance deteriorated primarily in the Trade and Storage segment. At the end of Q1 2011, the segment posted PLN 258.8m in operating profit, that is by PLN 186.8m (or 42%) less than in Q1 2010. This resulted chiefly from significantly lower margins on high-methane gas sales. Lower margins on high-methane gas sales were attributable to a 22% increase in unit purchase prices of imported gas, which followed from higher prices of crude and oil derivative products on the global commodity markets.

The profitability of high-methane gas sales deteriorated despite a 8% increase in the average gas selling prices compared with Q1 2010. During the analysed period, there were three changes in the PGNiG's tariff prices of gaseous fuel. Given growing prices of crude oil, in February 2011 PGNiG S.A. applied to the President of the Energy Regulatory Office requesting an increase in the tariff prices of natural gas. The changes the Company applied for were not approved by the President of the Energy Regulatory Office, which for the PGNiG Group means contracted margins on natural gas trading.

Performance of the Trade and Storage segment was also affected by a decline in net other operating expenses, attributable primarily to higher reversals of impairment losses (mainly on trade receivables) and higher gain on remeasurement of financial instruments.

#### Distribution

Operating profit posted by the PGNiG Group in the Distribution segment was PLN 549.3m, up by PLN 2.7m year on year. This increase was mainly due to higher rates charged for distribution services from June 2010, accompanied by a decline in the volume of transmitted gas.

### **6. Seasonality or cyclicity in the Company's operations during the reporting period**

Sale, distribution and storage of gaseous fuels, which next to exploration and production constitute the core business of the PGNiG Group, are subject to significant seasonal fluctuations.

The revenue from sale of natural gas in the winter season (Q1 and Q4) is substantially higher than in the summer (Q2 and Q3). This results from the seasonal changes in weather conditions in Poland, and the extent of such seasonality is determined by low temperatures in the winter and higher temperatures in the summer. Gas sales are to a much greater extent subject to seasonal changes in the case of customers from the municipal sector, where gas is used for heating, than in the case of industrial customers.

To meet customer needs at times of peak demand for natural gas and in order to ensure safety of gas supplies, the underground gas storage facilities must be filled up in the summer, and higher capacities must be subscribed for in the transmission and distribution systems in the winter.

### **7. Issue, redemption and repayment of debt and equity securities**

Notes with the total par value of PLN 1,100m were redeemed on January 21st and 26th 2011, whereas on March 21st 2011 another issue of notes was carried out, comprising notes with a par value of PLN 200m. The note redemptions and issue were carried out under the PLN 3bn note issue programme agreement of June 10th 2010, concluded with six banks, including Bank Polska Kasa Opieki S.A., ING Bank Śląski S.A., Powszechna Kasa Oszczędności Bank Polski S.A., Bank Handlowy w Warszawie S.A., Societe Generale S.A., and BNP Paribas S.A. Polish Branch. The notes bear interest based on the WIBOR rate plus a margin, whose level depends on the use of the Programme and the ratio of consolidated net debt to consolidated EBITDA. As at March 31st 2011, the par value of all outstanding notes was PLN 200m.

## **8. Total and per share dividend declared or paid on ordinary and preference shares**

On April 20th 2011, the Annual General Shareholders Meeting of PGNiG S.A. adopted Resolution No. 19/IV/2011 to pay dividend of PLN 708,000 thousand (or PLN 0.12 per share).

Moreover, the Annual General Shareholders Meeting of PGNiG S.A. adopted Resolution No. 20/IV/2011 whereby it resolved that a portion of the dividend due to the State Treasury, of no more than PLN 30,104 thousand (VAT inclusive), would be paid in non-cash form. Any difference between the total amount of dividend due to the State Treasury and the amount of non-cash dividend would be paid in cash.

Due to the on-going process of employee shares distribution, the final amount of dividend due to the State Treasury and to other shareholders was to be determined on the dividend record date. Other shareholders of the Company would receive cash dividend.

The dividend record date and the dividend payment date were set by the Annual General Shareholders Meeting of PGNiG S.A. at July 20th 2011 and October 6th 2011, respectively.

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

On April 15th 2011, the Management Board of PGNiG S.A. was notified that PGNiG Norway AS, a subsidiary of PGNiG S.A., had been granted interests in another two exploration and production licences on the Norwegian Continental Shelf. The licences were awarded by the Norwegian Ministry of Energy and Petroleum as part of the 21st licence round. As a consequence, PGNiG S.A. currently holds interests in ten licences on the Norwegian Continental Shelf.

PGNiG Norway was granted a 20% interest in licence PL599, the direct operatorship of which was awarded to BG Norge AS (40% interest). The other partners are: Idemitsu Petroleum Norge AS (20% interest) and Norwegian Energy Company ASA (20% interest).

Licence PL600 is the other licence in which PGNiG Norway AS was granted an interest. Direct operatorship of this licence was awarded to Dana Petroleum Norway AS (with a 70% interest). PGNiG Norway holds the remaining 30% interest in the licence.

The acquisition of interests in licences PL599 and PL600 represents an important element of PGNiG Norway's strategy on the Norwegian Continental Shelf, and will allow the company to conduct exploration work in a promising area of the region. PGNiG Norway and its partners undertook to reprocess the existing 3D seismic profiles and carry out geological and geophysical research in the newly licensed areas.

Moreover, within two years the interest holders have to either make the decision to start drilling, or discontinue work and relinquish the rights to the license area. If a decision is made to commence drilling, drilling of a well has to be completed within four years from the licence grant date.

New licences are added to the eight already held by PGNiG Norway on the Norwegian Continental Shelf. The largest investment project of PGNiG Norway is the development of the Skarv field, which will be placed on production already in August 2011. In 2012, output from the Skarv field is expected to reach 0.4 million tonnes of crude oil and 0.4 billion cubic meters of natural gas. At current market prices, the planned output volumes will allow PGNiG Norway to generate revenue in Norway of over USD 500m in 2012.

On April 15th 2011, PGNiG S.A. ("PGNiG") sold 4,000,001 shares in Zakłady Azotowe w Tarnowie-Mościcach S.A. ("ZA Tarnów"), with a par value of PLN 5 per share, at PLN 37.00 per share. These shares represented 10.23% of ZA Tarnów's share capital, and conferred the right to 4,000,001 votes, or 10.23% of the total vote, at the General Shareholders Meeting of ZA Tarnów. The shares were sold on the regulated market. Prior to the transaction, PGNiG held 4,000,001 shares, representing 10.23% of ZA Tarnów's share capital. Following the transaction, PGNiG does not hold any shares in ZA Tarnów. As at March 31st 2011, the net value of the shares in accounting books of PGNiG amounted to PLN 142,200 thousand. The sold shares had been disclosed in PGNiG's balance sheet as financial assets available for sale and had not been consolidated within the PGNiG Group.

By the date of this Q1 2011 report, no other events had occurred which could have a significant bearing on the future financial performance and which would not be disclosed in this report.

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

	As at Mar 31 2011 (end of Q1 2011)	As at Dec 31 2010 (end of previous year)
<b>Contingent receivables</b>	<b>455,492</b>	<b>441,025</b>
<i>From related undertakings</i>	157	152
- under guarantees and sureties received	-	-
- under promissory notes received	157	152
<i>From other undertakings</i>	455,335	440,873
- under guarantees and sureties received	379,393	369,720
- under promissory notes received	75,942	71,153
<b>Contingent liabilities</b>	<b>3,665,622</b>	<b>3,639,407</b>
<i>To related undertakings</i>	-	-
- under guarantees and sureties granted	-	-
- under promissory notes issued	-	-
<i>To other undertakings</i>	3,665,622	3,639,407
- under guarantees and sureties granted	2,887,621	2,867,934
- under promissory notes issued	778,001	771,473

Changes in liabilities under guarantees and sureties in Q1 2011 are chiefly attributable to fluctuations in the exchange rate of the Polish zloty against the euro and the US dollar. The appreciation of the Polish zloty against the US dollar resulted in a PLN 15,250 thousand decline in the value of the USD 108,000 thousand guarantee given by PGNiG S.A. to National Oil Corporation in respect of the fulfilment of licence commitments by POGC – Libya B.V. (a subsidiary undertaking). At the same time, the depreciation of the zloty against the euro inflated the value the EUR 627,556 thousand guarantee given to the government of Norway by PLN 32,382 thousand.

## 11. Financial information by operating segments

### 11.1. Reportable segments

The tables below show the revenues, costs and profits/losses, as well as the assets, equity and liabilities of the Group's reportable segments for the periods ended March 31st 2011 and March 31st 2010.

Period ended March 31st 2011	Exploration and Production	Trade and Storage	Distribution	Other	Eliminations	Total
<b>Income statement</b>						
Sales to external customers	684,933	6,292,860	24,359	42,856	-	7,045,008
Sales to other segments	268,457	,96,969	1,143,812	73,761	(1,582,999)	-
Total segment revenue	953,390	6,389,829	1,168,171	116,617	(1,582,999)	7,045,008
Depreciation and amortisation	(149,159)	(30,592)	(206,400)	(3,538)	-	(389,689)
Other costs	(429,425)	(6,100,448)	(412,492)	(109,773)	1,575,766	(5,476,372)
Total segment costs	(578,584)	(6,131,040)	(618,892)	(113,311)	1,575,766	(5,866,061)
<b>Operating profit/loss</b>	<b>374,806</b>	<b>258,789</b>	<b>549,279</b>	<b>3,306</b>	<b>(7,233)</b>	<b>1,178,947</b>
Net finance expenses						63,651
Share in net profit/(loss) of equity-accounted undertakings		(189)				(189)
<b>Pre-tax profit/loss</b>						<b>1,242,409</b>
Income tax						(217,797)
<b>Net profit/loss</b>	-	-	-	-	-	<b>1,024,612</b>
<b>Statement of financial position</b>						
Segment's assets	13,242,350	9,882,608	12,677,709	411,175	(3,103,934)	33,109,908
Investments in equity-accounted undertakings		555 639				555,639
Unallocated assets						574,906
Deferred tax asset						686,129
<b>Total assets</b>	-	-	-	-	-	<b>34,926,582</b>
Total equity						24,751,778
Segment liabilities	2,055,616	3,318,294	1,921,255	123,831	(3,103,934)	4,315,062
Unallocated liabilities						4,423,192
Deferred tax liability						1,436,550
<b>Total equity and liabilities</b>	-	-	-	-	-	<b>34,926,582</b>
<b>Other information</b>						
Capital expenditure on property, plant and equipment and intangible assets	(578,510)	(238,535)	(260,511)	(3,644)	-	<b>(1,081,200)</b>
Impairment losses on assets	(1,153,915)	(1,905,312)	(84,928)	(8,735)	-	<b>(3,152,890)</b>
Impairment losses on unallocated assets						(52,739)

Period ended March 31st 2010	Exploration and Production	Trade and Storage	Distribution	Other	Eliminations	Total
<b>Income statement</b>						
Sales to external customers	539,076	6,008,954	23,560	61,241	-	6,632,831
Sales to other segments	270,727	107,399	1,151,997	43,030	(1,573,153)	-
Total segment revenue	809,803	6,116,353	1,175,557	104,271	(1,573,153)	6,632,831
Depreciation and amortisation	(140,660)	(35,172)	(187,357)	(2,710)	-	(365,899)
Other costs	(427,617)	(5,635,603)	(441,666)	(101,122)	1,565,965	(5,040,043)
Total segment costs	(568,277)	(5,670,775)	(629,023)	(103,832)	1,565,965	(5,405,942)
<b>Operating profit/loss</b>	<b>241,526</b>	<b>445,578</b>	<b>546,534</b>	<b>439</b>	<b>(7,188)</b>	<b>1,226,889</b>
Net finance expenses						9,256
Share in net profit/(loss) of equity-accounted undertakings		(189)				(189)
<b>Pre-tax profit/loss</b>						<b>1,235,956</b>
Income tax						(239,703)
<b>Net profit/loss</b>	-	-	-	-	-	<b>996,253</b>
<b>Statement of financial position</b>						
Segment's assets	11,369,880	9,776,654	11,606,438	319,007	(2,808,606)	30,263,373
Investments in equity-accounted undertakings		556,334				556,334
Unallocated assets						124,794
Deferred tax asset						632,222
<b>Total assets</b>						<b>31,576,723</b>
Total equity						22,393,574
Segment liabilities	1,546,878	3,282,478	1,955,396	94,967	(2,808,606)	4,071,113
Unallocated liabilities						3,842,103
Deferred tax liability						1,269,933
<b>Total equity and liabilities</b>						<b>31,576,723</b>
<b>Other information</b>						
Capital expenditure on property, plant and equipment and intangible assets	(399,269)	(150,672)	(198,799)	(1,219)	-	<b>(749,959)</b>
Impairment losses on assets	(875,070)	(2,085,653)	(847,253)	(4,426)	-	<b>(3,812,402)</b>
Impairment losses on unallocated assets						(53,669)



## IV. SUPPLEMENTARY INFORMATION TO THE Q1 2011 REPORT

### 1. General information on the Company and Its Group

Polskie Górnictwo Naftowe i Gazownictwo Spółka Akcyjna ("PGNiG S.A.", "the Company", "the Parent Undertaking"), registered office at ul. Marcina Kasprzaka 25, Warsaw, is the Parent Undertaking of the PGNiG Group ("the PGNiG Group", "the Group"). On September 23rd 2005, following the IPO of PGNiG S.A., PGNiG S.A. ceased to be a state-owned stock company and became a public company.

The Parent Undertaking was established as a result of transformation of the state-owned enterprise under the name of 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 notary 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.

The Company's core business includes the exploration for and production of crude oil and natural gas, as well as import, storage and sale of gaseous fuels.

The PGNiG Group remains the only vertically integrated company in the Polish gas sector, holding the leading position across all segments of the domestic gas market. The PGNiG Group is both the main importer of gaseous fuel from Russia, Germany and the Czech Republic and the main producer of natural gas from Polish fields. Natural gas and crude oil production are among the key factors ensuring the Company's competitive position on the liberalised gas market.

The scope of the PGNiG Group's business comprises oil and gas exploration, oil and gas production from fields in Poland, import, storage, distribution of and trade in gaseous fuels, as well as operations in the power sector.

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

## 2. Organisation of the PGNiG Group and its consolidated undertakings

As at March 31st 2011, the Group comprised PGNiG S.A., as the Parent Undertaking, and 37 production and service companies, including:

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

The following table presents a list of the PGNiG Group members as at March 31st 2011:

### Companies of the PGNiG Group

	Company	Share capital (PLN)	Value of shares held by PGNiG S.A. (PLN)	% of share capital held by PGNiG S.A.	% of total vote held by PGNiG S.A.
<b>PGNiG S.A.'s subsidiaries</b>					
1	Poszukiwania Nafty i Gazu Jasło Sp. z o.o.	100,000,000.00	100,000,000.00	100.00%	100.00%
2	Poszukiwania Nafty i Gazu Kraków Sp. z o.o.	105,231,000.00	105,231,000.00	100.00%	100.00%
3	Poszukiwania Nafty i Gazu NAFTA Sp. z o.o.	60,000,000.00	60,000,000.00	100.00%	100.00%
4	GEOFIZYKA Kraków Sp. z o.o.	64,400,000.00	64,400,000.00	100.00%	100.00%
5	GEOFIZYKA Toruń Sp. z o.o.	66,000,000.00	66,000,000.00	100.00%	100.00%
6	Poszukiwania Naftowe Diament Sp. z o.o.	62,000,000.00	62,000,000.00	100.00%	100.00%
7	Zakład Robót Górniczych Krosno Sp. z o.o.	26,903,000.00	26,903,000.00	100.00%	100.00%
8	PGNiG Norway AS	951,327,000.00 (NOK) <sup>1)</sup>	951,327,000.00 (NOK) <sup>1)</sup>	100.00%	100.00%
9	Polish Oil and Gas Company - Libya B.V.	20,000.00 (EUR) <sup>1)</sup>	20,000.00 (EUR) <sup>1)</sup>	100.00%	100.00%
10	INVESTGAS SA	502,250.00	502,250.00	100.00%	100.00%
11	Dolnośląska Spółka Gazownictwa Sp. z o.o.	658,384,000.00	658,384,000.00	100.00%	100.00%
12	Górnośląska Spółka Gazownictwa Sp. z o.o.	1,300,338,000.00	1,300,338,000.00	100.00%	100.00%
13	Karpacka Spółka Gazownictwa Sp. z o.o.	1,484,953,000.00	1,484,953,000.00	100.00%	100.00%
14	Mazowiecka Spółka Gazownictwa Sp. z o.o.	1,255,800,000.00	1,255,800,000.00	100.00%	100.00%
15	Pomorska Spółka Gazownictwa Sp. z o.o.	614,696,000.00	614,696,000.00	100.00%	100.00%
16	Wielkopolska Spółka Gazownictwa Sp. z o.o.	1,033,186,000.00	1,033,186,000.00	100.00%	100.00%
17	Geovita Sp. z o.o.	86,139,000.00	86,139,000.00	100.00%	100.00%
18	PGNiG Technologie Sp. z o.o. (formerly Górnictwo Naftowe Sp. z o.o.)	120,398,000.00	120,398,000.00	100.00%	100.00%
19	PGNiG Energia SA	20,000,000.00	20,000,000.00	100.00%	100.00%
20	BUD-GAZ P.P.U.H. Sp. z o.o.	51,760.00	51,760.00	100.00%	100.00%
21	POGC Trading GmbH	10,000,000.00 (EUR) <sup>1)</sup>	10,000,000.00 (EUR) <sup>1)</sup>	100.00%	100.00%
22	Operator Systemu Magazynowania Sp. z o.o.	1,000,000.00	1,000,000.00	100.00%	100.00%
23	Polskie Elektrownie Gazowe Sp. z o.o.	1,212,000.00	1,212,000.00	100.00%	100.00%
24	Biuro Studiów i Projektów Gazownictwa Gazoprojekt SA	4,000,000.00	3,000,000.00	75.00%	75.00%
25	NYSAGAZ Sp. z o.o.	6,800,000.00	3,468,000.00	51.00%	51.00%
<b>PGNiG S.A.'s indirect subsidiaries</b>					
26	BUG Gazobudowa Sp. z o.o.	39,220,000.00	39,220,000.00	100.00%	100.00%
27	Zakład Urządzeń Naftowych Naftomet Sp. z o.o.	23,500,000.00	23,500,000.00	100.00%	100.00%
28	ZRUG Sp. z o.o. (Pogórska Wola)	9,244,000.00	9,244,000.00	100.00%	100.00%
29	Geofizyka Torun Kish Ltd (Rial)	10,000,000.00 (IRR) <sup>1)</sup>	10,000,000.00 (IRR) <sup>2)</sup>	100.00%	100.00%
30	Oil Tech International F.Z.E.	20,000.00 (USD) <sup>1)</sup>	20,000.00 (USD) <sup>1)</sup>	100.00%	100.00%
31	Zakład Gospodarki Mieszkaniowej Sp. z o.o. (Piła)	1,806,500.00	1,806,500.00	100.00%	100.00%
32	Biogazownia Ostrowiec Sp. z o.o.	105,000.00	105,000.00	100.00%	100.00%
33	Powiśle Park Sp. z o.o. (Warsaw)	81,131,000.00	81,131,000.00	100.00%	100.00%
34	CHEMKOP Sp. z o.o. Kraków	3,000,000.00	2,550,000.00	85.00%	85.00%
35	Budownictwo Naftowe Naftomontaż Sp. z o.o.	44,751,000.00	39,751,000.00	88.83%	88.83%
36	GAZ Sp. z o.o. (Błonie)	300,000.00	153,000.00	51.00%	51.00%
37	GAZ MEDIA Sp. z o.o. (Wołomin)	300,000.00	153,000.00	51.00%	51.00%

<sup>1)</sup> Figures in foreign currencies.

<sup>2)</sup> Share capital not paid up.

## Consolidated undertakings of the Group as at the end of Q1 2011

Company	Based in	% of share capital held by PGNiG S.A.	
PGNiG S.A. (Parent Undertaking)	Poland		
<b>PGNiG S.A.'s subsidiaries</b>		<b>Mar 31 2011</b>	<b>Mar 31 2010</b>
GEOFIZYKA Kraków Sp. z o.o.	Poland	100.00%	100.00%
GEOFIZYKA Toruń Sp. z o.o.	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu Jasło Sp. z o.o.	Poland	100.00%	100.00%
GK Poszukiwania Nafty i Gazu Kraków <sup>1)</sup>	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu NAFTA Sp. z o.o.	Poland	100.00%	100.00%
Zakład Robót Górniczych Krosno Sp. z o.o.	Poland	100.00%	100.00%
Poszukiwania Naftowe Diament Sp. z o.o.	Poland	100.00%	100.00%
PGNiG Norway AS	Norway	100.00%	100.00%
Polish Oil And Gas Company – Libya B.V.	The Netherlands	100.00%	100.00%
Dolnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Górnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Karpacka Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
GK Mazowiecka Spółka Gazownictwa <sup>2)</sup>	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 Sp. z o.o.	Poland	100.00%	100.00%
INVESTGAS S.A.	Poland	100.00%	100.00%
PGNiG Energia S.A.	Poland	100.00%	100.00%
PGNiG Technologie Sp. z o.o.	Poland	100.00%	100.00%
POGC Trading GmbH	Germany	100.00%	-
Operator Systemu Magazynowania Sp. z o.o.	Poland	100.00%	-
Biuro Studiów i Projektów Gazownictwa Gazoprojekt SA	Poland	75.00%	75.00%
<b>PGNiG S.A.'s indirect subsidiaries</b>			
BUG Gazobudowa Sp. z o.o. Zabrze	Poland	100.00%	100.00%
Zakład Urządzeń Naftowych Naftomet Sp. z o.o.	Poland	100.00%	100.00%
ZRUG Sp. z o.o. (Pogórska Wola)	Poland	100.00%	100.00%
Budownictwo Naftowe Naftomontaż Sp. z o.o.	Poland	88.83%	88.83%
NAFT-STAL Sp. z o.o. w upadłości likwidacyjnej (in bankruptcy by liquidation)	Poland	-	59.88%
<b>Jointly-controlled and associated undertakings accounted for using the equity method</b>			
SGT EUROPOL GAZ S.A. <sup>3)</sup>	Poland	49.74%	49.74%
GAS - TRADING S.A.	Poland	43.41%	43.41%

<sup>1)</sup> The Poszukiwania Nafty i Gazu Kraków Group comprises Poszukiwania Nafty i Gazu Kraków Sp. z o.o. and its subsidiary – Oil Tech International - F.Z.E.

<sup>2)</sup> The Mazowiecka Spółka Gazownictwa Group comprises Mazowiecka Spółka Gazownictwa Sp. z o.o. and its subsidiary – Powiśle Park Sp. z o.o.

<sup>3)</sup> Including a 48.00% direct interest and 1.74% 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 undertakings, as well as long-term investments, demergers, restructurings or discontinuation of operations

The following material changes in the Group's structure took place in Q1 2011:

- On February 9th 2011, by virtue of a court decision, TE-MA WOC Małaszewicze Terespol Sp. z o.o. w likwidacji (in liquidation) was deleted from the register of entrepreneurs of the National Court Register;
- On February 10th 2011, POGC Trading GmbH was entered in the Court Register maintained by the District Court of Munich.
- On February 11th 2011, the District Court for Katowice-Wschód in Katowice issued a decision declaring the completion of the bankruptcy proceedings with respect to Huta Szkła Szczakowa S.A. of Jaworzno.

Other changes in equity interests held by the PGNiG Group in Q1 2011:

- In March 2011, PGNiG S.A. was notified that on October 8th 2010 the competent court had registered a share capital increase in Zakłady Przemysłu Jedwabniczego Dolwis S.A. following a conversion of debt into shares. PGNiG S.A. acquired 109,204 shares in the company, representing 6.11% of its share capital;
- On February 16th 2011, IZOSTAL S.A. floated 12,000,000 new Series K shares. As PGNiG S.A. did not participate in the share capital increase at the company, its share of the total vote at the company's general shareholders meeting fell to 2.08%;
- March 22nd 2011 saw the execution of an agreement on the sale of 3,314 shares in AUTOSAN S.A. of Sanok to Sobiesław ZASADA S.A., for a total consideration of PLN 9 thousand. The shares represented 0.04% of the company's share capital;
- Following changes in the shareholding structure of Agencja Rynku Energii S.A., PGNiG S.A.'s share of the total vote at the company's general shareholders meeting rose to 16.78%.

#### 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 Q1 2011.

#### 5. Shareholders holding, directly or indirectly through subsidiaries, 5% or more of the total vote at the General Shareholders 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 Shareholders Meeting and their share in the total vote at the General Shareholders 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 Dec 31 2010 - Mar 31 2011	% share of total vote as at the publication date of this report**	Number of shares held as at this report publication date**
State Treasury	72.43%	4,273,650,532	- 0.01 %	72.42 %	4,272,801,541
Others	27.57%	1,626,349,468	+ 0.01 %	27.58 %	1,627,198,459
<b>Total:</b>	<b>100.00 %</b>	<b>5,900,000,000</b>	<b>-</b>	<b>100.00 %</b>	<b>5,900,000,000</b>

\*As at December 31st 2010

\*\* As at March 31st 2011

#### 6. Number of Company shares and options for Company shares held by the management and supervisory staff as at this 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

	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 **
<b>Management staff</b>	<b>67,667</b>	-	-	-	-	<b>67,667</b>
Michał Szubski	6,825	-	-	-	-	6,825
Mirosław Szkałuba	9,425	-	-	-	-	9,425
Mieczysław Jakiel	30,101	-	-	-	-	30,101
Tadeusz Kulczyk	21,316	-	-	-	-	21,316
<b>Supervisory staff</b>	<b>38,822</b>	-	-	-	-	<b>38,822</b>
Stanisław Rychlicki	9,897	-	-	-	-	9,897
Mieczysław Kawecki	19,500	-	-	-	-	19,500
Jolanta Siergiej	9,425	-	-	-	-	9,425

\*According to confirmations received as at December 31st 2010.

\*\*According to confirmations received as at March 31st 2011.

## **7. Court, arbitration or administrative proceedings concerning liabilities or receivables of the company or its subsidiaries**

In the reporting period, no proceedings were instituted or pending before any court, arbitration tribunal, or public administration authority, concerning any liabilities or debts of PGNiG S.A. or its subsidiary undertakings, whose value would equal or exceed 10% of the Company's equity.

The aggregate value of all pending proceedings in respect of liabilities or debts is significantly lower than 10% of the Company's equity.

## **8. Conclusion by PGNiG S.A. or its subsidiary undertakings 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 undertakings, and their nature, as well as their terms and conditions do not follow from ordinary business activities of the company or its subsidiary**

From January 1st to March 31st 2011, neither PGNiG S.A. nor any of its subsidiary undertakings concluded any transactions with related undertakings which would be worth more than EUR 500 thousand and would not follow from ordinary business activities.

## **9. Loan sureties or guarantees issued by PGNiG S.A. or its subsidiary undertakings 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 Q1 2011, neither PGNiG S.A. nor any of its subsidiary undertakings issued any guarantees whose value, if added to the amount of outstanding sureties or guarantees issued to one entity or its subsidiary, would represent 10% or more of the Company's equity.

## **10. Other information which in the opinion of PGNiG S.A. is material for assessing its staffing levels, assets, financial standing and results, 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 results, or changes in any of the foregoing, or information which could be material for assessing the Company's ability to fulfil its obligations.

## **11. Factors which in the opinion of PGNiG S.A. will affect its performance in the next quarter or beyond**

Key factors with a bearing on the PGNiG Group's financial performance will include crude oil prices on international markets, conditions prevailing on the currency markets, and the position of the Energy Regulatory Office regarding tariffs for gaseous fuel.

The financial position of the PGNiG Group is substantially influenced by the prices of crude oil and petroleum products. Due to the political developments in the Middle East and North Africa, oil prices hit levels unseen for two years. In the coming months, oil prices on the global markets can continue to soar, leading to higher prices of imported natural gas.

The situation on the currency markets is a key driver behind the financial results posted by the PGNiG Group. In Q1 2011, the US dollar followed a slight downward trend. A continuation of this trend into the following quarters of 2011 can mitigate partially the anticipated growth in the prices of imported gas.

Another factor with a bearing on the PGNiG Group's financial performance is the level of prices and charges set forth in the tariffs for gaseous fuel. Due to the rising oil prices, in February 2011 PGNiG S.A. applied for a revision of gas prices with effect from April 1st 2011. However, the Energy Regulatory Office did not approve the requested increase in gas prices. As oil prices continued to rise, PGNiG S.A. applied again for an increase in gas prices with effect from June 1st 2011. The level of gas prices and the new tariff's effective date depend on a decision by the President of the Energy Regulatory Office.

In the coming quarters of 2011, external financing will be raised under an agreement of June 10th 2010 concluded with six banks (Bank Pekao SA, ING Bank Śląski S.A., PKO BP S.A., Bank Handlowy w Warszawie SA, Societe Generale SA, BNP Paribas S.A. Polish Branch), concerning a note issue programme with a value of up to PLN 3bn. The agreement will remain in force until July 31st 2013. Under the programme, PGNiG may issue discount and coupon notes with maturities ranging from one month to one year. Furthermore, on September 17th 2010, PGNiG S.A. executed a mandate agreement with three banks (Societe Generale SA, BNP Paribas SA and Unicredit Bank AG) for the arrangement of a Eurobond issue programme with a value of up to EUR 1.2bn. The issue date of Eurobonds will depend on the Company's liquidity requirements and conditions prevailing on the financial markets.

To manage the PGNiG Group's financial liquidity more efficiently, the note issue programme launched in December 2010 is being continued.

In the coming quarters, the PGNiG Group intends to maintain a high level of investment expenditure, including mainly expenditure on projects designed to expand the underground gas storage facilities, increase hydrocarbon production capacity, and diversify gas supply sources, as well as on projects related to the exploration for and appraisal of crude oil and natural gas and development of the Group's power generation segment.

Due to the political unrest in Libya, in February 2011 the PGNiG Group was forced to suspend its operations on concession and withdraw all the Polish employees from Libya. The exploration activities in Libya will be resumed depending on how the country's social and political situation develops. Moreover, in H2 2011 the PGNiG Group plans to commence oil and gas production from the Skarv field on the Norwegian Continental Shelf.