PGNiG

Polskie Górnictwo Naftowe i Gazownictwo SA

INTERIM REPORT

FOR THE QUARTERS ENDED MARCH 31ST 2009 AND MARCH 31ST 2008

POLISH FINANCIAL SUPERVISION AUTHORITY

Consolidated Quarterly Report QSr 1 / 2009

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 2009 financial year covering the period from **January 1st** to **March 31st 2008**, containing condensed consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs) in the złoty (PLN), and condensed non-consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRSs) in the złoty (PLN).

May 12th 2009
(date of release)

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

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(abbreviated name)	(sector according to the Warsaw Stock Exchange's classification)
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FINANCIAL HIGHLIGHTS

Consolidated Financial Data	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
	PLN '000		EUR '000	
I. Net sales revenue	6,378,894	5,330,438	1,386,897	1,498,408,
II. Operating profit/(loss)	(457,206)	947,446	(99,406)	266,331
III. Profit/(loss) before tax	(433,791)	978,421	(94,315)	275,038
IV. Net profit/(loss)	(398,698)	778,951	86,685)	218,966
V. Net cash provided by/(used in) operating activities	840,028	1,311,406	182,639	368,642
VI. Net cash provided by/(used in) investing activities	(814,462)	(629,128)	(177,080)	(176,851)
VII. Net cash provided by/(used in) financing activities	401,901	6,887	87,381	1,936
VIII. Total net cash flow	427,467	689,165	92,940	193,727
IX. Earnings/(loss) per ordinary share (PLN/EUR)	(0.07)	0.13	(0.01)	0.04
X. Diluted earnings/(loss) per ordinary share (PLN/ EUR)	(0.07)	0.13	(0.01)	0.04
	As at Mar 31 2009	As at Dec 31 2008	As at Mar 31 2009	As at Dec 31 2008
XI. Total assets	30,330,861	29,745,277	6,451,590	7,129,057
XII. Liabilities and provisions for liabilities	9,948,538	9,029,352	2,116,125	2,164,067
XIII. Non-current liabilities	4,943,571	4,058,629	1,051,533	972,732
XIV. Current liabilities	5,004,967	4,970,723	1,064,592	1,191,335
XV. Equity	20,382,323	20,715,925	4,335,465	4,964,990
XVI. Share capital	5,900,000	5,900,000	1,254,972	1,414,054
XVII. Weighted average number of shares ('000)	5,900,000	5,900,000	5,900,000	5,900,000
XVIII. Book value per share (PLN / EUR)	3.45	3.51	0.73	0.84
XIX. Diluted book value per share (PLN / EUR)	3.45	3.51	0.73	0.84
XX. Dividend per share declared or paid (PLN / EUR)	-	0.19	-	0.05

Non-Consolidated Financial Data	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
I. Net sales revenue	6,212,332	5,518,988	1,350,683	1,551,411
II. Operating profit/(loss)	(863,041)	679,115	(187,642)	190,902
III. Profit/(loss) before tax	(782,293)	725,237	(170,086)	203,867
IV. Net profit/(loss)	(676,136)	575,928	(147,005)	161,896
V. Net cash provided by/(used in) operating activities	263,924	961,604	57,382	270,311
VI. Net cash provided by/(used in) investing activities	(936,320)	(576,852)	(203,574)	(162,156)
VII. Net cash provided by/(used in) financing activities	384,361	(672)	83,568	(189)
VIII. Total net cash flow	(288,035)	384,080	(62,624)	107,966
IX. Earnings/(loss) per ordinary share (PLN/EUR)	(0.11)	0.10	(0.02)	0.03
X. Diluted earnings/(loss) per ordinary share (PLN/ EUR)	(0.11)	0.10	(0.02)	0.03
	As at Mar 31 2009	As at Dec 31 2008	As at Mar 31 2009	As at Dec 31 2008
XI. Total assets	23,689,405	23,440,498	5,038,905	5,617,989
XII. Liabilities and provisions for liabilities	7,166,414	6,259,126	1,524,347	1,500,126
XIII. Non-current liabilities	2,909,802	2,022,998	618,936	484,852
XIV. Current liabilities	4,256,612	4,236,128	905,412	1,015,274
XV. Equity	16,522,991	17,181,372	3,514,558	4,117,863
XVI. Share capital	5,900,000	5,900,000	1,254,972	1,414,054
XVII. Weighted average number of shares ('000)	5,900,000	5,900,000	5,900,000	5,900,000
XVIII. Book value per share (PLN / EUR)	2.80	2.91	0.60	0.70
XIX. Diluted book value per share (PLN / EUR)	2.80	2.91	0.60	0.70
XX. Dividend per share declared or paid (PLN / EUR)	-	0.19	-	0.05

Items of the income statement and cash-flow statement 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 reporting period (from January 1st to March 31st 2009).

Items of the balance sheet were translated using the mid EUR exchange rate quoted by the NBP as at the end of the period (March 31st 2009).

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

	Mar 31 2009	Dec 31 2008	Mar 31 2008
Average exchange rate for the period	4.5994	3.5321	3.5574
Lowest exchange rate for the period	3.9170	3.2026	3.5204
Highest exchange rate for the period	4.8999	4.1848	3.6577
Exchange rate at end of the period	4.7013	4.1724	3.5258

I. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED INCOME STATEMENT

	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
	unaudited	unaudited
	(PLN '000)	
Sales revenue	**6,378,894**	**5,330,438**
Raw and other materials used	(5,278,294)	(2,898,722)
Employee benefits	(522,695)	(464,594)
Depreciation and amortisation	(369,544)	(350,449)
Contracted services	(711,493)	(688,476)
Cost of products and services for own needs	158,643	122,599
Other operating expenses, net	(112,717)	(103,350)
Total operating expenses	**(6,836,100)**	**(4,382,992)**
Operating profit/(loss)	**(457,206)**	**947,446**
Financial income	77,128	51,884
Financial expenses	(53,666)	(20,975)
Share in profit/(loss) of undertakings valued with equity method	(47)	66
Pre-tax profit/(loss)	**(433,791)**	**978,421**
Corporate income tax	35,093	(199,470)
Net profit/(loss)	**(398,698)**	**778,951**
Attributable to:		
equity holders of the parent	(398,844)	778,807
minority interests	146	144
	(398,698)	**778,951**

Earnings/(loss) per share attributable to ordinary shareholders of the parent

- weighted average number of shares	5,900,000,000	5,900,000,000
- basic earnings (from net profit/(loss))	(0.07)	0.13
- diluted earnings (from net profit/(loss))	(0.07)	0.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
	unaudited	unaudited
	(PLN '000)	
Net profit/(loss)	**(398,698)**	**778,951**
Valuation of financial instruments	19,640	-
Deferred tax related to valuation of financial instruments	(3,731)	-
Currency translation differences on foreign operations	49,188	(12,866)
Other comprehensive net income/(loss)	**65,097**	**(12,866)**
Total comprehensive income/(loss)	**(333,601)**	**766,085**
Total comprehensive income/(loss) attributable to equity holders of the parent	(333,748)	765,941
Total comprehensive income/(loss) attributable to minority interests	146	144
	(398,698)	**778,951**

CONSOLIDATED BALANCE SHEET

	As at Mar 31 2009 (end of Q1 2009)	As at Dec 31 2008 (end of previous year / 2008)
	unaudited	audited
	(PLN '000)	
ASSETS		
Non-current assets		
Property, plant and equipment	21,187,783	20,587,027
Investment property	8,035	8,181
Intangible assets	153,994	151,721
Investments in associated undertakings valued with equity method	556,835	556,882
Financial assets available for sale	62,628	42,935
Other financial assets	665,047	676,634
Deferred tax asset	585,005	514,867
Other non-current assets	36,983	35,343
Total non-current assets	**23,256,310**	**22,573,590**
Current assets		
Inventories	951,263	1,721,259
Trade and other receivables	3,759,440	3,716,923
Current income tax receivable	138,468	59,614
Prepayments and accrued income	315,546	70,262
Financial assets available for sale	6,044	6,495
Derivative financial instruments	51,669	174,186
Cash and cash equivalents	1,851,030	1,421,939
Assets held for sale	1,091	1,009
Total current assets	**7,074,551**	**7,171,687**
Total assets	**30,330,861**	**29,745,277**
EQUITY AND LIABILITIES		
Equity		
Share capital	5,900,000	5,900,000
Currency translation differences on foreign operations	10,128	(39,060)
Share premium account	1,740,093	1,740,093
Other capital reserves	10,744,962	10,729,053
Retained earnings	1,977,965	2,376,809
Equity (attributable to equity holders of the parent)	**20,373,148**	**20,706,895**
Equity attributable to minority interests	9,175	9,030
Total equity	**20,382,323**	**20,715,925**
Non-current liabilities		
Loans, borrowings and debt securities	991,508	41,055
Provisions	1,503,782	1,501,939
Deferred income	1,126,886	1,139,332
Deferred tax liability	1,297,644	1,352,241
Other non-current liabilities	23,751	24,062
Total non-current liabilities	**4,943,571**	**4,058,629**
Current liabilities		
Trade and other payables	3,484,249	3,222,540
Loans, borrowings and debt securities	344,571	871,755
Liabilities under derivative financial instruments	333,215	16,723
Current tax liability	60,862	47,552
Provisions	164,443	173,382
Deferred income	617,627	638,771
Total current liabilities	**5,004,967**	**4,970,723**
Total liabilities	**9,948,538**	**9,029,352**
Total equity and liabilities	**30,330,861**	**29,745,277**

CONSOLIDATED CASH-FLOW STATEMENT

	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
	unaudited	unaudited
	(PLN '000)	
Cash flows from operating activities		
Net profit/(loss)	(398,698)	778,951
Adjustments:		
Share in net profit/(loss) of undertakings valued with equity method	47	(66)
Depreciation and amortisation	369,544	350,449
Net foreign exchange gains/(losses)	(399,181)	34,295
Net interest and dividend	18,386	(13,085)
Profit/(loss) on investing activities	(18,385)	(16,875)
Current income tax	(35,093)	199,470
Income tax paid	(138,585)	(313,606)
Other items, net	564,134	(25,960)
Net cash provided by/(used in) operating activities before changes in working capital	**(37 831)**	**993,573**
Change in working capital:		
Change in receivables, net	(45,504)	(91,800)
Change in inventories	769,995	466,183
Change in provisions	(7,096)	11,295
Change in current liabilities	440,975	153,472
Change in prepayments	(246,922)	(203,905)
Change in deferred income	(33,589)	(17,412)
Net cash provided by/(used in) operating activities	**840,028**	**1,311,406**
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	4,637	10,317
Sale of shares in non-consolidated undertakings	-	-
Sale of short-term securities	3,540	13,975
Acquisition of property, plant and equipment and intangible assets	(859,749)	(715,671)
Acquisition of shares in non-consolidated undertakings	-	-
Acquisition of short-term securities	-	-
Interest received	16,890	36,561
Dividend received	-	-
Proceeds from financed lease	11,600	26,299
Other items, net	8,620	(609)
Net cash provided by/(used in) investing activities	**(814,462)**	**(629,128)**
Cash flows from financing activities		
Net proceeds from issue of shares, other equity instruments and additional contributions to equity	-	-
Increase in loans and borrowings	449,988	29,740
Repayment of loans and borrowings	(24,596	(11,734)
Issue of debt securities	-	-
Redemption of debt securities	-	-
Decrease in financed lease liabilities	(7,008)	(8,706)
Inflows from forward contracts	-	-
Outflows on forward contracts	-	-
Dividend paid	-	-
Interest paid	(16,078)	(1,668)
Other items, net	(405)	(745)
Net cash provided by/(used in) financing activities	**401,901**	**6,887**
Net change in cash	**427,467**	**689,165**
Net foreign exchange gains/(losses)	1,623	(730)
Cash and cash equivalents at beginning of period	**1,420,864**	**1,584,868**
Cash and cash equivalents at end of period	**1,848,331**	**2,274,033**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity (attributable to equity holders of the parent)						**Equity attributable to**	**Total equity**
	Share capital	Currency translation differences on foreign operations	Share premium account	Other capital reserves	Retained earnings (losses)	**Total**		
				(PLN '000)				
As at Jan 1 2009	**5,900,000**	**(39,060)**	**1,740,093**	**10,729,053**	**2,376,809**	**20,706,895,**	**9,029**	**20,715,924**
Transfers	-	-	-	-	-	**-**	-	**-**
Payment of dividend to shareholders	-	-	-	-	-	**-**	-	**-**
Comprehensive income for Q1 2009	-	49,188	-	15,909	(398,844)	**(333,747)**	146	**(333,601)**
As at Mar 31 2009 (end of Q1 2009) (unaudited)	**5,900,000**	**10,128**	**1,740,093**	**10,744,962**	**1,977,965**	**20,373,148**	**9,175**	**20,382,323**
As at Jan 1 2008	**5,900,000**	**(44,525)**	**1,740,093**	**3,478,081**	**9,939,427**	**21,013,076**	**8,689**	**21,021,765**
Transfers	-	(3)	-	3	-	**-**	-	**-**
Payment of dividend to shareholders	-	-	-	-	-	**-**	-	**-**
Comprehensive income for Q1 2008	-	(12,866)	-	-	778,807	**765,941**	144	**766,085**
As at Mar 31 2008 (end of Q1 2008) (unaudited)	**5,900,000**	**(57,394)**	**1,740,093**	**3,478,084**	**10,718,234**	**21,779,017**	**8,833**	**21,787,850**

(PLN '000)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Deferred Tax

Deferred tax asset and liability	Deferred tax asset	Deferred tax liability
As at beginning of period: Jan 1 2009	**514,867**	**1,352,241**
a) increase	144,496	17,058
b) decrease	(74,358)	(71,655)
Deferred tax as at end of period: Mar 31 2009	**585,005**	**1,297,644**
As at beginning of period: Jan 1 2008	**419,814**	**1,530,359**
a) increase	185,819	,51,981
b) decrease	(90,766)	(230,099)
Deferred tax as at end of period: Dec 31 2008	**514,867**	**1,352,241**

2. Valuation Allowances

Valuation allowances for assets	Property, plant and equipment and intangible assets	Investment property	Other financial assets	Investments in associated undertakings valued with equity method	Non-current financial assets available for sale	Inventories	Current receivables	Current portion of non-current loans and borrowings	Current financial assets available for sale	Total
As at beginning of period: Jan 1 2009	**13,615,746**	**1,445**	**42**	**888,789**	**52,065**	**15,008**	**896,732**	**136,869**	**1,280**	**15,607,976**
a) increase	209	-	15	215,453	422	3	91,491	36,906	1,362	**345,861**
b) transfer	-	-	(5)	-	-	-	5	-	-	**-**
c) decrease	(294)	-	-	-	(109)	(124)	(8,646)	(51,362)	(1,280)	**(61,815)**
Valuation allowances as at end of period: Mar 31 2009	**13,615,661**	**1,445**	**52**	**1,104,242**	**52,378**	**14,887**	**979,582**	**122,413**	**1,362**	**15,892,022**
As at beginning of period: Jan 1 2008	**13,668,153**	**2,020**	**2,070**	**1,022,522**	**52,820**	**34,317**	**944,815**	**141,536**	**2,808**	**15,871,061**
a) increase	97,030	-	78	-	18,552	3,736	99,102	50,827	1,325	**270,650**
b) transfer	-	-	(1,873)	-	2,538	-	24	1,849	(2,538)	**-**
c) decrease	(149,437)	(575)	(233)	(133,733)	(21,845)	(23,045)	(147,209)	(57,343)	(315)	**(533,735)**
Valuation allowances as at end of period: Dec 31 2008	**13,615,746**	**1,445**	**42**	**888,789**	**52,065**	**15,008**	**896,732**	**136,869**	**1,280**	**15,607,976**

(PLN '000)

3. Provisions

Provisions for retirement and similar benefits	Provision for length-of-service awards and retirement severance pays	Provision for gas allowances	Provision for termination benefits	Other provisions for retirement and similar benefits	Total
As at beginning of period: Jan 1 2009	**317,089**	**40,923**	**-**	**5,162**	**363,174**
a) increase	18	-	-	7,539	**7,557**
b) transfer	-	-	-	-	**,-**
c) decrease	(1,333)	-	-	-	**(1,333)**
Provision for retirement and similar benefits as at end of period: Mar 31 2009	**315,774**	**40,923**	**-**	**12,701**	**369,398**
As at beginning of period: Jan 1 2008	**358,872**	**61,199**	**16,000**	**2,707**	**438,778**
a) increase	47,491	1,073	57	67,751	**116,372**
b) transfer	-	-	-	293	**293**
c) decrease	(89,274)	(21,349)	(16,057)	(65,589)	**(192,269)**
Provision for retirement and similar benefits as at end of period: Dec 31 2008	**317,089**	**40,923**	**-**	**5,162**	**363,174**

Other provisions	Provision for well reclamation costs	Provision for penalty imposed by the Office for Competition and Consumer Protection	Provision for environmental protection liabilities	Provision for potential liability under transmission services	Provision for Central Restructuring Fund	Other	Total
As at beginning of period: Jan 1 2009	**1,041,431**	**-**	**133,853**	**44,300**	**6,760**	**85,803**	**1,312,147**
a) increase	1,291	179	-	-	-	11,937	**13,407**
b) transfer	-	-	-	-	-	-	**-**
c) decrease	-	-	(87)	(22,500)	(1,310)	(2,830)	**(26,727)**
Other provisions as at end of period: Mar 31 2009	**1,042,722**	**179**	**133,766**	**21,800**	**5,450**	**94,910**	**1,298,827**
As at beginning of period: Jan 1 2008	**706,834**	**2,000**	**84,535**	**22,500**	**7,540**	**72,838**	**896,247**
a) increase	413,993	-	55,339	21,800	-	36,754	**527,886**
b) transfer	-	-	-	-	-	(293)	**(293)**
c) decrease	(79,396)	(2,000)	(6,021)	-	(780)	(23,496)	**(111,693)**
Other provisions as at end of period: Dec 31 2008	**1,041,431**	**-**	**133,853**	**44,300**	**6,760**	**85,803**	**1,312,147**

(PLN '000)

4. Sales Revenue

	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
Methane-rich gas	5,434,867	4,384,852
Nitrogen-rich gas	488,773	427,741
Crude oil	144,083	236,688
Helium	8,094	6,874
Propane-butane gas	9,151	13,537
Gasoline	448	1,285
LNG	6,262	5,088
Geophysical and geological services	84,869	69,749
Exploration services	109,684	104,172
Materials and goods for resale	7,625	4,556
Other sales of products and services	85,038	75,896
Total	**6,378,894**	**5,330,438**

5. Proceeds under Transmission System Lease Agreement

	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
Interest	13,895	34,001
Principal	11,600	26,299
Total	**25,495**	**60,300**

6. Operating Expenses

Raw and other materials used	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
Gas purchases	(5,141,235)	(2,769,945)
Other	(137,059)	(128,777)
Total	**(5,278,294)**	**(2,898,722)**

Contracted services	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
Purchases of transmission services	(375,105)	(416,238)
Other contracted services	(336,388)	(272,238)
Total	**(711,493)**	**(688,476)**

7. Corporate Income Tax

	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
Profit/(loss) before tax (consolidated)	(433,791)	978,421
Tax rate applicable during the period	19%	19%
Tax calculated at applicable tax rate	82,420	(185,900)
Tax on permanent differences between profit/(loss) before tax and tax base	(47,327)	(13,570)
Tax charge disclosed in the consolidated income statement	**35,093**	**(199,470)**
Current income tax	(73,040)	(295,895)
Deferred income tax	108,133	96,425
Effective tax rate	8.09%	20.39%

The Q1 2009 effective tax rate was low mainly due to the tax losses incurred by the Group companies (chiefly PGNiG S.A.) in Q1 2009, combined with the inability to recognise deferred tax assets on losses incurred in interim periods. The slight excess of the effective tax rate over the applicable tax rate in Q1 2008 followed from higher taxable income related to contributions in kind.

(PLN '000)

8. Property, Plant and Equipment by Categories

	As at Mar 31 2009 (end of Q1 2009)	As at Dec 31 2008 (end of previous year)
Land	82,214	82,372
Buildings and structures	13,467,421	13,557,215
Plant and equipment	2,289,142	2,322,574
Vehicles and other	897,712	903,316
Total fixed assets	**16,736,489**	**16,865,477**
Tangible assets under construction	4,451,294	3,721,550
Total property, plant and equipment	**21,187,783**	**20,587,027**

9. Specification and Explanation of Differences between the Data Disclosed in the Financial Statements and Comparable Financial Data, and the Data Disclosed in the Previously Published Financial Statements

The Company made a change in the Q1 2008 income statement in order to ensure comparability of the data for the previous reporting period and the data for the current period.

In Q2 2008, the Company also changed the presentation of the financial expenses connected with the valuation and settlement of derivative transactions used to hedge the exchange rate in the transactions involving purchase of imported gas.
The currency-translation differences and the cost of valuation and settlement of derivative transactions in accordance with IAS should be recognised as an adjustment to the items of the income statement to which they relate. Such presentation of costs provides a clear view of the Company, which presents under financial expenses only the costs of contracting or advancing loans, and under operating costs – the costs directly related to its operating activities, e.g. realised foreign-exchange gains or losses on purchase of foreign currencies to pay for gas imports. Therefore, the change is consistent with the previous presentation of currency-translation differences on trade settlements, which were and continue to be presented under operating activities.
As a result, the Company reclassified income and cost items related to the settlements of trade payables (including liabilities under gas purchase transactions) and valuation of derivative instruments hedging trade payables (gas purchase) in the Q1 2008 income statement by transferring those items from financial income or expenses, as appropriate, to "Other operating expenses, net". Consequently, the operating result of both comparable periods presented in the report changed. Pre-tax profit and net profit did not change.
In Q3 2008, the Company changed the presentation of valuation and the settlement of derivative transactions used to hedge foreign assets. Previously, the valuation and settlement of these transactions were presented under financing activity and foreign exchange gains and losses relating to the hedged assets were disclosed under operating activity. As such hedging items relate to assets used in operating activities, the Company currently presents them under operating activities in the income statement. For this reason, the Company also reclassified the Q1 2008 income statement accordingly. The Company believes that the change allows it to better reflect the Group's results from operating and financing activities in the financial statements.

The table below presented the changes in the operating result and net profit resulting from the aforementioned adjustments.

	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
Operating profit – before changes	**987,383**
Reclassification of currency-translation differences on valuation and settlement of derivative instruments related to purchase of gas*	(69,265)
Reclassification of valuation and settlement of derivative instruments related to foreign assets**	29,328
Operating profit – after changes	**947,446**

* The change affects the Trading and Storage segment.
** The change affects the Exploration and Production segment.

The presentation of capital expenditure on property, plant and equipment and intangible assets in the segment report was changed as of Q2 2008. Accordingly, the Company made appropriate reclassifications relating to capital expenditure on property, plant and equipment and intangible assets in the Q1 2008 report. The amount of expenditure incurred on tangible assets under construction related to the cost of drilling work, totalling PLN 76,722 thousand, was transferred from the Trading and Storage segment to the Exploration and Production segment.

The expenditure related to the cost of drilling work is recorded in the Trade segment, but after it is capitalised under property, plant and equipment it will be actually used in the Production segment. As the Company has disclosed such expenditure in the Exploration and Production segment since Q2 2008, it was necessary to make relevant adjustments to the comparable data for Q1 2008.

In the income statement by business segments, the Company moved revenue of PLN 8,244 thousand from "Sales to external customers" in the Trading and Storage segment and disclosed it under "Sales to external customers" in the Exploration and Production segment. The revenue from sales to external customers comprises revenue from geophysical and geological services which is invoiced to a partner in a joint venture. In the course of a review of the segment report, made in connection with the implementation of IFRS 8, it was established that the costs related to such services are disclosed in the Exploration and Production segment. Thus it was necessary to transfer the revenue amount to the Exploration and Production segment in order to ensure a correct view of the financial standing of each segment.

Furthermore, revenue of PLN 78,852 thousand disclosed in the Exploration and Production segment was reclassified and transferred from "Sales to other segments" to "Other costs", with the "Eliminations" column being adjusted accordingly. The change did not affect the profit/(loss) recorded by the segment or any other figures disclosed in the report, but it ensured a clearer view of the revenue and cost structure of the Exploration and Production segment. The reclassified amount represents revenue of the exploration companies in the Exploration segment, but for the production companies it becomes an expense, therefore it should be (and currently it is so indeed) disclosed under "Cost of products and services for own needs" (thus reducing costs) and not as revenue.

II. CONDENSED NON-CONSOLIDATED FINANCIAL STATEMENTS

NON-CONSOLIDATED INCOME STATEMENT

	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
	unaudited	unaudited
	(PLN '000)	
Sales revenue	**6,212,332**	**5,518,988**
Raw and other materials used	(5,171,260)	(2,793,279)
Employee benefits	(157,104)	(145,024)
Depreciation and amortisation	(145,632)	(141,833)
Contracted services	(1,571,514)	(1,712,881)
Cost of products and services for own needs	2,323	1,116
Other operating expenses, net	(32,186)	(47,972)
Total operating expenses	**(7,075,373)**	**(4,839,873)**
Operating profit/(loss)	**(863,041)**	**679,115**
Financial income	543,598	101,752
Financial expenses	(462,850)	(55,630)
Pre-tax profit/(loss)	**(782,293)**	**725,237**
Corporate income tax	106,157	(149,309)
Net profit/(loss)	**(676,136)**	**575,928**

Earnings/(loss) per share attributable to ordinary shareholders of the parent

- weighted average number of shares	5,900,000	5,900,000
- basic earnings (from net profit/(loss))	(0.11)	0.10
- diluted earnings (from net profit/(loss))	(0.11)	0.10

NON-CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
	unaudited	unaudited
	(PLN'000)	
Net profit/(loss)	**(676,136)**	**575,928**
Valuation of financial instruments	19,640	-
Deferred tax related to valuation of financial instruments	(3,732)	-
Currency translation differences on foreign operations	1,846	(956)
Other comprehensive net income/(loss)	**17,754**	**(956)**
Total comprehensive income/(loss)	**(658,382)**	**574,972**

NON-CONSOLIDATED BALANCE SHEET

	As at Mar 31 2009 (end of Q1 2009)	As at Dec 31 2008 (end of previous year)
	unaudited	audited
	(PLN '000)	
ASSETS		
Non-current assets		
Property, plant and equipment	9,183,605	9,038,674
Investment property	5,269	5,395
Intangible assets	57,987	60,079
Financial assets available for sale	5,988,078	5,690,924
Other financial assets	2,840,421	2,065,541
Deferred tax asset	337,216	301,222
Other non-current assets	33,775	32,735
Total non-current assets	**18,446,351**	**17,194,570**
Current assets		
Inventories	795,497	1,579,726
Trade and other receivables	3,688,494	3,638,083
Current income tax receivable	111,944	39,574
Prepayments and accrued income	75,486	6,342
Financial assets available for sale	,-	-
Derivative financial instruments	51,669	174,186
Cash and cash equivalents	519,823	807,861
Assets held for sale	141	156
Total current assets	**5,243,054**	**6,245,928**
Total assets	**23,689,405**	**23,440,498**
EQUITY AND LIABILITIES		
Equity		
Share capital	5,900,000	5,900,000
Currency translation differences on foreign operations	1,264	(582)
Share premium account	1,740,093	1,740,093
Other capital reserves	8,969,209	8,953,301
Retained earnings/(deficit)	(87,575)	588,560
Total equity	**16,522,991**	**17,181,372**
Non-current liabilities		
Loans, borrowings and debt securities	953,818	3,783
Provisions	1,249,580	1,248,785
Deferred income	8,725	6,063
Deferred tax liability	675,613	742,045
Other non-current liabilities	22,066	22,322
Total non-current liabilities	**2,909,802**	**2,022,998**
Current liabilities		
Trade and other payables	3,091,963	2,790,711
Loans, borrowings and debt securities	210,158	763,191
Derivative financial instruments	333,215	16,723
Current tax liability	-	-
Provisions	110,659	123,942
Deferred income	510,617	541,561
Total current liabilities	**4,256,612**	**4,236,128**
Total liabilities	**7,166,414**	**6,259,126**
Total equity and liabilities	**23,689,405**	**23,440,498**

NON-CONSOLIDATED CASH-FLOW STATEMENT

	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
	unaudited	unaudited
	(PLN '000)	
Cash flows from operating activities		
Net profit/(loss)	(676,136)	575,928
Adjustments:		
Depreciation and amortisation	145,632	141,833
Net foreign exchange gains/losses	(449,427)	35,888
Net interest and dividend	(579)	(40,346)
Profit/(loss) on investing activities	(19,976)	(20,502)
Current income tax	(106,157)	149,309
Income tax paid	(72,370)	(231,391)
Other items, net	555,614	(14,159)
Net cash provided by/(used in) operating activities before changes in working capital	**(623,399)**	**596,560**
Change in working capital:		
Change in receivables, net	(52,360)	15,346
Change in inventories	784,230	462,593
Change in provisions	(12,487)	9,312
Change in current liabilities	266,405	(9,738)
Change in prepayments	(70,185)	(105,094)
Change in deferred income	(28,280)	(7,375)
Net cash provided by/(used in) operating activities	**263,924**	**961,604**
Cash flows from investing activities		
Sale of property, plant and equipment and intangible assets	1,893	558
Sale of shares in non-consolidated undertakings	-	-
Sale of short-term securities	3,540	14,343
Acquisition of property, plant and equipment and intangible assets	(374,464)	(365,751)
Acquisition of shares in related undertakings	(53,433)	(30,000)
Acquisition of short-term securities	-	-
Decrease in loans advanced	141,193	41,696
Increase in loans advanced	(606,330)	(316,254)
Interest received	25,445	40,357
Dividend received	-	-
Proceeds from financed lease	11,600	26,299
Other items, net	(85,764)	11,900
Net cash provided by/(used in) investing activities	**(936,320)**	**(576,852)**
Cash flows from financing activities		
Net proceeds from issue of shares, other equity instruments and additional contributions to equity	-	-
Increase in loans and borrowings	400,000	-
Repayment of loans and borrowings	-	-
Issue of debt securities	-	-
Redemption of debt securities	-	-
Decrease in financed lease liabilities	(650)	(180)
Inflows from forward contracts	-	-
Outflows on forward contracts	-	-
Dividend paid	-	-
Interest paid	(14,173)	(10)
Other items, net	(816)	(482)
Net cash provided by/(used in) financing activities	**384,361**	**(672)**
Net change in cash	**(288,035)**	**384,080**
Net foreign exchange gains/(losses)	(2)	-
Cash and cash equivalents at beginning of period	**808,173**	**1,055,252**
Cash and cash equivalents at end of period	**520,138**	**1,439,332**

NON-CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity (attributable to equity holders of the parent)					
	Share capital	Currency translation differences on foreign operations	Share premium account	Other capital reserves	Retained earnings/ (deficit)	**Total**
			(PLN '000)			
As at Jan 1 2009	**5,900,000**	**(582)**	**1,740,093**	**8,953,301**	**588,560**	**17,181,372**
Transfers	-	-	-	-	-	**-**
Payment of dividend to shareholder	-	-	-	-	-	**-**
Comprehensive income for Q1 2009	-	1,846	-	15,908	(676,136)	**(658,382)**
As at Mar 31 2009 (end of Q1 2009) (unaudited)	**5,900,000**	**1,264**	**1,740,093**	**8,969,209**	**(87,576)**	**16,522,990**
As at Jan 1 2008	**5,900,000**	**(1,510)**	**1,740,093**	**3,344,146**	**6,813,239**	**17,795,968**
Transfers	-	-	-	-	-	**-**
Payment of dividend to shareholder	-	-	-	-	-	**-**
Comprehensive income for Q1 2008	-	(956)	-	-	575,928	**574,972**
As at Mar 31 2008 (end of Q1 2008) (unaudited)	**5,900,000**	**(2,466)**	**1,740,093**	**3,344,146**	**7,389,167**	**18,370,940**

(PLN '000)

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Deferred Tax

Deferred tax asset and liability	Deferred tax asset	Deferred tax liability
As at beginning of period: Jan 1 2009	**301,222**	**742,045**
a) increases	77,175	321
b) decreases	(41,181)	(66,753)
Deferred tax as at end of period: Mar 31 2009	**337,216**	**675,613**
As at beginning of period: Jan 1 2008	**261,208**	**929,093**
a) other increases	52,441	39,311
b) decreases	(12,427)	(226,359)
Deferred tax as at end of period: Dec 31 2008	**301,222**	**742,045**

2. Valuation Allowances

Valuation allowances for assets	Property, plant and equipment and intangible assets	Investment property	Other financial assets	Investments in associated undertakings valued with equity method	Non-current financial assets available for sale	Inventories	Current receivables	Current portion of non-current loans and borrowings	Current financial assets available for sale
As at beginning of period: Jan 1 2009	**2,758,746**	**1,445**	**10,450**	**1,668,305**	**3,247**	**849,231**	**138,520**	**-**	**5,429,945**
a) increase	23	-	-	422	-	70,116	36,905	-	**107,467**
b) transfer	-	-	(550)	-	-	-	550	-	**-**
c) decrease	(7,863)	-	-	4,621	(29)	(3,516)	(51,912)	-	**(58,699)**
Valuation allowances for assets as at end of period: Mar 31 2009	**2,750,906**	**1,445**	**9,900**	**1,673,349**	**3,218**	**915,831**	**124,063**	**-**	**5,478,713**
As at beginning of period: Jan 1 2008	**3,176,211**	**2,020**	**14,720**	**1,467,520**	**23,191**	**902,503**	**143,186**	**79,808**	**5,809,159**
a) increase	89,514	-	7	152,877	-	73,070	50,827	-	**366,297**
b) transfer	-	-	(4,049)	79,538	-	-	4,049	(79,538)	**-**
c) decrease	(506,980)	(575)	(229)	(31,630)	(19,944)	(126,342)	(59,543)	(270)	**(745,512)**
Valuation allowances for assets as at end of period: Dec 31 2008	**2,758,746**	**1,445**	**10,450**	**1,668,305**	**3,247**	**849,231**	**138,520**	**-**	**5,429,945**

(PLN '000)

3. Provisions

Provisions for retirement and similar benefits	Provision for length-of-service awards and retirement severance pays	Provision for gas allowances	Provision for termination benefits	Other provisions for retirement and similar benefits	Total
As at beginning of period: Jan 1 2009	**109,209**	**40,923**	**-**	**293**	**150,425**
a) increase	-	-	-	6,817	**6,817**
b) decrease	-	-	-	-	**-**
Provisions for retirement and similar benefits as at end of period: Mar 31 2009	**109,209**	**40,923**	**-**	**7,110**	**157,242**
As at beginning of period: Jan 1 2008	**118,138**	**61,199**	**11,555**	**338**	**191,230**
a) increase	10,792	1,073	57	60,986	**72,908**
b) decrease	(19,721)	(21,349)	(11,612)	(61,031)	**(113,713)**
Provisions for retirement and similar benefits as at end of period: Dec 31 2008	**109,209**	**40,923**	**-**	**293**	**150,425**

Other provisions	Provision for well reclamation costs	Provision for penalty imposed by the Office for Competition and Consumer Protection	Provision for environmental protection liabilities	Provision for potential liability under transmission services	Provision for Central Restructuring Fund	Other	Total
As at beginning of period: Jan 1 2009	**1,041,431**	**-**	**86,632**	**44,300**	**6,760**	**43,179**	**1,222,302**
a) increase	1,291	-	-	-	-	3,917	**5,208**
b) decrease	-	-	-	(22,500)	(1,310)	(703)	**(24,513)**
Other provisions as at end of period: Mar 31 2009	**1,042,722**	**-**	**86,632**	**21,800**	**5,450**	**46,393**	**1,202,997**
As at beginning of period: Jan 1 2008	**706,834**	**2,000**	**44,707**	**22,500**	**7,540**	**38,139**	**821,720**
a) increase	413,992	-	42,323	21,800	-	7,864	**485,979**
b) decrease	(79,395)	(2,000)	(398)	-	(780)	(2,824)	**(85,397)**
Other provisions as at end of period: Dec 31 2008	**1,041,431**	**-**	**86,632**	**44,300**	**6,760**	**43,179**	**1,222,302**

(PLN '000)

4. Sales Revenue

	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
Natural gas	6,000,387	5,216,377
Crude oil	144,083	236,688
Helium	8,094	6,875
Propane-butane gas	9,260	12,893
Gasoline	448	1,285
Decompressed LNG	6,262	5,088
Geophysical and geological services	9,472	8,244
Materials and goods for resale	2,745	2,076
Other sales of products and services	31,581	29,462
Total	**6,212,332**	**5,518,988**

5. Proceeds under Transmission System Lease Agreement

	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
Interest	13,895	34,001
Principal	11,600	26,299
Total	**25,495**	**60,300**

6. Operating Expenses

Raw and other materials used	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
Gas purchases	(5,141,153)	(2,766,726)
Other	(30,107)	(26,553)
Total	**(5,171,260)**	**(2,793,279)**

Contracted services	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
Purchases of transmission services	(1,359,587)	(1,575,485)
Other contracted services	(211,927)	(137,396)
Total	**(1,571,514)**	**(1,712,881)**

7. Corporate Income Tax

	Q1 cumulatively 2009 (Jan 1–Mar 31 2009)	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
Profit/(loss) before tax	(782,293)	725,237
Tax rate applicable during the period	19%	19%
Tax calculated at applicable tax rate	148,636	(137,795)
Tax on permanent differences between profit/(loss) before tax and tax base	(42,479)	(11,514)
Tax charge disclosed in the income statement	**106,157**	**(149,309)**
Current income tax	-	(246,842)
Deferred income tax	106,157	97,533
Effective tax rate	14%	21%

The Q1 2009 effective tax rate was low mainly due to the tax losses incurred by the Company in Q1 2009 and, combined with the inability to recognise deferred tax assets on losses incurred in interim periods. The slight excess of the effective tax rate over the applicable tax rate in Q1 2008 followed from higher taxable income related to contributions in kind.

(PLN '000)

8. Property, Plant and Equipment by Categories

	As at Mar 31 2009 (end of Q1 2009)	As at Dec 31 2008 (end of previous year)
Land	36,546	36,495
Buildings and structures	5,532,891	5,588,763
Plant and equipment	1,321,329	1,338,078
Vehicles and other	89,369	91,754
Total fixed assets	**6,980,135**	**7,055,090**
Tangible assets under construction	2,203,470	1,983,584
Total property, plant and equipment	**9,183,605**	**9,038,674**

9. Specification and Explanation of Differences between the Data Disclosed in the Financial Statements and Comparable Financial Data, and the Data Disclosed in the Previously Published Financial Statements

The Company changed the Q1 2008 income statement to ensure comparability of the data for the previous reporting period with the current period.

In Q2 2008, the Company also changed the presentation of the financial expenses connected with the valuation and settlement of derivative transactions used to hedge the exchange rate in the transactions involving purchase of imported gas.
The currency-translation differences and the cost of valuation and settlement of derivative transactions in accordance with IAS should be recognised as an adjustment to the items of the income statement to which they relate. Such presentation of costs provides a clear view of the Company, which presents under financial expenses only the costs of contracting or advancing loans, and under operating costs – the costs directly related to its operating activities, e.g. realised foreign-exchange gains or losses on purchase of foreign currencies to pay for gas imports. Therefore, the change is consistent with the previous presentation of currency-translation differences on trade settlements, which were and continue to be presented under operating activities.
As a result, the Company reclassified income and cost items related to the settlements of trade payables (including liabilities under gas purchase transactions) and valuation of derivative instruments hedging trade payables (gas purchase) in the Q1 2008 income statement by transferring those items from financial income or expenses, as appropriate, to "Other operating expenses, net". Consequently, the operating result of both comparable periods presented in the report changed. Pre-tax profit and net profit did not change.

The table below presents the changes in the operating result and net profit resulting from the abovementioned adjustments.

	Q1 cumulatively 2008 (Jan 1–Mar 31 2008)
Operating profit – before change	**748,380**
Reclassification of currency-translation differences connected with valuation and settlement of derivative instruments related to purchase of gas	(69,265)
Operating profit – after change	**679,115**

III. ADDITIONAL INFORMATION CONCERNING FINANCIAL STATEMENTS FOR Q1 2009

1. Basis of Preparation and Format of the Financial Statements Contained in this Report

These condensed consolidated financial statements and condensed non-consolidated financial statements as at March 31st 2009 were 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 2009 and for the period January 1st–March 31st 2009, along with comparable financial data for the relevant periods of 2008.

The data disclosed in these financial statements are expressed in the złoty, while all values, unless indicated otherwise, are expressed in thousands of złoty. Differences, if any, between the total amounts and the sum of particular items are due to roundings.

The financial statements of the PGNiG Group ("the PGNiG Group", "the Group") were prepared based on the assumption that PGNiG S.A. ("PGNiG S.A.", "the Company" or "the Parent Undertaking") and its subsidiary undertakings would continue as going concerns for at least 12 months after 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 that the Parent Undertaking will not continue 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 2009.

2. Adopted Accounting Policies

The policies applied to prepare the consolidated and non-consolidated balance sheet, income statement, statement of changes in equity, and cash flow statement are consistent with the general policies applied to draw up the annual consolidated financial statements for the period ended December 31st 2008, published on April 30th 2009, with the exception of the following amendments to the standards and new interpretations effective for annual periods beginning on or after January 1st 2009:

- IFRS 8 *Operating Segments*
- Revised IAS 23 *Borrowing Costs*
- Revised IAS 1 *Presentation of Financial Statements*
- Amendments to IFRS 2 *Share-Based Payment – Vesting Conditions and Cancellations*
- Amendments to IAS 32 *Financial Instruments: Disclosure and Presentation* and IAS 1 *Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation*
- Improvements to the International Financial Reporting Standards – *Briefing Sheet – Amendments to the International Financial Reporting Standards* (in the majority of cases, these amendments are effective for annual periods beginning on and after January 1st 2009)
- Amendments to IFRS 1 *First-Time Adoption of International Financial Reporting Standards* and IAS 27 *Consolidated and Separate Financial Statements – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- IFRIC 15 *Agreements for the Construction of Real Estate* (not adopted by the European Union)
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (applies to financial years beginning on or after October 1st 2008, not yet adopted by the European Union)

With the exception of the Revised IAS 1 and the Revised IAS 23, the application of the above standards and interpretations has not caused any material changes in the Group's accounting policy and in the presentation of its financial statements.

IAS 1 Application of the Revised IAS 1

In connection with the application of the IAS 1 *Presentation of the Financial Statements*, the consolidated statement of changes in equity in these consolidated financial statements discloses only transactions with owners. Other items are included separately in the consolidated statement of comprehensive income.

Application of the Revised IAS 23

Beginning from January 1st 2009, the borrowing costs directly attributable to the acquisition, production or construction of a qualifying asset should be capitalised as a part of acquisition or production cost of the asset. Until 2008, in line with the model recommended in IAS 23 the Group recognised borrowing costs as expense in the period in which they were incurred. As of January 1st 2009, the Group capitalises borrowing costs. In Q1 2009, the capitalised borrowing costs amounted to PLN 1.6m.

Application of IFRS 8

On January 1st 2009, IFRS 8 *Operating Segments* replaced IAS 14 *Segment Reporting*. IFRS 8 requires the disclosure of information on the Group's operating segments based on internal reports reviewed by Chief Operating Decision Makers and used for making decisions on the allocation of resources and assessment of the segments' performance. Published amounts should correspond to the amounts included in the internal reports for the Chief Operating Decision Makers and they need not follow the IFRS. IAS 14 required the disclosure of information on business and geographical segments.

The structure of the PGNiG Group's operations is divided into four segments:

- Exploration and Production Segment

- Trading and Storage Segment

- Distribution Segment

- Other Activities Segment

For a detailed description of the business segments, allocation of subsidiaries to the segments and key financial data of the individual segments see the Directors' Report on the PGNiG Group's Operations published April 30th 2009 together with the consolidated financial statements for 2008.

There have been no changes in the identification of reporting segments since the publication of the latest annual financial statements.

The Group performs an assessment of the segments' performance based on revenue, capital expenditure, EBIT, and EBITDA. Revenue and capital expenditure are measured as in the consolidated financial statements. In accordance with the IFRS, EBIT and EBITDA are not a formal measure of financial performance. EBIT is the operating profit and EBITDA is the operating profit before depreciation and amortisation and reversal/recognition of impairment charges on goodwill and other non-current assets. The Group's finances and income tax (however The Capital Group is not a taxable capital group) are managed centrally for the entire Group and are not allocated to any of the operating segments. For the financial information on the operating segments which is used by the Chief Operating Decision Makers to assess the segments see Part III, Section 11 of this Report.

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, with the exception of the following standards, which as at March 31st 2009 had not been endorsed for application:

- IFRS 3 *Business Combinations* (revised in January 2008) – effective for annual periods beginning on or after July 1st 2009 – as at the date of approval of these financial statements the standard had not been endorsed by the European Union
- IFRS 1 *First-Time Adoption of IFRSs* (revised in November 2008) – effective for annual periods beginning on or after July 1st 2009 – as at the date of approval of these financial statements the standard had not been endorsed by the European Union
- Amendments to IAS 27 *Consolidated and Separate Financial Statements* (amended in January 2008) – effective for annual periods beginning on or after July 1st 2009 – as at the date of approval of these financial statements the standard had not been endorsed by the European Union
- Amendments to IAS 39 *Financial Instruments: Recognition and Measurement* (amendments introduced in July 2008) – effective for annual periods beginning on or after July 1st 2009 – as at the date of approval of these financial statements the standard had not been endorsed by the European Union
- Amendments to IAS 39 and IFRS 7 *Reclassification of Financial Assets: Effective Date and Transition* (amendments effected in November 2008) – effective since July 1st 2008 – as at the date of approval of these financial statements the standard had not been endorsed by the European Union
- Amendments to IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement* – effective for annual periods beginning on or after June 30th 2009 – as at the date of approval of these financial statements the interpretation and standard had not been endorsed by the European Union
- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* – effective for annual periods beginning on or after October 1st 2008 – as at the date of approval of these financial statements the interpretation had not been adopted by the European Union

- IFRIC 17 *Distributions of Non-Cash Assets to Owners* – effective for annual periods beginning on or after July 1st 2009 – as at the date of approval of these financial statements the interpretation had not been endorsed by the European Union
- IFRIC 18 *Transfers of Assets from Customers* – effective for annual periods beginning on or after July 1st 2009 – as at the date of approval of these financial statements the interpretation had not been endorsed by the European Union

The Group estimates that the above standards, interpretations and amendments to those standards would not have a material bearing on the consolidated financial statements if they were applied by the Group as at the balance-sheet date.

Regulations concerning hedge accounting for financial assets and liabilities have not been approved yet for use in the EU.

The Group estimates that application of the regulations concerning hedge accounting for financial assets and liabilities in accordance with IAS 39 *Financial Instruments: Recognition and Measurement* would have no impact on the consolidated financial statements if the regulations were approved for use in the EU 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. **Reduction of gas supplies from the countries east of Poland and restrictions on gas deliveries to large customers**. In connection with the gas conflict between the Russian gas supplier Gazprom and Ukraine, in Q1 2009 there were limitations on the gas supplies to PGNiG S.A. from the East. As a result, PGNiG S.A. decided to reduce its gas deliveries to Zakłady Azotowe Puławy S.A. and PKN ORLEN S.A. The deliveries were reduced in the period from January 7th to January 19th 2009. The Company issued regular reports on the situation (reports nos. 1/2009, 2/2009, 3/2009, 4/2009, 6/2009, 7/2009, 11/2009, 12/2009, 13/2009, 14/2009 and 19/2009). As stated in the last report referring to this subject (report no. 29/2009), the volumes of natural gas imported from the countries east of Poland accounted for ca. 78% of the volume originally planned. This meant that the natural gas volumes contracted from RosUkrEnergo AG were not being delivered. The shortage in gas supplies was made up for with volumes taken from the underground storage facilities, which enabled the Company to fully meet customers’ demand for natural gas. Consequently, in Q1 2009 the demand for natural gas from the retail customers in Poland was fully satisfied.
2. **Acquisition of interests in licences**. The Company’s subsidiary, PGNiG Norway AS, reported on January 6th 2009 that it would acquire free of charge a 30% interest in licence PL350 on the Norwegian Continental Shelf under an agreement with StatoilHydro Petroleum AS. The direct licence operator is E.ON Ruhrgas Norge A/S (holding a 40% interest). The other partners in the project are StatoilHydro ASA (a 25% interest) and StatoilHydro Petroleum AS (a 5% interest). Having obtained in February 2009 an approval from the Norwegian Oil and Gas Ministry to acquire free of charge a 30% interest in licence PL 350, PGNiG Norway AS became the licence owner with effect from January 1st 2009. On February 13th 2009, subsidiary PGNiG Norway AS acquired a 25% interest in licence PL419 on the Norwegian Continental Shelf under an agreement with Nexen Exploration Norge AS. In line with the agreement, PGNiG Norway AS acquired the 25% interest for a token amount of NOK 1.00 (the equivalent of PLN 0.5277, translated based on the National Bank of Poland’s mid exchange rates table No. 31/A/NBP/2009 of February 13th 2009). The direct licence operator is Nexen Exploration Norge AS (a 30% interest), and the other project partners are Wintershall Norge ASA (a 25% interest) and Edison International Spa (a 20% interest). The acquisition of the interest in licence PL419 was conditional on approval by the Norwegian Ministry of Hydrocarbons and Energy and the Norwegian Ministry of Finance, of which the Management Board of PGNiG S.A. learned on April 30th 2009. In line with the approval, PGNiG Norway AS acquired the interest in the licence as of January 1st 2009.
3. On January 22nd 2009, the District Court for Poznań Nowe Miasto and Wilda in Poznań, VIII Commercial Division of the National Court Register, issued a decision concerning an increase of the share capital of Wielkopolska Spółka Gazownictwa Sp. z o.o. (“WSG”). The share capital was increased form PLN 978,287 thousand to PLN 1,033,186 thousand, i.e. by PLN 54,899 thousand, through the issue of 54,899 (fifty four thousand, eight hundred and ninety nine) new equal and indivisible shares with the par value of PLN 1,000 (one thousand złoty) per share. The newly-issued shares were acquired by the sole shareholder (PGNiG S.A.) and covered with a non-cash contribution in the form of non-current assets constituting components of the transmission or distribution network. The value of the contributed assets as shown in PGNiG S.A.’s books was PLN 54,899 thousand. Following the registration of the share capital increase at WSG Sp. z o.o., the total number of the votes in the company is 1,033,186. PGNiG S.A. holds 100% of the shares in WSG Sp. z o.o., representing 100% of the total vote at the GM.

4. On January 28th 2009 the Supervisory Board of PGNiG S.A. appointed Mr Waldemar Wójcik as a Management Board member – Vice-President of PGNiG S.A. in charge of Oil Mining.
5. On February 14th 2004 the powers of proxy granted to Mr Marek Dobryniewski and Mr Waldemar Wójcik were revoked. Concurrently, the Management Board of PGNiG S.A. appointed Messrs Tadeusz Kulczyk and Zbigniew Król as new proxies.
6. On February 23rd, the trade union organizations active at PGNiG S.A. entered into a collective dispute with the employer over the remuneration growth rate to be applied in 2009. In view of the economic condition of the Company and of the whole country, the Management Board of PGNiG S.A. decided not to accept the demands put forward by the trade union organizations active at PGNiG S.A. to set the remuneration growth rate at 11% per annum, including 5.5% in the first half of the year. The Management Board of PGNiG S.A. declared that it would use its best efforts to work out solutions to end the dispute while taking into account the Company's financial capabilities. As at the Report publication date, the collective dispute was ended with the Agreement Providing for an Increase in the Average Monthly Remuneration at PGNiG signed on April 14th 2009. Its conclusion ended the collective dispute announced on February 23rd 2009 by six trade union organizations active at PGNIG. The Agreement provided that the average monthly remuneration at PGNiG would be increased in line with the proposal of the Company's Management Board, i.e. by 3.5%. Additionally, the Management Board undertook to use its best efforts to protect the jobs at PGNiG and keep the existing staffing levels.
7. On March 2nd 2009 The Management Board of PGNiG S.A. reported that an analysis of the production levels to date indicated the need to revise downward the forecast of the natural gas production volume in 2009, from approx. 4.6 billion cubic meters to approx. 4.3 billion cubic meters. The downward revision of the forecast was attributable to a slightly lower demand for nitrogen-rich gas from some industrial customers who offtake gas directly from the fields. It was also due to the rescheduling of investment plans related to the development of new gas fields, as well as to certain geological problems encountered on the currently producing fields. At the same time, the Management Board of PGNiG announced that the production volume of natural gas in 2010 was forecast at 4.3 billion cubic meters.

5. Factors and Events, in Particular of Non-Recurring Nature, with Material Effect on Financial Performance

The Group ended Q1 2009 with a net loss of PLN 398.7m, which means a y-o-y decline by PLN 1,177.6m (151%). The weakening of the Group's financial position was caused primarily by the erosion of margins on the sale of high-methane gas, which caused EBIT to shrink by PLN 1,404.7m (148%).

The high losses on core business, i.e. high-methane gas trading, were caused chiefly by:

- the increase of unit cost of imported gas,
- the fact that the rates and fees in the gaseous fuel tariffs were not adjusted to reflect the changes in the purchase cost of gas.

The climbing cost of imported gas (rise by 108% relative to the corresponding period of the previous year) was a consequence of the situation prevailing on the global oil and petroleum product markets and on the currency market. Despite a marked decline in oil prices in Q1 2009, the Group continued to feel the effects of the last year's fuel crisis. This is connected with the fact that prices of imported gas are indexed based on a nine-month moving average of petroleum product prices. Changes in the currency market, including in particular a 44% appreciation of the US dollar against the złoty, were an additional factor driving up the prices of imported gas.

The considerable increase in the cost of imports was not reflected in the rates and fees applicable to gaseous fuels in the effective tariffs. Despite two increases of gas sale prices, by 15.3% in April 2008 and by 11.1% in November 2008, the PGNiG Group continued to record high losses on the sale of high-methane gas in Q1 2009.

In connection with the difficult situation with respect to gas imports, the Trading and Storage segment reported an operating loss of PLN 1,126.8m, which means the segment's operating result fell by PLN 1,447.2m year on year. That fall would have been still deeper if it were not for the 8% reduction of the volume of imported gas as a result of the gas conflict in Ukraine and the related 36% increase in supplies of cheaper gas from the underground gas storage facilities.

In the discussed period, the Exploration and Production segment posted an operating profit of PLN 272.1m, lower by PLN 102.3m (27%) than in Q1 2008. This drop can be attributed primarily to the erosion of margins on the sale of crude oil. As a result of low crude oil prices on the global markets, the PGNiG Group sold the product at prices which were by 37% lower than in Q1 2008. The poorer operating result was also due to a 4% decline in natural gas production, following from slightly lower demand for nitrogen-rich gas from some industrial customers who offtake gas directly from the fields, and from the rescheduling of investment plans related to the development of new gas fields, as well as certain geological problems encountered on the currently producing fields.

The high losses on high-methane gas sales were slightly offset by higher margins recorded in the Distribution segment. In Q1 2009, this segment generated an operating profit of PLN 393.7m, up by PLN 126.7m (or 47%) relative to the same period of the previous year. The improvement came primarily as a result of introduction of new tariffs for the Gas Companies at the end of April 2008.

6. Seasonality or Cyclicality in the Company's Operations during the Reporting Period

Sales of gas by the PGNiG Group are subject to significant seasonal fluctuations. The volumes of sold gas materially increase in the winter months and decline in the summer. Sales of crude oil are not subject to such seasonal fluctuations. The volumes of gas sold in winter considerably exceed the volumes sold in summer (June and July). Also, first of all the sales volume depends on the outside temperatures. The extent of fluctuations is determined by the low temperatures in winter and higher temperatures in 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. Seasonality of sales drives the need to increase storage and transmission capacities, including the capacity of distribution networks, in order to meet the demand of end consumers in peak consumption periods and ensure secure gas supplies in Poland.

7. Issue, Redemption and Repayment of Debt and Equity Securities

In Q1 2009, no such transactions occurred at the Group.

8. Total and Per Share Dividend Declared or Paid on Ordinary and Preference Shares

By the date of this report, no decision had been made with respect to distribution of the 2008 profit.

9. Events Subsequent to the Condensed Quarterly Financial Statements Date, Not Disclosed in the Financial Statements but with a Potential Bearing on the Company's Financial Performance in the Future

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

(PLN '000)

10. Changes in Contingent Liabilities and Assets Subsequent to the End of the Previous Financial Year

	Mar 31 2009 (end of Q1 2009)	Dec 31 2008 (end of previous year)
1. Contingent receivables	**538,100**	**365,764**
1.1. from related undertakings	22,030	3,297
- guarantees and sureties received	252	244
- promissory notes received	21,778	3,053
1.2. from other undertakings	474,346	329,055
- guarantees and sureties received	424,532	285,332
- promissory notes received	49,814	43,723
1.3. Other contingent receivables	41,724	33,412
2. Contingent liabilities	**12,130,448**	**11,112,418**
2.1. to related undertakings	19,286	31,757
- guarantees and sureties granted	-	-
- promissory notes issued	-	-
- agreements, investment contracts signed	19,286	31,757
2.2. to other undertakings	12,107,183	11,076,996
- guarantees and sureties granted	9,362,510	8,276,643
- promissory notes issued	71,357	63,920
- agreements, investment contracts signed	2,673,316	2,736,433
2.3. Other contingent liabilities	3,979	3,665

The value of guarantees and sureties under contingent receivables rose significantly. The change results chiefly from the performance bond, issued by ING Bank Śląski S.A. in January 2009, related to an investment agreement concluded between PGNiG S.A. and a consortium of companies (PBG S.A., together with Tecnimont S.P.A., Societe Francaise d'Etudes de Realisations d'Equipements Gaziers SOFREGAZ Plynoslav PARDUBICE HOLDING A.S. and Plynoslav REGULACE PLYNU A.S.). The value of the bond stands at PLN 108,900 thousand. The vast majority of the remaining part of the rise is related to guarantees securing payments for gas supplied by the gas trading companies.

Changes in liabilities under guarantees and sureties granted in Q1 2009 result chiefly from an increase in the value of three material guarantees due to the depreciation of the złoty against the euro and the US dollar. The value of a guarantee granted jointly by the Gas Companies to a bank syndicate (syndication agent: Bank Handlowy S.A. of Warsaw – EUR 1,250,000 thousand) rose by PLN 661,125 thousand, while the value of a guarantee issued to the state of Norway (EUR 627,556 thousand) went up by PLN 331,914 thousand, and the value of a guarantee issued to National Oil Corporation of Libya (USD 108,000 thousand) rose by PLN 62,618 thousand.

The table above does not show bank guarantees which were issued at the request of the Parent Undertaking to beneficiaries to whom the Parent Undertaking has material liabilities under agreements on provision of goods and services. As at March 31st 2009, the value of the bank guarantees was PLN 1,288,982 thousand, relative to PLN 754,714 thousand as at December 31st 2008. The change is chiefly attributable to the fact that the guarantees were rolled over in Q1 2009 and that an additional bank guarantee was issued at the Parent Undertaking's request to Gazprom-Export Ltd., which caused an increase in the value of the guarantees by USD 108,600 thousand (equivalent of PLN 384,618 thousand, translated at the USD mid-exchange rate quoted by the National Bank of Poland for March 31st 2009). The remaining part of the increase in the value of the guarantees was due to the depreciation of the złoty against the US dollar.

11. Segmental Performance Statistics

The Company's operations are divided into business segments. The Group operates in the following four segments:

a) *Exploration and production.* The segment encompasses extracting hydrocarbons from reserves and preparing products for sale. The segment covers the entire process of exploring and extracting natural gas and crude oil from reserves, including geological surveys, geophysical research and drilling work, and development of and production from the reserves. The exploration and production activities are conducted by PGNiG S.A., POGC Libya BV, PGNiG Norway AS and other Group members providing services related to the segment.

b) *Trading and storage*. The segment encompasses the sale of natural gas, either from imports or domestic sources, and operation of underground gas storage facilities for trading purposes. Since the completion of the trading business integration process, the sale of natural gas has been conducted by PGNiG S.A. For the segment's purposes, three underground gas storage facilities are used: in Mogilno, Wierzchowice and Husów. Work related to the operation and expansion of the said facilities is performed by PGNiG S.A. and INVESTGAS S.A. (a Group member). The segment's activities comprise the sale of methane-rich and nitrogen-rich gas fed into the transmission and distribution system. Gas trading business is governed by the Energy Law, with prices established on the basis of tariffs approved by the President of URE.

c) *Distribution*. The segment encompasses transmitting natural gas through the distribution network. Natural gas distribution services are rendered by six Gas Companies, which supply gas to households, industrial and wholesale customers. In addition, they are responsible for operating, repairing and expanding the distribution network.

d) *Other operations.* The segment encompasses designing and building structures, plant and equipment for the mining sector and the fuel and energy sector, as well as offering services associated with the catering and hospitality industry. The said activities are conducted mainly by the Group members.

A segment's assets include all operating assets used by the segment: chiefly cash, receivables, inventories and property, plant and equipment, in each case net of depreciation and valuation allowances. While the majority of assets can be directly allocated to the particular segments, the value of assets used by two or more segments is allocated to the individual segments based on the extent to which a given segment actually uses such assets.

A segment's liabilities comprise all operating liabilities, including primarily trade payables, salaries and wages, and tax liabilities, both due and accrued, as well as any provisions for liabilities which can be assigned to a particular segment.
A segment's assets or liabilities do not include deferred tax.
Internal transactions within a segment have been eliminated.
All transactions between the segments are effected based on prices agreed internally.

11.1. Business Segments

The tables below set forth data on the revenues, costs and profits, as well as certain assets and liabilities of the individual business segments, for the periods ended March 31st 2009 and March 31st 2008.

(PLN '000)

Period ended Mar 31 2009	Exploration and production	Trading and storage	Distribution	Other	Eliminations	Total
Income Statement						
Sales to external customers	512,592	5,821,129	6,447	38,726	-	6,378,894
Sales to other segments	322,251	84,525	965,483	40,492	(1,412,751)	-
Total segment revenue	834,843	5,905,654	971,930	79,218	(1,412,751)	6,378,894
Depreciation and amortisation	(151,516)	(33,685)	(181,894)	(2,449)	-	(369,544)
Other costs	(411,226)	(6,998,776)	(396,268)	(70,525)	1,410,239	(6,466,556)
Total segment costs	(562,742)	(7,032,461)	(578,162)	(72,974)	1,410,239	(6,836,100)
Operating profit/(loss)	**272,101**	**(1,126,807)**	**393,768**	**6,244**	**(2,512)**	**(457,206)**
Net financial expenses						23,462
Share in net profit/(loss) of undertakings valued with equity method		(47)				(47)
Pre-tax profit/(loss)						**(433,791)**
Income tax						35,093
Net profit/(loss)						**(398,698)**
Balance sheet						
Segment assets	11,148,230	9,939,236	10,490,014	295,572	(2,800,328)	29,072,724
Investments in undertakings valued with equity method		556,835				556,835
Unallocated assets						116,297
Deferred tax asset						585,005
Total assets						**30,330,861**
Total equity						20,382,323
Segment liabilities	3,761,559	3,718,168	2,131,180	110,159	(2,800,328)	6,920,738
Unallocated liabilities						1,730,156
Deferred tax liability						1,297,644
Total equity and liabilities						**30,330,861**
Other information						
Capital expenditure on property, plant and equipment and intangible assets	(441,130)	(137,611)	(274,969)	(6,039)	-	**(859,749)**
Valuation allowances for assets	(2,590,366)	(2,341,036)	(10,898,461)	(8,418)	-	**(15,838,281)**
Valuation allowances for unallocated assets						(53,741)

(PLN '000)

Period ended Mar 31 2008	Exploration and production	Trading and storage	Distribution	Other	Eliminations	Total
Income Statement						
Sales to external customers	563,170	4,727,227	7,867	32,174		5,330,438
Sales to other segments	290,218	,410,763	1,147,214	24,103	(1,872,298)	-
Total segment revenue	853,388	5,137,990	1,155,081	56,277	(1,872,298)	5,330,438
Depreciation and amortisation	(143,816)	(32,530)	(171,504)	(2,599)		(350,449)
Other costs	(335,157)	(4,785,101)	(716,476)	(58,648)	1,862,839	(4,032,543)
Total segment costs	(478,973)	(4,817,631)	(887,980)	(61,247)	1,862,839	(4,382,992)
Operating profit/(loss)	**374,415**	**320,359**	**267,101**	**(4,970)**	**(9,459)**	**947,446**
Net financial expenses						30,909
Share in net profit/(loss) of undertakings valued with equity method		66				**66**
Pre-tax profit/(loss)						**978,421**
Income tax						(199,470)
Net profit/(loss)						**778,951**
Balance sheet						
Segment assets	9,431,495	10,372,585	9,987,151	245,486	(2,024,518)	28,012,199
Investments in undertakings valued with equity method		557,595				557,595
Unallocated assets						49,892
Deferred tax asset						423,069
Total assets						**29,042,755**
Total equity						21,787,850
Segment liabilities	2,417,992	2,908,868	2,175,015	62,569	(2,024,518)	5,539,926
Unallocated liabilities						,276,724
Deferred tax liability						1,438,255
Total equity and liabilities						**29,042,755**
Other information						
Capital expenditure on property, plant and equipment and intangible assets	(344,866)	(115,502)	(250,922)	(4,381)		**(715,671)**
Valuation allowances for assets	(2,649,979)	(2,298,253)	(10,816,868)	(4,264)		**(15,769,364)**
Valuation allowances for unallocated assets						(55,436)

IV. SUPPLEMENTARY INFORMATION TO THE Q1 2009 REPORT

1. General Information on The Company and Its Group

PGNiG S.A., registered office at ul. Marcina Kasprzaka 25, 01-224 Warsaw, is the Parent Undertaking of the PGNiG Group. On September 23rd 2005, when new issue shares of PGNiG S.A. were first listed on the Warsaw Stock Exchange (the "WSE"), 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 notarial deed on October 21st 1996.

The Minister of the State Treasury executed the Deed of Transformation pursuant to the Regulation of the President of the Polish Council of Ministers on transformation of the state-owned enterprise Polskie Górnictwo Naftowe i Gazownictwo of Warsaw into a state-owned stock company, dated September 30th 1996 (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. Currently, the Company is 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.

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 in all segments of the domestic gas sector. Polskie Górnictwo Naftowe i Gazownictwo S.A. is the parent company of the Group.

The scope of the PGNiG Group's business comprises oil and gas exploration, oil and gas extraction, as well as import, storage and distribution of and trade in gaseous fuels. The PGNiG Group is both the main importer of gaseous fuel from Russia, Central Asia, Norway and Germany, and the main producer of natural gas from Polish fields. Natural gas and crude oil production are among the key factors ensuring the Company a competitive position on the liberalised gas market.

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 Authority. Exploration and production activities are governed by the Polish Geological and Mining Law and are conducted on a licence basis.

2. Organisation of the PGNiG Group and Its Consolidated Undertakings

As at March 31st 2009, the Group comprised PGNiG S.A., as the parent undertaking, and 34 production and service companies, including:

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

The following table presents a list of the PGNiG Group members as at March 31st 2009:

(PLN '000)

Companies of the PGNiG Group:

	Name	Share capital (PLN)	Value of shares held by PGNiG S.A. (PLN)	% of share capital held by PGNiG S.A.	% of votes held by PGNiG S.A.
	PGNiG S.A.'s subsidiaries				
1	Poszukiwania Nafty i Gazu Jasło Sp. z o.o.	100,000,000.00	100,000,000.00	100.00%	100.00%
2	Poszukiwania Nafty i Gazu Kraków Sp. z o.o.	105,231,00.00	105,231,000.00	100.00%	100.00%
3	Poszukiwania Nafty i Gazu NAFTA Sp. z o.o.	60,000,000.00	60,000,000.00	100.00%	100.00%
4	GEOFIZYKA Kraków Sp. z o.o.	64,400,000.00	64,400,000.00	100.00%	100.00%
5	GEOFIZYKA Toruń Sp. z o.o.	66,000,000.00	66,000,000.00	100.00%	100.00%
6	Poszukiwania Naftowe Diament Sp. z o.o.	62,000,000.00	62,000,000.00	100.00%	100.00%
7	Zakład Robót Górniczych Krosno Sp. z o.o.	26,903,000.00	26,903,000.00	100.00%	100.00%
8	PGNiG Norway AS (NOK)[1)]	497,327,000.00	497,327,000.00	100.00%	100.00%
9	Polish Oil and Gas Company - Libya B.V. (EUR)[1)]	20,000.00	20,000.00	100.00%	100.00%
10	INVESTGAS S.A.	502,250.00	502,250.00	100.00%	100.00%
11	Dolnośląska Spółka Gazownictwa Sp. z o.o.	655,063,000.00	655,063,000.00	100.00%	100.00%
12	Górnośląska Spółka Gazownictwa Sp. z o.o.	1,288,680,000.00	1,288,680,000.00	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.	1,251,738,000.00	1,251,738,000.00	100.00%	100.00%
15	Pomorska Spółka Gazownictwa Sp. z o.o.	614,696,000.00	614,696,000.00	100.00%	100.00%
16	Wielkopolska Spółka Gazownictwa Sp. z o.o.	1,033,186,000.00	1,033,186,000.00	100.00%	100.00%
17	B.S. i P.G. Gazoprojekt S.A.	4,000,000.00	3,000,000.00	75.00%	75.00%
18	BUG Gazobudowa Sp. z o.o.	39,220,000.00	39,220,000.00	100.00%	100.00%
19	Zakład Urządzeń Naftowych Naftomet Sp. z o.o.	23,500,000.00	23,500,000.00	100.00%	100.00%
20	Geovita Sp. z o.o.	86,139,000.00	86,139,000.00	100.00%	100.00%
21	Budownictwo Naftowe Naftomontaż Sp. z o.o.	44,751,000.00	39,751,000.00	88.83%	88.83%
22	Górnictwo Naftowe Sp. z o.o.	50,000.00	50,000.00	100.00%	100.00%
23	NYSAGAZ Sp. z o.o.	3,700,000.00	1,887,000.00	51.00%	51.00%
24	ZRUG Sp. z o.o. (Pogórska Wola)	4,300,000.00	4,300,000.00	100.00%	100.00%
25	BUD-GAZ PPUH Sp. z o.o.	51,760.00	51,760.00	100.00%	100.00%
26	PPUiH TURGAZ Sp. z o.o.	176,000.00	90,000.00	51.14%	51.14%
	Subsidiaries of PGNiG S.A.'s subsidiaries				
27	GEOFIZYKA Kraków Libya JSC (LYD)[1)]	1,000,000.00[2)]	600,000.00	60.00%	60.00%
28	Geofizyka Torun Kish Ltd (Rial) [1)]	10,000,000.00	10,000,000.00[3)]	100.00%	100.00%
29	Oil Tech International F.Z.E. (USD) [1)]	20,000.00	20,000.00	100.00%	100.00%
30	Zakład Gospodarki Mieszkaniowej Sp. z o.o. (Piła)	1,806,500.00	1,806,500.00	100.00%	100.00%
31	GAZ Sp. z o.o. (Błonie)	300,000.00	153,000.00	51.00%	51.00%
32	GAZ MEDIA Sp. z o.o. (Wołomin)	300,000.00	153,000.00	51.00%	51.00%
33	NAFT-STAL Sp. z o.o.	667,500.00	450,000.00	67.40%	67.40%
34	Powiśle Park Sp. z o.o. (Warsaw)	78,131,000.00	78,131,000.00	100.00%	100.00%

[1)] Figures shown in foreign currencies
[2)] Paid-in share capital of LYD 300,000.00, of which LYD 180,000.00 was paid in by GEOFIZYKA Kraków Sp. z o.o.
[3)] Share capital not paid in.

(PLN '000)

In Q1 2009, the following undertakings were included in the consolidated financial statements of the PGNiG Group:

Company	Country	% of share capital held	
		Mar 31 2009	Dec 31 2008
Subsidiaries			
GK GEOFIZYKA Kraków Sp. z o. o. [2]	Poland	100.00%	100.00%
GEOFIZYKA Toruń Sp. z o. o.	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu Jasło Sp. z o.o.	Poland	100.00%	100.00%
GK Poszukiwania Nafty i Gazu Kraków Sp. z o.o. [3]	Poland	100.00%	100.00%
Poszukiwania Nafty i Gazu NAFTA Sp. z o.o.	Poland	100.00%	100.00%
Zakład Robót Górniczych Krosno Sp. z o.o.	Poland	100.00%	100.00%
Poszukiwania Naftowe Diament Sp. z o.o.	Poland	100.00%	100.00%
PGNiG Norway AS	Norway	100.00%	100.00%
Polish Oil And Gas Company – Libya B.V.	Netherlands	100.00%	100.00%
Dolnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Górnośląska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Karpacka Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
The Mazowiecka Spółka Gazownictwa Group[4]	Poland	100.00%	100.00%
Pomorska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
Wielkopolska Spółka Gazownictwa Sp. z o.o.	Poland	100.00%	100.00%
BUG Gazobudowa Sp. z o. o. Zabrze	Poland	100.00%	100.00%
Budownictwo Naftowe Naftomontaż Sp. z o.o.	Poland	88.83%	88.83%
Zakład Urządzeń Naftowych Naftomet Sp. z o.o.	Poland	100.00%	100.00%
B.S. i P.G. Gazoprojekt S.A.	Poland	75.00%	75.00%
Geovita Sp. z o.o.	Poland	100.00%	100.00%
INVESTGAS S.A	Poland	100.00%	100.00%
Subsidiaries of subsidiary BN Naftomontaż Krosno Sp. z o. o.			
NAFT-STAL Sp. z o.o.	Poland	59.88%	59.88%
Jointly-controlled and associated undertakings valued with equity method			
SGT EUROPOL GAZ S.A. [1]	Poland	49.74%	49.74%
GAS - TRADING S.A.	Poland	43.41%	43.41%

[1] Including a 48% direct interest and 1.74% held indirectly through GAS-TRADING S.A..

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

[3] 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.

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

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, Restructuring or Discontinued Operations

- Share capital increase at Wielkopolska Spółka Gazownictwa Sp. z o.o. by PLN 54,899 thousand, to PLN 1,033,186 thousand; the increase was registered with the National Court Register on January 22nd 2009; the newly issued shares were acquired by PGNiG in exchange for a contribution of non-current assets comprising components of the transmission or distribution network.
- On March 12th 2009, POGC-Libya BV and PGNiG S.A. concluded a contribution agreement whereby PGNiG S.A. undertook to make an additional payment for shares of EUR 47,500 thousand. On the same day, the companies executed an annex to the loan agreement of June 18th 2008 which sets forth new arrangements as to the loan maturity date and the repayment currency. Under the agreement and the annex referred to above, on the date of their execution a portion of the amount payable by PGNiG S.A. under its obligation to make the additional payment was set off against the amount owed by POGC-Libya BV under the loan (principal plus interest). The balance of additional payment is be paid in three instalments. The first instalment of EUR 11,603,288.41 was paid on March 19th 2009, while the second and third instalment, EUR 10,000 thousand each, are to be paid on July 1st 2009 and October 1st 2009, respectively.

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 a performance forecast for 2009.

(PLN '000)

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 these 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	% of total vote at the General Shareholders Meeting as at publication date of previous quarterly report	Number of shares held as at publication date of previous quarterly report	% change from Mar 2–May 5 2009	% of total vote at the General Shareholders Meeting as at this report's publication date	Number of shares held as at this report's publication date
State Treasury	84.75%	4,999,999,999	-3.65%	81.10%	4,784,310,462
Other	15.25%	900,000,001	3.65%	18.09%	1,115,689,538
Total:	100%	5,900,000,000	-	100%	5,900,000,000

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 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's publication date*
Management staff	**-**	**45,825**	**-**	**12,417**	**-**	**58,242**
Michał Szubski		6,825				6,825
Mirosław Dobrut	-	19,500	-	-	-	19,500
Tadeusz Kulczyk	-	19,500	-	1,816	-	21,316
Mieczysław Jakiel	-	-	-	10,601		10,601
Supervisory staff	**8,272**	**9,425**	**-**	**-**	**-**	**17,697**
Stanisław Rychlicki	8,272	-	-	-	-	8,272
Jolanta Siergiej		9,425	-	-	-	9,425

* According to confirmations received as at February 23rd 2009 and May 5th 2009.

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 authority, or public administration authority, concerning any liabilities or debts of PGNiG S.A. or its subsidiary undertakings, whose aggregate 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 Undertakings, 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 2009, 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 if 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 2009, 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 the equivalent of 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 of 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 Later

The key factors affecting the PGNiG Group's financial performance will include:

- prices of crude oil on international markets,
- developments on the currency markets,
- the President's of the Energy Regulatory Authority position vis-a-vis gaseous fuel tariffs.

Starting from August 2008, the fuel market saw a marked fall in the prices of crude oil. In Q1 2009, the oil prices stabilised at a level lower than the same period last year. Given that the prices of imported gas are indexed to a nine-month moving average price of petroleum products, the situation prevailing on the fuel market should result in a fall of USD-denominated prices of gas imports in the coming months.

Also the situation on the currency markets has strong implications for the PGNiG Group's financial performance. In March 2009, the rapid growth of the USD and EUR exchange rates, which started in August 2008, finally slowed. The Group expects that in the following months the exchange rates of foreign currencies will stabilise and even drop slightly. The expected strengthening of the Polish złoty should translate into lower cost of imported high-methane gas.

A significant factor with a bearing on the Group's financial standing is the position of the President of the Energy Regulatory Authority (URE) regarding to the prices and rates provided for in the gaseous fuel tariff. On May 7th 2009, the President of URE issued a decision approving a new gaseous fuel tariff for PGNiG S.A. According to the new Tariff, the price of high-methane gas will be reduced by an average of 9.13% relative to the rates specified in the previous Tariff. Additionally, the new Tariff introduces higher (by 14.7% on average) network charges, mainly due to a rise in the costs to purchase transmission and distribution services. As a consequence, the average amount of aggregate charges payable in connection with the delivery of high-methane gas to customers will decrease by 3.3%.
In the case of nitrogen-rich gas, the Tariff provides for a reduction in the prices of gas by an average ranging from 5.6% (Lw subgroups – formerly GZ-41.5) to 7.1% (Ls subgroups, formerly GZ-35), depending on the type of gas. Like in the case of high-methane gas, the Tariff provides for an increase in network charges by an average of 10.6% in the case of Lw gas and 11.2% in the case of Ls gas. As a result, the average amount of aggregate charges payable in connection with the delivery of nitrogen-rich gas to customers will drop by 1.4% in the case of Lw gas and 1.3% in the case of Ls gas. The exact date of the new Tariff's entry into force will be announced in a separate release and its effective period will be finally determined by March 31st 2010.

The PGNiG Group expects the profitability of its production operations to deteriorate, chiefly on the back of the change in the tariffs for gaseous fuels. The profitability of crude sales will be driven largely by the prices of crude oil on international markets. Despite the anticipated drop in margins, the production operations will continue to be a strongly profitable business.

In line with its plans, the PGNiG Group will maintain a high level of capital expenditure on investment projects, including projects aimed to expand its production capacity, diversify sources of supply and expand the capacity of its underground storage facilities, as well as exploration projects. The Group's extensive investment activity will be financed from operating cash flows and funds made available under credit facilities contracted by the Group.